2010 African Growth and Opportunity Act (AGOA) Forum: "A Decade of Progress in Bridging the U.S.-African Trade Gap"

July 29-30, 2010
Washington, DC

CIVIL SOCIETY PROCEEDINGS

INTRODUCTION

Since the inception of the African Growth and Opportunity Act (AGOA), structured dialogue to convene key stakeholders from civil society is encouraged on an annual basis at the AGOA Fora. The 2010 AGOA civil society component of the AGOA Forum in Washington, DC, took place at the Woodrow Wilson International Center for Scholars on July 29 and 30 preceding the ministerial and private sector components, which were held in Washington, DC, and Kansas City, MO, respectively.

The two-day conference was organized in partnership with the U.S. Agency for International Development's (USAID) Knowledge Sharing and Analysis (KSA) project, the U.S. Civil Society Coalition for African Trade and Investment, the Shell Foundation, the Department of State as well as the Africa Program of the Woodrow Wilson Center.

Outside involvement from members of Congress and State Department officials provided a broad and varied participation, encouraging open and productive dialogue as well as giving a good background of Washington's engagement with AGOA across different political agencies. The outside speakers included Senator Ben Cardin, Congressmen Jim McDermott and Ed Royce (represented by his Chief of Staff due to a floor vote), and Deputy Assistant Secretary of State for African Affairs William Fitzgerald.

These Proceedings were compiled by members of USAID's Knowledge Sharing and Analysis (KSA) Team: Anthony Carroll, KSA AGOA Advisor, Karna Cohen, KSA Trade and Research Specialist, Sudha Meiyappan, KSA Trade Analyst, and Sutherland Miller III, KSA Senior Technical Advisor, as well as by Justine Lindermann, Woodrow Wilson Center Program Assistant.

CIVIL SOCIETY COMPONENT CONTENTS

After welcoming remarks from the Wilson Center Africa Program Director Steve McDonald and Vice President Michael H. Van Dusen, Senator Benjamin Cardin (D-MD) spoke about the importance of AGOA to Maryland, specifically, and to the United States as a whole, emphasizing the successes of AGOA and the links between Maryland and Africa. In Maryland, a Prince George's County Africa Trade office was set up specifically recognizing the AGOA trade preferences. It has aimed to strengthen trade and partnerships between small businesses in both Maryland and Africa. Senator Cardin noted that stronger markets in Africa will not only create more jobs domestically and strengthen international trade relationships, but has the potential to create a lasting economic stability on the African continent, and inherently a safer international community. "By empowering the people of Africa we will have more stable governments," the Senator noted, highlighting the potential security benefits of AGOA. Although the Senator spoke highly of AGOA's successes, he also pointed out some of the weaknesses of the agreement, saying that the agreement needs more commitment and engagement from all sectors in order for its full potential to be reached.

Senator Cardin's speech opened the first day of the Civil Society Forum, and was followed by four panel discussions:

1. Civil society and AGOA: 2000–2010
2. Energizing AGOA agriculture trade
3. AGOA and the importance of infrastructure, supply chains, and regional integration
4. The impact of trade on African societies.

The second day of civil society events consisted of an opening speech from Congressman Jim McDermott (D-WA) and two panel discussions. Mr. McDermott highlighted how AGOA has sparked an economic upturn in many African countries that never materialized in the 1960s with independence. Many of the promises of increased manufacturing in the 1960s are still unrealized decades later. AGOA has encouraged the bilateral relationships between Africa and the United States that could spawn the kind of value-added manufacturing and trade that has long been hoped for in Africa. AGOA can also help bolster African economies and facilitate increased exports from the United States to Africa.

The second day of the AGOA conference concentrated on textiles and on trade capacity with the following two panels:

1. Textiles and Beyond
2. A New Model for Trade Capacity Building

The following proceedings note includes synopses and highlights from the six panels. Video archives of these panels are available at http://www.wilsoncenter.org/ondemand.

Panel I: Civil Society and AGOA: 2000-2010

July 29, 2010

Panelists: Gregory Simpkins, Vice President, Leon H. Sullivan Foundation
M. Ayoma Matunga, SODNET, Kenya
Civil Society Representatives in Abuja, Nigeria; Lilongwe, Malawi
(Via Video Connection)

Moderator: Fred Oladeinde, President, Foundation for Democracy in Africa

OVERVIEW

This session was designed to evaluate AGOA performance over the past ten years by identifying specific obstacles the initiative has encountered. This specific panel was assembled to encourage structured dialogue between U.S. and African civil society leaders to combine perspectives to collectively develop recommendations for AGOA's future. Participants from Abuja, Nigeria, and Lilongwe, Malawi, participated via a live video link. The strongest recommendation from the panel was to provide capacity building assistance for civil society.

