THE AFRICAN GROWTH AND OPPORTUNITY ACT: BUILDING TRADE CAPACITY

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BEFORE THE

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CONTENTS

THE AFRICAN GROWTH AND OPPORTUNITY ACT: BUILDING TRADE CAPACITY

TUESDAY, MAY 11, 2004

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AFRICA,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 4:04 p.m. in Room 2172, Rayburn House Office Building, Hon. Edward R. Royce (Chairman of the Subcommittee) presiding.

Mr. ROYCE. This hearing of the Subcommittee on Africa will come to order.

The focus of this hearing is the African Growth and Opportunity Act: Building Trade Capacity. Today, several years into the program we know that AGOA has worked. While many of us wish that more African countries and more African industries, particularly agricultural industries, were taking advantage of AGOA, we do know that it has managed to draw hundreds of millions of dollars of foreign investment to the continent, creating many desperately needed jobs.

Several Members of this Committee in fact have had the opportunity to visit apparel plants in many countries across Africa and witness the encouraging development of that industry.

We have also seen AGOA spark difficult economic reforms in Africa as countries have aimed to maintain their AGOA eligibility by undertaking these reforms. In just a few short years AGOA has given many Africans experience with the export-led economic growth that has lifted hundreds of millions of people out of poverty worldwide. This makes AGOA the most effective development program for Africa that I am aware of.

AGOA is in jeopardy though. Congress must pass H.R. 4103 before September, otherwise critical third country fabric provision will expire at that time. Without this extension we will be undoing much of the good that AGOA has done.

Intensified competition from China and other countries is coming soon as apparel trading rules are set to change. Unless we act, this will wipe out much of Africa's emerging apparel industry, and the many African jobs that have been created. It is also going to wipe out some of the hope that AGOA has created.

I am told that apparel orders for Africa are in some cases already being canceled due to the uncertainty over Congress' action. Our credibility as a nation that takes an interest in the plight of the world's poorest continent is on the line. The Ranking Member and I as well as Vice Chairman Houghton are original co-sponsors of

H.R. 4103, which extends AGOA until 2015 and extends the critical third country fabric provision for apparel production for 3 more years.

H.R. 4103 also contains trade capacity building provisions. We have long recognized that African countries can use some help to take advantage of AGOA's preferential market access. The Subcommittee in the past heard testimony from Erastus Mwencha, the Secretary-General of COMESA, who has discussed sanitary and phytosanitary hurdles and asked us for assistance. Last June he told the Subcommittee that some help had arrived but we need to do more. H.R. 4103 addresses this challenge for African agricultural exports.

Over the last several years the United States and others have ramped up trade capacity building assistance throughout the developing world, including Africa. In 2003 the United States provided over $133 million in trade capacity building assistance to sub-Saharan countries. This hearing will assess that assistance in support of AGOA and how it is impacted by H.R. 4103, sections of which are expected to be considered by this Committee in a mark-up.

The African continent is at a crossroads. The vision that many of us have been working for, a vision of an increasingly stable and democratic Africa, one that is combating HIV/AIDS, one that is exporting and importing more goods and services, that is the focus of those of us that have served on this Committee. And AGOA has been central to our effort. And it has been an effort that we have undertaken along with Africans to see that this vision is their future.

The other very different path that Africa could get caught on leads to greater poverty, to hunger, to conflict and environmental degradation.

In my mind it is unclear which way Africa is headed. I sincerely hope it is on an upwards spiral. What is clear though is that our nation would suffer considerably, our growing security and economic interests on the continent would suffer and our humanitarian character would suffer should Africa find itself on this downward path. AGOA is one part of our effort to help.

[The prepared statement of Mr. Royce follows:]

PREPARED STATEMENT OF THE HONORABLE EDWARD R. ROYCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SUBCOMMITTEE ON AFRICA

WASHINGTON, D.C.—The following is the opening statement of Africa Subcommittee Chairman Ed Royce (R–CA–40) at this afternoon's hearing on the Africa Growth and Opportunity Act (AGOA):

"Today, several years into the program, we know that AGOA has worked. While many of us wish that more African countries and more African industries, particularly agricultural industries, were taking advantage of AGOA, it has managed to draw hundreds of millions of dollars of foreign investment to the continent, creating many desperately needed jobs. Several Members, in fact, have had the opportunity to visit apparel plants in Africa and witness this encouraging development. We have also seen AGOA spark difficult economic reforms, as African countries have aimed to maintain their AGOA eligibility. In just a few short years, AGOA has given many Africans experience with the export-led economic growth that has lifted hundreds of millions of people out of poverty worldwide. This makes AGOA the most effective development program for Africa that I'm aware of.

"AGOA is in jeopardy, though. Congress must pass H.R. 4103 before September—otherwise AGOA's critical third country fabric provision will expire. Without this extension, we'll be undoing much of the good that AGOA has done. Intensified competition from China and other countries is soon coming as apparel trading rules are set to change. Unless we act, this will wipe out much of Africa's emerging apparel industry, the many African jobs it has created, and much hope. I'm told that apparel orders for Africa already are being cancelled due to the uncertainty over Congress' action. Our credibility as a nation that takes an interest in the plight of the world's poorest continent is on the line. The Ranking Member and I—as well as vice-Chairman Houghton—are original co-sponsors of H.R. 4103.

"H.R. 4103 also contains trade capacity building provisions. We've long recognized that African countries can use some help to take advantage of AGOA's preferential market access. The Subcommittee in the past heard testimony from Erastus Mwencha, the Secretary-General of COMESA (Common Market for Eastern and Southern Africa), who has discussed SPS (sanitary and phytosanitary) hurdles and asked for assistance. Last June, he told the Subcommittee that some help had arrived, but we need to do more; H.R. 4103 addresses this challenge for African agricultural exports.

"Over the last several years, the U.S. and others have ramped-up trade capacity building assistance throughout the developing world, including Africa. In 2003, the U.S. provided over $133 million in TCB assistance to sub-Saharan countries. This hearing will assess TCB assistance in support of AGOA and how it is impacted by H.R. 4103, sections of which are expected to be considered by this Committee.

"The African continent is at a crossroads. The vision that many of us have been working for is an increasingly stable and democratic Africa, one that is combating HIV/AIDS and exporting and importing more goods and services. AGOA has been central to our effort, with Africans, to see that this vision is their future. The other, very different path Africa could get caught on leads to even greater poverty, hunger, conflict, and environmental degradation. To my mind, it's unclear which way Africa is headed. I sincerely hope that it is entering an upward spiral. What is clear though is that our nation would suffer considerably—our growing security and economic interests on the continent would suffer, as would our humanitarian character—should Africa find itself on this downward path. AGOA is one part of our effort to help."

Mr. ROYCE. Let me begin by introducing members of our first panel. Florizelle Liser is Assistant U.S. Trade Representative for Africa in the Office of the United States Trade Representative where she leads U.S. trade efforts in sub-Saharan Africa. Flori previously served as Assistant U.S. Trade Representative for Industry, Market Access and Telecommunications. She is a former senior trade policy advisor to the Secretary of Transportation and the Office of International Transportation and Trade.

Emmy B. Simmons has been the Assistant Administrator for Economic Growth, Agriculture, and Trade of the U.S. Agency for International Development since April 2002. Previously she served as the Supervisory Agricultural Officer for Mali, the Senior Program Officer for USAID's Moscow Mission and USAID's Deputy Assistant Administrator in the former Bureau for Global Programs, Research and Field Support.

She is a member of the Senior Foreign Service focusing on international agriculture and economic development.

Flori, would you like to begin and we will take your 5 minute testimony and then go to questions.

Flori, there is a button there.

Ms. LISER. Right. I should know that.

STATEMENT OF THE HONORABLE FLORIZELLE B. LISER, ASSISTANT U.S. TRADE REPRESENTATIVE FOR AFRICA, OFFICE OF THE U.S. TRADE REPRESENTATIVE

Ms. LISER. Mr. Chairman, Congressman Houghton, and to all of the Members of the Committee who have been longstanding supports of Africa, I would like to thank you for organizing this hearing and giving us an opportunity to focus on an important issue related to AGOA and that is trade capacity building. I am going to focus my remarks on that. I have also submitted written testimony for you and look forward to answering any questions.

AGOA has been an undeniable success. However, much remains to be done if we hope to sustain these achievements over the long term and help African countries to each their full potential under AGOA. In 2003 two-way United States trade with sub-Saharan Africa increased 36 percent over 2002, to just under $33 billion. Particularly impressive is the 32 percent growth in non-oil AGOA imports which includes value-added products such as apparel, manufactured goods, and processed agricultural products.

There are currently 37 sub-Saharan countries eligible for AGOA. For some of those countries AGOA has been a boon. However, many other countries have been unable to take advantage of the opportunities AGOA offers. Of the 37 AGOA-eligible countries, only two, South Africa and Ghana, export a broad variety of products to the United States. Nine export mostly apparel items, four export mainly petroleum based products, over 20 are exporting just a limited number of products, and there are even three that are yet to export any items under AGOA or see one dollar of investment.

There are a number of reasons why this is so, including supply side constraints such as inadequate infrastructure and other factors such as the lack of capacity which can be addressed in terms of technical assistance. We know that market access alone is not enough for many African countries, especially those with little history or expertise in producing value-added goods. Consequently, we have sought to make available the tools of training that these countries need to enhance their opportunities under AGOA and to participate fully in the multi-lateral trading system. We hope that Congress will support the Administration's fiscal year 2005 budget request for trade capacity building programs in Africa, especially those aimed at helping African countries to make use of AGOA.

In fiscal year 2003, as you said, we invested $133 million in technical assistance and training programs to enhance sub-Saharan African countries trade capacity. This was up 26 percent from the 2002 figure. U.S. funding for trade capacity building activities specifically related to AGOA was over $84 million last year. This technical assistance has gone toward such purposes as helping African businesses and farmers to identify market niches, to address quality standards and issues such as SBS and to establish linkages with prospective American partners.

Through the three regional trade competitiveness hubs which have been established in Botswana, Kenya and Ghana, we are providing public services supporting trade to the government such as customs procedures which better enable African companies to do business and inform African businesses of ways to take full advantages of opportunities under AGOA.

The hubs have now completed more than a year of work assisting both the governments and businesses in the region to address trade-related challenges and to develop and diversify their AGOA trading. The hub in Botswana assisted the Zambian government, for example, in complying with AGOA's apparel visa regulations. As a result, a Zambian spinning mill has exported nearly $6 million worth of yarn to neighboring countries Botswana, Mauritius and South Africa for producing garments for the AGOA market.

Following up on the President's announcement in 2003 we also now have experts, APHIS experts, Animal, Plant and Health Inspection Service experts, posted in the three hubs to help African countries face the challenges of accessing the United States market for their agricultural products. The APHIS expert in Botswana has already helped to do pest assessments on products such as table grapes, baby carrots and baby squash.

AGOA continues to foster new trading opportunities and investment, create new jobs, and promote economic development. USTR looks forward to working with others in the Administration, Congress and the Africans themselves to ensure the greatest utilization amongst all the AGOA-eligible countries of the market access opportunity provided in AGOA.

I welcome any questions that you may have.

[The prepared statement of Ms. Liser follows:]

PREPARED STATEMENT OF THE HONORABLE FLORIZELLE B. LISER, ASSISTANT U.S. TRADE REPRESENTATIVE FOR AFRICA, OFFICE OF THE U.S. TRADE REPRESENTATIVE

Chairman Royce, Congressman Payne, and Members of the Committee, thank you for inviting me to appear before you today to discuss the trade capacity building aspects of the African Growth and Opportunity Act (AGOA). Mr. Chairman, the Administration appreciates your longstanding leadership on AGOA, and the special attention this Committee has given to our efforts to promote U.S. trade and investment with sub-Saharan African countries. We are grateful for the opportunity to provide our views on this topic.

In keeping with the theme of today's hearing, I will focus my testimony on the trade capacity needs and initiatives under AGOA.

AGOA IMPLEMENTATION: SUCCESSES AND CHALLENGES

Mr. Chairman, AGOA's achievements continue to mount. In 2003, two-way trade between the United States and sub-Saharan Africa increased 36 percent over 2002, to just under $33 billion. The increased market access provided by AGOA helped to boost U.S. imports from Africa by 43 percent to $25.6 billion, with over half of this trade covered under AGOA and its GSP provisions. Particularly impressive is the 32 percent growth in non-oil AGOA imports, which include value-added products such as apparel, manufactured goods, and processed agricultural products. Production and export of these goods has a much greater impact on jobs-creation and sustainable economic growth than does export of basic commodities.

