LOOKING BEYOND 2025 FOR TRADE WITH SUB-SAHARAN AFRICA, HAITI, AND OTHERS

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

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HOUSE OF REPRESENTATIVES

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United States House Committee on
Ways & Means
CHAIRMAN JASON SMITH

FOR IMMEDIATE RELEASE CONTACT: 202-225-3625
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Chairman Jason Smith and Trade Subcommittee Chairman Adrian Smith Announce Subcommittee Hearing on Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti, and Others

House Committee on Ways and Means Chairman Jason Smith (MO-08) and Trade Subcommittee Chairman Adrian Smith (NE-03) announced today that the Subcommittee on Trade will hold a hearing on trade programs that are set to expire in 2025, including the African Growth and Opportunity Act and certain trade preferences for imports from Haiti. The hearing will take place on **Wednesday, June 12, 2024, at 1:15 PM in 1100 Longworth House Office Building**.

Members of the public may view the hearing via live webcast available at https://waysandmeans.house.gov. The webcast will not be available until the hearing starts.

In view of the limited time available to hear the witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMSubmission@mail.house.gov.

Please ATTACH your submission as a Microsoft Word document in compliance with the formatting requirements listed below, **by the close of business on Wednesday, June 26, 2024**. For questions, or if you encounter technical problems, please call (202) 225-3625.

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The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission but reserves the right to format it according to guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Please indicate the title of the hearing as the subject line in your submission. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.
All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

ACCOMMODATIONS:

The Committee seeks to make its facilities accessible to persons with disabilities. If you require accommodations, please call 202-225-3625 or request via email to WMSubmission@mail.house.gov in advance of the event (four business days' notice is requested). Questions regarding accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available on the Committee website at http://www.waysandmeans.house.gov/.

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LOOKING BEYOND 2025 FOR TRADE WITH SUB-SAHARAN AFRICA, HAITI, AND OTHERS

WEDNESDAY, JUNE 12, 2024

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRADE,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The subcommittee met, pursuant to call, at 1:15 p.m., in Room 1100, Longworth House Office Building, Hon. Adrian Smith [chairman of the subcommittee] presiding.

Chairman SMITH. The subcommittee will come to order. Thank you, Ranking Member Blumenauer, subcommittee members, and certainly our witnesses here today.

Today's hearing is an important opportunity to discuss the set of trade preferences programs scheduled to expire in 2025, including the African Growth and Opportunity Act, AGOA, and U.S. Trade Preference Programs for Haiti and the Nepal Trade Preference Program.

These programs are designed to foster economic growth in some of the least developed countries and economies in the world while strengthening U.S. leadership and influence abroad.

This is especially important as countries like China and Russia seek to spread their malign influence globally.

In April, this committee took an important first step by passing the Generalized System of Preferences Reform Act, GSP, which would provide the most significant reform of the GSP Program since it began.

Last month I introduced legislation with the support of 20 committee Republicans to reauthorize the Miscellaneous Tariff Bill Process as well. Now we must build on this effort by considering reform and renewal of our Trade Preference Programs set to expire in 2025.

Since its inception in 2000, the AGOA Program has been the cornerstone of U.S. trade and economic engagement with sub-Saharan Africa. The program has two important elements—one, duty-free access to the U.S. market, and two, eligibility criteria to ensure beneficiary countries meet U.S. standards in key areas like human rights, governance, rule of law, and fair treatment for foreign companies and exporters.

These elements are designed to support sub-Saharan African economies, develop trade capacity, and strengthen U.S. relationships with beneficiary countries.

Today's hearing is a continuation of a deliberate Ways and Means Committee process regarding AGOA renewal, which has included roundtables, member visits to AGOA countries, and now a public hearing.

I encourage all interested stakeholders to participate in this hearing through submissions for the record.

A few key areas we should address through AGOA renewal include: One, pursuing reciprocal market access for American farmers, workers, and businesses in sub-Saharan Africa;

Two, addressing the process of graduation from AGOA when a country surpasses the per capita income threshold;

And three, transforming AGOA to encourage more value-added manufacturing on the African continent while ensuring third countries are not receiving disproportionate benefits.

But first we must ensure that participation in AGOA supports the development of science- and rules-based standards in beneficiary countries and use the annual review process to address any unfair treatment of U.S. ag products.

All AGOA countries must provide fair market access to U.S. producers and manufacturers. In the case of countries that are prepared for that next step, we must pursue robust conversations to move such an agreement forward.

I once again call on the Biden administration to develop a coherent, effective strategy for pursuing comprehensive trade agreements and seeking congressional approval of such agreements.

It is well past time—well past time—to resume negotiations of a comprehensive, enforceable trade agreement with Kenya, for example. My colleagues on both sides of the aisle agree on this.

Kenya wants to step up and move on from a temporary unilateral preference program to a reciprocal, mutually beneficial relationship, and the only thing standing in the way is this current administration.

When countries have reached the income level to graduate from the program, I hope we can consider commonsense reforms to ensure they are not punished for success in economic development. Congress should consider creative solutions to prevent a graduation cliff and secure market access for our exporters.

In each of these areas, improving access to African markets will support American workers, businesses, and farmers with little downside since AGOA already provides generous access to the U.S. market.

I am eager to hear more about how Congress can encourage more value-added manufacturing on the African continent.

African cotton should not be sent halfway across the globe to be made into fabric just to be sent back to Africa for final manufacturing. The people of Africa should be the beneficiaries of AGOA.

Next I will turn to our Haiti Trade Preference Programs. They were created by Congress through the Haitian Hemispheric Opportunity through Partnership Encouragement and the Haiti Economic Lift Program Act.

These programs provide important benefits to imports of textiles and apparel products from Haiti. The apparel industry supports thousands of jobs for the Haitian people, providing important economic stability in this time of uncertainty and unrest.

I appreciate the leadership of Representative Wenstrup on this and look forward to working with him regarding next steps on the program.

Also, the Nepal Trade Preference Program, which was established in 2015, to help Nepal recover from devastating earthquakes is set to expire next year. I look forward to working with my colleagues and stakeholders on next steps for the program.

I now recognize the Ranking Member, Mr. Blumenauer, for his opening statement.

Mr. BLUMENAUER. Thank you, Mr. Chairman.

In the course of the hearing and the opening statements, you will see there are a number of areas of agreement. The African Growth and Opportunity Act, also known as AGOA, and the Haitian Hemispheric Opportunity through Partnership and Encouragement Act, known as HOPE, are the cornerstone of U.S. trade policy with sub-Saharan Africa and Haiti.

The world, however, looks a lot different than it did when we enacted these programs decades ago. We now have years of experience to help understand what is working and what could be improved to raise living standards and bring more trade and investment both to Africa and the Caribbean.

This hearing is the next step in the committee's ongoing review of American preference programs for sub-Saharan Africa and Haiti, and there is clear, bipartisan consensus on promoting trade and investment with Africa and the Caribbean.

Then Chairman Neal set a strong tone for reviewing and improving these programs last Congress. This Congress, Chairman Jason Smith and Trade Subcommittee chair, Mr. Adrian Smith, have continued the committee's engagement, and this hearing today is an example of that.

Their leadership is buttressed by several of my colleagues who have demonstrated continued commitment to Africa and Haiti.

Chairman Smith mentioned some of his Republican colleagues. I would be remiss in not acknowledging Ms. Sewell, Ms. Moore, Mr. Evans, and Ms. Plaskett.

And by the way, we wish continued recovery for Mr. Evans from his recent health problems.

House Democrats have collectively shown an impenetrable commitment to the people of sub-Saharan Africa and Haiti and will pursue the U.S. trade policies that advance prosperity for the people of these regions.

I can speak confidently for House Democrats when I say we are firmly committed to reauthorization of AGOA and HOPE before their expiration next year.

But reauthorizing the programs without improving them is a missed opportunity. The International Trade Commission's report on these programs demonstrated the urgent need for reform.

It is important that our trade policies not only address long-term standing concerns, such as the low utilization rates in AGOA and labor violations in Haiti, which we have had some direct experience with, but also reflect the realities of today and pave the way for the future that we want to see.

AGOA is a success story. It has opened new opportunities for economic engagement and has resulted in tens of thousands of jobs in sub-Saharan Africa.

It is critical Congress drives more investment to the continent, which creates opportunities for business both in Africa and the United States, as well as for the larger diaspora.

But as proud as we are of AGOA's achievements, it has not achieved all that we had hoped. As we consider the future of AGOA, we need to find creative ways to improve AGOA's utilization rate, increase value-added exports to the United States, and ensure that the benefits, in fact, flow to the African beneficiary countries.

Africa has become a leader in addressing climate change. It is the site of key critical minerals and is quickly becoming a tech and innovation powerhouse.

The creative sector, including TV, film, and music, are essential to the economies of the continent. Our American trade policy must reflect these developments and make the most of these opportunities.

Our trade policy should recognize that certain African economies are more advanced and better integrated globally since AGOA was enacted, making it important to both consider AGOA graduation rules, and developing mutually beneficial and reciprocal trade agreements with other sub-Saharan African countries.

Like sub-Saharan Africa, the United States has a moral obligation to remain committed to the Haitian people. That obligation is now more important than ever.

Haiti played a central role in the American Revolutionary War, as we are coming up to that 250th anniversary, where hundreds of Haitians fought for American independence, a feature that is little known in this country.

And years later, Haiti would defeat the French, become the first Black republic, influencing the rise of abolitionist and anti-colonial movements all over the world, including the United States.

But the record of the United States dealing with that revolution is shameful, and we are still paying the price—more importantly, the Haitian people are paying the price today.

Many of Haiti's difficulties are because of a failure of American policy. That is why our preference programs for Haiti are so important. They provide an opportunity to help strengthen Haiti's economy and our trading relationship and remediate past wrongs.

But we must acknowledge known problems with implementation of our preference programs, especially concerning labor rights violations and noncompliance with Haiti's national labor laws.

The United States has selectively engaged in this space on issues like forced labor in the sugar sector, but there is much more to do.

Like any trading relationship, our relationship with Haiti requires work on both sides—work to improve labor conditions, political stability, and diversify Haiti's export to the United States.

Mr. Chairman, I am convinced that today's hearing today is a step in that direction in this important work, and I appreciate you convening this and look forward to hearing from our witnesses.

Chairman SMITH. Thank you, Mr. Blumenauer. I appreciate your input there.

I now recognize the chairman of the full committee, Mr. Smith, for his opening statement.

Chairman SMITH of Missouri. Thank you, Chairman Smith and Ranking Member Blumenauer, for holding today's hearing.

As the committee continues to examine how best to reauthorize the African Growth and Opportunity Act program, as well as strengthen other trade relationships with other nations, while we have time to address the reauthorization of AGOA before its September 2025 expiration, there is no sense in waiting. And so I appreciate the trade subcommittee keeping the drumbeat going.

This hearing follows two bipartisan roundtables we held earlier this year one with ambassadors from several of the sub-Saharan Africa countries that participate in AGOA, and another with stakeholders that utilize AGOA in order to hear firsthand their perspectives on the program.

The AGOA program has a successful track record of encouraging economic development in sub-Saharan Africa and greater access for U.S. agriculture products in that region.

Something I have watched closely over the years, having attended an AGOA forum in Gabon back in 2015, under the program, American taxpayers have invested over $8 billion in trade-related activities in Africa over the past 20-plus years.

Reauthorizing AGOA will ensure that American taxpayers get a positive return on their investment. It will also strengthen our economic relationship by making sure access to African markets for American exports, especially agriculture, is fair, and our trade relationships benefit American workers, farmers, and businesses.

We also need to use our trade tools to counter the malign influence of countries like China and Russia. The AGOA program can play an important role in shoring up our critical supply chains to reduce our dependence on China.

Earlier this year, the Ways and Means Committee approved trade reforms to counter China's growing military and economic influence around the world. This included the Generalized System of Preference Reform Act, introduced by Trade Subcommittee Chairman Smith, that would ban China from the GSP program and incentivize countries to grow their economies in partnership with the United States, not China.

Those same reforms should be reflected in a reauthorization of AGOA.

Meanwhile, our trade relationship with Haiti supports American manufacturing while encouraging stability in a nation that is currently suffering tremendous political and social turmoil.

I have serious concerns with the violence that is taking place in Haiti, violence that recently took the lives of two individuals from my home state of Missouri who were in the country doing missionary work when they were killed by armed gang members.

I want to thank Dr. Wenstrup in particular for his leadership on this issue, as well as a number of other members of this committee on both sides of the aisle.

I appreciate their recognition that U.S. businesses can be a force for good, particularly for a nation like Haiti, which is the poorest country in the Western Hemisphere.

Thank you again, Chairman Smith and Ranking Member Blumenauer, and to all of our witnesses for being here today.

Chairman SMITH. Thank you.

I now have the pleasure of introducing our witnesses for today's hearing. Skip Richmond is the founder and co-CEO of DTRT Apparel Group.

Next we have Daniel Runde. He is the senior vice president and Schreyer Chair in Global Analysis at the Center for Strategic and International Studies.

And I will yield to Dr. Wenstrup to introduce our next witness.