Fred Oladeinde

The moderator, Mr. Oladeinde, opened the discussion by reminding the audience that an important part of the AGOA mission is to build trade capacity and ensure subsequent exchanges between the United States and Sub-Saharan Africa by empowering civil society organizations on the continent. After reflecting on past successful AGOA civil society events, Mr. Oladeinde argued that AGOA has failed to meet expectations in the past few years. Partly due to the global economic and financial crisis, he suggested that overall trade between Sub-Saharan Africa and the U.S. decreased by 40.7 percent in 2009.

Mr. Oladeinde explained that AGOA does not benefit member states equally, and that there is a lack of diversity in the products exported under AGOA to the United States. He suggested that the AGOA civil society network coordinate its efforts with groups like the U.S. Civil Society Coalition to promote access to regional and international markets for African commodities. He urged African member states not to rely on the United States to ensure democratization, female empowerment, and the provision of civil and human rights—but rather to institutionalize and embrace these ideals at home. In closing, Mr. Oladeinde noted that the Administration's support for AGOA goes beyond Congress and he cited statements issued by former President George W. Bush, Secretary of State Hillary Clinton, and President Barack Obama.

Gregory Simpkins

Mr. Simpkins began by emphasizing the need for improved communication between AGOA policymakers and beneficiary countries to ensure African perspectives and aspirations are taken into consideration.

Given the focus of the forum, Mr. Simpkins noted that civil society actors have been left out of the decision-making process and should play a greater role in AGOA negotiations. He asserted that without greater collaboration between the three main sectors—government, business and civil society—the preference program would not realize its full potential. Given the weak institutions and constant reshuffle of government officials in Sub-Saharan Africa, Mr. Simpkins said that the funds allocated toward capacity building of government officials are ineffective. Instead, funding directed toward capacity building of civil society organizations would have a stronger impact in the long run.

Mr. Simpkins identified two specific miscalculations that have ultimately prevented beneficiary countries from improving trade capacity under AGOA. First, efforts to encourage agricultural exports under AGOA have been inadequate. Given that agriculture is a leading sector in Africa, this industry should be made a priority. Second, African economies are overwhelmed, and textile industries are now struggling to compete in a quota free global market after the 2005 expiration of the Multi-fiber Agreement (MFA). Under the MFA, Asian companies escaped quotas by shifting operations to African countries to take advantage of AGOA preferential access to U.S. markets. Many of these factories closed down after quotas were lifted, resulting in losses of employment, income, and investment.

M. Ayoma Matunga

Mr. Matunga, who co-chaired the previous year's AGOA forum civil society component in Kenya, started off by identifying the difficulties civil societies face in Africa and went on to explain how their limited role prevents their participation in AGOA. He said that civil society groups are often excluded from the decision-making processes that determine development and trade policy, both at the domestic and regional levels. Specifically, regional economic communities in Eastern and Southern Africa fail to include civil societies, or any non-state actors, in the negotiations for treaties that directly affect these stakeholders. Inefficient bureaucracies and negative perceptions of civil society have discouraged cooperation with African government and the RECs on trade issues.

To maximize the benefits of AGOA and account for the disparity of financial and operational capacity between U.S.-African actors, Mr. Matunga offered the following recommendations:

- Extend capacity building initiatives to civil society members instead of solely investing in government officials
- Increase access to information about potential gains from AGOA to local non-state actors.

Abuja Panelists via video

Nigerian civil society and members of the private sector from Abuja expressed frustration with the challenges created by domestic corruption and the weak mechanisms regulating the movement of goods and services in African markets. Another concern was that the small-scale agricultural producers are discouraged by the United States as it is too large a market for them. Civil society leaders from Abuja felt their markets would benefit from the following changes:

- Increase access to AGOA information and technologies and techniques that can generate gains in productivity for small-scale agricultural producers
- Increase cooperation and coordination between civil society members in the United States and Nigeria
- Extend capacity building initiatives to civil society members and private sector leaders, particularly in the form of technical assistance.

Lilongwe Panelists via video

Representatives from Malawi's civil society and private sector expressed frustration with East Asian companies relocating to their country, destabilizing markets, and underpaying employees, while enjoying tax incentives and channeling profits back to their respective countries. According to the participants, a majority of small-scale farmers in Malawi are unaware of AGOA, and they have failed to enjoy tangible benefits from the preference program as expected. Participants offered the following recommendations to ensure Malawi benefits from the program:

- Invest in the development of value-added enterprises in Malawi, particularly in the tobacco market
- Ensure benefits are reaching African farmers and businesses, and not the foreign-owned but locally registered businesses enjoying the increased market access to the United States under AGOA.