In 2003, apparel imports from sub-Saharan Africa were up 50 percent; transportation equipment imports (mostly automobiles from South Africa) were up 34 percent; and AGOA agricultural imports were up 13 percent. Africa's share of the U.S. market in each of these areas remains small—for example, constituting just 2.1 percent of the U.S. apparel import market. But these relatively small gains in African access to the U.S. market translate on the African side into substantial benefits and economic development in a region that has been on the margins of the global economy and where over half the population subsists on less than a dollar a day.

AGOA has been an undeniable success, increasing our two-way trade with Africa and diversifying the range of products being traded. But much remains to be done if we hope to sustain these achievements over the long-term and help African countries to reach their full potential under AGOA.

For example, we need to do more to broaden participation in AGOA and to help beneficiary countries to expand and diversify their exports under AGOA. Many AGOA-eligible countries have yet to export any significant amount of goods under AGOA. Others are doing well on apparel, but have not been able to diversify into any of the hundreds of other products for which duty-free market access is provided under AGOA.

Many African countries remain unable to take advantage of the broad market access provided by AGOA, both because of constraints, such as inadequate infrastructure, and because they do not currently produce many competitive, value-added products. USAID and other agencies are addressing these and other AGOA-related challenges through the Regional Competitiveness Hubs and other initiatives. This type of assistance is of great value to beneficiary countries. We hope, therefore, that Congress will support the Administration's FY2005 budget request for trade capacity building programs in Africa, especially those aimed at helping African countries to expand and diversify their exports under AGOA.

TRADE CAPACITY BUILDING INITIATIVES RELATED TO AGOA

AGOA is the centerpiece of our policy toward Africa, and serves as a focal point of the Administration's strategy to build trade capacity in Africa. In FY2003, we invested a total of $133 million in technical assistance and training programs to enhance sub-Saharan African trade capacity, up 26% from $105 million in FY2002. According to USAID, U.S. funding for trade capacity building activities related to AGOA was over $84 million in FY2003.

This technical assistance has gone toward such purposes as helping African governments and businesses to identify market niches, to address quality standards and issues, to gain access to more timely market information, and to establish linkages with prospective American partners.

In October 2001, the President announced the Trade for African Development and Enterprise (TRADE) Initiative to promote U.S.-African business linkages and business development, expand the role of trade in poverty reduction strategies, and build African capacity for sophisticated trade analysis.

This Presidential initiative operates primarily through three Regional Hubs set up in Africa—in Botswana, Kenya and Ghana—to improve the provision of public services supporting trade (such as customs procedures), better enable African companies to do business, and inform African businesses of ways to take full advantage of opportunities under AGOA.

In particular, the Hub in Botswana assisted the Zambian government in complying with AGOA's export visa regulations. As a result, Swarp Spinning Mills has exported nearly $6 million worth of yarn to Botswana, Mauritius and South Africa for producing garments for the AGOA market.

The Regional Hubs have now completed more than a year of work assisting governments and businesses in the region to address trade-related challenges and to develop and diversify their AGOA trade. In response to African requests, the Hubs are also devoting greater attention to helping African countries meet sanitary and phytosanitary measures to facilitate greater African agricultural exports under AGOA. Many other U.S. agencies are also involved in AGOA-related technical assistance, which is critical if Africans are to take full advantage of AGOA.

Following up on the President's announcement at the second AGOA Forum in January 2003, Animal Plant and Health Inspection Service (APHIS) experts are being posted to the three Hubs to help Africans face the challenges of accessing the U.S. market for their agricultural products.

The APHIS presence at the Botswana Hub has already paid dividends: APHIS expert has helped Southern African nations complete pest risk assessments on products such as table grapes, baby carrots, and baby squash.

CONCLUSION

AGOA continues to foster new trading opportunities and investment, create new jobs, and promote economic development. However, market access alone is not enough for many African countries, especially those with little history or expertise in producing value-added goods. Consequently, we have sought to make available under AGOA and through President Bush's TRADE Initiative, the tools and training these countries need to manage their opportunities under AGOA, and to participate fully in the multilateral trading system.

We are ready and willing to work with the Congress to develop legislation that is practical, passable, and that will permit us to build on AGOA's many achievements.

I would welcome the opportunity to respond to any questions you might have. Thank you.

Mr. ROYCE. Thank you.

Now we will go to Assistant Administrator Simmons.

STATEMENT OF THE HONORABLE EMMY B. SIMMONS, ASSISTANT ADMINISTRATOR, BUREAU FOR ECONOMIC GROWTH, AGRICULTURE, AND TRADE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. SIMMONS. Thank you very much, Mr. Chairman and Members of the Subcommittee, for this invitation to appear before you to discuss how the U.S. Agency for International Development supports the implementation of the bipartisan direction of Congress to promote economic development in sub-Saharan Africa through AGOA.

My remarks will echo comments that Assistant Administrator Connie Newman, the head of our Africa Bureau, has made in previous testimony on this subject. As the Assistant Administrator for Economic Growth, Agriculture and Trade, my staff and I work very closely with our colleagues in the Africa USAID's AGOA-related technical assistance activities in the region.

I too will submit a more complete version of my remarks for the record.

But recognizing that as President Bush has said:

> "Open trade fuels the engines of economic growth, creating new jobs and new income,"

I would like to address in these brief oral remarks just three points.

One is how AGOA serves as a focal point for USAID's economic growth strategy in Africa and provides strong incentives for African nations to build their trade capacity.

Secondly, how USAID needs to continue to provide technical assistance and financial support toward AGOA efforts. This support helps expand the pool of AGOA-eligible countries and also helps the eligible countries make full use of AGOA.

Thirdly, I would like to note that USAID is providing AGOA-related assistance through a number of programs. We have not got merely one trade capacity building program but a whole range. Most notable is the Presidential Trade for African Development and Enterprise Initiative but there is also the initiative to end hunger in Africa, regional products and global projects at the same time. All of these are necessary to make it a success.

In our travels in Africa, Assistant Administrator Connie Newman and I have met with government officials throughout the region and invariably they ask for our help, as well as USAID's help in using AGOA's preferences to build their countries' economies and to build the capability to export. Sub-Saharan Africa has enormous potential to become a more important player in the international economy, yet the region accounts for less than 2 percent of world trade right now.

A number of countries in the region have begun to take measures to increase their ability to trade, as my colleague has just mentioned, but trade is still hampered by constraints such as high transaction costs, capacity limitations, and poor infrastructure. If Africa is to fulfill its potential, these constraints must be lifted and AGOA is one of the principal means to do it.

Transforming the varied economies in Africa into strong participants in the global economy will, however, take time. Through our

USAID missions in the region we are working with countries, both public sector and private sector participants, in order to identify promising opportunities for significant increases in regional and international trade. Ultimately, national wealth must be built enterprise by enterprise, sector by sector.

So what is USAID's specific role in AGOA implementation? It is a central focus of this Administration's development assistance strategy in the region. A year ago Administrator Natsios approved a new USAID strategy called Building Trade Capacity in the Developing World and instructed our field missions to consider support for this sector in all new regional programs. As has already been mentioned we provided over $133 million in trade capacity building assistance directly to the countries of sub-Saharan Africa last year.

Nearly $60 million of this assistance was channeled through our regional missions and hubs, most of which benefitted our AGOA partners. Of course, USAID's increased focus on trade is mirrored by the increased focus on trade-related technical assistance at USTR and the new Office of Trade Capacity Building that they have recently established. So we have been consistently working with both offices.

In Africa we respond to the challenges of increasing trade and investment through, as I previously said, several major programs. One of these programs is this initiative called TRADE, Trade for African Development and Enterprise. It is a 5-year initiative and as Flori has already mentioned, works through three hubs, one in each of the major regions of Africa, Ghana, Botswana and Kenya. Activities supported by USAID address key barriers to trade such as customs. We have been working in east Africa to have one-stop border posts to reduce the down time as products move from the production side to the export side.

Transports costs include: Working on the trans-Kalahari Highway, working at the Dar es Salaam transportation corridor, the northern corridor in Kenya and Uganda, working on corruption, working on information, working on energy. All of these areas are important underpinnings for effective trade.

I could provide some other examples of success such as the Corporate Council on Africa's West Africa International Business Linkage program which has already generated a value of trade of about $52 million.

In the interest of time let me just conclude with my belief that AGOA provides a really special opportunity to achieve one of the Administration's key development objectives of building a strong trading partnership between the United States and the countries in sub-Saharan Africa. We in USAID are committed to improving the economic landscape and reducing poverty in the region. We look forward to continuing interest and advice on our efforts to achieve the objectives of AGOA.

So, Mr. Chairman, Members of the Subcommittee, thank you for providing me with the opportunity to speak and I look forward to answering any questions you may have.

[The prepared statement of Ms. Simmons follows:]

PREPARED STATEMENT OF THE HONORABLE EMMY B. SIMMONS, ASSISTANT ADMINISTRATOR, BUREAU FOR ECONOMIC GROWTH, AGRICULTURE, AND TRADE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you to discuss how USAID supports the implementation of the bipartisan direction of Congress to promote economic development in Sub-Saharan Africa through the African Growth and Opportunity Act (AGOA).

My remarks will echo comments that Assistant Administrator Connie Newman has made in previous testimony on this subject. As Assistant Administrator for Economic Growth Agriculture and Trade, my staff and I work very closely with our Africa Bureau in support of USAID's AGOA-related technical assistance activities.

I would like to emphasize four key points:

- As President Bush said, "open trade fuels the engines of economic growth, creating new jobs and new income."
- AGOA serves as a focal point for USAID's economic growth strategy in Africa, and provides strong incentives for African nations to build their trade capacity.
- USAID needs to continue to provide technical assistance in support of AGOA, both to help expand the pool of AGOA-eligible countries, and to help the eligible countries make full use of AGOA.
- USAID is providing that assistance through a number of programs—most notably the Presidential Trade for African Development and Enterprise (TRADE) Initiative and Initiative to End Hunger in Africa (IEHA)—to implement AGOA and to help make it a success.

BACKGROUND: THE DEVELOPMENT CHALLENGE

The pace of economic growth and development in Africa is of paramount concern to the United States. Sub-Saharan Africa (SSA) continues to face enormous development challenges. It remains the world's poorest region, with half of its population of 690 million living on less that $1 per day. Of the 32 countries around the world with the lowest levels of human development, 24 are in sub-Saharan Africa. While economic growth trends in many countries are positive, achieving the internationally agreed development goal of reducing poverty levels by 50% by 2015 would require almost a doubling of current rates to over 6% a year.

Increasing economic growth will require major commitments on the part of African governments, civil society and the international community across a broad spectrum. Numerous challenges must be addressed: improving the transparency and accountability of government; increasing agricultural productivity; preserving the richness and diversity of Africa's natural resources; broadening the economic base; improving the competitiveness of African products; building human capacity at all levels; expanding information and communication technology networks; improving the enabling environment for increased trade and investment, including building basic infrastructure; curbing the spread of HIV/AIDS, malaria, tuberculosis and other infectious diseases; and increasing African capacity to deal effectively with natural disasters.

DEVELOPMENT AND TRADE ARE COMPLEMENTARY

There is a growing appreciation of the key role trade can play in increasing economic growth and reducing poverty in SSA. Rapidly growing global markets will continue to create opportunities for the people of Africa to trade, provided they have the capacity to take advantage of them.

Integrating SSA into the world economy has become a principal objective of the U.S. Government. With the links between trade-generated economic growth and sustainable development becoming clearer, many SSA countries now actively seek to enhance their participation in the global economy. They face, however, a common set of obstacles:

- Limited capacity to participate in multilateral negotiations and comply with international trade agreements, and inadequate access to some of the world's fastest growing international markets adversely affect their ability to compete in global markets;
- At the national level, infrastructure, institutional, and policy constraints prevent many from taking advantage of trade and investment opportunities; and
- At the industry and firm level, poor information on trade prospects, inability to meet international standards, cumbersome regulations, technology con-

straints, limited access to credit, and the lack of insurance and trade finance limit production and trade opportunities.

U.S. trade policy and U.S. development assistance programs are mainstreaming trade into our economic development efforts in SSA. These efforts are complementary and reinforcing. Working together, our trade policies and development programs assist SSA countries in expanding their capacity to implement trade agreements and to use trade as a tool for economic growth and poverty reduction.

AGOA reflects this coordinated approach—encouraging trade as a way to promote economic growth in sub-Saharan Africa. It provides trade preferences to countries that are making progress in economic, legal, and human rights reforms. It also provides a framework for technical assistance to help countries take advantage of the trade preferences. In our travels, Assistant Administrator Newman and I have met with government officials throughout Africa who ask for our help in using AGOA's preferences to build their countries' economic and physical infrastructures for trade. USAID's activities directly address these technical assistance needs.