Mr. WENSTRUP. Thank you, Mr. Chairman, and I am pleased to introduce Mr. Af Nasser, vice president of Sourcing Center of Excellence and Supplier Diversity at Cintas Corporation, a proud Ohio company, headquartered in the Cincinnati area. It has been a pleasure to watch Cintas grow through my lifetime.

Cintas does great work across the United States every day, ensuring that millions of employees can go to work and perform their best by providing uniforms, supplies, first aid and safety products two things very important to me as a physician.

Cintas is uniquely positioned to provide a key perspective in our discussion today, as their global supply chain runs through both sub-Saharan Africa and Haiti.

As many of my colleagues here know, I have been a supportive leader on Haiti trade issues over the last few years, and I credit Cintas Corporation with bringing this critical issue to my attention as early as 2019, when they shared with me their support for renewing the Caribbean Basin Trade Partnership Act.

Working with Representative Terri Sewell, we got that bill done in 2020, and I am looking forward to doing the same with the HOPE/HELP preferences that are up for renewal right now.

With that, Mr. Nasser, I want to welcome you and thank you for being here today.

Chairman SMITH. Thank you, Dr. Wenstrup.

And we also have Marggie Peters Muhika. She is the deputy regional director of Africa with the Solidarity Center.

Again, thank you to all of our witnesses. I do want to say that your written statement will be made part of the record, and you each will have five minutes to deliver your remarks.

Once that yellow light appears, if you wouldn't mind bringing the flight in for a landing, do what you can to stick within the five minutes.

So with that, Mr. Richmond, you are recognized.

STATEMENT OF SKIP RICHMOND, FOUNDER AND CO-CEO, DTRT APPAREL GROUP

Mr. RICHMOND. Thank you. I would like to thank you for the opportunity to share our story and engage in this important conversation.

My name is Skip Richmond. I was born and raised in the U.S., and I am the founder and co-CEO of DTRT Apparel Group, the largest apparel manufacturing company in West Africa. DTRT owns two factories in Ghana where we produce knitwear—primarily T-shirts, polos, and hoodies—and other sportswear for large clothing brands in the U.S. and EU.

We currently employ over 5,600 workers in Ghana, making over 50,000 garments per day.

I would like to give you a brief background of how our business got started and what we have accomplished so far. I will also share with you some of the very exciting things we see ahead for our industry, and the African continent in general, that are dependent on a swift and timely, long-term renewal of AGOA.

First, how we got started, my cofounder, Marc Hansult, and I first met in 2004 when we both went to work for a Hong Kong-based trading company.

In 2005, we needed to find a factory outside China to produce some basketball uniforms. We learned about AGOA at that time, and we traveled to Madagascar looking for a factory to produce goods for us.

At the conclusion of that visit, the decision was made for the company to establish our own factory in Madagascar.

Unfortunately, Madagascar experienced a coup a few years later in 2009 and lost its access to AGOA benefits as a result. That experience reinforced for us the importance of finding a stable democratic home for our future work.

In 2013, Marc and I cofounded DTRT Apparel. DTRT stands for "Do the right thing." With two young children of my own at the time, I wanted to show my kids that it was possible to do good in the world and still make a good living.

Although our industry has a bad reputation, justifiably in many cases, I don't know of any industry that holds so much power to do good in this world. What other industry can employ so many people, so quickly, from a socioeconomic population with such limited opportunity?

Marc and I have always felt that a garment-manufacturing business can make a healthy profit, while treating our people and the planet with respect. We set out to harness the power of our industry to provide our local workers and their children a better future and to hopefully set an example for others in our industry.

We chose Ghana as DTRT's home for several reasons—first its geography. From our experience in East Africa, we encountered transit times of 50 to 60 days or longer to get finished goods from the factory to the U.S.

That very long lead time limited the customers we could service. To provide the shortest possible lead time to customers and expand our market, we were specifically interested in looking at a country in West Africa to minimize that time.

Second, but just as important, Ghana is arguably the most stable democracy on the continent, having achieved multiple consecutive peaceful transitions of power over the past three decades.

After our experience with the coup in Madagascar, establishing operations in a stable democracy was very important to us.

Another critically important factor in our decision to operate in Ghana was the fact that it was possible for us to pay wages high enough that the jobs we provide can truly lift our local workers and their families out of poverty.

Contrary to many places around the world that trap workers in poverty with their very low wages, we are having an enormous positive impact on the lives of our local workers and their families in Ghana.

This year, 2024, marks the 10-year anniversary of our first garment exports from Ghana to the U.S. As mentioned earlier, we currently employ over 5,600 people, 76 percent of whom are women. Almost 50 percent of our supervisors and managers are women, and that number is increasing every month.

There isn't a pool of experienced workers in Ghana like exists in Asia. We train every new worker, and the training cost is significant. It typically takes 6 months for a new worker to become efficient enough for us to break even.

Without the benefits of AGOA, we wouldn't be able to afford to train so many people.

Renewing AGOA now is critical to maintain the momentum we are currently seeing. When we started our business 10 years ago, it was very difficult to get the attention from major brands to bring their business to West Africa.

But today there has never been more interest in sourcing from African manufacturers. The COVID pandemic highlighted how overdependent many companies remain on Chinese suppliers.

Human rights issues and other geopolitical forces are forcing brands to seek alternatives to Asian suppliers like never before. Unlike years ago when barely any brands had Africa on their radar, today every major U.S. brand to whom we speak is exploring ways to source from Africa.

Despite the many advantages that sourcing from AGOA-eligible countries offer, African manufacturers can currently only fulfill a small fraction of what these U.S. brands need.

Africa must clear two key hurdles to be competitive with established global players in the long run—developing human capacity through training of skilled garment workers and building regional value chains to supply fabrics and accessories.

That training is happened already at DTRT and others in the region via on-the-job instruction from experienced ex-pats, but we can only afford to train because of the benefits from AGOA.

The lack of existing input supply is where AGOA remains most essential. While a Chinese manufacturer can buy all their raw material inputs domestically, we must input nearly—or import nearly 100 percent of raw materials from overseas.

Some of that investment is already happening, but uncertainty over when and for how long AGOA will be renewed, limits and delays needed investment. The ROI in investment in our industry is at least 7 years.

Renewal of AGOA within this year for a minimum of 10 to 20 years, would provide the sort of comfort that companies require before investing to maximize AGOA's impact.

We would also like to highlight the continued importance of the Third Country Fabric Provision in any AGOA renewal. There are hundreds of different fabrics that will ultimately need to be produced in Africa for the continent to no longer be reliant on imported textiles.

It will likely take decades for the necessary fabric mills to reach a scale where the continent will be self-sufficient.

As such, the Third Country Fabric Provision would remain an essential clause in AGOA for at least the full term of any renewal.

We started DTRT in 2014, when we knew AGOA was up for renewal just 1 year later, based on nothing more than faith that Congress would do the right thing and extend this important policy.

We borrowed money from our friends and families, and we spent many years worrying about how we would make payroll at the end of the month.

We expect to continue our rapid growth in the years to come. We believe we have played a key role in establishing West Africa as a viable manufacturing source for American apparel companies at a moment when for the first time ever, the entire industry is seeking alternatives to China.

Congress can send a strong message to ensure AGOA fulfills its promise by renewing AGOA swiftly for another term.

As I tell my own team regularly, don't let perfect be the enemy of good. Yes, AGOA can be improved, but delaying its renewal risks doing more harm to the momentum we are seeing than the potential good that added refinements might offer.

I implore you as a citizen, taxpayer, and entrepreneur, to find a way to renew AGOA quickly, and if needed as-is, with the ability to refine it in the future if necessary.

Please don't let the debate on improvements to AGOA be endless, and please remember that each passing day without renewal means delaying and possibly losing forever a significant amount of business for the continent of Africa to other parts of the world.

Thank you very much.

[The statement of Mr. Richmond follows:]

Written Testimony
Seth "Skip" Richmond
DTRT Apparel Group
June 12, 2024

I would like to thank you for this opportunity to share our story and engage in this important conversation. My name is Skip Richmond. I was born and raised in the U.S., where I began my career as a CPA and later worked for a decade for The Upper Deck Company, which I helped build into the world's leading sports and entertainment collectibles company at the time. I am the founder and co-CEO of DTRT Apparel Group, the largest apparel manufacturing company in West Africa. DTRT owns two factories in Ghana where we produce knitwear – primarily t-shirts, polos, fleece hoodies, and other sports/lifestyle wear for large clothing brands in the US and EU. We currently employ over 5,600 workers in Ghana making over 50,000 garments per day. I'd like to give you a brief background of how our business got started and what we've accomplished so far. I'll also share with you some of the very exciting things we see ahead for our industry and the African continent in general that are dependent on a swift and timely long-term renewal of AGOA.

First, how we got started. My co-founder, Marc Hansult, and I first met in 2004 when we both went to work for a Hong Kong based trading company that was buying everything from China and importing the goods to the US for a few American sports brands. In 2005, because of quotas that were in place on goods coming from China, we needed to find a factory outside China to produce some basketball uniforms for the Company. We learned about AGOA at that time, and we traveled to Madagascar and Mauritius looking for a factory to produce goods for us. At the conclusion of that visit, the decision was made for the Company to establish its own garment factory in Madagascar – a decision that helped the business grow significantly. Unfortunately, Madagascar experienced a coup in 2009 and lost its access to AGOA benefits in 2010 as a result. The loss of AGOA benefits made it impossible for the factory in Madagascar to compete with much larger and better-established manufacturers in China and elsewhere. This experience reinforced for us the importance of finding a stable, democratic home for our future work.

In 2013, Marc and I co-founded DTRT – which stands for *"Do the Right Thing"* – in partnership with a successful Ghanaian apparel entrepreneur, Ms. Salma Salifu. With two young children of my own at the time, I wanted to show my kids that it was possible to do good in the world and still make a good living. Although our industry has a bad reputation, justifiably in many unfortunate cases, I don't know of any industry that holds so much power to do good in this world. What other industry can employ so many people, so quickly, from a socio-economic population with such limited opportunity? Marc and I have always felt that a garment manufacturing business can make a healthy profit, while treating our people and the planet with respect. We set out to harness the power of our industry to provide our local workers and their children a better future, and to hopefully set an example for others in our industry.

We chose Ghana as DTRT's home for several reasons.

First, its geography. From our experience in East Africa (Madagascar, Mauritius, Tanzania) we encountered transit times of 50-60 days or longer to get finished goods from our factories to our customers in the US. That very long lead-time limited the population of customers we could service, particularly for seasonal garments. To provide the shortest possible lead-time to customers and expand our market, we were specifically interested in finding a country in West Africa to minimize the transit time. This has become even more important in the past several years as American buyers are increasingly concerned about supply chain risks spurred by the pandemic and recent geopolitical issues. At present, the U.S. imports the bulk of its apparel from Asia – led by China – with shipping times that often exceed 45 days. In contrast, American companies can import apparel from West Africa at competitive prices with average transit times of only 14-18 days, reducing costs and environmental impact while also mitigating supply chain risks such as those currently affecting the Suez Canal.

Second, but just as important, Ghana was the first country in Sub-Saharan Africa to gain independence from colonialism in 1957. It has since blossomed into arguably the most stable and dynamic multi-party democracy on the continent, having achieved multiple consecutive peaceful transitions of power over the past three decades. There is another national presidential election happening this year – roughly in-line with our own election here in the U.S. – and we fully expect Ghana to set an example for democracies in Africa and around the world. After our experience with the coup in Madagascar, establishing operations in a stable democracy was of utmost importance to us. We certainly feel we got that right with Ghana.

In addition to its stable democracy and shipping proximity to the US, Ghana boasts strong investment protections, a supportive government and a large English-speaking workforce. West Africa is also the world's 2nd largest cotton producing region in the world, led by Ghana's neighbors in Benin, Burkina Faso, Cote d'Ivoire and Mali. Due to lack of investment in local production capacity, most of this cotton is exported to Asia, where it is processed into fabrics and sold at higher prices. Furthermore, while Ghana has the sad distinction of being one of the world's largest recipients of garment waste (often 'outsourced' from China), this stat comes with a silver lining: disused garments can be recycled, offering cheap raw material inputs for a circular, regenerative manufacturing zone for sustainable, synthetic fabrics. With the right investments and enough time for them to mature, Ghana and the West African region more broadly hold all the prerequisites to host a globally competitive apparel supply hub that rivals those dominated by China over the past three decades.

Beyond commercial reasons, a critically important factor in our decision to operate in Ghana was the fact that it was possible for us to pay wages high enough that the jobs we provide can truly lift our local workers, and their families, out of poverty. Contrary to many places around the world that trap workers in poverty with their very low wages, we are having an enormous positive impact on the lives of our local workers and their families in Ghana. In addition to paying average base wages well above the country's mandated minimum wage, we provide free transportation to/from work every day and free catered hot meals each workday, as well as substantial incentive and bonus potential.

This year, 2024, marks the 10-year anniversary of our first garment exports from Ghana to the US. We have accomplished some great things so far, but we believe we are just getting started. As mentioned earlier, we currently employ over 5,600 people in Ghana, 76% of whom are women. Almost 50% of our supervisors and managers are women and that number is increasing (intentionally) every month. Almost none of the workers we hire have any prior experience because our industry is new to Ghana and there isn't a pool of experienced workers like exists in Asia. We must train every new worker we hire and the training cost is significant. It usually takes six months for a new worker to become efficient enough for us to break-even or make money. Without the benefits of AGOA, we wouldn't be able to afford to train so many people.