Panel II: Energizing AGOA Agriculture Trade

July 29, 2010

Panelists: Craig Fedchock, Director, International Capacity Development, Plant Protection and Quarantine, APHIS/United States Department of Agriculture
David Skully, Ph.D., agricultural economist
Richard Pasco, J.D., M.S., counselor to farm organizations and food companies on agriculture, trade legislation, regulations, and policy approaches

Moderator: Patrick Wilson, Ph.D., Administrator, BIG-Africa Partnership Secretariat

OVERVIEW

This panel outlined the different measures agriculture exporting countries must take to ensure products meet quality control standards in the United States. The panelists outlined the different policies and regulations member states will encounter when requesting approval for their exports, and offered suggestions for how to minimize challenges that may arise in this process. In addition, panelists discussed the limitations of tariff rate quotas (TRQs) to AGOA agricultural imports, and offered solutions toward overcoming these issues.

Patrick Wilson

Mr. Wilson began by urging the AGOA Forum attendees to take advantage of the resources, expertise, and opportunities that have been made available to them through the AGOA civil society component. He also suggested that African exporters of agricultural goods maximize business opportunities by becoming accustomed to quality control standards and requirements of the following United States Government (USG) agencies: Department of Agriculture (USDA), Food and Drug Administration (FDA), USDA's Animal and Plant Health Inspection Service (APHIS), Environmental Protection Agency (EPA), and Department of Commerce, especially the Foreign Commercial Service. Finally, Mr. Wilson urged beneficiary countries to encourage additional and more effective U.S. investments to their markets by creating environments more conducive to doing business.

Richard Pasco

Mr. Pasco began by reminding the audience of the important role that USDA regulatory agencies, notably APHIS and the Foreign Agricultural Service, play in encouraging African access to U.S. agriculture markets. Mr. Pasco also highlighted the importance of the International Plant Protection Convention in governing agricultural exports to the United States. Mr. Pasco outlined the importance of becoming accustomed to the requirements imposed by these regulatory agencies and implementing appropriate risk mitigation measures to ensure market access for horticultural goods. According to Mr. Pasco, these regulations, product verifications, and certifications will only get more rigorous as time goes on. He offered the following recommendations to ensure that goods under AGOA reach U.S. markets:

- Develop a complete business plan, and carry out market feasibility studies for commodities intended to be exported to the United States
- Ensure availability of clean water to pass FDA food safety standards
- Encourage government and private sector cooperation in product import approval requests to ensure risk mitigation efforts are sustainable and the quality is maintained in the long run
- Ensure that commodities meet United States sanitary and phytosanitary standards (SPS)
- Train staff and build human resource capacity to ensure markets are sustained after import approval
- Pursue free trade agreements consistent with AGOA to gain priority over competing markets.

Mr. Pasco noted that as of July 8, 2010, APHIS was conducting 113 product risk assessments, 23 of which involve AGOA-eligible countries. He suggested that APHIS devote more staff and resources to processing AGOA import approval requests. Mr. Pasco concluded by commending USAID efforts toward addressing the disparity in quality of African exports by placing USDA advisors in East, West, and Southern Africa in 2003 to strengthen African SPS systems. During the discussion following the panel, Mr. Pasco noted that advocacy on behalf of producers seeking to get the required certifications to export to the United States had an impact, and he noted that U.S. Embassy officials will respond if asked to help.

David Skully

Dr. Skully outlined the different approaches the United States can take toward modifying TRQs to increase market access for AGOA-eligible countries. TRQs are mechanisms implemented to protect certain import commodities by imposing extremely high tariffs on imports exceeding specified quotas. While most AGOA commodities are duty free, and therefore face no quota tariff, for those products which do face TRQs, exceeding this limit can be extremely costly for would-be African exporters. For example, the most extreme over quota tariff is imposed on cigarette tobacco at 350 percent. Dr. Skully noted that the United States currently has 46 separate TRQs, covering 196 different products; the majority of countries with preferential TRQs are enjoyed by those with historical trading patterns with the United States before quotas were imposed.

Dr. Skully identified the following commodities that were still protected by TRQs as potentially important for African exporters under AGOA:

- Sugar and products containing sugar, including cocoa products containing sugar
- Cigarette tobacco
- Peanuts and their bi-products.

To increase market access for AGOA-eligible countries, Dr. Skully suggested that approaches to rationing and allocating TRQs be reevaluated. Dr. Skully went on to point out that many TRQs allocated to benefiting countries are unfilled, and he suggested that the remainder of the quotas be allocated to AGOA-eligible countries. This would comply with U.S. law and World Trade Organization (WTO) regulations. Another approach would be to simply create an additional TRQ strictly for AGOA-eligible countries. For further questions and inquiries, Dr. Skully invited attendees to review his report at http://www.agritrade.org.