Sub-Saharan Africa contains more than 10% of the world's population, yet accounts for just 2% of world trade. Enormous potential exists for increasing economic growth through trade. Although a number of countries in the region have begun to take measures to increase their ability to trade, trade is still hampered by systemic constraints such as high transaction costs, capacity limitations, and poor infrastructure. If Africa is to fulfill its potential, these constraints must be lifted, and AGOA is one of the principal means to do it.

Transforming the varied economies in Africa into strong participants in the global economy will take time. Through our Missions, we are working with countries to identify promising opportunities for significant increases in regional and international trade. Ultimately, national wealth must be built enterprise by enterprise, sector by sector.

USAID'S ROLE IN AGOA IMPLEMENTATION

Trade capacity building is a central focus of this Administration's development assistance strategy. A year ago, Administrator Natsios approved a new USAID strategy for "Building Trade Capacity in the Developing World," and instructed our field missions to consider TCB in all new regional and country programs. In Fiscal Year 2003, the United States provided over $133 million in TCB assistance directly to the countries of sub-Saharan Africa. This included nearly $60 million of TCB assistance through our regional missions and hubs, most of which also benefited our AGOA partners.

Of course, USAID's increased focus on trade is mirrored by the increased focus on trade-related technical assistance at USTR, underscored by the creation of their new Office for Trade Capacity Building. Our TCB experts at USAID—in EGAT, the Africa Bureau, other regional bureaus, and in our field missions—work closely with USTR and other agencies on a daily basis to ensure that U.S. trade and development efforts are well coordinated and effective.

In Africa, USAID is responding to the challenge of increasing trade and investment and supporting AGOA through several major programs, particularly the Trade for African Development and Enterprise (TRADE) Initiative. President Bush announced this Presidential Initiative in October 2001 at the first annual AGOA Forum. He stated, "The trade program will establish regional Hubs for global competitiveness that will help African businesses take advantage of AGOA, to sell more of their products on the global markets."

TRADE is a five-year initiative that promotes U.S.-African business linkages and business development, expands the role of trade in poverty reduction strategies, and builds African capacities for more sophisticated trade analysis. It also leads to improvements in the provision of public services supporting trade (such as customs procedures), strengthens the enabling environment for African business, and enables African business to take even better advantage of opportunities under AGOA.

TRADE operates primarily through three Hubs located in Ghana, Botswana, and Kenya. USAID works collaboratively with other USG agencies such as the Department of Commerce, the Office of the U.S. Trade Representative, the Department of Agriculture, and the Trade and Development Agency in designing and implementing the programs funded by the Hubs.

Some of the major TRADE activities are as follows:

- USAID's regional mission in East Africa is supporting efforts to harmonize customs and trade facilitation policies such as establishing a "one-stop" border post at the Malaba/Tororo border between Kenya and Uganda;

- Our regional mission in Southern Africa is working to identify and remove barriers to trade in the Trans-Kalahari Highway and Dar es Salaam transportation corridor; our East Africa office is doing the same in the Northern Corridor in Kenya and Uganda.
- Our West Africa mission is working with two regional intergovernmental organizations to set up observatories that track and report on corrupt practices on key interstate trucking routes.
- USAID is establishing AGOA resource centers and organizing seminars, conferences, training sessions, and business exchanges throughout SSA to provide technical assistance on AGOA legislation and help build relationships between U.S. and African businesses.
- Each Hub is working with counterpart organizations such as the Central African Power Pool Secretariat, the Southern African Power Pool, and the West African Power Pool to improve the availability of and lower the cost of power supplies.

These efforts have already borne fruit. For example:

- USAID's support for the Corporate Council on Africa's West African International Business Linkage program has resulted in the completion of more than 200 transactions and two joint ventures with a total value of approximately $52 million.
- USAID support to the Mozambican Employers' Federation helped Mozambique not only to comply with the AGOA visa requirements, but also to change onerous administrative rules that unnecessarily raised production costs and undermined global competitiveness.
- Our technical assistance in meeting AGOA requirements helped a Zambian firm ship yarn worth more than $5.7 million to Botswana, Mauritius and South Africa, creating jobs in Zambia and promoting regional economic integration in southern Africa.

With its focus on enhancing agricultural productivity and market value, the Initiative to End Hunger in Africa (IEHA) also has an important role in support of AGOA. IEHA will help create agricultural trade and market systems that add value to products and processes, deliver high-quality safe products, reduce costs for consumers, and create a climate and infrastructure that attract private and foreign investment to African agricultural businesses.

CONCLUSION

AGOA provides a special opportunity to achieve one of the Administration's key development objectives of building a strong trading partnership between the United States and the countries in sub-Saharan Africa. Under AGOA and through President Bush's TRADE Initiative, the opportunities for trade will expand, bringing an increase in prosperity and a vibrant economic climate to Africa and greater opportunities for American exporters and investors. USAID is at the forefront of the USG's commitment to better the economic landscape in helping to reduce poverty. We look forward to the continuing interest and advice from Congress on our efforts to achieve the objectives of AGOA.

Mr. Chairman and Members of the Subcommittee, thank you for providing me with the opportunity to speak before you today. I look forward to answering any questions you may have.

Mr. ROYCE. Thank you, Assistant Administrator Simmons.

Before we go to our questions we want the Ranking Member Don Payne to have an opportunity to make an opening statement. And then we also have been joined by Jim McDermott, one of the original authors of the African Growth and Opportunity Act in case he might have an opening statement that he would like to make, or Mr. Houghton, another co-author of the legislation if he would like to.

Mr. PAYNE. Thank you very much. I will be brief so we can get into the questioning. But I would certainly commend you for calling this very timely hearing and to let you know that as you have indicated, there is certainly a sense of urgency that we need to be moving forward as relates to AGOA 3.

I certainly appreciate the testimony from our two Assistant Administrators, Simmons and Liser, and we appreciate your continued work on this very important issue.

AGOA seeks to broaden and deepen Africa trade with the United States, as we all know. With key provisions of the bill, signed into law in 2000 by President Clinton, expiring this year gives us the opportunity to improve the legislation. The third country fabric provision under AGOA, which allows least developed countries duty free access for apparel made from fabrics of another country expires as we know in September of this year. And we certainly have to prevent that from occurring.

AGOA 3 would extend this deadline as you know to September 2007. Also, AGOA 3 takes the step toward helping Africa cloth and apparel get up and running before the WTO textile quotas end in 2005. And this question always comes up, if we had more time to sort of get the industry running we could perhaps be in much better shape. And so this, of course, is certainly a concern of ours, especially in light of WTO's 2005 textile quota ending.

U.S. imports under AGOA have almost doubled from 2001 levels of $7.6 billion to their 2003 level of $13.2 billion. In addition, 150,000 AGOA-related jobs have been created along with $340 million in foreign investment in the five leading countries in the AGOA area.

So we need to continue to build on the success that AGOA has had and the progress that it has made for economic development on the continent. And we can do that certainly by passing an AGOA 3 bill in the House and the Senate and swiftly move it to conference so that we can send it to the president for his signature.

Once again, we have dealt with the urgent needs that AGOA 3 addressed. We must continue to work closely with the Africa diplomatic corps who initially had a great deal to do with shaping the first legislation and continue to work with Chairman Royce and others that are involved. We need to keep civil society both here and on the other side of the Atlantic involved, as I mentioned, to ensure that we build upon the vision of AGOA so that it reaches and goes to really involve businesses and the trade. As we have said, we believe that is one of the answers. First it seemed like it was only trade that was being pushed, but as we looked at it we knew that aid must continue in order for trade to move forward.

So it is just a pleasure to see this move forward. And I would also like to compliment the grandfather of AGOA—maybe I will just make him the father of AGOA, it is his premature white hair—for his vision and with his staffer Mr. Williams when they came up with this excellent idea. I commend you, Mr. McDermott for that.

Thank you, Mr. Chairman.

Mr. ROYCE. Thank you, Mr. Payne.

We will now go to grandfather McDermott from Washington State.

Mr. MCDERMOTT. I cannot stand this.

Mr. Chairman, I ask unanimous consent to enter my full statement in the record.

And I would just like to say that AGOA idea was a little like one of my favorite movies called *Field of Dreams*. There is an Iowa farmer named Ray Kinsella who is out in the field and he hears a voice from somewhere that says, "If you build it he will come." We built the stuff in the Ways and Means in terms of taking down tariffs. But really what is important about this hearing is talking about expanding trade capacity, which is helping them take advantage of the field now that we have got it built.

I simply want to say that all three Members on this panel are people who have done great work, especially Ed Royce. When I really needed a friend on the Republican side he was my very best friend.

Mr. ROYCE. Probably only friend.

Mr. MCDERMOTT. On my own Committee I had more problems.

But I really think that all three have really played a great part in getting this bill through. And I thank you very much for inviting me.

[The prepared statement of Mr. McDermott follows:]

PREPARED STATEMENT OF THE HONORABLE JIM MCDERMOTT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

As a Member of the Ways and Means Committee, which controls our nation's tariffs, I'm often involved in trade issues that come before the Congress. I would first like to say that we have a long way to go before our tariff structure is fair to developing countries. U.S. tariffs typically increase as products move up the value chain. This means that we essentially relegate poor countries to providing us with natural resources or basic commodities, which are economic sectors that don't generally drive much economic development or create many jobs. It is not a coincidence that most of what we get out of sub Saharan Africa are products like petroleum, bauxite, copper, gold and diamonds.

One of my favorite movies is "The Field of Dreams." In that movie, Iowa farmer Ray Kinsella hears the mysterious words "If you build it, he will come," and is compelled to build a baseball diamond in the middle of his cornfield.

Sometimes our trade policy is the same way—if we just lower our tariffs, the goods will come. Well, that isn't always the case, especially when it we're talking about developing countries.

Developing countries' external competitiveness—their ability to trade—depends largely on many domestic factors that define how conducive the domestic system is for private business. These factors include macroeconomic management, especially regarding taxation policy, trade policy, and exchange rate management, but also microeconomic aspects such as the availability of services and infrastructures, and governance in the public sector.

When we passed AGOA, many of us thought that if we just lowered our tariffs, Africans would start exporting all sorts of goods to us. Although imports from sub Saharan Africa have increased over the last few years, most AGOA exports are still petroleum or other natural resources. Africa still hasn't been able to take full advantage of their tariff preference or other competitive advantages that the region enjoys. The reason is because non-tariff barriers—especially in the agriculture sector—still exist. These are barriers that prevent exports and economic growth just as much as tariffs do.

If we truly want to increase trade flows with sub Saharan Africa and other developing countries, we must reduce tariffs *and* provide assistance developing trade capacity.

I am pleased that the International Relations Committee understands the important role that development assistance and capacity building plays as a way to help our world's poorest nations and most impoverished people grow their economies and raise their living standards. I hope that what this committee learns today will help the Congress enact legislation that enables AGOA to provide more meaningful benefits to sub Saharan Africa. Thank you.

Mr. ROYCE. Thank you, Mr. McDermott.

As we begin the questioning let me just ask Assistant Administrator Simmons, how do we judge the effectiveness of trade capacity building, not with anecdotes but with hard facts? Can you give us examples of the return on the $133 million we spent partly as a result of the legislation, can you give us some indication of where those successes are?

Ms. SIMMONS. Thank you for the question.

I believe that the metrics that USTR has already reported are part of those metrics. I mean everybody talks about the 150,000 jobs. Everybody talks about the $340 million or so in foreign direct investment. Clearly those are important numbers to track. They are important to us and they are important to the people who actually have those jobs.

I also think that we need to look more broadly at how those relate to the scale of the challenge that we are facing. We also need to know whether or not we are satisfied with those numbers. Are 150,000 jobs enough? Is this level of foreign direct investment enough?

So I think the question is about two-way trade. I think the question is about the commodities that are actually in as we referred to the non-oil commodities in this trade.

Looking at the diversity of those commodities, looking at the strengths of those markets, looking at the value added to local production, looking at the sort of health of the linkages within the economy, those are some of the other kinds of data that we are looking at to judge the effectiveness of our trade capacity building programs.

The apparel numbers are the ones that clearly in the short term we are all pointing to as evidence of success. That is important to point out because apparel industries are footless industries, they are easy to set up and they are quick to get going.

But I believe you also mentioned the importance of building on the agricultural capacity, for example, in Africa.

