Senate Finance Committee

Hearing on the African Growth and Opportunity Act (AGOA)

June 6, 2024

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Good morning. I am Florie Liser, the President and CEO of the Corporate Council on Africa. On behalf of my board and members, I want to thank the Chairman and Members for the opportunity to testify before the Senate Finance Committee today on the importance of renewing the African Growth and Opportunity Act (AGOA).

In a world full of pressing challenges that tend to dominate the headlines, it can be easy to overlook the significant changes that are happening in Africa. You will all be familiar with the long-term population dynamics that will see the continent's population double over the next two decades, making Africa both the largest source of workers as well as an increasingly important market for companies across the globe. African leaders understand that this dynamic is a potentially huge asset that can drive their economic development if they can put the right policies in place to create the jobs that all those young people will need. African leaders are already actively pursuing private sector investment and global partnerships to jump start this process. Many of them are looking to the United States as an important partner, as we saw with the State Visit of Kenyan President Ruto to Washington two weeks ago and the robust representation of 16 African delegations, including six Heads of State, at the CCA U.S.-Africa Business Summit in Dallas one month ago.

Since 2000, the African Growth and Opportunity Act, or AGOA, has been the primary tool for American economic engagement with Africa. As such, AGOA has taken on a strategic element that makes it much more than 'just a trade program' for African countries. As AGOA's current authorization nears its expiration in 2025, I would encourage the Committee to take account of AGOA's

importance in the overall U.S.-Africa strategic relationship, and would offer four main points for your consideration today.

The first is about the broader context in which today's discussion of AGOA renewal takes place. Africa in 2024 is very different than the Africa of 2000, when AGOA first went into effect. Through the African Continental Free Trade Agreement (AfCFTA), African countries are creating a much more harmonized and unified market by reducing and removing both tariffs and non-tariff barriers. This is making it much more commercially feasible for African companies and others sourcing from Africa (like the United States) to create the networks and regional value chains that will make African suppliers more competitive, while also expanding intra-African trade as well as the continent's trade with global partners like the United States.

While AfCFTA should be a game-changer for Africa, its success will depend on access to markets. In that regard, continued access to the U.S. market under AGOA will be critical to retain current and attract new investment. There are few steps that the United States could take that would be more significant than renewing AGOA for at least ten years in 2024 in terms of sending a powerful signal to companies, American as well as African, that the United States supports Africa's development as well as stronger U.S.-Africa trade, investment, and commercial ties.

The evolution of AfCFTA and creation of regional value chains will also address one of the concerns about relatively low utilization rates under AGOA. As these value chains develop, African companies are more likely to be able to meet the scale and sophistication that the U.S. market tends to require.

The second related point I would offer is that the United States should adapt how it frames trade and investment issues with Africa to match this evolution in the African market. Understandably, we have tended to focus over the last 24 years on country-by-country analysis of AGOA utilization to assess or rate AGOA's success and how well the United States is doing in terms of its broader trade and investment strategy with Africa.

We can and should think much bigger than that. African institutions have targeted four priority sectors to drive investment and job creation under AfCFTA, including automotives, agribusiness, transportation and pharmaceuticals, while also expanding the capacity of enabling sectors like energy and ICT. These sectors all

play to the strengths of American companies and offer a tremendous opportunity to deepen our trade and investment ties with our African partners.

The United States should adapt how we measure success to focus more on engagement in these priority sectors, as well as trade and investment at the regional level working with African Regional Economic Communities (RECs) and with the AfCFTA at the continental level to foster African economic integration and the creation of regional and global value chains. We should be focused on steps we can take to encourage more American companies to invest as well as trade with African partners. We should also develop tools to reward regions and sectors for integration, such as lines of credit through Eximbank or DFC, rather than looking for ways to penalize countries for insufficient utilization rates.

The third point is that the United States should also expand its range of strategic tools to achieve a broader, refreshed set of strategic objectives for U.S.-Africa economic engagement. AGOA was never intended to be the 'be-all and end-all' of U.S. trade and investment policy towards Africa but has become the single bucket into which advocates of stronger ties with Africa look to include everything we're doing.

We should resist that temptation and instead develop tools that match the needs of specific sectors or regions. To cite two examples, many have suggested that critical minerals and ICT should somehow be part of AGOA. Both are areas where the U.S. should undoubtedly have a much stronger partnership with Africa. While both sectors face challenges, the need for U.S. tariff relief is not a factor for either sector. In the case of critical minerals, it would make more sense for the Administration to build on the Minerals Supply Partnership to craft an outreach to African countries, including some of the innovative work by the State Department to support battery councils between Zambia and DRC. Exploring ways that AGOA-eligible countries could be qualified for IRA tax credits might also be useful. Finally, crafting a package of support that includes policy reforms and technical assistance for human capacity development and improved mapping, as well as specific investment credits for the sector, is the kind of approach that would make sense.

It would make sense for the United States to engage Africa on a serious discussion about what the long-term trade and investment relationship should look like. While it may not end up being an FTA between the U.S. and all of Africa, it could be a series of agreements like the U.S.-Kenya Strategic Trade and Investment

Partnership (STIP) or FTAs with “anchor” countries which would link to regional groupings (for example an FTA with Kenya would naturally tie in its East African Community (EAC) partners). Another option would be to develop protocols or agreements on specific issues. For example, under the USG Digital Trade With Africa (DTA) initiative launched at the December 2022 U.S.-Africa Leaders Summit, the United States could explore with Africans how to address digital trade issues being addressed in the AfCFTA Digital Trade Protocol adopted by African Leaders just this past February at the African Union (AU) Summit. That would naturally build on the protections AfCFTA offers companies investing in Africa, and through a series of FTAs that include market access provisions should begin to level the playing field in Africa for U.S. companies relative to their European competitors.

Fourth and lastly, I’d like to end with a practical pitch to renew AGOA as soon as possible this year. Key industries like textiles and apparel operate on 18-24 month lead times, which is beyond the current expiration of AGOA. The uncertainty about AGOA’s renewal is already causing orders to be cancelled – which will soon start translating into factories being closed and people being fired.

I understand and support the argument that this AGOA renewal is a great opportunity to make some changes, and there are several non-controversial changes that can and should be made. Finding a way to include North Africa into AGOA eligibility makes eminent sense, as does modifying the graduation criteria to avoid punishing countries that have made good use of AGOA (like Mauritius) to achieve Middle Income Status. Other non-controversial changes would include eliminating the textile visa requirement for Africa to harmonize with customs procedures used for most other apparel exporters, while increasing the apparel quotient base to reflect the current market. It would also be helpful to change the review period to once every three years versus annually. Congress and the Administration would still have the ability to review or remove eligibility very quickly in the event of an event like a coup. For the vast majority of AGOA-eligible countries that do not experience those kinds of disruptions, switching to a review once every three years would provide companies greater certainty, encouraging them to invest more and acting as an incentive for countries to remain on track for eligibility. Fewer reviews would also make the program easier for the U.S. government to administer, freeing up time to work with African countries on improving their trade and investment environment and pursuing broader strategic approaches as outlined above.

CCA notes the longstanding bipartisan and bicameral support for AGOA, welcomes the support for AGOA reflected in bills introduced by members of non-trade committees, commends this Committee for holding this hearing and urges your work with House counterparts to craft an AGOA renewal bill that can hopefully be passed as soon as possible in 2024.

Thanks for the opportunity to speak with you today and I look forward to answering any questions and offering CCA as partner in following up from today's hearing.