Craig Fedchock

Mr. Fedchock outlined the APHIS import requirements and the need for AGOA-eligible countries to effectively communicate with regulatory agencies in the United States. The most important aspect of APHIS import requirements is related to obtaining a phytosanitary certificate—an official document that guarantees agricultural exports are free of injurious pests or diseases. After obtaining this certificate, producers must ensure commodities are exported immediately after inspection. Ensuring that the products packaging is appropriate and obtaining an approved import permit are additional requirements for exporting goods into the U.S.

Mr. Fedchock explained that these strict regulations reflect measures taken to protect domestic products that are in compliance with the WTO agreement on phytosanitary measures. These principles also seek to promote transparency of U.S. regulatory agencies, harmonize with international standards, provide opportunity for equivalent treatment of trading partners, and facilitate trading with regional entities when applicable. To minimize the amount of time it takes to process import requests and risk assessments, Mr. Fedchock urged African exporters to regularly follow up on the status of their applications.

Luncheon Address by William Fitzgerald, Deputy Assistant Secretary, Bureau of African Affairs

July 29, 2010

Mr. Fitzgerald started by voicing his belief that there is a strong relationship between political activity, economic development, and stability in a region. He described AGOA as one of the linchpins of U.S. economic growth and development policy because of its potential to stimulate African commercial and business activity through trade and investment.

Mr. Fitzgerald drew attention to the growing consensus that AGOA is at risk of becoming obsolete and immediate action must be taken to revitalize the program. Some of the obstacles that have hindered AGOA's simulative effect on African trade include internal trade barriers, low productivity, and poor business climates. Africa was said to only account for 1.5 percent of global trade, and intra-regional trade accounts for merely 10 percent of GDP, lower than in most regions of the world. Nonetheless, Mr. Fitzgerald felt AGOA has improved trade capacity to a certain degree. He cited success stories in South Africa, which has built manufacturing capacity in several areas including automobiles, and Lesotho, which has become a leading apparel exporter to the United States.

He suggested that civil society organizations have had an impact on AGOA's success. Civil society organizations play a key role in AGOA and have been strong supporters of the program since its conception. Civil society groups have maintained their support and consultations with various think tanks and other organizations have been essential to shaping the Administration's approach toward enhancing the utility of AGOA. Continued civil society engagement is essential to creating a positive future for AGOA.

Questions and Answers

Comment: Stephen Lande, Manchester Trade, noted that concrete follow-up actions to an AGOA forum were needed to make the legislation more effective.

Question: Paula Atley, Communications Consultant, asked if AGOA has not performed up to expectations, why would the U.S. Government continue with it?

Mr. Fitzgerald responded that so much of AGOA exports have been in commodities such as oil, bauxite, and iron. The goal should be to increase overall African trade capacity, diversify exports, and for African exporters to move toward value-added production.

Comment: An observation was also made that the same obstacles that have prevented AGOA from reaching its potential (i.e., lack of government accountability, lack of transparency, and high corruption) hamper African development generally. In response, Mr. Fitzgerald noted that anti-corruption and good governance efforts are being increased on the ground.

Question: Bernadette Paolo, President of the Africa Society, mentioned that while many of the forum's discussions have been focused on how Africa has underperformed in regard to AGOA, it is also important to ask what the United States is not doing right. Ms. Paolo noted that countries like China have been successful in doing business with Africa. Given that Africa sits on five-eighths of the world's resources, Americans must know how to navigate this terrain. Ms. Paolo noted that a clear and definitive trade policy for Africa is needed, and that all branches of the USG must increase their support for such a program.

Mr. Fitzgerald responded that AGOA is a big part of the current U.S. trade policy toward Africa. Concerning USG support, the goal of the Kansas City component of the AGOA forum is not only to encourage African imports, but to give U.S. suppliers the opportunity to meet clients and businesses and further the goals outlined in President Obama's New Export Initiative.

Question: Femi Akinbi of Titan Consultancy asked why the United States has not engaged in infrastructure development to the extent that countries like China have?

Mr. Fitzgerald answered that Millennium Challenge Corporation (MCC) projects have large infrastructure development components. As opposed to other agencies, the MCC requires countries to promote good governance, uphold human rights, provide fair wages, and respect the rights of trade unions. Recently, US $540 million has been allocated to Senegal for an MCC project, a large part of which is for infrastructure development. While China has engaged in numerous infrastructure building ventures, few have engaged in knowledge sharing or capacity building.