Mr. ROYCE. Well, the reason I asked that is that we had Erastus Mwencha testify here before our Subcommittee and he said that while greater assistance was coming from the United States that only four fresh produce items were coming from COMESA at this time: Pineapples, onions, snow peas from Kenya, and yams from Madagascar. Now I know of some additional that he left off the list but if it is such a short list that has been approved by the U.S. Department of Agriculture do you know if progress is being made on that approach?

I guess the other part of that question is if there are legal or administrative restrictions on USAID's trade capacity building efforts that we should know about in Africa? Are there sensitive sectors in which you actually are prohibited from operating? Let us have a discussion if we could on that front.

Ms. SIMMONS. Okay, let me see if I can take each question in turn.

The first question has to do with the diversity of agricultural products both that are in the pipeline to be exported to the U.S. as well as those that have already been approved. Exporting fruits, vegetables and flowers from Africa to the United States is going to be a business challenge, not simply in the area of pest risk assessment which we have spent a lot of time and attention on, and that is a critical piece, but also just in terms of the economics. Those products have to compete with similar products being produced in Latin America where transport and packaging costs are much less.

Africa has a real challenge to match up to.

The pest risk assessment, taking care of the sanitary and phytosanitary process that needs to happen is a key piece of the fruit, vegetable and flower exports from Africa. We are hopeful that the agreement from the U.S. Department of Agriculture to place three APHIS advisors, one in each of the three hubs, who should be onboard by mid-July, will be an important addition. Their implementation is an important accelerator of the process of getting horticultural products approved for export to the U.S.

We are very hopeful that that will accelerate the progression of the process.

In addition, however, we have a number of activities working with agricultural exports from Africa, both traditional crops such as coffee, cocoa, as well as non-traditional crops such as the ones you mentioned, snow peas, pineapples, with a number of other activities because there are production issues, there are timing issues, there are varietal issues, there are customer satisfaction issues. We need to address that whole range of issues to really make sure that a flow of exports, once started, can be sustained.

So we are working on that. We have a number of activities both regional, as with COMESA, as well as bilateral in each country to address those issues.

Mr. ROYCE. In helping Africa to increase its agricultural exports into our market, which is the goal of section 13 of this bill, would it be more effective to have added APHIS personnel helping with pest risk assessments and meeting SPS standards or other personnel, maybe from USAID involved in research and development of exportable agricultural products? In other words, if you were given the option on the 20 added personnel to focus on Africa's agricultural exports, who would that be? Where would they be stationed?

Would they be stationed in the hubs? Or if you were designing this, where would you place the personnel?

Ms. SIMMONS. Initially I think that the decision to place the three APHIS people who are going out this summer in each of the hubs is exactly the right choice. The hubs are to serve as platforms for trade development and trade capacity development in each of the regions. And so that is the great starting point. They are very well connected with information in each country and they can be flexible to where the need is greatest.

Ultimately though, we think that local capacity to be able to do some of the science work, the pest work, the entomological work, the pesticide residue work which is all part of that assessment process, we think that local capacity needs to be developed. Now whether the APHIS, the additional APHIS people that the Committee is considering or whether it should be other people I, at this point, can't say. But it is certainly an option we should look at.

One of the things that we have found to be very important in trade capacity development is to have folks who are very able to deal with the business part of the relationship, to really look at what cost points need to be met by a rose producer in a specific country looking to export to the U.S. It is that business model which we are finding is really the stretch for many African producers.

Many African countries are very used to reaching into European markets. Several countries in particular, Kenya, Tanzania, Zambia have been very successful in specific European markets: Roses, beans and so forth. But to transfer that to the U.S. is not just a quick one step of transport further.

Mr. ROYCE. I see.

Ms. SIMMONS. So we need to look at that.

Mr. ROYCE. My last question is for U.S. Assistant Trade Representative Liser.

What would the effect be on African apparel production if the third country fabric provision is not extended in this bill?

Ms. LISER. Well, I think we are all afraid to even think about it. We have already started to see some of the effects for these countries with businesses anticipating that it is not going to be extended. There has already been business that has been transferred to Asia. So I think that the failure to extend the third country fabric provision could have a serious impact on the countries. The nine I mentioned might be directly impacted as well as others who had more recently gotten their AGOA apparel visa to actually be able to take advantage of AGOA.

We could see losses of jobs, closing of factories, etc. So this is a serious issue.

If I could add something to what Emmy said on the agriculture side. I did want to mention that agricultural exports from the AGOA-eligible countries had actually increased last year by 13 percent. That is not much and it is not enough. We still have to work on that. But the other thing that I wanted to mention, which often is overlooked by the African's themselves, has to do with the value-added agriculture products. This is a really important area. There are lots of developing countries that can send under GSP duty free agricultural products to the U.S. What is important for the AGOA countries is that they actually have a tariff advantage in sending lightly manufactured or processed goods.

We want to see more pineapples come in, but the actual benefit of AGOA is for sending canned pineapples and all of that.

Mr. ROYCE. Right. Back to my first question though. Would you estimate the apparel loss at 50 percent? At 20 percent? At 70 percent? What happens if we don't extend?

Ms. LISER. It is hard for us to estimate. Part of the problem is that the combined, if it were to happen, the combined loss, even temporarily, of third country fabric with the end of the multi-fiber agreement a few months later, I think the combination of those is what would really have a tremendous negative impact on those countries. It would be hard then to figure out what had actually been the most detrimental to them.

Mr. ROYCE. Mr. Payne.

Mr. PAYNE. Thank you very much.

Ms. Simmons, you were talking about the agriculture part, the APHIS. Currently you said there are three hubs in Africa. And what is being uncovered? Are you finding that there is a problem with African agricultural products, do you see barriers to their products being pest free, etc? What has been the experience to date?

Ms. SIMMONS. Given the relatively small flow of agricultural exports of the non-traditional type, fruits, vegetables, flowers so far, it is hard to say exactly what range of problems are going to show up. The pest issue though is kind of a threshold issue. And that is why I think the Africans have quite correctly focused on that so much.

Personally, as an agricultural economist, I think that the transport issue is going to prove to be a much more difficult barrier to trade in these non-traditional products between Africa and the United States. That is where the suggestion of the U.S. trade representative is important, that folks need to start thinking about developing industrial capacity to add value, to perhaps stabilize fresh products and be able to expand those exports.

Nevertheless, I was just in Uganda and found that McCormick had invested in processing capacity for vanilla. Other companies were coming in to look at other kinds of value added.

The U.S. coffee companies and the Specialty Coffee Association of America have been working very closely with us to focus on improving the value or the quality of coffee exported from Africa and thereby increase returns at the farm level.

These kinds of initiatives are critical because it is a diverse set of products and therefore it can reach into different kinds of environments but it is also building a more robust local capacity to respond and to produce a number of products at the same time and to reach in to a much broader market.

That said, the threshold issue that the Committee has correctly identified is that of pest risk assessment and meeting the standards that we expect for health and safety in the U.S.

Mr. PAYNE. Is it anticipated—have you done studies that show, for example, very little meats are exported from Africa to anywhere, to Europe? However, Botswana is the only country that hasn't had any cases of mad cow disease or the hoof, foot and hoof, whatever that one is, mouth and something.

Mr. HOUGHTON. Foot in mouth disease.

Mr. PAYNE. That is what I have. Just that one time. [Laughter.]

What I want to try to find out is whether these are real or are they imagined? As I indicated, the flow of beef from Botswana when Europe was destroying, Germany and England and the United States we found a few cases. Botswana hasn't had any.

So I wonder, is it the fact that you just expect something is going to be wrong or is there real evidence that fruits and vegetables and things from Africa are just going to be a problem? Or is it real or is it imagined?

Many times, you know, we have imagined, we anticipate it has got to be wrong, something has got to be wrong with it. And in many instances it is really nothing wrong with it other than the perception that there has got to be something wrong. And I just wonder since you are an agricultural person what you have been able to discover up to now?

Ms. SIMMONS. I am not a plant pathologist or an entomologist so I cannot answer on the science part of that. But it is true that the U.S. has standards. We are very much of an agricultural nation ourselves and there is no way that we are going to invite into our country products that may carry pests or diseases which could have a devastating effect on our own agriculture. And that is why——

Mr. PAYNE. Right, everybody agrees with that.

Ms. SIMMONS. And USDA is very careful. Exactly.

Mr. PAYNE. Right. Like I said I am going to get back to the point that no one wants to, you know, I still have some Japanese beetles in my backyard that came into New Jersey in the 1920s.

But we, I just wonder whether before we can even get something moving forward whether all of these, like I said, we definitely do not want to bring anything that is going to be injurious to the current, to U.S. crops. But, and maybe I will just kind of—maybe I could send some questions just to see whether because if we are going to assume that it is all going to be bad then we are never going to get started. I mean it is bad enough that we have got $350 billion worth of subsidies between the developed countries. That is a whole other issue. But I just hope that we do not scare people before we find that there is really a problem.

So I will yield back. I think my time has expired.

Mr. ROYCE. Thank you, Mr. Payne. The record will be held open for questions for 20 days to give our witnesses a chance to respond.

We are going to go to Mr. Houghton then Ms. McCollum, Mr. Flake and then Mr. McDermott in that order. And then we will go to our second panel. Thank you.

Mr. Houghton.

Mr. HOUGHTON. Thank you, Mr. Chairman, Mr. Payne and Mr. McDermott, particularly for your inauguration of this wonderful program.

I have got a couple of questions I would like to ask both of you ladies if you would not mind. The first is, are there any hidden or subtle things that are happening to prevent trade? For example, in my church there is an article recently said that the Council of Anglican Provinces will refuse money from any U.S. diocese that allows gay men to function as clergy. Now I do not know how important that is in terms of the countries, whether there is something there that is not spoken of.

Also, when I read over the testimony there is only one phrase in both of your papers, and this is yours Ms. Simmons, about curbing the spread of AIDS. Which, I mean if I were in business, it would paralyze me to think that I would have to hire two or three men or women for every job opening as contrasted to what I would do in China or Malaysia or some other place like that.

So that is sort of the general theme of the question, are there subtle things that we are not talking about that are important?

Then the other thing, and I will just throw this out then you can answer it in any way you want, if I were to say to you, if I was the emperor of the United States and if I were to say to you that, you know, this is interesting that the imports have gone up so much by 43 percent over 2003 and our exports are going up, but I want that quintupled and I want it done in a year, what different things would we do? Because, you know, to increase the number of jobs, to increase this thing from I don't know what the population is in Africa, is it 600 million?

Ms. SIMMONS. 700 million.

Mr. ROYCE. 700 million and something.

Ms. SIMMONS. 700 and 60 something.

Mr. HOUGHTON. 700 million, yeah. And this is really nothing, I mean it does not compare to any other section of the world with which we deal. So the question is are we doing the right things and is this the proper cadence? Or is there something else we should try to force?

So I throw those two questions out.

Ms. SIMMONS. Should I go first?

Ms. LISER. Yes.

Ms. SIMMONS. With regard to your first question whether there are any other subtle things or hidden things that might be preventing trade I actually do not think so. There is a lot of analysis going on in Africa right now about how to accelerate Africa's performance in trade, regional trade, local trade as well as export trade. And there is a pretty good depth of understanding as to what needs to be done to make that possibility happen faster.

To address your second question on what would need to be done to quintuple the number of jobs being generated by trade, we in USAID I believe have looked across the range of constraints to trade, the barriers to trade ranging from policy, from bureaucracy, from transport, from communications, energy, the education of the work force itself is in many cases not as good as it should be to permit the workers to be able to learn new skills, to build new skills, and to move ahead more quickly.

HIV/AIDS is but one of the many diseases and many illnesses that are suffered on a regular basis by Africans. And, you are right, it is as a pandemic it is more important it seems than the others. On the other hand, we have seen many of the businesses in Africa, many of the companies taking courageous efforts, making courageous efforts to address the HIV/AIDS issues in their work force.

Depswana, a diamond mining company in Botswana has made enormous progress on laying out what companies can do and should do for their own financial benefit in order to manage HIV/AIDS in their work force and in the families of their work force.

Mr. HOUGHTON. Would you mind if I interrupted you a minute?

Ms. SIMMONS. Sure.

Mr. HOUGHTON. Jobs are going to be created by private investment not the government.

Ms. SIMMONS. Exactly.

Mr. HOUGHTON. The government can set the trade laws, can give incentives, aid packages, training, all sorts of things. But it is not that, it is Mr. X over here who is thinking of going to either Norway or China or the Philippines or Botswana. Why, with those circumstances would he go to Botswana? You see that is the question that has to be answered in order to get investment because much of the exports coming into this country from China are done by American firms. But you do not have that kind of investment in Africa.