Renewing AGOA now is critical to maintain the momentum we are currently seeing. When we started our business 10 years ago, it was exceedingly difficult to get the attention of major brands to bring their business to West Africa. But today, there has never been more interest in sourcing from African manufacturers. The Covid pandemic highlighted how over-dependent many companies remain on Chinese suppliers. Human rights issues and other geopolitical forces are forcing brands to seek alternatives to Asian suppliers like never before. Everyone sees the enormous potential of Africa as the next major sourcing hub. Unlike years ago, when barely any brands had Africa on their radar, today every major US brand to whom we speak is exploring ways to source from Africa.

Despite the many advantages that sourcing from AGOA-eligible countries offers, African manufacturers can currently only fulfil a small fraction of what these US brands need. West Africa must clear two key hurdles to be competitive with established global players in the long run: (i) developing human capacity, through training of skilled garment workers and executives with relevant technical expertise; and (ii) building regional value chains, including for fabrics, trims, equipment and other specialized materials. The former is happening already at DTRT and other early-movers in the region, through on-the-job instruction and skills-transfer from experienced expats. As mentioned, this education is expensive and it is because of the benefits of AGOA that companies like ours can afford to shoulder the burden of so much training.

The latter is where AGOA remains most essential. While a Chinese manufacturer can buy all their raw material inputs domestically – often within a few hours' transit time from their own factories – companies like DTRT are forced to import nearly 100% of their production inputs from overseas (often from China). To fulfil its potential of becoming a sourcing hub that can produce tens of billions of dollars of exports to the US and employ hundreds of thousands of workers, significant investment in textile mills and other supporting infrastructure is needed. Some of that investment is already happening, but uncertainty over when and for how long AGOA will be renewed limits and delays the sort of investment that is needed. Nothing kills investment appetite like uncertainty. Renewal of AGOA within this year, for a minimum of 10-20 years, would provide the sort of comfort that companies require before investing to maximize AGOA's impact.

We would also like to highlight the continued importance of the third-country fabric provision in any AGOA renewal. While investments in the supply chain are beginning to percolate, those investments will only succeed and grow if the underlying demand for garment exports from the region remains strong. The demand for finished garments from companies like DTRT in-turn influences the demand for fabrics, trims, yarn, natural and synthetic fibers from the Africa region, and so on down the value chain. We don't want to shut off the incubator while the eggs are still developing. There are hundreds of different fabrics that will ultimately need to be produced in Africa for the continent to no longer be reliant on imported textiles. It will likely take decades for the necessary fabric mills to reach a scale where the continent will be self-sufficient. As such, the third-country fabric provision will remain an essential clause in AGOA renewal for at least the full term of any renewal.

For our part, DTRT opened its second factory in Ghana in 2022 and will nearly double our production capacities again within the next 18 months. Just this past year, DTRT introduced two of our international partners to Ghana to establish screen printing and embroidery capabilities that will expand the range of products we can offer to American buyers. In partnership with the International Finance Corporation (IFC), we have also completed feasibility studies and engineering designs for a state-of-the-art fabric mill, which can use recycled polyester fibers sourced from waste materials to produce new sustainable fabrics. We've also seen more than $200 million invested by other developers in neighboring countries – Benin and Togo – to establish apparel manufacturing hubs aimed at leveraging West Africa's abundant cotton to produce fabrics and other inputs for local manufacturers, rather than exporting those raw materials to Asia.

As with DTRT during our formative years, these investments will take time to mature. The ROI on investment in our industry is at least seven years. But they represent real progress for which AGOA remains crucial. An extension of AGOA for a further 10 years – or ideally, as Senator Coons has recommended, for up to 16 years – would serve to nurture these recent investments and further accelerate the global apparel industry's shift towards Africa as a new sustainable supply source.

We started DTRT in 2014 when we knew AGOA was up for renewal just one year later, based on nothing more than faith that Congress would do the right thing and extend this important policy. Our company was founded on the vision that my business partner, a German citizen living in the US and myself, a California-born and -raised father of two, had for the enormous transformative power this sort of business could have on the world. We didn't have the resources that so many large corporations do to make these risky investments. We borrowed money from our friends and families, and we spent many years worrying about how we would make payroll at the end of the month. We now employ 5,600 workers and expect to continue our rapid growth in the years to come. We believe we've played a key role in establishing West Africa as a viable manufacturing source for American apparel companies at a moment when – for the first time ever – the entire industry is seeking alternatives to China.

Congress can send a strong message to ensure AGOA fulfills its promise by renewing AGOA swiftly for another term. As I tell my own team regularly: *"Don't let the perfect be the enemy of the good!"* Yes, AGOA can be improved, but delaying its renewal risks doing more harm to the momentum we're seeing than the potential *'good'* that added refinements might offer. I implore you as a citizen, taxpayer and entrepreneur to find a way to renew AGOA quickly, and if needed, as-is with the ability to refine it in the future if necessary. Alternatively, if you feel you have the time to make some needed improvements to enhance capacity and utilization, then by all means do that. But please don't let the debate on these improvements to be endless – as it has been for GSP – and please remember that each passing day without renewal of AGOA means delaying and possibly losing forever a significant amount of business for the continent of Africa to other parts of the world.

Best Regards,

Seth "Skip" Richmond
Founder & co-CEO
DTRT Apparel Group

Chairman SMITH. Thank you, Mr. Richmond.

Mr. Runde, you are recognized.

STATEMENT OF DANIEL RUNDE, SENIOR VICE PRESIDENT AND SCHREYER CHAIR IN GLOBAL ANALYSIS, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. RUNDE. Thank you. Chairman Smith, Ranking Member Blumenauer, and members of the subcommittee, thank you.

There are three basic options for AGOA which include no AGOA renewal, a copy-paste renewal of the 2015 legislation, or three, enhancing AGOA with a series of modernizations.

I have two bottom lines. First, I am in favor of renewing AGOA with some updates to the legislation. Second—and this is very important—failure to renew AGOA would be a strategic disaster for the United States.

Champagne corks will pop in Beijing over our failure to renew AGOA. Our African partners will be enormously disappointed with us, and failure to pass AGOA means that American business will be disadvantaged in Africa.

AGOA is the unilateral trade agreement that provides duty-free access to the U.S. market. You all are aware of that.

Like the rest of the world, Africa today is a different place than the Africa of 2000. Africa is a freer place than in, say, 1990. Africa's middle class has tripled to over 350 million people. There are more smartphones in Africa than in the United States of America.

The creation of the African Continental Free Trade Area, one of the largest free trade areas in the world, is a game-changer. Linked with AGOA, AFCTA will encourage greater U.S. commercial investment in the African region because U.S. companies will be able to tap into suppliers across the continent.

China's agreement with African countries has dramatically increased in the past decade. Fifty-two of the 54 African countries have signed on to Belt and Road. China has invested at least 2.5 times as much in African infrastructure as the entire Western world.

The Chinese have ownership of 23 ports—or control of 23 ports in Africa. China is consolidating global influence over mining, including in Africa. Today, Huawei owns up to 70 percent of all 4G networks in sub-Saharan Africa.

U.S. trade with African states is one-fifth the size of China-African trade.

AGOA is part of our offer to Africa to counter China. So I have got several recommendations.

First, renew AGOA, please, and make some improvements.

There are some special considerations for the digital space and for minerals. Although there are no barriers to African digital trade exports to the United States, Congress has an opportunity to recognize the growing importance of digital trade.

Language can be included in AGOA's reauthorization to develop a partnership, a digital partnership, with Africa that builds on emerging international standards and reduces barriers to digital trade in African countries.

Right now there are no countries in Africa currently making electric vehicles or electric batteries, and there are no tariffs on basic raw materials and minerals, so—however, now would be the time for us to ramp up our partnership with African countries through the Minerals Strategic Partnership.

Regardless of whether or not Congress determines if AGOA eligibility is the equivalent of an FTA for the purposes of the Inflation Reduction Act, the U.S. should launch a comprehensive development and development finance initiative along the lines of Power Africa for mining and minerals in Africa.

Number 3, fix graduation eligibility. Renewals should fix graduation criteria so that countries that benefit from AGOA are not punished for their success by being graduated out of the program.

Becoming a middle-income country like Mauritius means that these countries graduate from AGOA, and these countries lose their AGOA benefits.

Four, we should create bilateral, free trade agreements on the African continent. We should think about regional free trade agreements along the lines of the CAFTA–DR agreement in Latin America for West, East, and Southern Africa.

Fifth, we should adjust the timelines. Let's aim for at least a 10-year or even a 16-year renewal.

Six, let's use foreign aid to support AGOA. In the next Congress, I hope we will develop a major foreign assistance initiative for mining and minerals.

I hope we will develop a major foreign assistance initiative to close the digital divide.

And three, I hope we develop a major foreign assistance and partnership initiative to create 20 to 30 private universities in Africa as we did in India and Costa Rica in the 1960s.

Seven, the executive branch needs more than a binary on-off switch for AGOA. I know that South Africa is on your minds. And AGOA is a trade mechanism. It is not a political mechanism.

When the United States experiences tensions or disagreements with certain African countries, it is tempting to treat AGOA as a stick. South Africa has been a particularly poor partner on a number of fronts, so I understand the temptation.

We should instead employ a variety of political tools. The Coons Rish draft legislation would provide a larger menu of enforcement options, including formal warnings, probationary periods, and partial termination of benefits for certain products.

Finally, beyond AGOA, we need a 21st century partnership for AGOA—for Africa, a 21st century partnership for Africa.

We first need to pass AGOA, and then we need to come to a bipartisan consensus on a strategy for a 21st century U.S.-Africa partnership, a strategy spanning trade deals, investment, capacity-building, and integration of new digital realities. Thank you.

[The statement of Mr. Runde follows:]

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Statement before the
House Ways & Means
Subcommitee on Trade

"Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti, and Others."

A Testimony by:

Daniel F. Runde
Senior Vice President; William A. Schreyer Chair; Director, Project on Prosperity and Development, Center for Strategic and International Studies

June 12, 2024

Chairman Smith, Ranking Member Blumenauer, and distinguished Members of the Subcommittee, thank you for asking me to testify before you today. It is a privilege and an honor.

Currently, I hold an endowed chair at the Center for Strategic and International Studies (CSIS), researching how we might use American soft power and influence around the world. CSIS does not take policy positions, so the views represented in this testimony are my own and not those of my employer.

I recently published a book, "The American Imperative: Reclaiming Global Leadership Through Soft Power," which argues that Great Power Competition will play out in Africa and the rest of the Global South through influence over trade and other nonmilitary means, such as foreign aid, telecommunication systems, and vaccines, and that America must develop a robust nonmilitary strategy for the Global South, especially Africa. I argue in my book that we cannot fight something with nothing. The African Growth and Opportunity Act (AGOA) is part of our "something."

Over the past year at CSIS, we have convened six roundtables and briefings on AGOA, hosted a public panel discussion, engaged the African diplomatic community, and published a series of reports on what to consider in renewing and, ideally, improving AGOA.

Let me make several key points with my time today.

There are three basic options for AGOA's future, which include: 1) no AGOA renewal, 2) a "copy/paste" renewal of the 2015 legislation, or 3) enhancing AGOA with a series of modernizations.

My two bottom lines: First, I am in favor of renewing AGOA with some updates to the legislation. Second, failure to renew AGOA would be a strategic disaster for the United States. AGOA is critical for U.S. national security in a sensitive region of the world; champagne corks will pop in Beijing and Moscow over our failure to renew AGOA. Our African partners will be enormously disappointed with us at a time when they have other options.

Failure to pass AGOA means that American businesses will be disadvantaged in a region that is going to be a big part of our economic future. Africa has an expanding middle class and consumer base. We want Africa to make America their partner of choice; we do not want Africa to choose the Chinese Communist Party or Russia as their preferred partner. Africans would like to partner with us. This means we have to show up. We have a lot of catching up to do in Africa.

Africa suffers from distortive negative press in the United States. U.S. engagement with Africa has, for the most part, remained a partnership around foreign assistance. U.S. development assistance programs in Africa have continued to emphasize basic human needs such as health and food security programs. It is the American interest to create a reliable and mutually beneficial partnership that will bring economic gains to the United States and to Africa.

We need a 21st-century partnership with Africa that is based on more trade and investment and moves beyond exaggerated risk perceptions. Risks, if anything, will be reduced with engagement, not by reining ourselves in.

For us to have a real partnership, African countries will need to continue making progress on economic and political reforms. Some African countries are in the process of adopting meaningful structural reforms that will liberalize their markets, build up domestic infrastructure and production capacity, attract investment, and foster deeper and diversified trade relationships worldwide. AGOA can be an incentive to reform beyond the reforming successes already achieved.

What is AGOA, and why is it important?

