



Africa Growth and Opportunity Act (AGOA) CIVIL SOCIETY NETWORK



NEWSLETTER

Volume 1, Issue 2

March 2004

Building Relationships to Increase AGOA's Efficiency

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- **Progress of AGOA III in US Congress** Third Country Fabric provision extension is a major priority
- **AGOA Civil Society Network Stance on AGOA III** Items from the AGOA Civil Society Session communiqué are compared against the two AGOA III bills in US Congress
- **AGOA Network Member** Temba A. Nolutshungu, Director, the Free Market Foundation of Southern Africa writes about the importance of AGOA to Africa's economic future
- We're putting AGOA Civil Society Network members on the map!

Network Member Notes:

- **Call for submissions still open!!** We are always open to receiving your stories related to AGOA and Civil Society Service on the ground in Africa and in the US. Tell us what people are saying about AGOA III in your part of the world. Email your thoughts, concerns and questions to moladeinde@democracy-africa.org
- **Write your Congressional Representatives** in the House and Senate and let them know that **AGOA is important!** Use the letter we've attached as a template, send the letters yourself or email us and we can forward them for you (moladeinde@democracy-africa.org)

As AGOA III Idly Sits in the US House and Senate, AGOA Supporters Grow Anxious about Approaching Third Country Fabric Provision Cut-Off

A number of efforts are being made in Washington, DC USA to get attention to the AGOA III Bill in US Congress. Possibly due to protectionist feelings especially regarding trade because of the upcoming US elections, the Bill - which was first entered into the House by Congressman Jim McDermott and into the Senate by Senator Richard Lugar in December 2003 - has not received much attention. Many groups including the AGOA III Action committee (a coalition of African ambassadors, business representatives, faith-based groups and NGOs including the AGOA Civil Society Network) are working with US congressional leaders to rally support and action for the bill. Congressman McDermott's office has also developed a website which tracks AGOA support and progress.

Getting timely attention for the bill is especially important because of the upcoming September 2004 cut off for Third Country Fabric provisions under the bill. Both the House and Senate versions of the bill include extensions for third

country fabric provisions and this aspect of the bill is a particular focus in AGOA III support efforts. While both versions of the bill also include amendments to AGOA that would make efforts to diversify AGOA trade (especially regarding improvements in African agriculture and tourism sectors), sustaining the overall impact of AGOA must include an extension of the trade and apparel sector improvements. The upcoming WTO agreement elimination of trade and apparel quotas will also leave Africa vulnerable to other countries particularly competitive in apparel and trade (such as the Asian tiger countries), which could serve to undermine many AGOA trade efforts currently being undertaken.

The AGOA Civil Society Network has drafted a letter to Congressional leaders (particularly Congressman Thomas, Chairman of the House Ways and Means Committee). The House Ways and Means Committee is particularly important in getting action on the AGOA III Bill and we

encourage AGOA Civil Society Network members to use the (attached) letter on their own letter head, sign the letter (or simply type name if unable to scan signature; for e-copy of letter email moladeinde@democracy-africa.org) or place their organizations name in place of a signature and fax or email it back to us (moladeinde@democracy-africa.org). We will make sure that the Congressman receives the letter. Also, for our African Diaspora friends and other friends of Africa in the US, we encourage you to write your US Congressional representative and to explain to them why the passing of AGOA (especially the third country provisions) is particularly important. We encourage you to use the AGOA Civil Society Network letter as a template.

Again, action on this bill is especially important and urgent. As time wanes on, the closer the cut off for Third Country Fabric provision gets. So act now! Rally support for the extension of AGOA Third Country Provisions! Keep AGOA Alive!

Rally support for the extension of AGOA Third Country Provisions! Keep AGOA Alive!

