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Thank you, Chairman Schmidtlein and Members of Commission, for the opportunity to present the views of the African Coalition for Trade (ACT) on recent developments in the U.S.-Africa trade and investment relationship. ACT is a non-profit trade association of African private sector entities engaged in trade with the United States under the African Growth and Opportunity Act (AGOA). Because our members are actively doing business under AGOA, they have first-hand knowledge of what has worked well under AGOA and what is necessary to make the U.S.-Africa trade and investment relationship continue to succeed in the future.

I. AGOA Has Been a Success for Both Africa and the U.S.

A. U.S. Imports under AGOA Have Fallen, but Trade in Non-Extractive Products Remains Stable.

As part of the policy deliberations that led up to the renewal of AGOA in June 2015, the U.S. International Trade Commission (ITC) conducted an investigation into AGOA and issued a series of reports, one of which was made public. According to the 2015 ITC report, U.S. imports under AGOA increased 132% to $38 billion from the enactment of AGOA in 2000 to 2013. Table No. 1 updates that data through 2016 (which is the most recent year for which full trade data is available), showing a -48% drop in U.S. imports of all products from the AGOA countries, falling from $38.3 billion to 2013 to $20.1 billion in 2016. At the same time, U.S. exports to Africa also declined by -45% to $12.0 billion in 2016. Total U.S.-Africa trade, therefore, declined by -47% to $32.1 billion. The U.S. trade deficit with the AGOA countries in all products fell by -52% from -$16.6 billion in 2013 to -$8.0 billion in 2016.

But in assessing AGOA's impact, I usually disregard trade in extractive products, by which I mean petroleum products, minerals and precious metals, because trade in those products would have occurred even if AGOA had never been enacted. Moreover, swings in commodity prices can distort the volume of trade in such products.[1] Accordingly, I prefer to focus on the development of trade in non-extractive products as a better barometer of what AGOA has achieved.

Table No. 2 demonstrates changes in U.S.-Africa trade flows of non-extractive products since 2013. U.S. imports of non-extractive products from the AGOA countries have been remarkably stable, averaging

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[1] For example, as illustrated in Table No. 1, nominal U.S. imports from Africa plunged by -60%, as measured by dollar value, from 2012 to 2015. But as demonstrated by Table No. 2, this decline was due in large part to the drop petroleum imports. Measured by value, petroleum imports from Africa fell by -77% from 2012 to 2015. But measured by volume in barrels, the drop was much smaller, only -40%. The difference was due to falling crude oil prices.

about $11.6 billion annually. At the same time, non-extractive products as a share of total imports have increased from 30% in 2013 to 58% in 2016 due to the decline in extractive product imports.

According to the 2015 ITC report, the major non-extractive product imports in 2013 were: agricultural and food products, motor vehicles and apparel. As shown in Table No. 4, these same products continued to represent the major non-extractive exports to the United States under AGOA in 2016:

Agricultural products:	up 41% to $2.3 billion;
Automobiles:	down -28% but still worth $1.6 billion; and
Apparel:	up 16% to 1.03 billion.

AGOA's trade benefits have been widespread. ITC data indicates that all eligible AGOA beneficiaries actually took advantage of AGOA and exported to the United States in 2016. Eighteen of those eligible countries each exported more than $100 million to the United States in 2016, with the top 10 exporters of non-extractive products being: South Africa, Cote d'Ivoire, Kenya, Madagascar, Mauritius, Ghana, Lesotho, Ethiopia, Tanzania, Cameroon, Mozambique, Namibia, and Malawi. Literally hundreds of thousands of direct jobs and millions of indirect jobs have been created in Africa by AGOA.