Comment: Charlotte Hebebrand, International Food and Agriculture Trade Policy Council, urged the Administration to increase African exports in agriculture and food under AGOA. She offered two approaches to improving AGOA trade capacity: the USG can reevaluate TRQs and add a capacity building component specifically created to help African exporters meet sanitary and phytosanitary standards.

Mr. Fitzgerald noted that the United States has invested US $3 billion in agriculture capacity building in Africa. The Feed the Future project can have a strong impact in Africa. A new World Bank trust fund serves a similar purpose in infrastructure building projects.

Comment: Kennedy S. Khabo, President of Khabo Mabe, voiced a growing concern among emerging black businesses in South Africa that the U.S. private sector and government position on black economic empowerment is sometimes disturbing and unclear. This negative perception has discouraged many South Africans from engaging in discussions about AGOA, given the gravity of an issue as pressing as black economic empowerment. Mr. Khabo also noted that U.S. import standards are very high, and this can be discouraging to African exporters. Many will look to China, whose standards are lower and do not have such stringent import and consumer safety requirements.

Panel III: Supply Chains and Regional Integration

July 29, 2010

Panelists: Gregory Gajewski, PhD, Vice President for Economic Development, Louis Berger Group, Inc.
Richard Tracy, Director of International Programs, Global Cold Chain Alliance
Eugene Terry, Agricultural Economist and Independent Consultant

Moderator: Katrin Kuhlmann, Resident Fellow, German Marshall Fund of the United States

OVERVIEW

This panel focused on the regional approaches to improving trade capacity, specifically through infrastructure building, creating effective market systems, and creating effective supply chains. The panelists explained how transport feasibility relates to poverty reduction, food security, and production of AGOA agricultural products. The panelists addressed different approaches toward promoting agribusiness development in AGOA-eligible countries, identifying different products that could be profitable, and infrastructure challenges that should receive priority.

Gregory Gajewski

Mr. Gajewski noted that transport development should be a priority in trade capacity building initiatives. He also suggested that the development of transit corridors, mainly rural and secondary roads, is a prerequisite to increasing international market access for small-scale rural farmers; some 75 percent of Sub-Saharan Africa's population is employed by the agricultural sector and live in these rural areas. To ensure that the billions of dollars currently being invested in transport development are efficiently allocated, development corridor projects should be considered. Mr. Gajewski suggested that transportation costs account for 50 percent of the cost incurred by the U.S. food assistance aid that is given to Africa, so minimizing these costs is in the interest of both donors and recipients.

Transportation development projects consist mainly of road financing, management, and maintenance projects. This entails creating durable and accessible primary, secondary, and tertiary roads. To build trade capacity for local farmers, enabling environments must be developed to allow for private sector engagement. This includes market management, credit extension, crop insurance, seasonal farm employment, and government accountability. The public sector's responsibilities are to: a) enforce legal and regulatory services; b) guarantee land tenure; c) maintain roads; d) increase market access; e) carry out and extend agricultural research; f) create social safety nets; g) and ensure government accountability.

Mr. Gajewski asserted that private and public sector commitment is crucial to successfully carrying out development corridor projects. Mr. Gajewski attributed the success of the Maputo Corridor's infrastructure building projects to private sector involvement. Lack of political commitment was mentioned as preventing the Northern transit corridor—linking Kenya, Uganda, Rwanda, Burundi, and the Democratic Republic of the Congo—from realizing its full potential. Mr. Gajewski noted that the increasingly popular private public partnerships (PPPs) are only successful if agreements are properly drafted, and if the private partner holds sufficient capital.

In closing, Mr. Gajewski identified a series of obstacles and challenges that must be addressed to improve regional trade capacity of Sub-Saharan African markets. These obstacles include the following:

- High agricultural trade barriers
- Overdependence on single resources or crops for economic prosperity (i.e. the "natural resources trap")
- Lack of coordination of donor efforts
- Foreign aid dependence
- Poor governance and weak institutions
- Conflicts with neighboring states.

Eugene Terry

Dr. Terry invited the audience to view AGOA in a different light, one that goes beyond the obvious U.S.-Africa Economic Partnership and instead focuses on transformational capacities. He highlighted the preference program's three transformational components: the provision of trade capacity building; support for African-driven regional economic communities (RECs); and promotion of U.S. private sector investment. Dr. Terry pitched the idea of "Transforming Africa," an initiative that would enhance agriculture market capacity through development corridors. The initiative's specific goals are to establish a transformation fund, remove barriers that impede free flow of trade, facilitate movement of goods beyond provisional boundaries, and create a development corridor policy network.