Ms. SIMMONS. AGOA is one of the reasons though that people are looking at Africa. And it is providing an incentive to American investors.

Other reasons are as varied as the investor behind Garment Express in Ethiopia who was a Peace Corps volunteer in Ethiopia and said I want to come back, I am a businessperson, I want to invest my money in this country and I can do it competitively and make money. So he has done that.

Other American investors look very hard at the business environment, can they get land? Can they get title to land? Is there transportation access?

Mr. HOUGHTON. Sure.

Ms. SIMMONS. Those are the kinds of constraints that constrain business anywhere and those are the issues that need to be addressed.

Mr. HOUGHTON. Well, I thank you very much. My time is up, Mr. Chairman.

Mr. ROYCE. Thank you.

Mr. HOUGHTON. Ms. Liser, I hope we can talk a little later.

Ms. LISER. Thank you.

Mr. ROYCE. Thank you, Mr. Houghton.

I will mention that Mr. Flake who has also shown a great interest in AGOA traveled with me to Namibia, Lesotho, South Africa. In each of those cases we had an opportunity to see plants and job creation on each of those sites. It was in excess of 10,000 that we looked at in every one of those locations.

In addition we have seen sites in Madagascar and Mauritius. And I would anticipate that if you tallied the figure for all of the some 7,000 preference items that are manufactured and exported into the United States market it would probably be close to a million jobs in Africa that have been created. But I would ask Ms. Liser if you happen to have a definitive number of an estimate on job creation?

Ms. LISER. I don't think we have definitive numbers. I think that we have gotten numbers from many of the AGOA-eligible countries. And that is sort of the primary on that.

Mr. ROYCE. Was the Kenyan figure, Kenyan figure was about 200,000, was it not?

Ms. LISER. No, I thought the Kenya figure——

Mr. ROYCE. 60,000 for Kenya?

Ms. LISER. Right. And I think in Lesotho they are up to about 80,000 now. But then there are the secondary jobs that get created, all of the businesses that are then supplying to the factories and so forth. And so when you talk about both the primary employment and then the secondary employment I think that is where we cannot pin it down but we know that it is substantial.

Mr. ROYCE. I see.

Ms. LISER. So we are looking at that as well.

If I could just mention also in response to the question, I think that one of the issues in terms of Africa is the cost of doing business. As I travel around Africa, visit factories, talk to workers and talk to owners of factories and those that have invested they talk about the fact that, if your power is constantly going out that adds cost. If the transportation costs are higher, I was told by a Malaysian factory owner, apparel factory owner in Kenya that he has a similar factory in Malaysia, it takes 18 days to get the same products to New York. It takes 26 days from Nairobi. So that is an additional cost of doing business there. But he still thought that there was a lot of opportunity there.

Obviously if you are talking about having to hire two workers for every one job, and I have had business owners mention that as well as I went to various factories, that is another cost of doing business. This is incredible. I do not mean to diminish this pandemic, but for business people this is a cost of doing business.

So one of the things we have to do is to try to determine through trade capacity building or technical assistance how we can reduce the cost of doing business, energy, transportation, etc. I think that this is critical.

And the last thing I would say is if you wanted to quintuple the amount of products that are exported from those countries to the U.S. in a short period of time I think the thing we would have to start with is something that is actually mentioned in H.R. 4103, I think every country basically needs to have an AGOA action plan—that is what we call it—where they have determined here are the four or five top products that we either make or have the potential to make and be competitive in. And then where the trade minister in coordination with all of the other ministries and people that could help think about what is it we have to do specifically to enhance the production of these four or five products in every country?

Because right now we find that ministers come and ask us what can we sell? We are not selling much of anything. Business people come and say we do not know what to produce, we are really not producing much of anything. And so this whole issue of identifying what are your top products that have the potential to take advantage of AGOA, this is really critical. We have to start there.

Mr. ROYCE. They also say end the cotton subsidies.

We will go to Ms. McCollum.

Ms. MCCOLLUM. I am going to just try to understand a little more of the discussion that was going on with agriculture. I think Mr. Payne kind of made me think about this a little different when he brought up cattle.

Having been very few places in Africa and still being a learner on this issue, a quick learner because you have to be because the needs are so great, I noticed a couple of things. One, in South Africa where agriculture has been successful it is given to large plantation style growth. And a lot of it was not necessarily geared toward food production. Some of it was eucalyptus and other, and other farm to market products.

I am wondering if when plans are put forward in other countries, as other countries are developing their agriculture is there a balance that is struck between land that is going to go into agriculture for subsistency for that country to feed itself or to be able to trade within the reason? Or is there a pressure then to have the export side of the agriculture go so far so fast that the agricultural land that is available then starts going into production for export and non-subsistence food or regional food trade?

And are there considerations taken in account when moving forward with going into agricultural production or cotton production as to crop rotation to the land, what the environmental impacts are to water quality, is there a discussion that really is taking place about the environmental benefit, cost/benefit analysis for the long haul, not just for the business that is going in today but for the businesses that want to be there tomorrow?

And then one other question, as people do like to move into high-end agricultural products and crops, and I will put cattle and livestock into that, when I was in Latin America on a visit with CARE one of the things that they found had happened and something that I was able to substantiate in doing some other reading, land sometimes was cleared to bring cattle in, which was an invasive species in the area which actually started creating pockets for malaria to exist in.

So my question is as we are going through working with these countries in doing it who is the watchdog in helping the countries make sure that they are creating sustainability for themselves and for their region and for Africa that, first, we do no major harm to the environment and that we do no major harm to environmental health, and I will just use malaria as an example for that? Because when we did the Millennium Challenge Account I was trying to work the best that I could with the Committee because USAID I know tries to be very mindful of environmental impacts that it have no long-term health consequences. And so how is this working in with the trading policy as we move forward?

Ms. SIMMONS. Let me perhaps just provide a little bit of input on your agricultural questions. You actually asked quite a range and it may not be possible in a very short answer——

Ms. MCCOLLUM. I appreciate that.

Ms. SIMMONS [continuing]. To respond to all of the nuances that you raised.

But there is a traditional vision that the African farm is a family farm in which the farmers produce with their family the food that they need, self-sufficient, subsistence oriented farming. That image of the African farmer is an image that has undergone enormous change in the last 30 years. I have been involved in African agriculture for the last 30 years and I can tell you it has changed.

During that period of time population has grown significantly so that the land available per farm family is no longer large enough to support a farmer and his family or her family. So farmers must look at off farm income or they need to look at products that they can produce on farm that are higher value than corn or sorghum or millet. And they need then to market those products, whether it is coffee, whether it is natural herbs, whether it is chrysanthemum cuttings, which is one the new crops that they are growing in Uganda, very high intensity, very high rate of return for the market in Europe.

Farmers in Africa are really adapting fast. I am always impressed when you go out to rural areas, even fairly distant rural areas at the speed with which folks have picked up the precision production of green beans for the French, the very demanding French haricots verts market.

I think that the African farm sector has a lot of hope because they demonstrated their capacity to move up the value chain from the basic subsistence crops of millet, sorghum and so forth into these higher value crops. That said, population continues to grow and there is a demand for those staple crops.

So some farmers inevitably are going to move into specializing in those staple crops as in South Africa and are going to produce them on a larger scale, much more efficiently, much higher technology and much greater rates of return per hectare.

One of the major constraints that we are finding in USAID which is blocking this market-led transformation of the agricultural sector is the fact that many countries in Africa refuse to grant land owning rights to farmers. So farmers have very little incentive in many countries to protect their land, to protect a watershed, to ensure that their production methodologies are environmentally sustainable. They do not own the land, they can be kicked off at any time, and their future on that land is very insecure.

In some cases community tenure or what is called community based natural resource management in which farming is integrated with natural resource management has managed to stabilize, to generate enough, stabilize the agricultural situation and generate enough income for an environmentally viable, long-term production strategy. Eco-tourism has proved to be important in this particular niche.

But we are finding that these blocks, the block of land ownership, too little information about markets and market opportunities, too many African farmers disappointed because they have produced a crop for the market and then the price tanks. So we feel that this is part, this transformation of agriculture is very much part of the trade capacity building exercise, not necessarily and only for export markets but for local markets as well.

One last point is that African populations are still growing at a very rapid rate in virtually every country and that population is increasingly urban. What that means is that that traditional vision of the subsistence African agricultural operation is rapidly becoming obsolete and inadequate to the needs of that growing urban African population that wants to eat produce that is produced in the land. Unless that connection between rural farmers, producers and urban consumers is made, many urban consumers are going to find themselves importing food grain from Asia or importing food grain from the United States, rather than importing it or bringing it in from their own hinterlands.

So we think that a more dynamic market led economy is the way to go, and getting land into that market equation is the way to go. Policywise we are still not there yet. This has been a long discussion and a long conversation. But I think we are beginning in South Africa, for example, where there was a very inequitable distribution of land, we are beginning to see small Black farmers brought into that land market in a way that is really working and giving them viable options for production, strawberries, orchard crops that are significantly higher in value, higher in return, higher in income generation capacity than just growing another acre of maize would be.

Mr. ROYCE. Do not forget eco-tourism——

Ms. SIMMONS. Yes, we won't.

Mr. ROYCE [continuing]. As the number two foreign exchange earner for Africans. And it is the one thing that is unique. And to miss that will be to miss an opportunity.

Ms. SIMMONS. Exactly.

Mr. ROYCE. Let us go to Mr. Flake. Mr. Flake did quite a bit of humanitarian and NGO work in his industrious youth in Africa, in South Africa and in Namibia. And it was interesting to have someone who could actually speak to the workers in Afrikaans during our trip.

Mr. Flake.

Mr. FLAKE. Afrikaans does not do me a whole lot of good anywhere else, I can tell you.

But I appreciate being here and I appreciate those on the panel here who have done such good work with AGOA in the past. It was put in place before I got here. But I have been pleased to try to further help and broaden it because, it is doing what I think all of us recognize needs to happen in Africa that trade is the way to go. So I commend my colleagues and the witnesses for playing a part.

Question about which agricultural products, Ms. Liser, are excluded right now from AGOA and why are they excluded, what laws prevent them?

Ms. LISER. Actually there is often quite a bit of confusion about this. There are just a limited number of agricultural products that are actually excluded from AGOA because they have been determined as sensitive products. I think one of them is a garlic.

There is also certain restrictions that take place in terms of products that are subject to quotas. But even in some of those cases like tobacco or peanuts, what you will find is that the AGOA-eligible countries have duty free access within the quota or a different rate in the over-quota. But basically there are not a lot of products that are totally eliminated or excluded from AGOA eligibility.

Mr. FLAKE. So it does not have a big—if we were to open it up completely we would not see a big change there?

Ms. LISER. I think that there are certain things that we could expect if in fact there were reforms of our overall programs that we have affecting our agricultural market here. But I think in terms of AGOA specifically, they have under AGOA the best duty-free, quota-free access to the U.S. market of any of the countries that we have preference programs with, probably almost as good as some of our FTA partners.

So again it is not to say that there is no room for improvement and that reforms that people are looking for would not help them, but in a number of cases it is not the market access that is the most terrible thing that is affecting them, it is the fact that they actually do not produce in the right volumes and with the right standards, the kinds of products that could sell well in this market.

Mr. FLAKE. This question is broader than AGOA. But could you just tell me your estimation of how much our cotton subsidies that were mentioned before are hurting certain countries in Africa? Does it make a significant difference to those countries?

Ms. LISER. Well, you know there was, in fact I should really let Emmy answer this because she went to Cotonou and I did not. I sent someone on my staff. So I am going to just stop right there and I am going to let Emmy answer.

Mr. FLAKE. Thank you.

Ms. SIMMONS. And I should refer to our U.S. Department of Agriculture colleagues who have the major voice with regard to the agriculture bill.

There is a lot of talk these days about how United States agriculture policy hurts producers in Africa. And clearly the case in point is the cotton producers of West Africa. More than two million cotton producers, 10 million people dependent upon cotton as their major source of income. Because of the United States subsidies, African farmers find it very difficult to compete in international markets and that they have to accept prices which are lower than they would otherwise be.

There is a great deal of analysis going on right now. And I think that there is—there are a number of fairly credible analysts who indicate that, yes, if the United States did not subsidize its own cotton producers to the extent that we do that indeed it might create more space in the international market for African cotton producers.

There are also credible analysts who argue that African cotton producers right now could do a number of things to make themselves more competitive in terms of improved technology, in terms of the way that they organize their sectors, in terms of broadening out the way that they market cotton. Many of them still use very monopsonistic kind of marketing channels and so therefore they may not be getting the best price.