B. The United States Maintains a Trade Surplus with Africa in Non-Extractive Products.

Of course, AGOA is a unilateral trade preference program, not a reciprocal trade arrangement. But the benefits of increased trade under AGOA are in fact a two-way street, benefiting both the United States and Africa. During 2000-14, U.S. exports to Africa grew by 380% from $5.6 billion to $25.4 billon. In 2014, U.S.-Africa trade was in equilibrium (at least temporarily), with the United States importing $25.6 billion from Africa and exporting $25.4 billion to Africa. Since 2014, U.S. exports to Africa have declined, but imports from Africa have also declined. As shown in Table No. 3, the United States has run a consistent trade surplus with the AGOA countries in non-extractive product imports. In 2016, that trade surplus amounted to $480 million, but it had reached as high as almost $11 billion in 2014.

The major products regularly exported by the United States to Africa are: heavy equipment, aircraft and aircraft parts, motor vehicles, refined oil, food products, and electrical equipment.

Major U.S. Exports to Africa
($ million)

	2016 Exports	% of Total Exports
Heavy Equipment	$3,141	19%
Aircraft and Parts	$2,533	15%
Motor Vehicles	$2,051	12%
Refined Oil	$1,428	9%
Food Products	$1,400	8%
Electrical Equipment	$751	5%

In short, the United States 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.

II. Recent Developments in AGOA Apparel Trade.

The majority of ACT's members are engaged in apparel production and trade, so I would like to focus on that sector in particular. As noted above, U.S. apparel imports under AGOA increased by 16% from 2013 to 2016, reaching $1.03 billion. In fact, the picture surrounding apparel trade under AGOA is much more complicated. U.S. apparel imports from Africa nearly tripled during AGOA's first four years, but following the expiration of the Multi-Fiber Arrangement (MFA) in 2005, dropped by 50% for the period 2005-2010. Since 2010, however, AGOA apparel trade has begun to recover, increasing by 30% from $789 million in 2010 to $1.03 billion in 2016.

In the early days of AGOA, apparel made from cotton yarn and/or fabric constituted the majority of AGOA apparel trade. In the past few years, however, imports of apparel made from man-made fiber (MMF) have increased significantly and now are larger than cotton products. This shift is being driven by the fact that duties on MMF apparel are typically twice as large as those on cotton garments. Because of this major duty saving, it is likely that the shift to MMF production will continue.

Cotton vs. MMF Apparel Imports from Africa
($ million)

	2015	2016	Year Ending 11/2017	% Change
Cotton Apparel Imports	$571.5	$525.1	$495.4	-13%
MMF Apparel Imports	$486.0	$497.8	$541.9	+12%

Virtually since the enactment of AGOA in 2000, apparel imports from six beneficiaries – Lesotho, Kenya, Madagascar, Swaziland, Mauritius, and South Africa – had been head-and-shoulders greater than the next largest AGOA producer. The end of the MFA in 2005, however, produced major changes. Apparel imports from South Africa have fallen so dramatically – a ruinous drop of more than -92% in 11 years – that Ethiopia, Ghana and Tanzania all passed South Africa among the top AGOA apparel exporters.

With the suspension of Swaziland's AGOA eligibility effective January 1, 2015, apparel imports from Swaziland were negligible during 2015-16 and disappeared completely in 2017. Swaziland's AGOA eligibility was reinstated effective January 1, 2018. It is likely, therefore, that apparel imports from Swaziland will resume later this year, but probably not for the first several months of the new year because of the lead time necessary for orders to be placed, production to occur, shipment, etc.

Apparel imports from Mauritius were also hit quite hard by the end of the MFA, falling by more than half during 2005-08. Since Mauritius was made eligible under the AGOA third-country fabric provision in 2008, however, apparel imports from Mauritius have staged a recovery. In 2014, apparel imports from Mauritius were up 14.1% over 2013, and had remained basically stable through 2015-2016. More recently, however, apparel imports from Mauritius were down –23.89% by volume, and -27.32% by value during January-October 2017. It is not clear what has prompted this recent slide in apparel imports from Mauritius. Ethiopia passed Mauritius in the volume of its apparel exports during January-October 2017, but measured by value, Mauritius exports several times as much as Ethiopia.