AGOA has been the cornerstone of U.S.-Africa trade relations since it was first signed into law on May 18, 2000.[1] This unilateral trade agreement provides duty-free access to the U.S. market for select exports from eligible countries in Sub-Saharan Africa.[2] As both a trade and development bill, it was enacted with the aim of strengthening the United States' commercial ties with Africa while also promoting economic development, market liberalization, and democratic governance throughout the region.[3] By design, AGOA incentivizes Sub-Saharan states to undertake economic and political reforms in order to gain a competitive advantage in exports and manufacturing. Eligibility is awarded to countries that demonstrate continued progress related to the rule of law, human rights, labor protections, economic freedom, and poverty reduction.[4] As of 2024, this preference program extends to 32 nations across 6,500 product tariff lines.[5]

Although AGOA's impact has been uneven, it has been credited with fostering inclusive economic growth and political liberalization in beneficiary states and strengthening two-way U.S.-Africa trade.[6] The program generates business that sustains as many as 1.3 million African jobs – not to mention the 450,000 U.S. jobs linked to U.S.-Africa trade.[7] It has helped increase Africa's export base, create jobs in areas battling high unemployment, and improve wages and working conditions in beneficiary countries.[8] While AGOA has not been an overwhelming

[1] https://www.csis.org/analysis/beyond-2025-future-african-growth-and-opportunity-act
[2] https://ustr.gov/issue-areas/trade-development/preference-programs/african-growth-and-opportunity-act-agoa#:~:text=AGOA%20provides%20eligible%20sub%2DSaharan,Generalized%20System%20of%20Preferences%20program.
[3] https://www.cfr.org/backgrounder/agoa-us-africa-trade-program#:~:text=The%20African%20Growth%20and%20Opportunity,markets%20by%20eliminating%20import%20tariffs.
[4] https://agoa.info/about-agoa/country-eligibility.html
[5] https://ustr.gov/issue-areas/trade-development/preference-programs/african-growth-and-opportunity-act-agoa; https://agoa.info/about-agoa/product-eligibility.html
[6] https://agoa.info/about-agoa/product-eligibility.html; https://www.mcc.gov/initiatives/initiative/african-growth-opportunity-act-agoa/#:~:text=AGOA%20helps%20eligible%20nations%20diversify,Africa%20and%20the%20United%20States.
[7] https://panafricanvisions.com/2023/11/stakes-for-africa-at-agoa-trade-and-economic-cooperation-forum/; https://www.corporatecouncilonafrica.com/news/agoa-private-sector-forum-9f4ef
[8] https://www.brookings.edu/articles/us-africa-trade-relations-why-is-agoa-better-than-a-bilateral-free-trade-agreement/

success, it has certainly been a net benefit to eligible African economies and has furthered the interests of the United States.

For example, when excluding African exports of crude oil, which account for the largest portion of African exports under AGOA, the data show that the program has substantially improved the export competitiveness of certain African products, especially apparel. For instance, from 2010 to 2020, textile and apparel exports under AGOA grew by approximately 64 percent.[9] Textile and apparel exports grew to over $1.4 billion in 2021 – double the amount pre-2000.[10] AGOA non-oil imports were $5.7 billion in 2022—a record amount and quadruple that of 2001.[11] Several non-oil sectors experienced sizable increases during this period beyond textiles and apparel, including transportation equipment, agricultural products, minerals & metals, and jewelry and precious stones.

U.S. business associations consistently point to AGOA's renewal as a prerequisite for continued investment in the continent. An extension of AGOA for at least 10 years would be useful to provide predictability for businesses with 5–10-year time horizons.[12]

The Western-led push to diversify global value chains away from China underscores the urgency of reauthorization: As Western companies have sought to reduce their dependence on Chinese production, Africa has an opportunity to leverage AGOA benefits to move business from Chinese manufacturers. Because the window to capitalize on supply chain migration may narrow quickly, a timely and long-term renewal of AGOA will signal U.S. commitment to the region.[13] Offshoring from China to AGOA nations gives the United States a unique but fleeting opportunity to strengthen economic relationships with African countries in new ways across a variety of sectors, perhaps including energy/oil, infrastructure, transportation, fishing, mining, agriculture and food processing, finance, and space.

How has Africa changed over the 25 years since its enactment?

Like the rest of the world, the Africa of today is a different place than the Africa of 2000.[14] There have been dramatic technological, digital, and demographic shifts and AGOA has not kept up with these changes.

[9] https://www.brookings.edu/articles/how-the-biden-administration-can-make-agoa-more-effective/
[10] https://www.cnbcafrica.com/2023/african-apparel-industrys-future-hangs-on-a-u-s-thread/
[11] https://ustr.gov/sites/default/files/AGOA%20Trade%20Fact%20Sheet_ls.pdf
[12] https://agoa.info/news/article/16232-american-apparel-and-footwear-association-renew-agoa-for-10-years-restore-ethiopia-s-benefits-in-2024.html
[13] https://www.sustainablesupplychains.org/blog/automation-versus-relocation-in-clothing-global-value-chains-will-investments-shift-from-china-to-africa-at-a-big-scale/
[14] https://www.csis.org/analysis/reimagining-agoa-deepen-us-african-economic-partnership; https://www.economist.com/leaders/2000/05/11/hopeless-africa

Sub-Saharan countries are freer than in 1990: 61 percent of African countries are "free" or "partly free" today, according to Freedom House.[15] Africa's middle class has tripled to over 350 million people and is expected to grow to 1.1 billion by 2060.[16]

Technology has been a key driver of democratization and economic growth by providing Africans with access to the internet and mobile phones. As in the rest of the world, government and commercial shifts toward digitalization accelerated during the Covid-19 pandemic. There are more smartphone users in Africa than in the United States.[17]

Another major milestone was the 2018 creation of the African Continental Free Trade Area (AfCFTA), which includes almost all African Union members and established the largest free-trade area in the world after the World Trade Organization.

The AfCFTA will also make AGOA more important and impactful than it has ever been. If the U.S. government focuses on making the agreement as effective as possible, AGOA and the AfCFTA can be mutually reinforcing. The AfCFTA will encourage greater U.S. commercial investment in the sub-Saharan region, because U.S. companies will be able to tap into suppliers across the continent by investing in a single country as its base or hub.

Africa's current population of 1.3 billion is expected to nearly double within the next 25 years, reaching 2.5 billion people.[18] The sub-Saharan region needs tens of millions of new jobs for young people to prepare for a looming youth population boom, which, under the right conditions, could create a so-called "demographic dividend" where a growing, educated, and healthy population coupled with good governance are able to accelerate economic growth. The alternative – a massive under-employed African youth population – is a recipe for crisis and destabilization. It is in our economic and national security interest to help make that "demographic dividend" a reality. AGOA, in conjunction with the other U.S. initiatives and programs built up around it, can help bolster U.S. investment and trade with the region, which can help avoid the prospect of large-scale youth unemployment in Africa.

How has China's involvement in Africa changed, and what are its implications?

China's engagement with African countries has increased significantly over the past decade under the Belt and Road Initiative (BRI), a global infrastructure development project launched by the Chinese government in 2013.[19] To date, 52 out of 54 African countries have signed an agreement or understanding with the BRI.[20] China has invested at least 2.5 times as much in African infrastructure projects as the entire Western world combined. The Chinese have ownership in about 23 ports in Africa, most of which have enough depth to potentially host naval

[15] https://freedomhouse.org/countries/freedom-world/scores
[16] https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Tracking_Africa%E2%80%99s_Progress_in_Figures.pdf
[17] https://www.statista.com/statistics/1133777/sub-saharan-africa-smartphone-subscriptions/
[18] https://www.mckinsey.com/mgi/our-research/reimagining-economic-growth-in-africa-turning-diversity-into-opportunity
[19] https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out
[20] https://www.geopoliticalmonitor.com/the-lobito-corridor-washingtons-answer-to-belt-and-road-in-africa/

vessels.[21] Africa is home to a substantial share of the world's critical mineral deposits–essential inputs for low-carbon and renewable energy technologies, and China is consolidating global influence over mining, processing, and minerals supply chains.[22] Areas of investment also include emerging critical technology fields such as internet services, where Chinese tech giant Huawei has provided internet for hundreds of millions.[23] Today, Huawei subsidiaries own up to 70% of all 4G networks in Sub-Saharan Africa.[24]

China surpassed the United States as Africa's largest individual country trade partner in 2009. Today, one-fifth of the region's total goods exports go to China, mainly consisting of raw metals, mineral products, and fuel.[25] The current volume of U.S. trade with African states is just one-fifth the size of China-Africa trade.[26]

China's economic foothold in Africa has placed Beijing in a position to exert political influence over African states, develop a military presence on the continent, and advance its diplomatic goals on the world stage, which include enlisting African support for the diplomatic isolation of Taiwan.[27]

Beijing's no-strings-attached approach to export credit and development financing risks undoing decades of Western efforts to promote good governance, revenue and contracting transparency, labor protections, and responsible natural resource development in Africa.[28] There are many documented cases linking African-based Chinese firms to human rights violations, poor labor conditions, job displacement, corruption, and environmental degradation.[29]

Unfortunately for the West, the BRI is an ambitious and hopeful project that speaks to the aspirations of China's friends and potential friends in Africa and elsewhere. As many countries have become wealthier, their interests have progressed beyond basic human needs (things the United States prefers to fund with our foreign aid dollars) to issues like energy, trade, and investment. China has tapped into these interests by offering large amounts of government financing with few questions asked, working bilaterally, and promising to deliver projects quickly. It has been successful largely because it is willing to assume risks that other investors have not, whether legal or illegal. In too many cases, China's offer is the only option for developing countries. Chinese-built infrastructure can be of mediocre quality, requiring early maintenance, and the debt financing that the Chinese banks extend at times outlasts the quality of the infrastructure built.

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[21] https://www.cfr.org/tracker/china-overseas-ports
[22] https://carnegieendowment.org/research/2023/10/how-can-african-countries-participate-in-us-clean-energy-supply-chains?lang=en
[23] https://www.csis.org/analysis/china-and-smes-sub-saharan-africa-window-opportunity-united-states; https://foreignpolicy.com/2019/03/19/for-africa-chinese-built-internet-is-better-than-no-internet-at-all/
[24] https://www.voanews.com/a/china-s-huawei-launches-innovation-center-in-south-africa/7179836.html
[25] https://www.imf.org/-/media/Files/Publications/REO/AFR/2023/October/English/china-note1.ashx
[26] https://asia.nikkei.com/Economy/Trade/China-Africa-trade-soars-on-spike-in-commodity-prices#:~:text=The%20annual%20value%20of%20U.S.,as%20the%20Western%20world%20combined.
[27] https://ceias.eu/taiwan-and-africa-a-comprehensive-overview/
[28] https://media.defense.gov/2023/May/04/2003215882/-1/-1/0/2193.PDF
[29] https://www.usip.org/events/chinas-critical-mineral-supply-chains-africa; https://www.csis.org/analysis/window-opportunity-build-critical-mineral-security-africa

What is our Alternative Offer to Africa?

We can only compete with the BRI by improving our own offer. AGOA is part of our "offer" to Africa to counter China's advances and reposition itself as the continent's leading partner of choice. The United States is not going to displace China on the continent or match its investment dollar-for-dollar – but we can certainly compete in key sectors. Failure to act would be a gift to Beijing – and it would convey to the world's poorest continent that it is barely part of the global economy and that the United States has no time for it. This would be catastrophic not only for Africa's development trajectory but also for our foreign policy and national security interests.

There are a series of other initiatives that complement AGOA, including:

1) The Prosper Africa initiative seeks to open markets for American businesses, grow Africa's middle class, promote youth employment opportunities, improve the business climate, and increase two-way trade between Africa and the United States. Since June 2019, the U.S. government via Prosper Africa has helped close 1,852 deals across 49 countries for a total estimated value of $86 billion – in addition to $9.8 billion in non-country-specific, regional investment.[30]

2) USAID has a number of foreign assistance programs that complement AGOA. USAID's Trade and Investment Facilitation Hubs, located in East, West, and Southern Africa, were launched to deepen economic integration, promote two-way U.S.-Africa trade under AGOA, and attract commercial investment. These hubs have created investment opportunities worth upward of $600 million and have facilitated more than $1.3 billion in African exports under AGOA.[31] For every $1 dollar of public money spent on trade programs in Africa, the Hubs leverage $9 in private investment.[32]

3) PEPFAR, a government initiative to address the global HIV/AIDS pandemic, has been going on for 20 years. PEPFAR has provided medicine for 20 million people in 54 countries, including 30 African nations, saving an estimated 25 million lives.[33] PEPFAR has gained the United States friends and favor in Africa, and its impact has contributed to economic turnarounds in parts of Africa – but after 20 years, there has been little progress in getting African countries to "pick up the tab" for the costs of these medicines, there has been limited capacity building, and there is no exit strategy for PEPFAR. The vast majority of our foreign aid spending in Africa goes to cover the costs of medicine related to PEPFAR.