AGOA CIVIL SOCIETY NETWORK STANCE ON AGOA III LEGISLATION

<u>AGOA III Amendments</u>	<u>S. 1900</u> <i>US Senate version introduced by Senator Lugar</i>	<u>H.R. 3752</u> <i>US House of Rep. version introduced by Congressman McDermott</i>	<u>AGOA Civil Society Network</u>
<i>Extension</i>	2015	2020	2025
<i>Third Country Fabric</i>	Benefits extended four years without restriction	Benefits extended four years with an additional possible two-year extension afterwards for specific LDCs that are making progress towards establishing a domestic fabric manufacturing industry but lack the capacity to meet demand.	<i>From the Second AGOA CSO Session Communiqué: Third country fabric provision[s] should be extended] through 2010 (6 years). Mechanisms should be put in place to ensure market access and competitiveness of AGOA-eligible countries beyond the phasing out of the country quota under the World Trade Organization agreement on textiles and clothing.</i>

AGOA CIVIL SOCIETY NETWORK STANCE ON AGOA III LEGISLATION

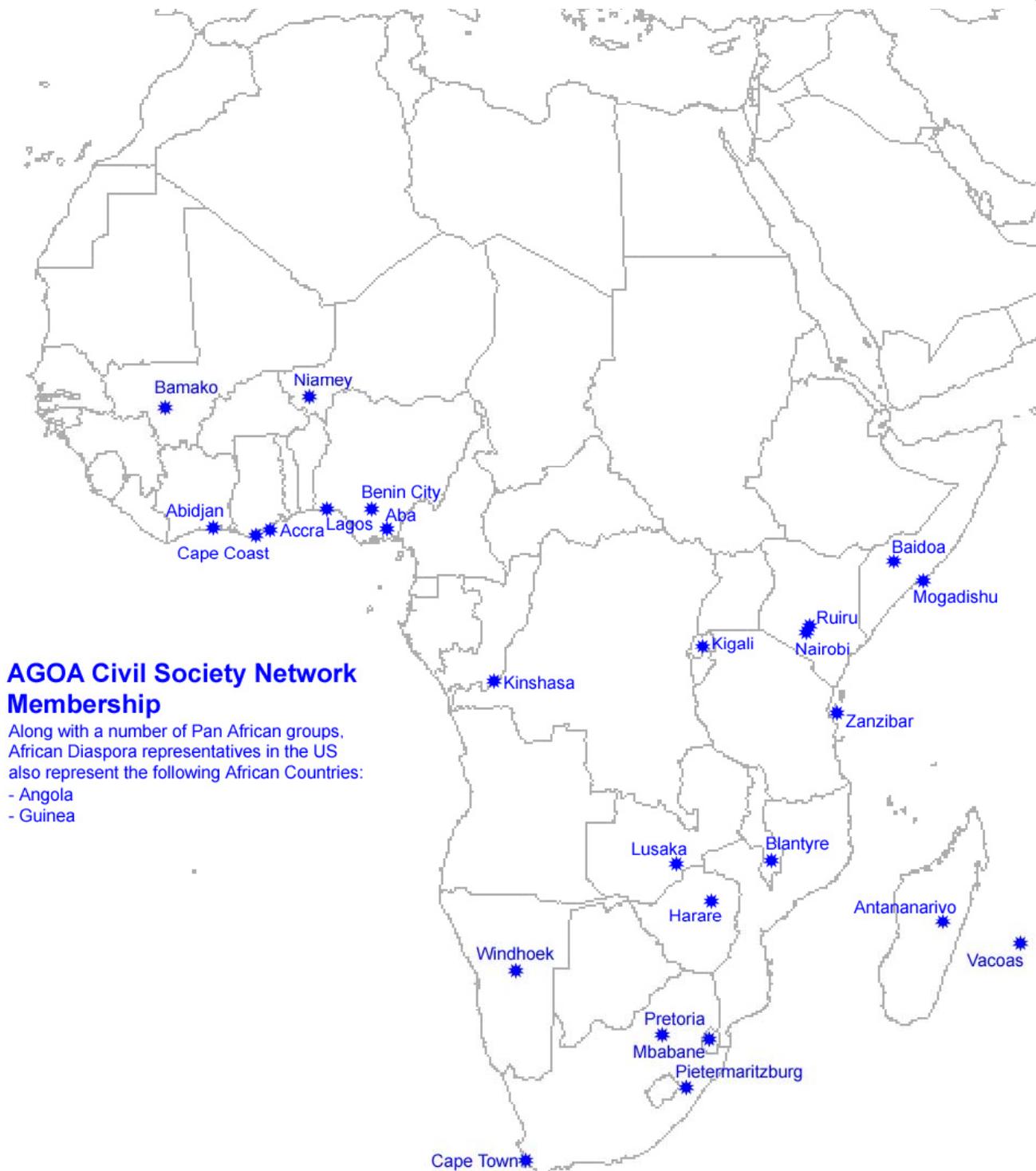
<u>AGOA III Amendments</u>	<u>S. 1900</u>	<u>H.R. 3752</u>	<u>AGOA Civil Society Network</u>
<i>Rule of Origin</i>	<p>Eligibility is now predicated on the origin of the major component that defines the character of the product. Also, the sections on findings, trimmings and de minimus requirements have been removed.</p> <p>This simplifies the rule of origin and allows use of third-country findings, trimmings, collars, cuffs, minor components, etc., regardless of LDC status.</p>	Same except, the de minimus requirements are kept.	Same.
<i>Apparel Tariff Rate Quota</i>	Eliminates the Tariff Rate Quota on apparel, giving Africa unlimited duty-free access for apparel exports.	<p>Keeps the TRQ on apparel, split between that made from third country fabric and that made from regional fabric.</p> <p>(1) The TRQ on third-country fabric would increase to 3.5% of total US apparel imports by 2007-8</p> <p>(2) The TRQ on regional fabric would increase to 10% by the 2014-15.</p> <p>Note: It is unclear what would happen to the TRQ for 2015-2020, but the absence of any % seems to indicate an intent to lift the TRQ for the final 5 years.</p>	Same as S. 1900
<i>Short Supply</i>	<p>Expands the short supply provision by removing the language on NAFTA, this will allow fabric made in Africa to potentially qualify for short supply.</p> <p>Makes short supply an ongoing designation. New products found to be in short supply under other programs are automatically eligible under AGOA.</p>	Same.	Same.
<i>Printed Ethnic Fabric</i>	Expands the folkloric provision to include machine printed ethnic fabric not usable for apparel production.	Same	Same.
<i>Seamless Knitting Machines</i>	N/a	Includes apparel formed on seamless knitting machines.	Same.
<i>Cumulation</i>	N/a	Urges the Administration to treat yarns/fabrics and other inputs from AGOA countries as originating inputs in future free trade agreements.	Same.
<i>Agricultural TRQ</i>	N/a	<p>Lifts the TRQs on agricultural products imported from AGOA beneficiaries.</p> <p>Also eliminates the over quota tariff on agricultural products from beneficiaries.</p>	<i>From the Second AGOA CSO Session Communiqué:</i> To provide for more equitable trading opportunities for Africa, the United States, EU and Japan must collectively eliminate subsidies, quotas and all forms of trade protection and allow the laws of comparative advantage in a free market system to create a level playing field that can allow for African participation.