Dr. Terry proceeded to explain the benefits that the cassava crop can bring to building agricultural production capacity. Dr. Terry shared his knowledge and expertise of cassava, a crop that can be harvested for commercial use. Through the application of advanced technology and enabling policy changes, countries can improve the product's yield and quality and maximize utilization. To achieve such goals, farmers should minimize labor costs by introducing necessary mechanical facilities that can effectively irrigate the crop and pulverize starchy roots. Eventual marketing opportunities for manufactured cassava include livestock feed, cassava starch, beer malt, and ethanol fuel. To achieve these goals, Dr. Terry called for the effective coordination between scientists, farmers, and engineers to develop capacity at the village level.

To increase overall trade capacity, AGOA should build support for the RECs. U.S. policymakers and experts should assist their African counterparts in mastering regional markets as well as identifying potential challenges and solutions. AGOA should also play a strong role in infrastructure development, specifically increasing availability of water and electricity.

Dr. Terry noted that African member states are disadvantaged by the limited personnel and effective legal representation available for upcoming AGOA negotiations.

Richard Tracy

Mr. Tracy introduced the Global Cold Chain Alliance, a consortium of five different trade associations that specialize in cold storage construction, refrigerated transportation, refrigerated warehouses, and ammonia refrigeration. Mr. Tracy explained that a key objective of the consortium's mission is to increase representation in Sub-Saharan Africa in the hope of boosting trade between Africa and the United States. He explained that cold chains are essential to preserving quality of anything that has to be temperature controlled. These products are not limited to perishable food items, but also include commodities like tobacco and vaccines.

Mr. Tracy identified transportation facilities without necessary refrigeration mechanisms as the biggest threat to the trade of perishable goods in Africa. Proper refrigeration techniques preserve value and enhance the shelf life of products. While proper refrigeration facilities exist in the Angolan poultry industry or various Ghanaian pineapple factories, cold chain facilities should be expanded throughout Africa. He asserted that the cold chain is essential to meeting import quality control standards, particularly concerning meat, seafood, and poultry. Mr. Tracy left the audience with a series of low-cost recommendations to introduce the cold chain to local markets and farmers. These recommendations are as follows:

- Immediately store freshly picked produce in shaded areas when refrigeration facilities are unavailable
- Enforce proper and immediate methods of packing agricultural goods once harvested
- Train farmers and develop staff expertise to encourage safe produce handling practices.

Panel IV: The Impact of Trade on African Societies

July 29, 2010

Panelists:	Emira Woods, Director, Foreign Policy in Focus
	Lawrencia Adams-Simpson, Team Leader, Ghana Research and Advocacy
Program	Elizabeth Sichinga, Zambia NGO Coordinating Committee
Moderator:	David Saunders, Vice President, Constituency for Africa

OVERVIEW

This panel focused on the impact of trade under AGOA on different African civil society groups. The panel particularly highlighted the increasingly important role of women empowerment initiatives and identified the obstacles that have prevented different members of African societies from benefiting from the AGOA legislation.

David Saunders

David Saunders emphasized the need to seek out African perceptions of AGOA, and encouraged member states to play a greater role in policy negotiations that directly affect their economies. Mr. Saunders noted that existing trade agreements and preferences extended to other nations may account for the lack of agricultural activity spurred by AGOA. He explained that Congress may be reluctant to extend preferences to African agricultural markets, as conflicts may arise with the textile preferences already accorded to Far East Asian states.

Elizabeth Sichinga

Ms. Sichinga highlighted the increasingly important role women are playing in African business and politics. Women have always played an instrumental role in the trade of agricultural products and have been present in all stages: farming, processing, and selling of agricultural commodities. As evidenced by the 37 women entrepreneurs present at the civil society component of the AGOA Forum, effective trade capacity building is contingent on female empowerment. Ms. Sichinga asserted that female politicians are progressively establishing their space in the political sphere, known to be less susceptible to corruption, and more effective in enacting policy change. Ms. Sichinga suggested increasing financial support to female empowerment efforts under AGOA civil society budgets. She also urged civil society groups and international organizations to reach out to women empowerment initiatives and increase the resources available to these groups.

Emira Woods

Ms. Woods' remarks called attention to Africa's material wealth and promising potential. Although African goods comprise a relatively small amount of global market exchanges, the contributions the continent has made to the world are undeniable. Africa has unfortunately become a global exporter of raw resources and materials, as well as an importer of manufactured goods. To develop trade capacity and increase gains, African economies must develop the facilities needed to process their resources, add value to their products, and export manufactured goods. To increase government revenue, taxation systems must be revised and improved.