It is very difficult for us in our business to take a position on this because it is a policy issue which is above our pay grade. On the other hand, we feel that we can work with African cotton producers and with African agriculture specialists to think through their strategies with regard to cotton and with regard to establishing and perhaps even increasing their competitive position in cotton markets.

I think at the last AGOA meeting in December in Washington, there was a lot of discussion about the potential importance under AGOA of vertical integration in Africa between the cotton producers, the spinners, the textile weavers and the apparel producers. But again, the question that came up was how can we do that within the very short time period of AGOA. We have such a long way to go to develop that vertical chain in a way that is competitive with China or Malaysia or whatever.

And so, I think that we have started down this path of constructive engagement. I appreciate Ambassador Linnet Deiley who was actually the head of the delegation in Cotonou, and I think we conveyed to our Africa partners a real sense of seriousness that we were willing to engage with them on the steps that they might take.

We in USAID are somewhat constrained by the Bumpers amendment with regard to the direct assistance that we can give to support cotton production in Africa. But within the context of AGOA there are a number of steps that we can support to increase the sort of business planning and the investment planning part of the exercise that all of the four concerned African countries are already beginning to undertake, but also expanding it to other countries that are interested in expanding cotton operations, Zambia, Ethiopia, even Uganda.

Mr. ROYCE. Well, back to the question at hand. We had a hearing on this before this Committee. I think not only is the conventional wisdom that these subsidies are very harmful, but the World Bank did a rather definitive study on this, and found the cost in excess of a billion dollars to the developing world. So I think if we try to be objective——

Ms. SIMMONS. That is on all subsidies, yeah, not just on the cotton subsidy though.

Mr. ROYCE. Yeah, well all subsidies is in the billions. But the cotton subsidy alone is a staggering sum.

We will go to Mr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

Just to follow up on what you are talking about it is my understanding that the World Trade Organization has said that our cotton subsidies are non-compliant. Is that correct? Unacceptable, breaking the trade laws, whatever you want to say.

Ms. LISER. Actually, the report on the cotton case with Brazil is actually not public yet, so we are in a tough position to actually comment on the details of it. It is actually not a public document. People have leaked it but it is not a public document yet. So I hope you will excuse me if I do not comment on it.

Mr. MCDERMOTT. But you would not contradict me, would you? [Laughter.]

I would not want you to lose your job. So we will get away from that.

On the risk, the pest risk assessment, I understand that at some time in the recent past it was a decade in arrears on dealing with those issue. Where are you now? What is the situation in terms of your evaluation of products coming in?

Ms. SIMMONS. We had an APHIS adviser at the regional hub in southern Africa, in Botswana for the last year. And a number of pest risk assessments were moved along during that person's tenure. He left a couple of months ago I believe and we have exhorted USDA to increase their attention to recruiting new candidates for the jobs in Africa. We are really pleased that they have done so. By July there will be an APHIS advisor in each of the trade hubs in Africa.

We are expecting them to accelerate the actual physical movement on some of these pest risk assessments through the process. But we are also looking to these advisors to identify what other needs might be out there for pest risk assessment and to identify whether it requires USDA full-time staff to live in Africa to do it or whether indeed using some of the other USAID vehicles we could train up locals, we could bring in third party businesses to provide that service in a way that USDA would find acceptable in terms of their own regulatory process.

So we are going to be very much engaging over the next 6, 7 months on how we can accelerate that.

The anecdotes about delays in pest risk assessment—I am sure Flori has heard them from everyone, I hear them all the time—are legendary. But there is not a lot of good evidence that any specific deals that otherwise really would have gone forward have been blocked. But it is psychologically for many Africans a major barrier to implementation of AGOA in the agriculture sector.

And so we are really committed to working with USDA to make sure that it happens.

Mr. MCDERMOTT. I think we authorized 10 or a dozen in countries, not less than 10 countries, we have got 5 in Panama and 4 in Guatemala and 3 in the Dominican Republic. How would you think they would go about assigning these if we gave them 20 people.

Ms. SIMMONS. We would anticipate that the hubs would continue to be the platform from which these advisors——

Mr. MCDERMOTT. You mean they would all live in Kenya or——

Ms. SIMMONS. No.

Mr. MCDERMOTT [continuing]. And go out?

Ms. SIMMONS. No, not necessarily. But initially we are anticipating these three. And it has taken a long time for USDA to recruit people.

Mr. MCDERMOTT. Why?

Ms. SIMMONS. Well, I do not know why. The Dominican Republic seems to be so much more attractive but.

Mr. MCDERMOTT. Baseball?

Ms. SIMMONS. Maybe. That could be it.

But it has been, it has been very, very difficult to recruit people who wanted to live and work in Africa. And so that has just been a big stumbling block organizationally.

We would anticipate that there are——

Mr. MCDERMOTT. Could I just ask?

Ms. SIMMONS. Yes.

Mr. MCDERMOTT. At what level are you recruiting? Maybe that is a way to put it. I mean you have got agronomists and you have got people in colleges coming out of agriculture schools all over the place, what is the hang-up? Is it just living abroad?

Ms. SIMMONS. You would actually have to ask the U.S. Department of Agriculture. Our understanding is that it is just hard to recruit people of this qualification interested in the regulatory part of plant pathology and entomology and trained in APHIS methodologies to live and work in Africa. It has just been difficult.

Mr. MCDERMOTT. Okay.

Mr. ROYCE. You have to understand that this is rather inconceivable for Mr. McDermott because as a young man he went and worked actually for several years in Africa on more than one occasion. He took a trek to Africa and stayed and did a lot of good work there and it is rather hard for him to believe that the U.S. Department of Agriculture, you know, cannot find similarly inclined young people today.

Mr. MCDERMOTT. It would be interesting, Mr. Chairman, to see what the process is by which they try. If they post them on a bulletin board somewhere or what is the method by which you go looking. But there are a lot of people who have the training who are looking for jobs, I mean we are not flooded with jobs in the United States right now, and a lot of people with training who also have the impulse to do something in the Third World.

Ms. SIMMONS. Right.

Mr. PAYNE. Would you yield on that a second? Even the historically Black colleges do have agriculture colleges all through the south. I know that there would be, it seems to me, a number of people that would be interested in that kind of work. The problem is USDA period. I mean they have historically been always way behind the western world.

Ms. LISER. If I could, while I was in Lesotho, I just got back a couple days ago, I took the opportunity to talk to folks about what had happened with our APHIS folks. I was concerned. And I was concerned that they have now selected the three new people. That part of it was that they were trying to get folks at a certain level, focusing their efforts on the APHIS Center in North Carolina. And that they have gone through a process now where they have changed a bit their view of who should be there, who are the best people who could really come and do that and they have not had a problem in actually now getting a number of candidates. They even had to have a board to select the candidates.

So the three candidates, the three selectees have now been chosen and they will be there shortly. I think it was there that there were some problems in terms of how they were going about it and the level of people they were looking for. But I was pleased to hear that they are selected and going to be there soon.

Mr. ROYCE. Well, I think this is a very important conversation that we are having here right now because it goes right to the issues of H.R. 4103. I think we are probably going to submit some additional questions on this subject. And again I want to thank our U.S. Trade Representative Ms. Liser, thank you for being with us, and our Assistant Administrative Simmons. Thank you.

Ms. SIMMONS. Thank you.

We are now going to our last panel. Thank you.

Reverend David Beckmann is President of Bread for the World, a Christian citizens' movement against hunger, and Bread for the World Institute which conducts research and education campaigns on hunger. Rev. Beckmann and Bread for the World are well-known on the Hill. He has played a leading role in building NGO support for the African Growth and Opportunity Act. Rev. Beckmann worked for the World Bank for 15 years before moving to Bread for the World.

We are going to ask you, Rev. Beckmann, if you will summarize your testimony. We have your report for the record and read that the night before. And if you would do that summary at this time we would appreciate it.

Rev. BECKMANN. Yes.

Mr. ROYCE. Thank you.

STATEMENT OF THE REVEREND DAVID BECKMANN, PRESIDENT, BREAD FOR THE WORLD

Rev. BECKMANN. Thank you, Mr. Chairman, Ranking Member Payne, Committee Members, I really appreciate all of you, the service that you give on this Committee and especially your innovative work on AGOA.

I am also representing the Partnership to Cut Hunger and Poverty in Africa which is a broad coalition of United States and African institutions that are concerned about African agriculture. Both Bread for the World and the Partnership are part of the broader AGOA Coalition which includes other civil society organizations, Africa advocacy groups, businesses, business groups and, importantly, African leaders.

I would like to stress three points. First, I want to repeat the point about the urgency of passing AGOA 3 with an anecdote. Secondly, I would like to talk about the possibility of additional capacity-building language in the legislature. And, third, speak to the issue of labor rights.

I just came back from Uganda, and I was struck that Uganda is a case study in what you all were trying to do when you passed AGOA in the first place. Uganda's exports to the United States have grown. There are thousands of jobs, probably 5,000 jobs, in textile factories that are directly related to AGOA.

President Museveni is a strong advocate of AGOA and more generally of trade. I went to Uganda primarily for a big conference on hunger in Africa. He spoke twice. And both times he lectured us on the importance of trade to transformation in Africa and to the reduction of poverty and hunger.

This is a government that has successfully reduced poverty, reduced HIV, reduced illiteracy, so he is pursuing trade for the sake of poverty reduction. Here it seems like, well, a few months if AGOA 3 gets delayed a few months, so what. But I visited one small town where an AGOA related factory means jobs for 1,200 people. And that factory is going to disappear if AGOA 3 is not passed before AGOA 2 runs out.

Delay will also embarrass the whole direction of policy. African leaders like Museveni who have talked about trade as an important part of African development will be embarrassed and to some extent, discredited. I think the damage of delay would also affect the long-term development prospects of Uganda.

Both the Chair and the Ranking Member made comments about urgency in their opening statements, so I know that this isn't a surprise to you. But being with some of the people who are direct beneficiaries and with African leaders who are invested in AGOA made me feel more clearly the urgency of Congress acting on AGOA 3 before AGOA 2 runs out.

On the question of capacity building, in fact AGOA has only significantly benefitted six or seven countries. There are a lot of other countries that could benefit and participate in trade with the United States. Also, within countries there could be a broadening of the benefits of trade. But a lot of that depends on capacity building.

We have heard what USAID is doing to build capacity. But more could be done along those lines. We have submitted to your staffs possible language that would direct the President to adopt policies to strengthen capacity building particularly in agriculture and small business. If in your judgment it is possible to add language like that without putting at risk the passage of AGOA in a timely way, that would be an improvement.

The third point I would like to make is about labor rights. The textile worker's union gave striking testimony before the Trade Subcommittee of Ways and Means. I thought some of their arguments were not very impressive.

But they have done interesting field work in some of the countries. And I was particularly struck that there seem to have been abuses of basic labor rights in Swaziland, notably the right to organize. I have not been to Swaziland to check.

But since that hearing we did do some checking on the issue, and the State Department's own report on human rights in 2003 says that the government of Swaziland harasses labor unions. It says that they are unable to protect the rights of people to associate in the informal sector where a lot of the garment work is done. I do not think that this concern should, at this point, stall the passage of AGOA 3, but you might consider bipartisan report language that would signal to the Administration that you are serious about the labor rights provisions in the AGOA legislation. This could be raised with the Swazi government or other governments.

There are annual conferences around AGOA. I have gone to most of those. I have heard almost nothing about the labor rights issue. If this issue is not seriously addressed as part of the AGOA process, it is going to undermine the political support for AGOA in the long run.

[The prepared statement of Rev. Beckmann follows:]

PREPARED STATEMENT OF THE REVEREND DAVID BECKMANN, PRESIDENT, BREAD FOR THE WORLD

Mr. Chairman and Members of the House International Relations Committee Africa Subcommittee, I thank you for this opportunity to testify before your committee and also for all the support that you, and this Committee, have given to Africa through the years. I represent two institutions, Bread for the World and the Partnership to Cut Hunger and Poverty in Africa, which strongly believe that current trends of hunger and poverty in Africa can be reversed, and progress made towards achieving sustainable development in Africa.[1]

The challenge of improving the lives of nearly 700 million people, half of whom live on less than $1 a day and one-third considered chronically undernourished, is daunting. Africa is the only region in the world where hunger, poverty and disease are pervasive and increasing.

Yet we live at a time when incredible opportunities exist to reverse these trends and greatly improve the lives of poor people in Africa. Many African governments are now embracing democracy, experiencing peaceful power transitions and investing more in uplifting the lives of their people. New democratic ideals and Africa-led initiatives that hold governments accountable, such as the Africa-wide NEPAD initiative, are being put in place and becoming acceptable by countries emerging from years of colonialism and dictatorship. The United States must support these positive efforts and give change a chance.