<u>AGOA III Amendments</u>	<u>S. 1900</u>	<u>H.R. 3752</u>	<u>AGOA Civil Society Network</u>
<i>USDA Study</i>	Asks the US Department of Agriculture to conduct a study of ways to expand agricultural product imports from Africa.	Same	Same. <i>From the Second AGOA CSO Session Communiqué:</i> AGOA needs to be expanded to encourage African countries to look beyond petroleum [and other goods dominating AGOA export] in their quest for development. [There is] a need for expansion in the areas of agriculture , light industry, information technology, tourism, the service and technology sectors and logistics.
<i>Animal Plant Health Inspection Service (APHIS)</i>	Increases the number of APHIS officers in Africa to 20 (from the current 3) and calls upon APHIS to provide technical assistance (but without any funding) to help African farmers comply with US sanitary and phyto-sanitary standards.	Same, but also authorizes the appropriation of \$85 million from 2005-2020 for such purposes.	Same. <i>From the Second AGOA CSO Session Communiqué:</i> Any expertise and technological skills that might enable participating countries, as well as other African countries with an interest in AGOA, to meet value-added requirements for agricultural products, should be provided.
<i>OPIC/ExIm</i>	Removes restrictions on the Overseas Private Investment Corporation (OPIC) and ExIm Bank on funding textile/apparel and agriculture projects in Africa.	Same	Same, but CSOs also feel that SME development should be addressed as that would encourage greater impact on the ground. <i>From the Second AGOA CSO Session Communiqué:</i> AGOA must address the lack of access to credit suffered by supporting institutions that create internationally recognized banking and crediting opportunities to small and medium-sized enterprises (SMEs) in sub-Saharan Africa and the US.
<i>Double Taxation</i>	Urges the Treasury Department to negotiate double taxation avoidance treaties with AGOA countries.	Same	Same.
<i>Global Fund</i>	N/a	Creates an income tax deductions for contributions to the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria	Same.
<i>BIT (bilateral investment treaties)</i>	N/a	Urges USTR to negotiate BITs with AGOA beneficiaries	Same.
<i>Transportation</i>	Calls upon the Administration to develop policies to encourage infrastructure and transportation development in Africa (but without funding.)	Same.	Same, and more specifically - <i>From the Second AGOA CSO Session Communiqué:</i> Direct flights and direct sea routes between Africa and the United States must be established to facilitate and east the process of bilateral trade activity.
<i>Ecotourism</i>	N/a	Calls upon the Administration to develop policies promoting ecotourism in Africa as a means of increasing infrastructure development.	Same. <i>From the Second AGOA CSO Session Communiqué:</i> AGOA needs to be expanded to encourage African countries to look beyond petroleum [and other goods dominating AGOA export] in their quest for development. [There is] a need for expansion in the areas of agriculture, light industry, information technology, tourism , the service and technology sectors and logistics.
<i>Eligibility</i>	Tweaks the eligibility process to include a 90 day congressional option on removal of countries.	Same.	Same.
<i>AGOA Forum</i>	Authorizes USTR to provide grants for the private sector and NGO sessions of the AGOA Forum. (but does not provide any funding or change USTR's mandate to include grant giving).	Same.	Same.
<i>GSP</i>	Expands the GSP Program for Africa to include products currently excluded on grounds of import sensitivity (only a handful of products are currently so excluded, e.g. Canned peaches)	Same	Same.