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[30] https://www.prosperafrica.gov/results/
[31] https://2017-2020.usaid.gov/africa/trade-and-investment/hubs
[32] https://2017-2020.usaid.gov/africa/trade-and-investment/hubs#:~:text=The%20Hubs%20are%20spearheading%20a,for%20American%20goods%20and%20services.
[33] https://www.nytimes.com/2023/03/14/health/pepfar-hiv.html#:~:text=That%20Brought%20H.I.V.-,Treatment%20to%2020%20Million%20People,to%20slow%20the%20AIDS%20pandemic.; https://www.state.gov/pepfar-supported-countries-and-regions/

4) Power Africa, another USAID initiative launched in 2013, is a public-private partnership focused on addressing the region's energy poverty and harnessing its renewable energy potential.[34] More than 180 companies have joined forces with Power Africa, committing over $40 million toward African energy markets and connecting more than 57 million people in Sub-Saharan Africa to the power grid.[35]

5) The Millennium Challenge Corporation (MCC) helps low-income countries achieve economic growth through large, time-limited grants. Two-thirds of MCC's portfolio is invested in African countries with a demonstrated commitment to good governance, economic freedom, and prosperous citizens.[36] Since its founding in 2004, MCC has invested over $10 billion in 24 countries across Africa, primarily in support of large-scale infrastructure projects.[37]

6) The Build Act, passed by Congress in 2018, consolidated several development finance initiatives and activities into a new agency, the Development Finance Corporation (DFC). The DFC's mandate is (1) to make development-focused investments around the world with a focus on countries most in need and (2) to advance the foreign policy interests of the United States.[38] The agency has invested more than $10 billion across Sub-Saharan Africa in key sectors since 2018, including infrastructure, energy, digital, economic empowerment, healthcare, agriculture, and climate adaptation.[39]

7) PGII: Most recently, as the G7's response to the BRI, the Biden administration spearheaded the launch of the Partnership for Global Infrastructure and Investment (PGII), a $600 billion lending initiative to fund infrastructure projects in the developing world, with a particular focus on Africa.[40] The first sub-region of focus is the Lobito Corridor in Southern Africa. PGII is a work in progress.

What about our allies?

Like the CCP, our allies have also taken note of the tremendous opportunity offered by Africa and have sought to capitalize on it by developing significant economic partnerships within the region– particularly the European Union. As a single body, the EU is Africa's largest investor, largest source of official development assistance, and largest trading partner – although China is on track to overtake it in trade by 2030.[41] In 2020, the EU accounted for 33% of total African

[34] https://www.usaid.gov/sites/default/files/2024-03/2023-Power-Africa-Annual-Report-Eng.pdf
[35] https://www.usaid.gov/powerafrica/privatesector
[36] https://www.mcc.gov/where-we-work/region/africa/
[37] https://www.mcc.gov/where-we-work/region/africa/
[38]https://www.dfc.gov/sites/default/files/media/documents/FY25%20Congressional%20Budget%20Justification.pdf
[39] https://www.dfc.gov/our-work/sub-saharan-africa
[40] https://www.whitehouse.gov/briefing-room/statements-releases/2023/05/20/fact-sheet-partnership-for-global-infrastructure-and-investment-at-the-g7-summit/
[41]https://www.consilium.europa.eu/en/meetings/fac/2024/05/30/#:~:text=The%20EU%20is%20Africa's%20largest,official%20development%20assistance%20(ODA).; https://www.theafricareport.com/229297/china-to-overtake-the-eu-as-africas-biggest-trade-partner-by-2030/#:~:text=China%20is%20aiming%20to%20overtake,may%20increase%20expenditure%20on%20agriculture.

exports and 31% of its imports.[42] More than 90% of exports from African countries enter the EU duty-free.[43]

Similar to the PGII, the EU also recently launched the Global Gateway initiative, which is essentially the European-made response to the BRI.[44] Between 2021 and 2027, the European Commission, EU member states, the European Investment Bank (EIB), and the European Bank for Reconstruction and Development will mobilize up to €150 billion for sustainable and high-quality projects in Africa, with a particular focus on the digital, transport, healthcare, education, and energy/climate sectors.[45]

Recommendations:

1. **Renew AGOA and Make Some Improvements.**
   The default path would be to "copy/paste" the 2015 AGOA and extend the validity of the preferential trading system for sub-Saharan Africa for another 10 to 16 years.

   Alternatively, revise AGOA as part of a newer, holistic strategy for the United States' engagement with the African continent. This would require addressing gaps in the program's coverage and broadening its scope to accommodate a wider range of fast-growing sectors.[46] Recently proposed bipartisan legislation in the Senate would offer a set of improvements to AGOA that would be an excellent starting point for such a strategy.[47]

2. **Special Considerations for Digital and Minerals:**
   a. **Digital**
   Although there are no barriers to African digital trade exports to the United States, Congress has an opportunity to recognize the growing importance of digital trade to both the United States and Africa.

   Digitalization – particularly the expansion of African mobile markets – has emerged as a major catalyst for growth across the continent.[48] Failing to capitalize on the digital transformation of Africa has allowed China to take the lead in a domain where the United States holds a strong competitive advantage, with the added consequence of Beijing gaining leverage over African governments as the only viable provider of internet connectivity in the region. Chinese firms currently dominate Africa's fledgling digital

[42] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:Africa-EU_-_international_trade_in_goods_statistics
[43] https://www.eeas.europa.eu/delegations/eswatini/actions-speak-louder-words-%E2%80%93-how-eu-au-partnership-really-works-africa_en?s=123
[44] https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway_en
[45] https://international-partnerships.ec.europa.eu/policies/global-gateway/initiatives-region/initiatives-sub-saharan-africa/eu-africa-global-gateway-investment-package_en; https://international-partnerships.ec.europa.eu/policies/global-gateway/initiatives-region/initiatives-sub-saharan-africa_en
[46] https://agoa.info/news/article/16214-how-the-us-can-support-the-african-trade-that-matters-for-the-continent-s-goal-of-economic-transformation.html
[47] https://www.foreign.senate.gov/press/rep/release/risch-coons-introduce-legislation-to-renew-trade-partnership-between-us-and-sub-saharan-african-countries
[48] https://www.gsma.com/mobileeconomy/sub-saharan-africa/

landscape, but there is still room for U.S. technology companies to catch up before Africa reaches full digital bloom.

Language can be included in AGOA's reauthorization to develop a partnership that builds on emerging international standards and reduces barriers to digital trade in African countries, including cross-border data flows and internet access. Updating AGOA to be more digital-friendly– alongside robust policy dialogues on information and communications technology (ICT) and investments in electrification and digital infrastructure via initiatives like Power Africa – can help jumpstart the development of Africa's digital marketplace, facilitate commercial partnerships and knowledge-sharing, and allow African businesses to better leverage the preference program, as well as encourage openness and transparency in the digital sector, which China will not support.[49]

b. Electric Batteries, Electric Vehicles (EVs), and their Components.
There are no countries in Africa currently making EVs or electric batteries, and there are no tariffs on basic raw materials and minerals. Because of the ever-increasing strategic value of EVs, batteries, and their components in the future economy, the United States is now in an era where it must confront those questions of, "Where do we source materials and where do we source processing for batteries and EVs and their critical components?"

Now would be the time to engage African countries via the Minerals Strategic Partnership. There has been some initial work on that front in Zambia and the Democratic Republic of the Congo (DRC), but a lot more could be done.

Recent Chinese restrictions on graphite exports illustrate the danger: The United States is 100 percent dependent on foreign graphite imports, and China currently controls 80 percent of global production.[50] AGOA beneficiaries Tanzania, Madagascar, and Mozambique together have enough raw graphite to rival Chinese reserves, offering a potential alternative supply that can be tapped with greater investment in mining and processing.[51] The United States' interest in reducing its mineral dependence on China is aligned with African countries' interest in ensuring value addition in the development of their mineral resources. Africa has the raw minerals and would like to move up the chain to produce electric batteries and electric vehicles.

Regardless of whether or not Congress determines if AGOA eligibility is the equivalent of an FTA for the purposes of the Inflation Reduction Act (IRA), the U.S. government should increase its financial support for the mining sector through USAID, the DFC, USTDA, and the EXIM Bank. The U.S. government should launch a comprehensive initiative along the lines of Power Africa for mining and minerals in Africa to support the development of sound regulatory and tax regimes, provide downside protection to U.S. investors, and ensure transparency around the proceeds.

[49] https://www.csis.org/analysis/role-agoa-accelerating-africas-digital-transformation; https://www.usaid.gov/powerafrica/aboutus
[50] https://www.csis.org/analysis/chinas-new-graphite-restrictions
[51] https://www.csis.org/analysis/adding-critical-minerals-agreement-agoa-reauthorization

While AGOA's nature prevents it from executing a critical minerals strategy, its renewal grants Congress a platform to recognize Africa's importance in this theater of great power competition. The legislation can direct the administration to develop a critical minerals strategy--without worrying about changing tariffs-- and can work in conjunction with other initiatives to facilitate a more sweeping strategy.

There has also been some discussion about adding language for mining and minerals, given the IRA and our need for critical minerals and electric batteries. For example, my colleague at CSIS, Gracelin Baskaran, has argued that AGOA's upcoming renewal can be used to reimagine the program as the basis of a trade deal for the U.S. to source critical minerals from African countries, modeled on precedents such as the U.S.-Japan Critical Minerals Agreement.[52] Other options would be to include a separate AGOA eligibility category for the critical minerals sector, as was done for the textile and apparel sector, or to incorporate AGOA beneficiary countries into the IRA's provisions for battery metals.[53] Again, as of now, Africa is not currently building electric batteries or electric vehicles, but this could change in the medium term.

3. **Fix "Graduation" Eligibility.**
Renewal should involve reassessing eligibility and graduation criteria so that countries that benefit from AGOA are not punished for their success by being "graduated" out of the program and having our trade disrupted. When AGOA was first envisioned, there was a belief it would serve as a vehicle for developing African countries into middle-income status and then creating free trade agreements with them. Since then, there has been a drop in interest for FTAs in the United States, while African countries have simultaneously risen to middle-income status. Becoming a middle-income country means that these countries graduate from AGOA to essentially nothing, and these countries lose their AGOA benefits.

For instance, Mauritius has been able to leverage the program to great success but is now getting dangerously close to graduation. This is far from a one-country issue, and the loss of AGOA benefits is not only a setback for the affected country but a disruption to regional value chains. We ought to adjust the rules on eligibility so these countries can remain eligible for AGOA until we are able to develop free trade agreements with these middle-income countries.

4. **Create Bilateral Free Trade Agreements on the African Continent.**

The U.S. government should develop a strategy to transition African countries from preference programs to trade agreements, perhaps on a regional basis with groupings for West, East, and Southern Africa, along the lines of the Bush administration's

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[52] https://www.brookings.edu/articles/quantifying-the-impact-of-a-loss-of-south-africas-agoa-benefits/; https://www.csis.org/analysis/adding-critical-minerals-agreement-agoa-reauthorization; https://www.csis.org/analysis/adding-critical-minerals-agreement-agoa-reauthorization
[53] https://www.controlrisks.com/our-thinking/insights/revisiting-agoa-us-africa-ties-at-critical-juncture?utm_referrer=https://www.bing.com

CAFTA/DR in Latin America. The United States currently only has one free trade agreement in Africa with Morocco.

5. **Adjust the Timelines: Aim for at least a 10-year Renewal and Make Country Assessments Less Frequent.**

   We should have a 10 year renewal or even a 16 year renewal given to provide certainty to American investors.

   Country eligibility assessments currently occur on an annual basis. This is too often. Making country assessments less frequent – say, reviewing eligibility every 3 years instead of every year – can ensure that AGOA benefits reach as many countries as possible.

6. **Use Foreign Aid and Other Instruments to Support AGOA.**
   With the exception of Humanitarian/Disaster Response and several aspects of health programming, our foreign assistance should prioritize increasing trade and investment between the United States and African countries.

   This will entail making targeted increases in economic policy reform programs, digitization of trade/investment services, E-Government (E-Gov) and transparency, expanding capital markets, access to finance programs, and judicial reform.

   In the next presidential term, Congress and the executive branch should develop: (1) a major foreign assistance and development finance initiative similar to Power Africa for mining and minerals, (2) a major foreign assistance and development finance initiative on closing the digital divide, and (3) a major foreign assistance and development finance partnership with others on creating 20-230 private universities in Africa as we did in India and in Costa Rica in the past.

7. **The Executive Branch Needs more than a Binary "On/Off switch" for AGOA.**

   AGOA is a trade mechanism, not a political mechanism. When the United States experiences tensions or disagreements with certain African countries, it is tempting to treat AGOA as a "stick" we can use for leverage. If there is a coup, that understandably ends eligibility, but when looking at case studies like South Africa, we should employ a variety of political tools to address political disputes. There is already bipartisan Senate legislation that would provide a larger menu of enforcement options, including formal warnings, probationary periods, and partial termination of benefits for certain products.

   a. **Should we use AGOA as a "Stick" Against South Africa and Other Countries?**

   Recently, South Africa has created a number of challenges for the United States. It has increased its military partnerships with Russia and China, voted against Ukraine at the United Nations, and has an increasingly hostile position towards Israel. We have a large partnership with South Africa: we have provided more than $500 million a year for more than a decade for HIV/AIDS medicine in South Africa and South Africa is AGOA eligible. One "tempting" way to demonstrate our displeasure has been to consider ending South Africa's participation in AGOA. Ending participation in AGOA should be a matter reserved entirely to its internal eligibility requirements, and we should instead handle these disputes through a reevaluation of our political relationship.