With the reinstatement of Swaziland's AGOA eligibility, a total of 30 AGOA beneficiaries now have approved AGOA apparel visa systems, qualifying them for duty-free access to the U.S. market: Benin, Botswana, Burkina Faso, Cameroon, Cape Verde, Chad, Cote d'Ivoire, Ethiopia, Ghana, Guinea, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Uganda and Zambia.

Ten of these AGOA visa holders exported significant volumes of apparel to the United States during January-November 2017: Botswana, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritius, South Africa, and Tanzania. Together, these ten countries accounted for over 98% of total U.S. apparel imports from Africa. Apparel imports from these ten countries increased by 3.30% during January-November 2017, as measured by volume in sme, and 1.52% by value.

Country	Jan.-Nov. 2016		Jan.-Nov. 2017		% Growth	
	msme	$ million	msme	$ million	msme	$ million
Botswana	0.917	$4.273	0.185	$0.993	-79.88%	-76.77%
Ethiopia	14.800	$29.732	21.327	$47.317	44.10%	59.15%
Ghana	2.814	$5.967	3.141	$7.239	11.60%	21.31%
Kenya	87.405	$312.322	85.350	$313.636	-2.35%	0.42%
Lesotho	61.601	$269.834	59.032	$261.860	-4.17%	-2.96%
Madagascar	27.698	$93.783	39.910	$144.064	44.09%	53.61%
Malawi	0.330	$1.269	0.132	$0.323	-59.89%	-74.57%
Mauritius	26.605	$185.530	20.672	$138.204	-22.30%	-25.51%
South Africa	0.871	$6.694	0.712	$5.662	-18.22%	-15.42%
Swaziland	0.224	$0.073	0.000	$0.000	-100.00%	-100.00%
Tanzania	14.612	$33.649	14.590	$37.243	-0.15%	10.68%
Subtotal of 10 Visa Countries	**237.877**	**$943.126**	**245.051**	**$956.541**	**3.02%**	**1.42%**
Rest of Africa	**0.818**	**$2.860**	**1.517**	**$3.801**	**85.45%**	**32.90%**
Total	**238.695**	**$945.986**	**246.568**	**$960.342**	**3.30%**	**1.52%**

III. AGOA's Accomplishments Need To Be Solidified in Permanent FTAs.

From the foregoing, it is clear that AGOA has worked and is a success story. The 10-year extension of AGOA through September 30, 2025, by the Trade Preferences Extension Act of 2015, H.R. 1295, Pub. L. 114-27, laid the foundation for AGOA's continued success. Although AGOA has been in effect for 15 years, it had never before enjoyed more than a five-year future on a prospective basis. Instead, AGOA in the past had been renewed for a series of short terms, which has handicapped the ability to attract major investments, requiring at least 10 years to be amortized.

Accordingly, there was legitimate reason for optimism that the stage had been set for truly transformative change last year when Congress renewed AGOA for 10 years. But for transformative change to be achieved, it is essential that the Administration expeditiously explore and decide upon the type of trade arrangement to succeed AGOA in 2025. Ten years may seem like a long time, but in the context of planning investment and sourcing strategies, it will pass like the blink of an eye. Indeed, there are now only seven and one-half years left until the current authorization of AGOA will expire, and little if anything has been done during the two and one-half years since AGOA was extended to define what the future of U.S.-Africa trade will be post-2025. Now is the time to define what sort of trade relationship will be put in place to succeed AGOA after 2025.

This is especially true if the Administration decides to transition AGOA from non-reciprocal unilateral trade preferences to reciprocal free trade agreements (FTAs). It usually takes years, not months, to negotiate FTAs. In addition, because the development of U.S.-Africa trade over the past 17 years has been based on the terms of access and rules of origin of AGOA, it is critical that the provisions contained in future FTAs should be no less beneficial than the terms of AGOA, including in particular the third-country fabric rule of origin, which accounts for 90% of AGOA apparel trade.