AGOA Civil Society Network Represented across the Continent

We're putting our members on the map—the Network Membership map, that is. Check to see if your organization is properly represented. If your city is missing, drop a line to moladeinde@democracy-africa.org and we will make sure that you're included. African Diaspora organizations are also encouraged to tell us which city they have affiliations with and we'll include you on the map in a different (special African Diaspora) color.

We're always looking to expand so if you know of an organization that should be on the map, give them a membership form. Membership forms can be found on our temporary website, <http://groups.msn.com/AGOACSONetwork>. Please note that in order to access the documents on the site you need to join the AGOA MSN group. Please also be assured that we will not use your email or other contact information for purposes other than the dissemination of information on AGOA. You also do not need to have an MSN or Hotmail account to join, so join the group today!



US-Africa Updates

US Government Update—At a mid-February press conference following a closed door meeting between Kenyan Trade Minister Kituyi, US Trade Representative Robert Zoellick and European Union Trade Commissioner Pascal Lamy, Ambassador Zoellick expressed optimistic sentiments about world trade negotiations, “President Bush is committed to moving the Doha agenda forward... I believe we can make substantive progress that we failed to do in Cancun...” **Chairman Bill Thomas** (R-CA), Committee on Ways and Means, has announced a hearing on March 11, 2004, on President Bush's Trade Agenda. For more details, email

moladeinde@democracy-africa.org for the press release website link or type this address: <http://waysandmeans.house.gov/hearings.asp?formmode=view&id=1218>

Civil Society News—*African Scholarship Program*: The Foundation for Democracy in Africa and New College of Florida are pleased to announce a new scholarship program aimed at bringing more talented Africans to the public honors college of the State of Florida. The scholarship is designed to support qualified African students as they complete their undergraduate education at New College of Florida.

New College of Florida is a four-

year college that awards a Bachelor of Arts degree in liberal arts. Four years of course work generally are required to complete the program, although students who transfer from two-year community colleges or other four-year colleges and universities may require less time.