8. **Beyond AGOA: A 21st Century Partnership with Africa.**

   AGOA is not a free trade agreement, it is a unilateral trade agreement that provides duty-free access to the U.S. market for select exports from eligible countries in Sub-Saharan Africa. It is a necessary tool, but it can only do so much. The continent has access to new partners that it did not have 25 years ago—partners that are geopolitical competitors with the United States. Unless we want to lose out on the burgeoning economic opportunity of Africa, we first need to pass AGOA, and then we need the Congress and executive branch to come to bipartisan consensus on a greater strategy for a 21st-century U.S.-Africa partnership: a strategy spanning trade deals, investment, capacity building, and integration of new digital realities. If we do not wholly revitalize our relationship with Africa, Africa will partner with the Chinese Communist Party.

Concluding Remarks

I urge Congress to at least renew the existing AGOA and, preferably, make some updates. Failure to renew has steep geopolitical and economic costs.

AGOA provides a basis for the United States to do what the Chinese have not: generate inclusive opportunities for African entrepreneurship, boost foreign investment in local value-added manufacturing, and offer a sustainable path to prosperity under a framework of good governance and free market principles.

Chairman SMITH. Thank you, Mr. Runde. Now I recognize Mr. Nasser. Please begin.

STATEMENT OF AF NASSER, VICE PRESIDENT OF SOURCING & COE, CINTAS CORPORATION

Mr. NASSER. Good afternoon, Chairman Smith, Ranking Member Blumenauer, and members of the subcommittee. Thank you for holding this hearing and the opportunity to testify on the importance of these trade preference programs.

My name is Af Nasser, and I am the vice president of Sourcing Center of Excellence and Supplier Diversity for the Cintas Corporation.

Cintas helps more than 1 million businesses of all types and sizes get ready to open their doors with confidence by providing a wide range of products including uniforms, mats, mops, restroom supplies, first aid and safety products, fire-extinguishers and testing, and safety training.

Cintas' operations touch almost every corner of the United States, and our employee partners are a driving force behind our shared accomplishments. Cintas employs approximately 45,000 individuals in our workforce today.

Before discussing our international supply chain, I would like to spend a moment highlighting our diverse supply chain here in the United States.

In fiscal year 2024, Cintas spent more than $320 million with certified diverse suppliers which we define as a company that is headquartered in the United States or its Territories, and is owned, operated, and controlled by a U.S. citizen who is a minority, woman, or veteran.

On a daily basis, I work closely with our global suppliers to ensure they conduct business in the same ethical and moral standard that we do as a company. Each and every supplier must comply with a vendor code of conduct as a condition of doing business with Cintas.

In addition to sourcing from more than 23 countries, Cintas operates four manufacturing facilities that provide for standard uniform needs.

Currently, we procure goods and products from a global network of international vendors, including Haiti, Kenya, Ethiopia, and Madagascar, which are being discussed here today.

Renewal of the African Growth and Opportunity Act, and the Haitian Hemispheric Opportunity through Partnership Encouragement Act, and the Haiti Economic Lift Program Act, in advance of next year's expiration is critical to the continued success of Cintas.

We strongly support the committee's efforts to reauthorize these trade preference programs and reduce trade barriers wherever possible.

As we look to diversify our supply chain and minimize imports from China, Cintas's ongoing investment in Africa is critical. For this to be successful, preferences which enable us to source from markets on the continent are essential.

I would like to spend a few moments highlighting a couple of countries starting with my mother's home country of Kenya. Kenya is a small but important supplier of apparel to the U.S. market and to Cintas.

In 2023, U.S. apparel imports from Kenya were $488 million, accounting for just over half of 1 percent of total apparel imports.

Cintas' apparel imports from Kenya accounted for approximately 5 percent of our total imports.

Long-term renewal of AGOA would provide increased certainty for production, and as a result, potentially open increased opportunities in Kenya.

Regardless of the legislative vehicle, we urge the committee to take a close look at the rules of origin to ensure they remain intact, or ideally enhanced, so that Kenya's apparel industry can not only remain competitive but also expands.

I would also like to thank the committee, and specifically Congressman Wenstrup, and many others on this dais today for their work around the reauthorization of HOPE/HELP Act.

Renewal of these programs will provide economic hope to Haiti as it struggles through its current political and security challenges.

Haiti is an integral part of our Western Hemispheric supply chain. We first began producing in Haiti in 2002 and have greatly expanded our manufacturing footprint there over the last 20 years.

Today, we indirectly employ approximately 4,000 Haitians through our dedicated supplier relationships.

Our suppliers' large and dedicated labor pool also set the industry standard. For example, our primary Haitian supplier operates in clean and safe environments. A nutritious lunch and chilled water are available to all the employees. Once a week, a licensed physician from Port-au-Prince visits the plants to address any health concerns that employees may have.

Even with these worker benefits, our Haitian supplier remains the most highly productive and cost-competitive source that we have globally.

Currently, a significant portion of apparel production originates on Haitian soil. Unfortunately, the latest security challenges and arrests in the country have significantly hindered our ability to ship to the United States.

We are cautiously optimistic that Kenya's commitment to insist the Haitians will be instrumental in allowing a return to normalcy for its citizens, the Port-au-Prince region, and the country.

In closing, reauthorization of these critical trade preference programs will help reinforce the United States' commitment to develop in Africa, Haiti, and beyond.

Thank you again to the committee for the opportunity to testify, and I look forward to any questions you have at the appropriate time.

[The statement of Mr. Nasser follows:]

Written Testimony of Mr. Afzal (Af) Nasser
Vice President of Sourcing, Center of Excellence (COE) and Supplier Diversity
Cintas Corporation
House Committee on Ways and Means
Trade Subcommittee
Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti and Others
June 12, 2024

Good afternoon, Chairman Smith, Ranking Member Blumenauer and members of the subcommittee. Thank you for holding this hearing and the opportunity to testify on the importance of these trade preference programs. My name is Af Nasser, and I am Vice President of Sourcing, Center of Excellence (COE) and Supplier Diversity for Cintas Corporation.

Cintas helps more than one million businesses of all types and sizes get ready to open their doors with confidence by providing a wide range of products including uniforms, mats, mops, restroom supplies, first aid and safety products, fire extinguishers and testing, and safety training.

Cintas' operations and facilities touch almost every corner of the United States, and our employee-partners are a driving force behind our shared accomplishments. Cintas employs approximately 45,000 individuals – which I will refer to as partners throughout my testimony- in our workforce today.

Before discussing our international supply chain, I'd like to spend a moment highlighting our diverse supply chain here in the United States. In Fiscal Year 2024, Cintas spent more than $320 million with certified diverse suppliers which we define as a company that is headquartered in the United States or its territories and is owned, operated and controlled by a U.S. citizen who is a minority, woman or veteran.

On a daily basis, I work closely with our global supply chain suppliers – both domestically and internationally-- to ensure they conduct business in the same ethical and moral standard that we do as a company. Each and every supplier must comply with a vendor code of conduct as a condition of doing business with Cintas. We also conduct internal training to ensure that our partners who have direct responsibility for supply chain management are knowledgeable and aware of issues and concerns surrounding our supply chain.

In addition to sourcing from more than 23 countries, Cintas operates four manufacturing facilities that provide for our standard uniform needs. Currently we procure goods and products from a global network of international vendors, including Haiti, Kenya, Ethiopia, and Madagascar, which are being discussed here today.

Renewal of the African Growth Opportunity Act and Haiti HOPE-HELP Acts in advance of next year's expiration is critical to the continued success of Cintas. We strongly support the Committee's efforts to reauthorize these trade preference programs and reduce trade barriers wherever possible.

Cintas's ongoing investment in Africa is critical as we look to diversify our supply chain and minimize imports from China. For this to be successful, preferences which enable us to source from markets on the continent is essential.

I'd like to spend a few moments highlighting a couple of countries, starting with my mother's home country of Kenya. Kenya is a small but important supplier of apparel to the U.S. market and to Cintas. In 2023, U.S. apparel imports from Kenya were $488 million, accounting for just over half of one percent of total apparel imports. Cintas apparel imports from Kenya accounted for approximately five percent of our total imports.

Long-term renewal of the African Growth and Opportunity Act (AGOA) would provide increased certainty for production and as a result, potentially open increased opportunities in Kenya. Regardless of the legislative vehicle, we urge the Committee to take a close look at the "Rules of Origin" (ROOs) to ensure they remain intact or ideally enhanced so that Kenya's apparel industry can not only remain competitive but expand.

Shifting to Ethiopia, we are hopeful that its AGOA eligibility will be restored once the necessary benchmarks are cleared. We urge Congress and the Administration to continue working with Ethiopia to facilitate the restoration of benefits for Ethiopia under the AGOA trade preference program.

Before I complete my testimony, I would also like to thank the Committee and specifically Congressman Wenstrup and many others on the dais today for their work around the reauthorization of the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act and the Haiti Economic Lift Program (HELP) Act. Renewal of these programs will provide economic hope to Haiti as it struggles through its current political and security challenges.

Haiti is an integral part of our Western Hemisphere supply chain. We first began producing in Haiti in 2002 and have greatly expanded our manufacturing footprint there over the past 20 years. Today we indirectly employ approximately 4,000 Haitians through our dedicated supplier relationships.

Our suppliers' large and dedicated labor pool also sets the industry standard. For example, our primary Haitian supplier operates in a clean, safe environment. A nutritious lunch and chilled filtered water are available to all employees. Once a week, a licensed physician from Port au Prince visits the plant to address any health concerns employees may have. Even with these worker benefits, our Haitian supplier remains the most highly productive and cost competitive source we have globally.

Aside from the duty-free benefits under HOPE-HELP, sourcing from Haiti provides other substantial benefits including a speed-to-market advantage of approximately 21 days for manufacturing and 14 days for transportation to the United States.

This has been especially critical over the past few years as we navigated uncertain inventory needs during the COVID-19 pandemic. Additionally, Haiti's proximity to the United States and utilization of a dedicated cargo fleet has provided a competitive advantage over those who are more reliant on Asia during the ongoing shipping crisis.

Currently a significant portion of our apparel production originates on Haitian soil and is solely dedicated for export to the United States with purchase orders made directly to our suppliers. Unfortunately, the latest security challenges and unrest in country have significantly hindered our ability to ship to the United States. We are cautiously optimistic that Kenya's commitment to assist the Haitians will be instrumental in allowing a return to normalcy for its citizens, the Port au Prince region, and the country.

In closing, reauthorization of these critical trade preference programs will help reinforce the United States' commitment to development in Africa, Haiti and beyond.

Thank you again to the Committee for the opportunity to testify, and I look forward to any questions you have at the appropriate time.

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Chairman SMITH. Thank you, Mr. Nasser.

Ms. Muhika, you are recognized.

STATEMENT OF MARGGIE PETERS MUHIKA, DEPUTY REGIONAL DIRECTOR OF AFRICA, SOLIDARITY CENTER

Ms. MUHIKA. Chairman Smith, Ranking Member Blumenauer, and distinguished members of the committee Ways and Means, Subcommittee on Trade. Thank you for holding this hearing and for the opportunity to testify.

I represent the Solidarity Center, the largest U.S.-based international worker rights organization, with programs in approximately 70 countries, including 20 African countries and Haiti.

We partner with unions and the other labor organizations to help workers attain dignity on the job, justice in their communities, and greater equity in the global economy.

Today I will highlight working conditions in Africa and Haiti, including examples of what unions are doing to promote worker rights in Kenya and Lesotho. I will then conclude with recommendations.

The need to safeguard labor rights in Africa has never been greater. Africa has the fastest growing, youngest population of any continent and will be home to a quarter of the world's workforce by 2050.

Annually between 8 million and 11 million young people enter the African labor market without a guarantee that they will find work, let alone decent jobs.

The labor market in Africa is characterized by a wide income disparity between a small number of formal public and private employees and a vast informal economy.

In Africa, 87 percent of the workforce is informal. Jobs in the informal economy have the potential to provide productive economic activity for a growing demographic, but the sector remains highly unregulated with insufficient legal protections for informal economy workers and notable violations of their rights.

In Kenya, three trade unions representing Kenya's formal sector workers in food, health, education, and metals, signed MOUs with the formal worker associations in their respective sectors.

This means that Kenya's trade unions have brought informal sector workers under the union umbrella. For the first time, this gives them access to legal frameworks that protects formal workers.

According to the International Trade Union Confederation's Global Rights Index, 84 percent of countries in Africa denied workers access to justice; 40 percent arrested and detained workers; 93 percent violated the rights to collective bargaining, while workers in one out of five African countries experienced violence.

For example, we lost a prominent human rights lawyer and trade unionist, Thulani Maseko, to violence, a devastating loss for workers across Africa.

Despite the challenges facing workers in Africa, we have witnessed some progress. In Lesotho, three leading apparel brands and a major supplier of denim signed binding agreements with a coalition of labor unions and women rights organizations.

Together they are addressing and preventing gender-based violence and harassment in garment factories through mandatory education and awareness trainings, and the establishment of an independent reporting and monitoring system with remedies, including termination for abusive behavior.

The Solidarity Center is proud to have helped negotiate these agreements and to implement ongoing trainings for thousands of workers and managers.

The progress we see in Africa is eclipsed by the turmoil and lawlessness in Haiti where the fragile climate has left garment workers unemployed and leaving in extreme precarity.