Ms. Woods voiced her concern over "land grabbing," or foreign purchase of large land masses at cheap prices. This recent trend destabilizes local markets, threatens food security, and limits business opportunities for local small-scale farmers and land owners. To promote regional trade capacity, Ms. Woods suggested common agricultural policies be established among the RECs. Finally, Ms. Woods called for more efficient national governments on the continent, as well as for technological assistance targeted to government officials.

Panel I: Textiles and Beyond

July 30, 2010

Panelists: Jaswinder Bedi, Chairman, African Cotton Textiles Industries Federation
M. Monyane, Vice chairman, Lesotho Textile Exporters Association
Navdeep Sodhi, Partner, Gherzi Consultants
Steve Lande, President Manchester Trade

Moderator: Tony Carroll, Vice President, Manchester Trade

OVERVIEW

This panel was designed to look at the current and potential uses of textile plants in Africa and how AGOA can be implemented to assist the textile industry and promote alternative uses of textile factories. While specific examples include Nigeria and Lesotho, the broad scale of textiles in Africa was also discussed.

Jaswinder Bedi

Mr. Bedi began his presentation by sharing recent studies that highlight African business and investment opportunities. The latest McKinsey Report compared Africa today and Africa in 2020. Notable statistics from the report include: today's GDP is US $1.6 trillion dollars, estimates for 2020 are US $2.6 trillion; and consumer spending is US $860 million today, estimates for 2020 are US $1.4 trillion. This report identifies Africa as the next frontier and confirms a promising future of economic growth.

Looking into AGOA further shows that exports decreased from US $51 billion in 2007 to US $26 billion in 2009. Additionally, textile and apparel have decreased from US $1.3 billion in 2007 to US $934 million in 2009. Furthermore, the global textile market level is about US $580 billion and the U.S. market is US $270 billion. Africa's role in this global market includes growth of 12 percent of the world's cotton; however, 95 percent is being exported in raw form.

AGOA will be undermined if the United States gives the same textile preferences to other, more competitive economies such as Bangladesh, Cambodia, and Vietnam. These competitive countries do not need the same help that AGOA-eligible countries do and there should be a competitive playing field for African countries to compete in the global market.

One way to help take greater advantage of AGOA is by better organizing as producers and value chains. The African Cotton & Textiles Industries Federation (ACTIF) used AGOA as a catalyst when it started and has signed Memoranda of Understanding (MOUs) with the Common Market for East and Southern Africa (COMESA) and the East African Community (EAC). It has conducted business with China and partnered with a variety of important global institutions. The goals of ACTIF are to promote regional value chain of farm to fashion, be an active member through regional integration, and be a key partner, building sustainable partnerships through MOUs with COMESA and EAC.

The future of AGOA will depend on many factors, including making AGOA permanent, instilling buyer interest and incentives, developing textile investment fund provisions, enhancing competitiveness, and fighting against unfair trade practices. A huge factor will be to maintain sustainability and predictability of AGOA beyond 2015. One idea is to promote “Origin Africa,” a clothing brand that will be promoted abroad and boost African textile markets. This brand will be launched this autumn at an event ACTIF is co-sponsoring in Mauritius.

Nkopane Monyane

Lesotho has members in ACTIF. Mr. Monyane identified the issues surrounding AGOA as the need for building blocks, vertical integration, and strengthening economic ties. Mr. Monyane noted that foreign investors take advantage of AGOA benefits in Lesotho, and the majority of the country’s textile factories are Taiwanese owned.

For Lesotho, there are possibilities for intra-Africa trade. Exports among Southern African Customs Union (SACU) countries have increased from 27 percent in 2007 to 43 percent in 2009. Yet exports of textiles still fall short in the global market, despite the competitive wages in Lesotho, for example, whose wages are lower than Asian countries like Cambodia and Vietnam. The biggest problem is that lead time in Lesotho is 180 days, compared to 45 in Vietnam, Cambodia, Bangladesh, and China. For the fashion industry, 180 days is simply unacceptable as it depends on clothing meeting seasonal trends.

Africa must unite as a continent through AGOA and embrace the prospects of regional integration. Important factors that must improve are: a) the diversification of Africa’s exports; b) general competitiveness of African firms; c) African value chain; d) and capacity building programs. Mr. Monyane also noted that more cooperation and less not competition among African companies was needed. Reemphasizing capacity building, Mr. Monyane stated his motto, “capacity before capital.”

Navdeep Sodhi

The cotton textile industry used to be the largest employer in Nigeria but the industry has shrunk from 300,000 jobs in the mid-1980s to only 35,000 jobs in 2010. The main problems contributing to these losses include structural issues like the high cost of doing business and poor infrastructure. More than that, the African textile industry has been destabilized by imports of cheap Chinese textiles. Even though Africa grows a significant share of the world’s cotton, it does not get processed on the continent.