The academic program at New College is rigorous and intellectually demanding. To qualify for this program, students should have taken the TOEFL exam and achieved a score of 560 or higher on the paper test or 220 or higher on the computerized test, and completed the secondary school placement exams in their home country. All applicants must meet New College of Florida admission require-

ments: <http://www.ncf.edu/Admissions/index.html>

For more information and a preliminary application for the African Scholarship Program, please contact: The Institute for Democracy in Africa, 600 Brickell Avenue Suite 704, Miami, Florida 33131 USA Tel: 305 416-9201; Fax: 305 416-9203. Email: comments@democracy-africa.org, Website: www.democracy-africa.org (phone) 202/331-8547 (fax)

Do you have news you'd like to share? This is the place to share it! Send us your news releases and other updates, regarding your own progress or information from your area. Email: moladeinde@democracy-africa.org

AGOA CIVIL SOCIETY NETWORK MEMBER COMMENTS ON WIDESPREAD BENEFITS OF AGOA

The following article written by Mr. Temba Noluthungu, Director, Free Market Foundation of Southern Africa was featured in Business Day, a newspaper printed in Johannesburg, Cape Town and Durban, South Africa.

The advent of the Africa Growth and Opportunity Act (AGOA) signified a paradigm shift in US foreign policy on Africa. Before, US policies emphasized aid rather than trade, but AGOA makes trade the cornerstone of US economic policy towards sub-Saharan Africa.

From the African perspective, this is a major development, especially as the record of western aid to Africa is dismal. Most aid in the past has served only to prop up dictatorships. Little, if any, of this aid reached the ordinary people.

There is a very strong correlation between economic growth and high levels of transnational trade, and transnational trade is aided by the removal of artificial barriers. The initial importance of AGOA lay in its provision of duty-free and quota-

free access to US markets for sub-Saharan textiles and apparel. At present a much wider range of products fall within the ambit of AGOA, and its reach is expected to spread. While the offer of duty-free access to US markets is non-reciprocal, the US benefits exist in terms of the creation of more stable economies in Africa and the expansion of African markets for its exports.

AGOA presents opportunities and challenges for both the private sector and governments in countries that are participants or aspirant participants. These challenges come in the form of explicitly stipulated criteria for eligibility to be a beneficiary state, which translates into immense opportunities for producers and manufacturers of qualifying products. The criteria include maintenance of the rule of law; a market-based economy; protection of private property; institutional commitment to combating corruption; the right to due process; equal protection under the law; and political pluralism. A country has to comply with these criteria or show a movement towards attaining them.

The effect of AGOA has been spectacular thus far, demonstrating the wisdom of this policy. The following data (which are by no means complete) illustrate this point:

- African duty free exports to the US grew 180% in 2001.
- African exports to the US under AGOA exceeded \$8.4bn in 2001.
- Exports of specialized African goods, such as leather, lemon oil and cut flowers increased exponentially.
- US imports from Kenya, Madagascar and Cameroon all grew more than 1000% in 2001.
- More than \$1bn in new US investment in Africa has been created by AGOA.

The precondition of compliance with eligibility criteria empowers extragovernmental interest groups. Nongovernmental organizations or individuals who embrace the fundamental principles of AGOA can use it as a tool to persuade public policymakers in their own countries.

AGOA is a sound policy because it is firmly grounded in the principle of economic freedom. In the economic arena, when individuals are free to make improve-

ments in their socio-economic conditions, to reap the rewards of their labor and to dispense with them as they see fit, they become very productive. At the macro level, the cumulative effects of these endeavors translate into economic prosperity for the greatest number of people.

To illustrate this point one needs only to look at Hong Kong, Japan or Taiwan, countries that have no mineral resources whatsoever. In the 1980s, Hong Kong, which had a population of 5-million, produced and consumed more goods and services than India, which at the time had a population of 800-million. Contrast this with the fact that the most richly endowed continent in terms of mineral resources, Africa, is the poorest in the world.

The Economic Freedom of the World and Index of Economic Freedom studies provide evidence of the correlation between economic freedom and prosperity. It is very encouraging that, increasingly, African countries have turned the corner by freeing up their economies very significantly and as a consequence posting some of the highest economic growth rates recorded globally.



Pursuing African Prosperity

Strengthening ties between Africa and the United States
Proving to better the lives of millions

The African Growth and Opportunity Act



Visit US Congressman McDermott's New AGOA Website at:
<http://www.house.gov/mcdermott/agoa/>

We're on the Web!

Visit our (temporary) Website* <http://groups.msn.com/AGOACSONetwork>

* - official website to be launched April 2004



Africa Growth and Opportunity Act (AGOA) CIVIL SOCIETY NETWORK



In keeping with the spirit of the Africa Growth and Opportunity Act (AGOA), the mission of the AGOA Civil Society Network is to empower African people through their civil society organizations to work with governments and businesses to take maximum advantage of AGOA benefits on behalf of the citizens of their countries.

