Remarks by the Hon. Arvin Boolell
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**Topic: Prompt Action To Renew AGOA Is Essential**

Ladies and Gentlemen

Thank you for inviting me to share my views on this important topic which surfaced in the context of reflections being made on the Future of AGOA. Today’s discussion takes place on the eve of the first ever US Africa Leaders Forum which in itself is demonstrative of the commitment of the US towards strengthening ties with the African continent.

The signing into law of the AGOA legislation in 2000 marked a breakthrough in economic relations between the US and Sub Saharan Africa as it demonstrated a commitment to help the region achieve economic prosperity through trade and investment.

Although SSA remains one of the poorest regions in the world with an estimated 48% of the population living on just $1.25 per day, it has made commendable progress in its development trajectory since the passage of AGOA into law. The growth rate has been steady at an average of 5% since 2001, compared to a negative per capita
growth rate of 1.1% in 1995. The impact of AGOA on exports and on job creation has been tremendous. Indeed the benefits of AGOA for Africa have been widespread, both in terms of sectors and the number of countries that have availed of these benefits.

After 15 years, it is important that we take stock of what AGOA has helped to achieve. As part of a series of four investigations, the U.S. International Trade Commission has made public one investigation, namely Trade and Investment Performance Overview. This US ITC report demonstrates that AGOA has been a great success in spurring economic development in Africa.

Total U.S. imports from Africa have more than doubled since AGOA was enacted in 2000, increasing by roughly 132% to $38 billion in 2013, according to the ITC report.

Undeniably, Africa’s traditional exports have been unprocessed oil and minerals. So in assessing what AGOA has accomplished, it is more relevant to examine new trade created by AGOA’s incentives. Importantly, U.S. imports of non-extractive products from Africa have grown by 94% to $6.0 billion in 2013.

Agricultural products and food products are up 356% since 2000 to $342 million in 2013.
AGOA exports of motor vehicles are up a stunning 1,239% to $2.0 billion.

Let me also point out that apparel exports has increased by 16% to $907 million. Of course, apparel imports more than doubled between 2000-2004, but the expiration of the Multi-Fiber Arrangement in 2005 exposed the infant African apparel industry to unfettered competition from Asian super-producers like China, resulting in a 50% drop of apparel trade during 2005-2010. Since 2010, however, apparel trade has begun to recover, up 18% from $789 million in 2010 to $907 in 2013, and the outlook for the future is promising.

Although it is sometimes said that the benefits of AGOA have been concentrated in just a handful of countries, in fact the evidence proves the opposite.

25 of the 38 countries that were eligible under AGOA in 2013 exported products to the United States under AGOA. And 14 of those countries each exported more than $10 million worth of non-extractive products.

It has also brought positive gains to the US economy. During 2000-2013, U.S. exports to Africa grew by 288% from $5.6 billion in 2000 to $21.7 billion in 2013. In other words, although the U.S. still imports more from Africa ($39 billion) than it exports to Africa ($22
billion), U.S. exports to Africa have increased by more than twice as much since AGOA was enacted as have African exports to the U.S. In short, the U.S. is already benefiting from the two-way trade being spurred by AGOA, and literally tens of thousands of U.S. jobs are dependent upon AGOA trade.

AGOA has undeniably been a success. But with AGOA now up for renewal, we must ask what changes, if any should be made with a view to making the AGOA program more effective and efficient. I would like you to reflect on a few points.

First, I firmly believe that, as we consider ways to improve AGOA, our prime objective must be to consolidate the gains of AGOA. Nothing would be more tragic than to allow the renewal of AGOA to be delayed by partisan politics. AGOA has always enjoyed bi-partisan support in Congress, and so I call upon all members of Congress from both major parties to lend their strong and unwavering support to the timely renewal of AGOA.

Second, delay is our worst enemy. Experience has taught that delay in renewing AGOA in the past did cause uncertainty and resulted in job losses in both Africa and the U.S.

Specifically, although Congress renewed the AGOA third-country fabric provision in August 2012, just weeks before its scheduled expiration in September 2012, the delay until the eleventh hour
caused uncertainty and forced U.S. importers to shift orders out of Africa, costing tens of thousands of jobs in Africa.

It took a full year for the apparel trade to recover. We could only imagine how bad the job losses would be if the entire AGOA program was allowed to lapse. U.S. importers are already warning that they will be forced to shift orders out of Africa if AGOA has not been renewed by the end of 2014. Accordingly, renewal of AGOA before the end of 2014 is an imperative.

Third, AGOA should be extended for a long period of at least 15 years to ensure predictability of the program, sustainability and legal security. Since its enactment in 2000, AGOA has been renewed several times, but for only short periods, typically five years or less. But major capital investments usually require 10-15 years to be fully amortized. AGOA’s short time horizon has made it difficult, therefore, to attract major investments and has restricted the scope of economic development under AGOA to those sectors that do not require significant capital investment. We recommend that AGOA should be renewed for not less than 15 years to provide the stability and certainty that investors require and, thereby, to broaden the scope of economic development fueled by AGOA.