Mr. Sodhi gave several examples of modifications to former textile factories which have allowed them to continue operating in global markets—at times, more profitably. One case was seen in a former textile plant that now recycles PET bottles in Nigeria. These plastic bottles are processed and converted into flakes. The flakes are then converted into granules that are woven into polyester. Once they are in the polyester form they can be used in a range of products such as polyester fiber, pillow cases, geo textiles, thermoform, and new PET bottles. This single initiative in Nigeria directly employs 400 people and more than 1,200 indirectly through collection of the bottles. Another example was the production of mosquito nets and bags for cement. Mr. Sodhi noted that some of these successes were due to Nigerian government policies to become self-sufficient in producing certain products, like cement.

To give Africa's exports more global competiveness, Mr. Sodhi recommended that AGOA encourage export diversification. Additionally, tariff preferences alone are not enough to boost Africa's trade. Continued capacity building and investment in infrastructure are also highly critical for Africa's development.

Steve Lande

In his remarks, Mr. Lande asserted that realizing economies of scale should be Sub-Saharan Africa's priority. Specifically, he noted that RECs are needed to integrate the 47 different Sub-Saharan African countries, including the AGOA beneficiaries. There are two main points that must be focused on. The first is infrastructure; specifically, the massive lack of effective transport infrastructure must be addressed through development corridors and the RECs. The second point is the security of AGOA status. A better system of punitive measures for non-compliant countries or leaders must be introduced. The USG's policy should be modified to ensure that countries in violation of eligibility requirements, such as when a coup occurs, are not necessarily suspended from AGOA altogether. Citing the recent suspension of Madagascar, one of the most successful textile and apparel exporters under AGOA, he advocated for more targeted sanctions that would not hurt the country as a whole.

Panel II: A New Model for Trade Capacity Building

July 30, 2010

Presenter: David Blaine, U.S. African Development Foundation (USADF)
Panelists: Mary Malanga, National Association of Business Women, Malawi
Timothy Nzioka, USADF, Kenya Representative

Moderator: Gregory Simpkins, Vice President, Leon H. Sullivan Foundation

OVERVIEW

This panel evaluated the United States African Development Foundation's (USADF) purpose, methodology, and projects. USADF's main principle of operation is "Africans in Africa," meaning the programs in Africa are run by Africans and not by the American expatriates. This Foundation focuses on making an economic impact at the local level by boosting the local economy and making a direct impact at the grassroots level.

David Blaine

USADF is a grant-allocating USG agency. USADF has projects in 20 different countries across Africa and has allocated US $60 million in grants to various groups, organizations, and enterprises in Africa. USADF grants go directly to African groups on the continent to fund ideas started at the grassroots level.

An active USADF grant can generate more than US $250 million in local economic activity. Additionally, there is an 80 percent sustainability factor for these groups once the grant has finished. Grants range from two years to a maximum of seven years.

USADF's priorities include: a) focusing on marginalized communities in Africa; b) encouraging direct investment through participatory development; c) promoting African-led and African-managed field programs; d) and supporting sustainable social and economic impact and growth at the local level. The USADF model is based on the principle of utilizing local technical support. USADF offers three levels of grants—enterprise development grants, enterprise expansion grants, and access to commercial market grants.

Mary Malanga

Ms. Malanga is the program director for the USADF businesswomen's association in Malawi. One example Ms. Malanga mentioned is the Zikomesto Farmer's Association project. This association comprises some 4,000 farmers in Malawi's southern region. Before receiving the USADF grant, the group was restricted to growing chilies and selling them only in their raw form. The grant they received last year has added value to their chili production and they have been able to buy 12 metric tons of chili from the farmers. Additionally, due to the grant money, they were able to purchase machinery that has allowed them to produce chili powder and chili sauce, diversifying their products and adding value. From this added value, farmer incomes have increased by 5 percent in three years. USADF expects incomes will continue to increase even more over time.

Timothy Nzioka

Mr. Nzioka is currently the program representative for USADF in Kenya, previously stationed in Uganda. In 2007, USADF gave a grant to a family-owned company in Kenya that produced animal feed as well as human food. When USADF looked at giving a grant to this family they sought to improve the internal structure along with the supply chain of the farmers. This company was purchasing raw materials from middlemen who were unfairly exploiting local farmers. From the USADF grant of about US $80,000, this company was able to work with 400 mainly women farmers. They then requested more funds from USADF, and USADF was able help them further with resource management and to recruit qualified personnel and purchase new equipment. The company has increased its revenue by more than 75 percent.