The Network will accomplish this mission through three means:

- Monitoring and compliance with AGOA eligibility requirements
- Providing technical assistance where feasible for public and private sectors on AGOA compliance and trade capacity
- Tracking the impact of AGOA specifically and trade generally on Africa societies

Ongoing and potential AGOA Civil Society network projects include: (1) Annual report on eligibility requirement compliance of AGOA nations and assessment of compliance by non-AGOA nations compiled by national network affiliates; (2) Ongoing training by network member NGOs on trade capacity for African and America businesses to support and expand AGOA trade by small and medium enterprises; (3) Ongoing training by network member NGOs on trade, economic, political and social policy issues for African governments to enhance AGOA eligibility and compliance; and (4) Annual report on the impact of trade on African societies that measures the impact beyond commercial statistics and offers recommendations on broadening the benefits of trade.

Questions? Comments? Please contact:

The AGOA Civil Society Network Secretariat

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Africa Growth and Opportunity Act (AGOA)
CIVIL SOCIETY NETWORK



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March 1, 2004

Honorable William Thomas
Chairman, Ways and Means Committee
US House of Representatives
Washington, DC 20515

Dear Chairman Thomas,

The AGOA Civil Society Network - a nonpartisan collective of civil society groups including NGOs, trade unions and private sector representatives from the US and Africa, would like to extend our full support of the AGOA III bills currently under review in the House and Senate. Many amendments in the bill will afford Africa with an opportunity to participate in fruitful trade initiatives with the US and is a healthy counterpart to effectively sustaining human rights initiatives that are guided by the US and other friends of Africa.

We believe that both versions of the bill under review in Congress include a number of key amendments that are to the benefit of African and US businesses wishing to participate in free and transparent trade. As we will describe below, there are also a number of amendments that the AGOA Civil Society Network believes should be included in future formulations of the bill.

As the bills currently under review in the House indicate, **the extension of third country fabric provisions is crucial to the sustenance of AGOA.** To allow this provision to expire or to leave the decision of whether it will expire or not waning a suspended amount of time is poisonous to the lifeblood of the successful investments that have been made on the ground in Africa. Many investors are ready to pack up and leave the thousands of Africans that have been able to secure jobs, and an extension is vital to helping them keep those jobs so that African economies are able to compete with other world economies successfully.

We also believe that mechanisms should be put in place under the bill to **ensure market access and competitiveness of AGOA-eligible countries beyond the phasing out of the country quota under the World Trade Organization agreement on textiles and apparel.** The United States, EU and Japan should also collectively **eliminate subsidies, quotas** and all forms of trade protection, and allow the laws of comparative advantage in a free market system to create a level playing field that can allow for African participation.

AGOA should also be expanded to encourage African countries to diversify and look beyond petroleum and other goods that dominate AGOA export. There is a need for expansion particularly in the areas of **agriculture, light industry, information technology, tourism, the service and technology sectors and logistics.** Any **expertise and technological skills that might enable AGOA-eligible countries** (as well as other African countries with an interest in AGOA) **to meet value-added requirements for agricultural products should be provided.**

Along with the removal of restrictions on the Overseas Private Investment Corporation (OPIC) and EXIM Bank on funding textile/apparel and agricultural projects in Africa that is present in both versions of the AGOA bill, the AGOA Civil Society Network believes that **SME development should be addressed and encouraged**. AGOA must address the lack of access to credit suffered by supporting institutions that create internationally recognized banking and crediting opportunities to small and medium-sized enterprises in sub-Saharan Africa and the US. Such a focus would not only encourage business development and capacity building efforts on the ground, but would allow for a greater amount of tangible impact.

Though many of us are not US voters, we would like you to keep us in mind in your formulation of the bill and during the deliberations on AGOA III that take place in Congress at both the committee level and in the House Chambers with your fellow congressmen. AGOA III's encouragement of diverse private sector activity on the continent will greatly influence the creation of an environment that is conducive to free, transparent global trade with Africa. A successful AGOA will not only help to include Africa into the global economy, but will help to increase the standard of living of millions of Africans throughout the continent.

Sincerely,

{include your name and/or your organization's name here}

/The AGOA Civil Society Network