Existing institutions have limited capacity to hold employers accountable for noncompliance with labor law. This has been a longstanding challenge for Haitian workers, a topic detailed in Solidarity Center's 2020 testimony before this subcommittee, covering consideration for the renewal of the Caribbean Basin Trade Partnership Act.

Despite the present insecurity in Haiti, our experience implementing programs tells us that there will be a high risk of labor rights violations after the crisis abates.

For that reason, it is critical that the U.S. pursues a worker-centric trade policy that advances sustainable economic development and protects—and promotes labor rights.

In Haiti it should mean that regional supply chains produce and rely on decent jobs, and employers and policymakers are held to account when they break the rules.

To achieve a worker-centric approach to trade, we have several recommendations: One, trade unions and work organizations must be fully included in all phases of negotiations through the design and implementation of trade policies and initiative;

Two, the U.S. must prioritize worker-centered trade policies leveraging trade and trade preference programs to achieve enforcement of labor laws and to compel the establishment of binding mechanisms that meaningfully address rights violations;

Three, U.S. development assistance policy should support the role of trade unions in advocating for labor rights in the context of trade, including with USAID missions;

And lastly, the U.S. Government should prioritize and promote long-term stability in Haiti as a means to ensure economic recovery, a prerequisite for upholding labor rights.

Thank you for the opportunity to share Solidarity Center's perspective. The Solidarity Center remains committed to centering workers and trade policy, and leveraging trade to advance labor rights.

We appreciate the work of this subcommittee to uplift the voices of workers and unions worldwide. I look forward to your questions.

[The statement of Ms. Muhika follows:]

Testimony of

Marggie Peters Muhika

Deputy Regional Program Director, Africa

Solidarity Center

Before the Committee on Ways and Means Subcommittee on Trade

U.S. House of Representatives

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Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti, and Others

Introductory Remarks

Chairman Smith, Ranking Member Blumenauer and members of the Committee on Ways and Means Subcommittee on Trade, thank you for the opportunity to present the Solidarity Center's perspective on *Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti and Others*. We appreciate the continued leadership of members of this committee in ensuring the rights of workers are protected under trade regimes and your consistent work to shine a spotlight on the plight of the most vulnerable and marginalized workers.

The Solidarity Center is the largest U.S.-based international worker rights organization. Our mission is to help workers attain safe and healthy workplaces, family-supporting wages, dignity on the job, and greater equity at work and in their community. Allied with the AFL-CIO, the Solidarity Center assists workers across the globe as, together, they fight discrimination, exploitation, and the systems that entrench poverty—to achieve democracy in their countries, and shared prosperity in the global economy. The Solidarity Center acts on the fundamental principle that working people, by exercising their right to freedom of association to form or join trade unions and democratic worker rights organizations, and bargaining collectively, can improve their workplaces, communities, and societies. We call on governments to uphold laws, protect human rights, and be a force for democracy, social justice, and inclusive economic development.

The need to promote and safeguard labor rights in Africa has never been greater. Africa has the fastest growing, youngest population of any continent, and will be home to a quarter of the world's workforce by 2050.[1] Annually, between 8 million and 11 million young people enter the African labor market,[2] yet there is no guarantee that they will find work, let alone decent jobs. Trends such as urbanization, digitalization, population growth, and the aftermath of the COVID-19 pandemic, aggravate the employment crisis on the continent and increase existing inequality.

The 2022 U.S. Strategy Towards Sub-Saharan Africa (Africa Strategy) affirms the strategic importance of Africa. Under this strategy, the United States acknowledges that Africa will factor prominently in efforts to tackle the climate crisis, address global food insecurity, strengthen an open and stable international system, and shape the rules of the world on vital issues like trade and cyber and emerging technologies, among others.[3] The 2023 Memorandum on Advancing Worker Empowerment, Rights, and High Labor Standards Globally (Global Labor Strategy) recognizes that labor rights are key to national and economic security. The Global Labor Strategy promotes the use of existing trade authorities to advance internationally recognized labor rights and to improve labor-related compliance with trade laws. As the United States looks beyond 2025, the Africa and the Global Labor strategies cover the key ingredients for the future of U.S. trade with sub-Saharan Africa, Haiti, and others, with labor rights encapsulated therein.

Advancing Labor Rights Through Trade

Advancing a worker-centered trade policy means respecting the rights of workers and eradicating forced labor in global supply chains. To achieve the promise of a worker-centered approach, the workers who drive trade must be centered in discussions about trade policy. Improving worker representation in trade policy in U.S. and multilateral institutions will result in a more inclusive trade policy that advances economic security and protects labor rights.

Labor rights-conscious trade rules can help halt a race to the bottom, where rights, wages, and safe working conditions are sacrificed to lower production costs and expand trade. When the rules respect labor rights, global and regional value chains can both produce and rely on decent jobs, and corporations and policymakers can be held to account when they break or do not uphold the rules.

All workers benefit when both sides of a trade relationship uphold strong labor standards and protections. The International Labor Organization (ILO) estimates that trade agreements with labor provisions result in labor force participation rates 1.6 points higher than trade agreements without labor provisions.[4] Pursuing a holistic approach to trade policy is critical as we near the

[1] https://www.economist.com/special-report/2020/03/26/africas-population-will-double-by-2050
[2] https://openknowledge.worldbank.org/server/api/core/bitstreams/f5b186fb-4a64-4b9a-a658-287c6ad73d6f/content
[3] https://agoa.info/images/documents/16036/us-strategy-toward-sub-saharan-africa-final.pdf
[4] https://webapps.ilo.org/wcmsp5/groups/public/---dgreports/inst/documents/publication/wcms_564702.pdf

expiration of the Sustainable Development Goals (SDGs) in 2030. Achieving Goal 8 (*Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*) will require mainstreaming labor rights in trade regimes, including those between the United States and sub-Saharan Africa, Haiti, and others. It will also require mainstreaming labor rights at home. In the United States, programs like Trade Adjustment Assistance (TAA) are part of a holistic worker-centered trade policy that ensures when workers in the United States are hurt by trade, they have the support they need to get back on their feet. TAA provides vital assistance to workers who have lost their jobs due to import competition, including retraining programs.

Labor Rights in Sub-Saharan Africa

The labor market in Africa is characterized by a wide income disparity between a small number of formal public and private employees, and the vast informal economy. An ILO report estimates that in 2022, the majority of the employed population in sub-Saharan Africa (87.3 percent) worked in the informal economy, and more than half of the total workers (251 million people) lived below the moderate poverty line of $3.10 a day.[5] Jobs in the informal economy have the potential to provide productive economic activity for a growing demographic, but the sector remains highly unregulated, with insufficient legal protections for informal economy workers and notable violations of their rights. In many cases, these jobs are characterized by wages below the minimum living wage (7 of the 20 countries in the world with the lowest minimum wage are African),[6] long hours, and lack of access to social protection.

Gaps in legal coverage of informal economy workers leave them vulnerable to worker rights violations, including wage theft, unlawful termination, denial of leave and/or health coverage, and exposure to sexual harassment and other forms of gender-based violence at the workplace. Additionally, workers in the informal economy have fewer prospects for personal development and social integration; face gender inequality in opportunity and treatment; and lack the freedom to express their concerns, organize collectively, and participate in decisions that impact their lives.

The Solidarity Center has found that actions and inactions by employers in both the formal and informal sectors and government officials create an environment that allows and even encourages the exploitation of workers, with young workers among the most vulnerable. This is exacerbated by trade and investment agreements with weak provisions on performance requirements that do not oblige investors and businesses to go beyond minimum levels of treatment for workers. For example, according to the 2023 International Trade Union Confederation (ITUC) Global Rights Index, 84 percent of countries in Africa denied workers

[5] https://webapps.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_865332.pdf

[6] https://africa.businessinsider.com/local/markets/5-african-countries-with-the-lowest-minimum-wage-at-the-start-of-2024/7e49zsl

access to justice; 40 percent of countries in Africa arrested and detained workers; 93 percent of countries in Africa violated the right to collective bargaining; while workers experienced violence in 21 percent of countries in Africa.[7] In Eswatini, government repression against the opposition, including trade unions, culminated with the killing of Thulani Maseko, a prominent human rights lawyer and trade unionist, while in Zimbabwe, the authorities relentlessly persecute human rights defenders, including trade union leaders.[8] As noted in the U.S. State Department's 2023 Human Rights Report, workers in Cameroon, Guinea-Bissau, and Mauritania struggle to exercise their collective rights in the face of significant repression.[9]

As the United States competes with many other countries to secure mineral supply chains, we must consider the impacts on workers in Africa and their communities. The African continent, which holds some of the world's largest deposits of minerals like cobalt[10] and platinum group metals,[11] has long been the site of resource extraction. The need for "critical minerals," those required for the production of batteries, solar panels, and other energy technologies, is expected to increase by 500 percent by 2050.[12] The mining sector in Africa—like in many other regions—is marked by every type of labor rights violation imaginable, including forced labor, child labor, gender-based violence and harassment, safety and health violations, and wage theft.[13] As in other sectors, the majority of workers are employed in the informal economy, and few workers have the ability to exercise their rights to freedom of association and collective bargaining. As the mining sector grows to meet global demand, we can expect labor rights violations to balloon as well, unless strict labor standards are built into trade agreements and then enforced.

Haiti

Haiti is engulfed in a political, security, and humanitarian crisis. According to a United Nations report, the 2023 murder rate in Haiti doubled from the previous year to 4,789 deaths, and kidnappings increased by 83 percent.[14] In January of this year, 1,106 people were killed, injured,

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[7] https://www.globalrightsindex.org/en/2023/regions/africa
[8] www. scholarsatrisk.org/report/2021-05-17-university-of-eswatini/; https://www.frontlinedefenders.org/en/case/arrest-sixteen-human-rights-defenders-and-members-amalgamated-rural-teachers-union-zimbabwe
[9] https://www.state.gov/reports/2023-country-reports-on-human-rights-practices/cameroon/; https://www.state.gov/reports/2023-country-reports-on-human-rights-practices/guinea-bissau/; https://www.state.gov/reports/2023-country-reports-on-human-rights-practices/mauritania/
[10] https://abcnews.go.com/International/cobalt-mining-transforms-city-democratic-republic-congo-satellite/story?id=96795773
[11] https://www.bloomberg.com/news/articles/2022-04-12/s-africa-sets-900-million-annual-mineral-exploration-target
[12] https://www.worldbank.org/en/news/press-release/2020/05/11/mineral-production-to-soar-as-demand-for-clean-energy-increases
[13] https://www.hrw.org/news/2023/06/09/germanys-rush-critical-minerals-human-rights-challenge
[14] https://www.reuters.com/world/americas/haitis-gang-wars-death-toll-doubles-nearly-5000-year-un-2024-01-23/

or kidnapped, three times the number in January 2023.[15] And by March of this year, gang violence had reached an all-time high as gangsters looted homes, government agencies, international organizations' offices, consulates, banks, businesses, and other institutions; damaged major infrastructure, including the main airport and seaport; and killed and injured citizens. Gang violence not only intensified in previously affected areas, but it also spread to areas that previously had not been under gang control.

The Association of Industries of Haiti (ADIH) estimates that approximately 26,000 jobs have been lost in the garment sector, the main source of private-sector employment in the country, because of the multifaceted effects of Haiti's compounding crises and mass layoffs in the garment industry in the region, including 50,000 jobs in Central America.[16] Border closures hinder the procurement of the inputs needed for production, contributing to further factory suspensions or closures. And protests since the beginning of 2024 have led to major roadblocks that disrupted workers' ability to reach their worksites, interrupting business and leading to further economic decline and precarity for workers. As a response to the decreased number of workers, factories temporarily halted their operations or permanently closed.

Haiti's fragile economic climate has left garment workers unemployed and living in extreme precarity. Existing institutions, including the Ministry of Social Affairs and Labor (MAST), have limited capacity to prevent and manage labor rights violations in the garment sector and to hold employers accountable for noncompliance with labor law, including for non-payment of severance or social security contributions, and illegal dismissals of workers during suspensions or closures.

The minimum wage in the garment sector is 685 gourdes (about $5), which is insufficient for workers and their families to cover their basic needs. The government had repeatedly delayed the nomination of the representatives to the Superior Council on Wages (CSS), the tripartite body responsible for introducing a new minimum wage in the sector, and the Social Security Administration Council (CAOSS), the entity responsible for social security institutions. Some unions have voiced criticism that CSS and CAOSS lack genuine worker representation because labor delegates are appointed by the government.

In January 2024, the government finally announced the nomination of CSS and CAOSS members; however, it is unclear when negotiations for the minimum wage will begin and materialize in the current context as Haiti prepares its transition of presidential power and awaits a response regarding the multinational Kenyan-led security force intended to restore the rule of

15 https://www.thenewhumanitarian.org/news/2024/02/14/escalating-gang-violence-haiti-sees-victims-treble-january#:~:text=The%20number%20of%20victims%20of,office%20said%20on%209%20February.