Finally, FTA negotiations would also provide an opportunity to address a shortcoming in the AGOA rules of origin concerning canned tuna. Africa has a small but successful tuna canning industry that provides jobs to thousands of workers, especially women, in Ghana, Kenya, Madagascar, Mauritius, and Senegal. Unfortunately, it is nearly impossible for tuna canned in Africa to meet the AGOA 35% value added rule of origin, which is largely determined by the flag of the vessel that catches the fish, rather than the nation where the fish is processed and canned. Seychelles was the only AGOA country with a commercial tuna fleet, but with the graduation of Seychelles, the other AGOA beneficiaries have lost their primary source for originating tuna. Relaxing the rule of origin under a future FTA to allow the use of "non-originating" tuna (perhaps under a TRQ or cap) that is processed and canned in Africa would create more trade opportunities and jobs on the continent. Africa already exports canned tuna to the EU under more flexible rules of origin that permit use of a limited amount of "non-originating" tuna.

IV. Conclusion.

The members of ACT who actually do business under AGOA believe it has worked well, and they are optimistic that its 10-year extension last year will create major opportunities to attract new investment, thereby enabling AGOA to achieve its full potential. To ensure this happens, ACT's members believe that prompt initiation of FTA negotiations between the United States and those AGOA countries that are ready and willing to do so is the only practical way to maintain and expand the success that AGOA has achieved so far.

Respectfully submitted,

Paul Ryberg
President

January 23, 2018

Table No. 1: U.S.-Africa Trade Balance in All Products
($ million)

	2010	2011	2012	2013	2014	2015	2016	2017 (Jan-Nov)	% Change 2010-16	% Change 2013-16
U.S. Imports	$61,387	$72,395	$47,495	$38,322	$25,484	$19,128	$20,058	$22,433	-67%	-48%
U.S. Exports	$15,863	$19,688	$20,831	$21,720	$22,951	$16,433	$12,026	$11,564	-24%	-45%
Total 2-Way Trade	$77,250	$92,083	$68,326	$60,062	$48,435	$35,561	$32,084	$33,997	-58%	-47%
U.S. Trade Balance	-$45,523	-$52,707	-$26,664	-$16,602	-$2,533	-$2,695	-$8,031	-$10,869	-82%	-52%

Source: U.S. ITC Dataweb

Table No. 2: U.S. Imports of Non-Extractive Products
($ million)

	2010	2011	2012	2013	2014	2015	2016	2017 (Jan-Nov)	% Change 2010-16	% Change 2013-16
Total U.S. Imports	$61,387	$72,395	$47,495	$38,322	$25,484	$19,128	$20,058	$22,433	-67%	-48%
HTS 26 Ores	$671	$79	$936	$961	$802	$647	$488	$549	-27%	-49%
HTS 27 Petroleum	$48,918	$57,994	$34,733	$25,645	$12,407	$6,975	$7,871	$10,011	-84%	-69%
HTS 28 Precious Metals	$244	$5346	$261	$242	$205	$218	$153	$144	-41%	-37%
Non-Extractive Imports	$11,554	$13,265	$11,565	$11,474	$12,070	$11,288	$11,546	$11,729	-0.07%	+0.6%
% of Total	19%	18%	24%	30%	47%	59%	58%	52%		

Source: U.S. ITC Dataweb

Table No. 4: Major Non-Extractive Product Imports
($ million)

	2013 Imports	% of Total Non-Extractive Imports	2016 Imports	% of Total Non-Extractive Imports	% Change
Agricultural and Food Products	$1,599	14%	$2,256	19%	+41%
Automobiles	$2,195	19%	$1,582	13%	-28%
Apparel	$888	8%	$1,028	9%	+16%
Rubber and Rubber Products	$262	2%	$143	1%	-45%
Seafood	$96	<1%	$88	<1%	-8%

Source: U.S. ITC Dataweb