We see AGOA as profoundly important to Africa. AGOA has laid a good foundation for partnership between the United States and Africa, and helped to transform hundreds of thousands of lives in Africa through creation of gainful employment, stable incomes and better livelihoods.

AGOA CAN HELP REDUCE HUNGER AND POVERTY IN AFRICA

AGOA's enactment in 2000 marked a turning point in U.S.-Africa trade policy. AGOA has become, according to many African leaders, a valuable symbol of partnership for development between the United States and Africa. President Yoweri Museveni of Uganda has been quoted many times saying that what Africa needs is "trade and not just aid" to support its sustainable economic development.

The primary objective of AGOA is to encourage increased trade and investment between the United States and sub-Saharan Africa by reducing trade barriers, expanding U.S. development assistance, negotiating trade agreements, promoting private sector engagement and strengthening democracy. As part of a long-term U.S.

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[1] Bread for the World is a U.S. Christian citizens' movement against hunger. Its nationwide grassroots membership of concerned individuals and churches mobilize a quarter of a million letters to the U.S. Congress each year on issues that are important to hungry people. The Partnership to Cut Hunger and Poverty in Africa is an independent, non-partisan effort to increase the level and effectiveness of U.S. development assistance to Africa's agriculture and rural development.

strategic engagement, AGOA aims to build capacity and infrastructure in sub-Saharan Africa and expand its participation in the global economy.

Thirty-seven African countries have met the eligibility requirements to export to the United States under AGOA. To become eligible under AGOA, sub-Saharan African countries must show progress in establishing:

1) Good governance, including a mechanism to combat corruption;
2) Market-based economies, including the elimination of barriers to U.S. trade andinvestment
3) The rule of law and respect for internationally recognized human rights, including workers' rights.

Trade has the potential to help lift African people out of the cycle of hunger and poverty. That potential, however, can only be realized with the establishment of institutions and policies that raise economic productivity and achieve equitable distribution of benefits. We urge the U.S. government to adopt a comprehensive Africa policy, including a strengthened AGOA, increased development assistance (including the promised Millennium Challenge Account), increased emphasis on agriculture and rural development, and a vigorous response to famine and civil conflicts. U.S. policy, including AGOA, should be responsive to the New Partnership for African Development (NePAD), which is Africa's own comprehensive development policy. The highest priority for U.S. and African development policy should be to reduce hunger and poverty.

We regard AGOA as an important part of a comprehensive policy framework within which we can focus our advocacy to insist that the United States support capacity building, technology transfer, market access for African producers and infrastructure investments that will promote measurable reductions in hunger and poverty. The emergence of African nations that are self-reliant, prosperous, peaceful and democratic is not only a matter of the U.S. national interest but also a moral imperative.

Opponents of the legislation say AGOA is fundamentally flawed because it is based on questionable "trickle-down" economic theory and lacks an institutionalized role for civil society. Some opponents still argue that AGOA imposes stringent eligibility requirements in spite of the fact that nearly 80 percent of sub-Saharan African countries have already been granted AGOA eligibility status. Others say that AGOA offers African countries inherently unequal trading relationships with the United States, and parallels the World Trade Organization's (WTO) efforts to secure unlimited access in developing countries for lucrative banking and insurance interests in exchange for limited market access.

Another argument against AGOA is that it provides multinational corporations with unhindered access to African markets, whereas fledgling African companies are not well equipped to take advantage of new opportunities offered by AGOA.

Others note that U.S. non-governmental organizations and the U.S. Congress have been ineffective in implementing mechanisms to monitor AGOA. They also assert that Africa's textile and apparel sector will never survive the onslaught from China, India and other Asian countries after the expiration of the WTO Agreement on Clothing and Textiles (ACT) eliminating worldwide apparel quotas in 2005. Finally, opponents of AGOA argue that without the parallel removal of domestic U.S. agriculture subsidies and other trade distorting practices, AGOA will never be able to unleash the economic potential of the African agriculture sector.

There is some truth in each of these arguments. Nonetheless, on balance, we support AGOA and what it represents for U.S.-Africa relations. We are fully supportive of an AGOA III that will:

1. Increase agricultural productivity and rural development in the region, including increased technical assistance and capacity building.
2. Encourage investments in infrastructure—roads, railways and ports—to facilitate the movement of goods within countries and across borders.
3. Promote increased U.S. investment that is mutually beneficial.
4. Extend the "third country fabric" provision thereby saving tens of thousands of jobs.
5. Facilitate ongoing dialogue between the United States and African governments.
6. Encourage expansion of information and communication technologies.

AGOA has had a positive impact in Africa in a relatively short time, stimulating economic growth and job creation at a time of economic recession in most African countries, and encouraged many countries to adopt policies aimed at ending hunger and poverty. Five countries (Lesotho, Kenya, Namibia, Swaziland and Uganda) have credited AGOA with creating nearly 200,000 jobs. Examples abound, in Uganda, of young women who have become employed for the first time and left endless cycles of hunger and poverty. In Southern Africa, families have been re-united as men find jobs near their spouses and do not have to migrate far looking for jobs, only to come home infected with HIV/AIDS.

AGOA has become a household name in many African countries, touching the lives of many poor people. Many Africans—especially the more than 200,000 employed in AGOA-related industries—see it as a lifeline and opportunity for gainful employment and sustainable incomes. Families that are currently benefiting from AGOA as farmers growing cotton for these industries or as workers spinning yarn can now send their children to school and afford basic health services.

During the first half of 2003, U.S. imports (including both AGOA and the Generalized System of Preferences) increased by 65 percent to $6.6 billion. This was primarily due to increases in energy-related imports from Nigeria, which totaled $5.4 billion of total imports compared to $3.0 billion in the first half of 2002. AGOA-related imports of African textiles and apparel increased by $148.4 million (40.7 percent) over 2002.

At the moment, Africa accounts for less than 2 percent of global trade and its exports to the United States barely reach 2 percent of the U.S. total imports in value terms. The United States represents the single largest country market for Africa, importing 26 percent of Africa's exports compared to United Kingdom's 10 percent and France's 7 percent. Trade between the United States and Africa totaled $33 billion in 2003, up from $24 billion in 2002, with total African exports to the United States accounting for $26 billion, with $14 billion of them AGOA-related.

After the energy, mining and transport sectors, AGOA's emphasis has been on the textile and apparel sector. Currently 19 countries have sufficient infrastructure to directly benefit from the textiles and apparel provisions of AGOA. For example:

- In Lesotho, thirteen new garment factories opened in 2001 and 6 in 2002, increasing total employment from 29,000 to 45,000.
- In Madagascar, new companies in 2002 brought in $10.6 million in international investment, creating 5,100 jobs.
- In Kenya, AGOA-related textile and apparel businesses now employ about 200,000 people.

CHALLENGES FACED BY AGOA

AGOA represents a potential that is yet to be fully exploited. Out of the current 37 AGOA-eligible African countries, only about 7 of them have fully benefited from AGOA. The rest of the countries face serious constraints that hinder their effective participation in AGOA. Severe food insecurity caused by low farm productivity and frequent adverse weather, a massive debt totaling over 250 billion and a burden of 70 percent of the world's HIV/AIDS-infected people are straining Africa's limited resources.

The Need to Address Agriculture. So far, most of AGOA benefits have accrued to the energy, mining and transport equipment sectors. But, the most effective way of combating hunger and poverty in the continent is by investing in agriculture and rural development. More than 70 percent of Africa's population lives in rural areas and depend largely on farming.

In Africa, agriculture is a key sector for promoting economic development and reducing hunger and poverty. Most poor people in Africa live in rural areas and depend largely on agriculture, which accounts for 35 percent of sub-Saharan Africa's Gross Domestic Product, 40 percent of its exports and 70 percent of its employment.

Expanding AGOA to include agriculture would have a significant impact on reducing hunger and poverty. The International Food Policy Research Institute (IFPRI) estimates that a 1 percent increase in agricultural productivity would raise the incomes of 6 million African people above $1 per day. A $1 increase in agricultural production generates about $2.32 in economic growth. AGOA must make it easier to export agricultural products to the United States.

Improving agriculture and rural development in Africa has the potential to increase incomes and transform more lives, allowing families to get better nutrition, health and education, and creating more dynamic economies and markets for U.S. exports. Such investments will strengthen local and regional markets, address important food standards and safety concerns, and allow African farmers and traders gain the capacity and skills they need to move food in local and regional markets more efficiently, reducing hunger, famine and poverty.

The Need to Diversify. Most African countries remain dependent on one or two products to carry their entire economy. Unless African countries diversify their economies, they will remain highly vulnerable to severe economic downturns and will be the first countries to suffer in a depressed international economy.

The Need for Further Infrastructure Development. Many African nations lack the basic infrastructure to efficiently move their products to regional or global markets. Roads, water for irrigation, storage facilities and reliable transportation are all needed to strengthen the ability of African farmers and small businesses to market their products.

The Need for Access to Capital. International lending agencies should streamline requirements for access to capital for African countries. Financing is important for infrastructure development, business expansion and operational costs. The U.S. government should provide tax incentives for U.S. companies to make local capacity building, trade, agriculture and infrastructure investments in Africa.

The Need for Technical Assistance. . AGOA should target technical assistance to ease constraints such as poor infrastructure, roads and communication networks, lack of sanitary and phyto-sanitary standards, credit and market information so vital in international trade, and providing incentives for public and private sector investments in agriculture and rural industries. African and U.S. businesses need training to meet the challenges of producing "export-ready" goods.

The Need for Market Expansion and Regional Integration. Efficient large-scale production lowers costs and enhances competitiveness. Regional market integration is necessary to allow a larger market demand for domestic production. Expanding market access and lowering trade barriers for African agricultural products through AGOA will improve not only national economies but also the lives of the poorest people in sub-Saharan Africa.

AGOA MUST BE EXTENDED NOW

The "third country fabric" provision is due to expire on September 30, 2004. Uncertainty over its extension is already causing cancellation of orders and job losses in many countries in Africa. In Kenya alone, this may result in the loss of 30,000 jobs and $30 to $40 million in lost revenue this year. Congress should act now to extend the "third country fabric" provision by at least 3 years—a minimum period needed to allow Africa to build adequate capacity for fabric and apparel manufacturing.

The President has already signaled approval to extend AGOA beyond 2008, and the Congress should extend the legislation to 2015 as stipulated in the current bills. The approaching deadlines are dampening new investments and placement of new orders. Such extensions are needed in order to provide certainty and encourage businesses to commit their resources for the long-term, enhancing the prospects for new investments.

The longer Congress waits to make this important decision on third-country fabrics, the greater the losses in jobs and investments, which African countries can ill-afford. Moreover, in January 2005, the WTO will lift its textile and apparel quota, exposing Africa's fledgling textile and apparel industry to stiff competition from Asian economies. Extending AGOA would give Africa more time and increase its capacity to strengthen its industry to compete more effectively in the global market.

RECOMMENDATIONS

To strengthen AGOA's impact on hunger and poverty, Bread for the World recommends that AGOA be revised in these ways:

1) Many economic development goals can be achieved within the existing framework of AGOA by enhancing authorizing language and increasing appropriations targeted to strengthen the capacity building provisions of the Act. In order to encourage the production, processing and transportation of more and better quality exports, the United States should support AGOA eligible countries in the areas itemized below.
    a) Technical training and capacity building in agricultural production, trade, processing, research and markets especially for institutions serving smallholder farmers, small-scale rural businesses, co-operatives, marketing and transport organizations.
    b) Specialized technical training to increase African capacity to negotiate in the WTO.
    c) Market product and price information gathering, delivery and access to farmers, traders, processors and policy makers.

d) Creating a comprehensive information database on U.S. and African agribusinesses to serve as a clearinghouse for specific inquiries regarding international trade, laws, contacts and such.

2) Obtaining necessary capital is a major constraint on development. The U.S. government should press the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank to respond to the AGOA policy dialogue and bring significant new resources to help African countries attract more investment capital. In addition, the U.S. government should reduce the risks for commercial bank lending to agribusiness, provide training in market and loan facilities, establish loan guarantee funds, defray supervisory costs and promote an increase in the number of U.S. financial firms doing business in Africa.

3) AGOA should encourage and support African countries in the establishment and enforcement of effective laws, rules and regulations governing international trade and marketing.

4) The U.S. government should establish an AGOA agricultural trade advisory team to facilitate communication between African and American stakeholders. The advisory team would include designees of U.S. and African governments, educational institutions, the private sector, including smallholder producer organizations, and NGO representatives.