16 https://observatoriocentroamericanodeviolencialaboral.org/wp-content/uploads/2024/02/Alrededor-de-18-mil-personas-se-quedaron-sin-empleo-al-finalizar-el-2023.pdf; https://app.box.com/s/swipkmhm4dlgytpdspwjf5qzxbnzbqno (p. 7)

law. Even after Haiti stabilizes and the threat of violence abates, there is a high risk of labor rights violations and ongoing noncompliance with national labor laws and internationally recognized worker rights, a criteria of eligibility for beneficiary countries under the Caribbean Basin Trade Partnership Act (CBTPA). According to the U.S. State Department's 2023 Human Rights Report on Haiti, MAST did not effectively enforce wage and hour requirements, standards for occupational safety and health were rarely enforced, and labor inspectors received little support from law enforcement authorities.[17]

Bright Spots and Best Practices for Strengthening Labor Rights in Africa

Agreements to Eliminate Gender-Based Violence and Harassment in Lesotho
Despite the poor track record of worker rights protection across the African continent, we have witnessed some progress. An excellent example is in Lesotho, where binding agreements signed in 2019 by three leading apparel brands, a major supplier of denim, and a coalition of labor unions and women's rights organizations[18] are addressing and preventing gender-based violence and harassment (GBVH) in garment factories in the country. The Lesotho Agreements represent the first instance in which brands and their suppliers have entered into enforceable agreements with worker representatives to stop GBVH and protect workers.

To address widespread GBVH identified through an investigation conducted by the Worker Rights Consortium (WRC), the agreements mandated education and awareness trainings for all employees and managers, and created an independent reporting and monitoring system with remedies, including termination, for abusive behavior. Apparel brands are obligated to use their economic power to ensure compliance. The Solidarity Center is proud to have helped negotiate the agreements and to implement ongoing training for thousands of workers and managers.

Codification of Key ILO Conventions
There have been commendable improvements by African countries to safeguard the protection of labor rights through codification of key ILO Conventions. For example, in the East African Community (EAC), Kenya, Rwanda, and Tanzania have undertaken steps to ratify key ILO Conventions including C100, the Equal Remuneration Convention, and C111, the Discrimination (Employment and Occupation) Convention, among others. For Kenya, key ILO conventions have been codified into the Kenyan constitution's Bill of Rights and laws, such as the Employment and Labor Relations Act of 2007 and the Occupational Safety and Health Acts of 2007. Kenya and Tanzania have committed to eliminating the worst forms of child labor and continue working with the United States on child labor issues. In West Africa, Ghana has ratified eight of ten ILO core labor standards,[19] while Nigeria has ratified all ten core conventions.[20]

[17] https://www.state.gov/reports/2023-country-reports-on-human-rights-practices/haiti/
[18] Ten thousand (10,000) garment workers were producing denim clothing in five factories owned by Nien Hsing Textile Co., Ltd., (Nien Hsing) supplying international brands Levi Strauss & Co., Kontoor Brands (Lee and Wrangler Jeans), and The Children's Place.
[19] https://normlex.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:103231
[20] https://normlex.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:103259

Incorporation of Labor Rights in Regional Integration Treaties and the African Continental Free Trade Area (AfCFTA) Investment Protocol

In Africa, labor rights have been incorporated in the treaties establishing the Common Market for Eastern and Southern Africa (COMESA),[21] East African Community (EAC),[22] Economic Community of West African States (ECOWAS),[23] and Southern African Development Community (SADC).[24] And while the main AfCFTA Agreement is void of labor rights, the AfCFTA Investment Protocol provides a pragmatic example of progressive labor provisions in a trade and investment agreement. Although this is a partial approach (as the provisions only apply to investors and investments), it showcases a positive step that labor unions can leverage to advocate for a comprehensive review of the AfCFTA to provide a comprehensive labor protocol or incorporate labor provisions in existing protocols.

National Action Plans (NAPs) on Business and Human Rights

As a mechanism to implement the United Nations Guiding Principles on Business and Human Rights, several African countries have adopted or have committed to developing national actions plans. For example, Kenya and Uganda launched their individual NAPs in 2019 and 2021, respectively, while Liberia, Mauritius, Morocco, Mozambique, and Zambia are developing their respective NAPs.[25] There is also increasing civil society advocacy efforts in Ghana, Nigeria, South Africa, and Tanzania for the countries to develop their NAPs.[26] The NAP prioritizes areas that advance labor rights, e.g., environment, social service delivery by private actors, consumer protection, access to remedy, and women and vulnerable and marginalized groups.

Strategic Litigation to Advance Fundamental Labor Rights

Strategic litigation is a critical approach to defending worker rights in the informal economy. Rather than a single legal action, strategic litigation is a process that encompasses a series of phased actions, research,[27] media engagement, case development, hearings, and ruling to post judgment implementation and enforcement. Importantly, the mobilization of workers is a critical element in the process of strategic litigation, resulting in building workers' optimism, self-confidence, and capacity on legal issues.

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[21] Under Article 4 (6) (Special Undertakings); Article 15 (Technical Committees); and Article 143 (Co-operation in Social and Cultural Affairs).

[22] Article 7 (Operational Principles); Article 80 (Strategy and Priority Areas); and Article 104 (Scope of Cooperation).

[23] Article 3 (Aims and Objectives):and Article 61 (Social Affairs).

[24] Article 5 (Objectives).

[25] https://www.ohchr.org/en/special-procedures/wg-business/national-action-plans-business-and-humanrights

[26] Ibid

[27] ILAW Network, The Informal Economy and the Law in Uganda, https://www.ilawnetwork.com/wp-content/uploads/2022/08/The-Informal-Economy-and-the-Law-in-Uganda-Updated-12082022.pdf

The International Lawyers Assisting Workers (ILAW) Network, a project of the Solidarity Center, has supported strategic litigation in Uganda, where workers in the informal economy–87 percent of the workforce–are excluded from legal protection. In collaboration with trade unions and WIEGO, Voices for Labour, FES, Cities Alliance, StreetNet International, Platform for Vendors in Uganda (PLAVU), Uganda Market and Allied Employees Union, and Uganda Artisans and General Workers Union, two constitutional petitions have been filed to secure livelihoods and protection under labor law by challenging the constitutionality of the exclusion of workers in the informal economy, particularly street vendors, from legal protections enjoyed by employees under the Labour Unions Act, the Employment Act, the Labour Disputes (Arbitration and Settlement Act), and the Workers Compensation Act of 2000.[28] The submission followed the eviction and arrest of over 170 street vendors in Kitlya, where they faced violence, harassment, arrest, detention, and limited access to justice. The evictions left street vendors with no viable alternatives and amounted to the unilateral criminalization of street vending by the licensing authority, which has been imbued with excessive discretion in exercising its licensing and oversight authority.

The litigation has spurred progress, including rigorous training for the Kampala Capital City Authority (KCCA) on using a human rights based approach to enforcement, the introduction of body cameras to monitor law enforcement's actions, and the reconsideration of the Employment Amendment Bill of 2019. Additionally, the ILAW Network, together with the Institute for Human Rights and Development in Africa, the International Commission of Jurists Africa Regional Office, the Strategic Initiative for Women in the Horn of Africa, StreetNet International, WIEGO, and informal economy scholars, have filed an amicus brief to support the case by highlighting comparative jurisprudence and international law on the inclusion and protection of workers in the informal economy. These cases are still pending before the Ugandan Constitutional Court, with hearing dates to be set later this year.

Looking Beyond 2025: Recommendations on a Way Forward

- Trade unions must be fully included in all phases of negotiation throughout the design and implementation of all trade policies and initiatives, including national implementation and utilization strategies.

- The U.S. government must prioritize worker-centered trade policies, leveraging trade agreements and trade preference programs to achieve enforcement of labor laws and to compel the establishment of binding mechanisms that meaningfully address rights violations. Voluntary measures that merely encourage–but do not mandate–governments and companies to uphold labor rights in supply chains have proven to be inadequate. To

[28] https://www.ilawnetwork.com/ilaw-files-applications-to-appear-as-amicus-curiae-before-ugandan-constitutional-court/

date, the United States-Mexico-Canada Agreement has the strongest and most far-reaching labor provisions of any trade agreement by making labor obligations enforceable through the rapid response mechanism.[29]

- U.S development assistance policy should support the role of unions in advocating for labor rights in the context of trade, including with USAID missions

- Support implementation of worker-centered trade policies and initiatives in sub-Saharan Africa, Haiti, and other countries. Commendable initiatives like the AfCFTA Investment Protocol and NAPs, both of which have fronted labor rights in their legal texts, ensure the realization of the labor rights protections set therein, and the U.S. government should support efforts at implementation. For sub-Saharan Africa, the MoU on Cooperation for Trade and Investment between the AfCFTA and the United States signed in December 2022[30] can serve as a starting point, as it provides mechanisms to cooperate in the promotion of labor rights in supply chains of products and services traded under AfCFTA.

- The future trade relationship between the United States and sub-Saharan Africa, as well as with Haiti and others, should include mechanisms to strengthen social dialogue structures and labor inspection in the region and at the national level. In this regard, there is a need to enhance the capacity of labor administration institutions in the region by increasing both financial and human resources. Furthermore, commitments to upholding workers' rights should be enforceable, and not static or aimed solely at creating a minimal baseline of acceptable conditions.

- The future of U.S. Trade with Haiti should consider measures to promote long-term stability in Haiti as a means to ensure economic recovery, which is essential to promote and safeguard labor rights. Capacity building to strengthen supply chains in Haiti's apparel and textile sector should be considered given the strategic importance of the sector to the country's economy.

Closing Remarks

Thank you for the opportunity to share Solidarity Center's perspective on *Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti and Others*. The Solidarity Center remains committed to supporting efforts that center workers in trade policy and that leverage trade to advance labor rights. We urge the U.S. government to continue to use tools, including trade agreements and trade preference programs, to pressure governments and companies to uphold labor rights in supply chains.

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[29] https://www.dol.gov/sites/dolgov/files/ILAB/Worker-Voice-Report-Final-3-6-24.pdf

[30] https://ustr.gov/sites/default/files/202212/United%20States%20AfCFTA%20Secretariat%20MOU%20December%2014%202022.pdf

Chairman SMITH. Thank you, Ms. Muhika.

I now recognize Mr. Buchanan from Florida for his questions.

Mr. BUCHANAN. Thank you, Mr. Chairman, I want to thank all of our witnesses. It is good timing for us to lead a delegation to Africa next week—or this Friday actually. So we are very excited about that, and these issues will be at the top of the burner, so to speak.

I did want to go back, look at the big picture, Mr. Runde. You said that one-fifth is what, in terms of trade that we do, compared to the Chinese, with Africa. $282 billion the Chinese do, by numbers, $84 billion that we do.

How do we close the gap? We say we need a new agreement, but we need a new and an improved agreement that helps these folks, a billion of them, in Africa, because obviously I think it is a new frontier, as you can see Mr. Richmond's story, and we really need to up our game.

We talk a good game, but we don't deliver, and I—there is a lot of us in there. But don't sugar-coat it. Tell us how you really feel.

Mr. RUNDE. Okay. I will try. Thank you. Thank you, Congressman. So I think we have—we have not updated our cassette tape on Africa. Africa suffers from a negative media coverage. There have been studies in "The New York Times" and others, it is just all negative. And so we have failed to see Africa as an opportunity.

The Chinese Communist Party sees Africa as a win-win opportunity. Unfortunately, much of our partnership with Africa to date has been oriented around foreign assistance.

I am all in favor of foreign assistance. I worked at AID, I wrote a book on American soft power, I am all for that. That has got to be one piece of a much bigger conversation.

So we need an updated partnership. Getting AGOA passed, if we don't reauthorize, like—I think I made it clear, that not reauthorizing AGOA is a—there will be a party in Moscow, there will be a party in Beijing if we don't reauthorize it. So first we got to do that.

I would like to see some updates. Then I think we need to think about a more ambitious trade agenda for Africa. I think it is fantastic that you and Chairman Smith are leading these delegations to Africa. I think it is very, very important.

I think we need to see Africa as a win-win partnership. They have other partners today. In the year 2000, when AGOA was started, I don't believe China was the number 1 trading partner for any country in sub-Saharan Africa. Maybe, I don't know if it is 35, I don't know if it is 40—someone can tell me, but it is going to be a lot.

Mr. BUCHANAN. Let me—I only got five minutes, so I want to ask, Mr. Richmond, let me ask you, one of the big advantages a lot of the Asian countries have had, is it basically free labor or very low-cost labor? How does that equate in Africa? Is everybody—does that make some sense there, or what happens with the labor component in Africa?

Because that is obviously—maybe they are making three times what they made, but you are able to get a lot more competitive, but in a sense, it also hurts indirectly—might hurt the U.S. What are your thoughts?

Mr. RICHMOND. The cost of labor and what people are making in China and Asia, you know, it has gone up a lot in recent years. You know, my view on that is that actually the money that we pay and when—and I, you know, I heard the comments the gentleman from Cintas made.

I mean, we also have—we are paying—our lowest paid worker is making, you know, like, well more, like double of what the country's minimum wage is. You know, we offer a free catered lunch every day, free transportation, all of those things. It is meaningful.

The labor cost in China and in Asia has gone up, but they are far more efficient and they are far more experienced. They have been doing this for, you know, decades.

And the labor force in Ghana and most African countries need that training. They need those skills.

Mr. BUCHANAN. Thank you.

Mr. