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Committee on Foreign Affairs
Subcommittee on Terrorism, Nonproliferation, and Trade
Subcommittee on Africa, Global Health, and Human Rights

Joint Hearing on African Growth and Opportunity Act: Ensuring Success
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Chairman Royce, Chairman Smith, Ranking Members Sherman and Bass, Members of the Subcommittees, I want to thank the Subcommittee on Terrorism, Nonproliferation and Trade and the Subcommittee on Africa, Global Health and Human Rights for holding this hearing on this extremely important and time-sensitive subject: Ensuring the continued success of the African Growth and Opportunity Act (AGOA).

I am appearing before the Subcommittees today in my capacity as President of the African Coalition for Trade (ACT), a non-profit, member-supported trade association of African private sector groups and individual companies trading with the United States under AGOA. Our members come from Kenya, Lesotho, Madagascar, Mauritius, South Africa, Swaziland and Tanzania. Most of our members are engaged in manufacturing apparel for export to the United States under AGOA. In addition, our members also include textile and zipper manufacturers, agricultural product exporters, and export logistics service providers.

ACT is proud to have been involved in the development of AGOA as one of the primary spokespersons for the African private sector, beginning with the very first hearings held in 1995 and continuing through the enactment of AGOA in 2000 and each of the successive rounds of amendments.

Increased apparel trade has been the greatest success of AGOA. During 2000-2004, AGOA's first five years in effect, African apparel exports to the United States more than doubled. More than 300,000 new direct jobs were created in the apparel sector, and more than twice that many indirect jobs supported the vibrant new African apparel industry.

This success was challenged with the expiration of the Multi-Fiber Arrangement (MFA), effective January 1, 2005, which exposed the infant African apparel industry to unfettered competition from Asian apparel super-producers, including China whose heavily-subsidized apparel industry had been in operation for decades. As a result, AGOA apparel exports to the U.S. market slumped during 2005-2010, falling by 56% from the 2004 record of $1.8 billion to just $789 million in 2010. But the African apparel industry began a come-back in 2011. Apparel exports began to grow again, up 15% to $903 billion by the end of 2011.

Unfortunately, this recovery has been nipped in the bud by Congress' inability to renew the AGOA third-country fabric rule of origin, which allows apparel manufacturers in least developed country (LDC) AGOA beneficiaries to utilize yarn and fabric from any origin, which in turn enhances their competitiveness and attractiveness to U.S. buyers. The third-country fabric provision accounts for more than 95% of AGOA apparel trade, but this key provision is scheduled to expire on September 30, 2012.

African stakeholders, including ACT and the African Cotton and Textile Industries Federation (ACTIF), which is represented here today by my friend Jas Bedi, began a campaign two years ago, working in close cooperation with the African Diplomatic Corps in Washington, to try to convince Congress to renew the third-country fabric provision well in advance of the September 30, 2012 expiration in order to avoid unnecessary harm to the African apparel sector. Although identical bills to renew the third-country fabric provision were introduced in both the House and Senate last year, H.R. 2483 and S. 2007, Congress has so far failed to take up the measure.

Africa is now paying the price for Congress' inaction. Although African apparel exports had begun a modest recovery during 2011, the level of exports began to flag during the second half of 2011. U.S. apparel imports from Africa during July-December 2011 were down 4% from the same period in 2010.

Unfortunately, the decline has continued in 2012. During May-June 11, 2012, which is the most recent period for which import data is available, apparel imports from Africa were down another 27% from the same period in 2011. According to our African apparel manufacturer members, new orders are currently down 30-35% from last year, and the rate of decline is accelerating.

Because apparel orders are typically placed up to nine months in advance of delivery, if Congress had wanted to encourage U.S. apparel importers to continue to source in Africa, the right time for renewing the third-country fabric provision was last year. Now U.S. apparel importers are becoming increasingly nervous over Congress' inaction and are shifting their orders out of Africa. Once this business has been established elsewhere, it will be very difficult to recover it for Africa.

Compounding the tragedy, as orders are lost, layoffs are beginning to follow. Already this year, 3,300 jobs have been lost in Lesotho alone. Another 2,000 workers in Kenya have been laid off. If the third-country fabric provision is not renewed immediately, there is a serious risk of a collapse of the African apparel industry and the loss of literally hundreds of thousands of jobs.

Congress' inability to renew the third-country fabric provision might lead one to conclude that the AGOA third-country fabric provision must be controversial. On the contrary, renewal of the AGOA third-country fabric provision enjoys wide bi-partisan support in both chambers of Congress. The third-country fabric provision has been renewed twice before in AGOA's history, each time well in advance of its expiration and either unanimously or without any meaningful opposition.

This time, however, renewal of third-country fabric has become the victim of inter-party and inter-chamber gridlock, despite the fact that the bills have been endorsed by the Chairmen and Ranking Members of both the House Ways and Means Committee and the Senate Finance Committee. The Obama Administration has made it a top trade priority. President Obama himself expressed his support for renewal of third-country fabric in a letter read to the 2011 AGOA Forum in Zambia. At the 2012 AGOA Forum, which was held here in Washington last week, no topic was discussed more frequently or with more urgency than the need for immediate renewal of the third-country fabric provision.

As one African Trade Minister put it at the Forum last week, "We came to Washington with great optimism that we would return with good news that the third-country fabric provision had been renewed, but we are returning home with empty hands. What are we to tell our people whose jobs are being lost every day?"

Congress can be proud of its accomplishment in the creation of an apparel industry in Africa, creating hundreds of thousands of jobs and providing the livelihoods of more than a million people, who otherwise would be living in poverty. Sadly, Congress' inaction in renewing the AGOA third-country fabric provision is today destroying what was created over the past 12 years in response to Congress' encouragement in AGOA.

Thank you, and I would be happy to answer any questions the Members of the Subcommittees may have.

Respectfully submitted,

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