I would like to underscore the specific importance of the AGOA third-country fabric rule of origin, which allows AGOA beneficiaries to use fabrics from any origin and is the key to the competitiveness
of SSA’s apparel industry. Apparel exports under third country fabric rule accounts for more than 90% of total AGOA apparel exports to the US. It is absolutely essential to the survival of the AGOA apparel industry that the third-country fabric provision should be extended for the full term by which AGOA i.e., not less than 15 years.

While the extension of AGOA has generated consensus as the cornerstone of US-Africa economic relations, there has been some debate on the need for some of the key provisions of AGOA to be revisited to improve the effectiveness of access. Indeed one of USITC investigations relate to this vital issue. While the debate on AGOA’s scope and content will follow the release of USITC’s findings, one area of unanimous consent in SSA is the need to improve Rules of Origin for canned tuna.

Africa has a small but successful canned tuna industry located in Ghana, Kenya, Mauritius, Senegal, and the Seychelles with huge export potential on the US market. AGOA 35% value-added rule of origin makes it impossible to tap to the US market. This is because the value of the tuna itself exceeds 50% of the final value of the canned tuna. In addition, the origin of the tuna is determined by the flag of the vessel that caught the fish, rather than the nation where the fish is processed and canned. Unfortunately, there are very few commercial tuna fishing boats registered in Africa.
Changing the AGOA rule of origin to allow the use of tuna that is caught by non-African fishing boats, but provided the canning is done in Africa, would create trade opportunities and jobs in Africa. This could be accomplished either by creating a special rule of origin for canned tuna under AGOA, such as a simple “tariff shift” standard, or by a special derogation allowing duty-free treatment for a limited volume of “non-originating” tuna.

It has also been suggested by some that AGOA should be revised to authorize the “graduation” of more advanced AGOA beneficiaries that no longer need AGOA’s preferences in order to be competitive. This proposal requires thoughtful consideration and has to be assessed carefully as the consequences can be irreversible.

It could seriously undermine regional integration and, therefore, have the unintended effect of compromising development in the lesser developed countries whose economies are linked to and dependent upon their more developed neighbors.

The closest analogue to AGOA is the Caribbean Basin Initiative (CBI) program, which extends trade preferences to the nations of the Caribbean and Central America. The CBI program is permanent, and does not provide for graduation of more advanced beneficiaries. Instead, when the United States considered it to be appropriate, it negotiated FTAs with specific CBI countries, which produced the DR/CAFTA agreement and the Panama FTA. I suggest that this is
the more appropriate model to follow, rather than any mandatory graduation requirement.

Let me now turn to the issue of implementation of the WTO Trade Facilitation Agreement which may have an implication on AGOA’s extension. The mere fact that we reached consensus at the 9th Ministerial Conference in Bali on Trade Facilitation is an achievement in itself, cognisant that we had more than a decade of impasse in the DDA negotiations. Bali was successful in renewing the faith of WTO members in multilateralism.

More important is what can be achieved with the Trade Facilitation Agreement. We have created the precedence within the WTO for an inbuilt special and differential (S&D) provision within an agreement and which could be a trendsetter for the implementation of many agreements to come within the WTO. In essence the Agreement allows African countries the flexibility to determine what to implement and when and more importantly, even what not to implement if they do not have the capacity.

I know that many African countries are still apprehensive of the Trade Facilitation Agreement and have expressed concerns more particularly, as regards the merit of the continent to engage in Trade Facilitation when other issues within the DDA remain unresolved.
From our perspective, Trade Facilitation complements and reaffirms the reform we have already started on the continent to reduce the cost of doing business and to improve trade.

Trade Facilitation fits clearly in the continental, regional and sub-regional initiatives in which we are seriously engaged and aimed at removing the obstacles to the free movement of goods and services and dynamising regional and continental integration.

We are at different levels of development; some of us are Small Island Developing States, some are LDCS and others LLDCS. It is estimated that the removal of border crossing procedures, cumbersome documentation regulations and non-tariff barriers will reduce trade costs by 14% in the landlocked countries. Trade facilitation measures in the coastal and transit countries will have positive spill-over effect on the hinterland countries.

The question however, remains in the minds of many in Africa. What’s the value added for us? The value added is increased opportunities for Trade and investment, prospects for increased intra-Africa and, intra-regional trade.

Let us take concrete examples of the benefits of Trade Facilitation. For example the Chirundu one stop border post between Zambia and Zimbabwe officially launched in 2009 has streamlined trade procedures and reduced delays. Passengers and commercial traffic
now stop only once to complete border formalities for both countries, and waiting times for commercial traffic have been reduced from about four to five days to a maximum of two days and often to a few hours.

Similarly, Trade facilitation can contribute to reducing the costs of trading for those vulnerable groups that work on small margins and have a limited, if at all, financial safety net. Even low-cost trade facilitation measures, such as training of border guards or installing proper illumination at border crossings, can have almost instant impact for traders and the informal sector.

This is why we have a positive view of Trade Facilitation implementation in Mauritius.

In this regard, we welcome the setting up of the WTO TF Assistance Facility. We look forward to sustained flow of resources and technical assistance and capacity building. More assistance needs to be committed by our development partners.
In conclusion, I think we should view TF as an opportunity to improve and enhance Africa’s trade capacity. And if we do so, TF will complement AGOA and will not serve as a complication to AGOA renewal. In closing, I encourage all of you to use your best efforts to encourage the US Congress to act quickly to renew AGOA.

Thank you.