5) Consumer preferences in the United States have increased demand for high-quality niche products and value-added products, such as year-round fresh fruits and vegetables, higher value horticulture and floriculture products, organic tea, raw cotton, cottonseed, spices, nuts, processed seafood and folk craft items. The United States should provide technical assistance for eligible countries to identify and access these niche agricultural markets, especially for products from smallholder farmers.

6) The U.S. government should provide tax incentives for U.S. companies to make trade, agriculture and infrastructure investments in Africa.

Most of these changes will take additional financial resources. Moreover, an educated, healthy workforce is integral to successful African economic development. This underscores why increases in development assistance (including the promised Millennium Challenge Account) are necessary for strengthening mutually beneficial trade and investment that will help reduce hunger and poverty in sub-Saharan Africa.

CONCLUSION

Mr. Chairman, I hope you will move swiftly and resolutely to pass a bipartisan, comprehensive AGOA III.

Mr. ROYCE. Rev. Beckmann, we appreciate you bringing this up at this hearing because it gives us an opportunity to direct the Administration to the fact that loss of AGOA eligibility for Swaziland would be a result. We will bring that up.

And I appreciate you raising it today along with the ideas in terms of small business and other capacity building factors that could be added to the legislation.

Let me ask you, you heard our prior debate about some of the policies, whether overt or covert on the part of the United States Government, that might be hindering agricultural development in Africa. Would you like to comment on what you have seen on the ground?

Rev. BECKMANN. I think it is clear that the current system of huge commodity subsidies is a serious detriment to farming in many developing countries. Africa has its own interests, not necessarily the same as the interests of Brazil or China. But Bread for the World Institute commissioned a study by the International Food Policy Research Institute and they found that a liberalization of agricultural trade worldwide would provide about $2 billion in annual agriculture revenue for sub-Saharan Africa other than the Republic of South Africa.

And the Republic of South Africa itself would stand to gain another billion dollars a year in earned income. They would not have to come here and beg for this money every year; it would be earned income for farmers and other agriculturalists in Africa.

So moving to a system that is something different than the current system—commodity subsidies to mainly to large farmers in this country—could be important to African agriculture.

There are other trade issues important to Africa. Liberalization of trade is not the only issue. For example, in Mauritius the only thing they can produce agriculturally is sugar, but their sugar is not competitive globally. So for disadvantaged or very poor countries, there need to be preferential trade arrangements. Liberalizing trade is not going to make everything hunky-dorey. But liberalization of trade in agriculture would be an example of capitalism that would do a lot of good for poor people.

Mr. ROYCE. Yes.

Rev. BECKMANN. Trade reform is the big ticket.

In addition what is already under way to get USDA to resolve sanitary/phytosanitary issues and to resolve those issues more quickly is also important. Africa has a lot of interesting fruits and vegetables.

Mr. ROYCE. Yes.

Rev. BECKMANN. And if you go into fancy supermarkets in this country, the first thing you see when you walk in the door is a display of gorgeous oranges and fruits and vegetables you have never seen before. People are willing to pay a lot of money for them.

So making progress on USDA regulation of imports would allow Africans to enter a niche where they could out-compete anybody.

Mr. ROYCE. The other niche that always strikes me as I look at those figures, which I mentioned earlier, is tourism, especially ecotourism. It is just staggering to see that it is the number two foreign exchange earner.

And I wonder, as we talk about capacity building assistance, I know we do some with the Peace Corps, and we have had some meetings with the Peace Corps on this subject, but assisting Africans in managing that resource. Because as you look at the people around the world from Asia to Europe to this hemisphere that would like to travel into remote areas of Africa to see that incredible biodiversity, and you think about how many jobs could be created and could be linked to protecting the environment and guiding people through those environments, there is an enormous amount of wealth here that I think would draw the world to Africa and also draw dollars to support African families.

And I hope that is part of our focus as we go forward.

Rev. BECKMANN. If I may speak to that, I really appreciate your leadership in this area. I think you are onto a really important possibility. It could be a win, win, win. First of all, we all have a stake in preserving those gorgeous areas and the spectacular animals that live there. This is part of the patrimony of humankind.

Then you have very poor people typically around those areas. The only way to really protect those areas is to invest in the sustainable productivity of those very poor people. So it contributes to poverty reduction.

And then, a number of the biggest, most spectacular areas are very close to conflict. And so concern about ecotourism also heightens the political importance of reducing conflict in places like the DRC and Uganda. Terrorists can hide in and around big wildlife parks.

In our country, it is still to some extent true that a lot of Americans care more about elephants—I do not want to overstate this—but they may care more about elephants and lions and tigers than they do about Africans. They sure know more about them and watch them on TV more. So there is also a political constituency for protecting the parks, and it could add to the overall constituency for Africa.

So in various ways, I think your focus on eco-tourism is a great idea. Very promising.

Mr. ROYCE. Thank you. We will go to Mr. Payne.

Mr. PAYNE. Thank you very much.

I wonder, has Bread for the World done any study or evaluating the studies that the World Bank or others have done as relates to United States subsidies and the impact it has on Africa's agriculture, and other, Caribbean and other areas that seem to be having a more difficult time? I was surprised that the USAID person seemed not to believe that subsidies might have its hand in making it more difficult for some of the agriculture in the developing countries.

I know that she mentioned they might be able to do more productive and up-to-date methods, which I am sure is true. However, there is simply, insofar as I am concerned, and I think that the recent meeting of the WTO in Mexico where you almost had a massive walkout from Third World countries about subsidies.

So what have you been able to determine through your work?

Rev. BECKMANN. Our judgment is that the current system of agricultural subsidies is a real negative factor for the reduction of poverty and hunger in Africa. I mentioned the study we commissioned that showed that liberalizing trade and agriculture would result in an additional $3 billion in earned income for African agriculture, a billion for the Republic of South Africa and 2 billion a year for the rest of Africa. Broadly, the current system is pernicious from the perspective of farmers in Africa and around the world. It not only makes it difficult for them to import into the United States, it also reduces the price of what they produce locally for their own markets.

It is not an easy matter, of course, to get from where we are to a more rational system. First, I do not think the answer is simply to liberalize everything. There needs to be preferential treatment for island economies and low income countries. That is not a principle that Brazil is going to push, but the African countries have their own interests. My understanding is that after the break-up of the Doha Round the least developed countries—and to some extent the African countries—have been meeting separately to identify where their interests may be different from the interests of some of the bigger agricultural producers among the developing countries.

In this country, we need to be thinking of moving from big commodity subsidies to rural development. If Congress has to choose between what is good for Iowa and what is good for Mozambique, Iowa will win. Most of the cotton producing congressional districts are Congressional Black Caucus districts. The cotton subsidy may be going to relatively wealthy farmers, but a lot of other people indirectly depend on that income and need it.

In making the transition, we need to be as thoughtful about rural poverty and decline in this country as we are concerned about poverty in Africa. We ought to be looking toward a shift from commodity subsidies to investment in rural development in America, the kind of rural development that will help to reverse rural decline, address rural poverty and, at the same time, avoid the trade distortions that are really tough on poor farmers in the developing world.

Mr. PAYNE. Okay. You mentioned that only a handful of countries have benefitted so far from AGOA and that a major reason for this is the need for greater trade capacity assistance. What do you think could be done quickly, is that where USAID comes in to try to develop roads or transportation or dependable energy sources?

Rev. BECKMANN. Probably things cannot be done quickly on trade. You have to build for the long haul. In addition to what USAID is doing and what they might do there, there are also TDA, OPIC, USDA and now the MCA. All of those instruments of the U.S. Government have money that is already authorized and appropriated.

The language that we are suggesting for the legislation is not telling the President how to do it. But all of those instruments are available to the President, so that money within TDA or OPIC could be directed toward investment in capacity building in Africa. And that investment can be made at various levels in African government, in businesses and in individuals.

We have been thinking mainly about technical assistance so far. But it is also a matter of transportation—the road from Kampala to Mombasa, for example.

It is especially important that we try to develop capacity in agriculture and small businesses because that is where most Africans have their livelihoods.

Mr. PAYNE. Thank you.

Mr. ROYCE. And for the record, I think you said seven countries had significantly benefitted, which is not to say that there are not others that have benefitted.

Rev. BECKMANN. No.

Mr. ROYCE. Just wanted to correct that.

Rev. BECKMANN. You are absolutely right. But I think it is a relatively small group of African countries that have reaped most of the benefits of AGOA. And with additional investment in capacity building more countries could be involved. And also in those seven countries it could broaden from the sectors in which it has already had an impact more deeply into the economies.

Mr. PAYNE. Just one last. I was in the Caribbean a year or 2 ago and just talking to some small business people, and actually a farmer. The farmer was saying that it costs him more to just set a little, little chick, chicken, baby chicken—I want to get that straight Reverend.

Rev. BECKMANN. [Laughter.]

Mr. PAYNE. And if they fed this chicken every day and then decided finally when the chicken was old enough and big enough to then, you know, kill it and eat it with the family, he said it would cost him so much more to simply try for the raising of that chicken or a bunch of chickens than what he could buy a Perdue chicken in his country. Just the import of the grain, the costs, it is just unbelievable. You know, a couple chicks, a couple of pieces of grain out there and then, you know, have a little dinner sometime, he says it is absolutely cheaper to buy a frozen Perdue chicken from the U.S. It is unbelievable.

And that is where subsidies and all of these other things and high costs for particular needs for raising chickens, you know, you have to keep them disease free, and all the rest. Something has to happen if 90 percent, 80 percent of Africans live in rural areas—and this is another subject for your Bread for the World—they are almost unable to sustain themselves because of the pressures of world subsidies. It is just it is amazing, unbelievable.

Rev. BECKMANN. When the Farm Bill went through in 2002, Bread for the World really did not work on it except for the nutrition title. The nutrition programs clearly benefit hungry people in this country. I regret that we were not as focused on other titles. And looking to the next Farm Bill, it just seems to me a broad array of public interests need to come together. We should think about the Farm Bill from the perspective of all the rural people in this country who do not benefit from the current system. I think 60 percent of U.S. farmers get no subsidies.

There are a lot of people in rural America who are not benefitting and who may have views about how to structure things. Consumers would benefit from a reform of the system. The nutrition programs should be improved and expanded; we could dramatically reduce hunger in this country that way.

And from the perspective of poor and hungry people around the world, the current system is doing a lot of damage. Environmental groups also have concerns about the current system.

So that broad array of public interests can together look at the system. It is certainly not a matter of attacking rural America. It needs to be done in a way that is better for rural America and also better for Africa and the rest of the world.

Mr. ROYCE. In closing I would like to do two things. First would be to recognize Sara Bentley, our intern here with the Subcommittee, for her good service and ask her to stand for a minute. Sara, thank you for your assistance here.

And second I wanted to thank you, Rev. Beckmann, for your testimony here today. The Ranking Member and I are looking forward to moving H.R. 4103, as the other Members are as well. But to do so we are going to need your help, including with the U.S. Senate.

Rev. BECKMANN. Good.

Mr. ROYCE. And so we look forward to working with you in that capacity.

Rev. BECKMANN. Thanks to both of you for your leadership on this and other African issues. Thanks.

Mr. ROYCE. Thank you, Rev. Beckmann.

We stand adjourned.

[Whereupon, at 5:46 p.m., the Subcommittee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE GREGORY W. MEEKS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I would first like to thank you and my colleagues for crafting a bill that really has the potential to assist in establishing long term economic stability in Africa.

It is no secret that Africa is often thought of as a continent of war, famine, and disease. However, all of us here today know that those things do not encompass the continent and cannot even begin to describe her beauty, wealth of resources, and the strength of her people.

The crafters of AGOA, in their wisdom did see these things, however. And our goal today is to do what we can to see that they come to fruition by first, ensuring that AGOA is extended and second, helping African countries become successful in developing market-based economies. Both of which cannot happen without establishing AGOA's mandates of good governance and the rule of law.

I see our job today to be to highlight the progress of AGOA and its benefit to the continent, but also to be critical of AGOA's weaknesses so that we can work together to strengthen it. So even as we recognize the 200,000 jobs created by AGOA, I want us to think today of how we can quadruple that figure. I want us to think today about:

- how we can increase sustainable economic partnerships between Africans and Americans;
- how we can encourage Africans that are American citizens to invest back in their homelands;
- how we can increase access to credit for Africans
- How we can provide increased technical training and capacity building in AGOA related industries

And the list goes on, but I think these are things that we must do if AGOA related industries in Africa are to last and if Africa is to become a viable trade partner with the U.S.

Thank you.

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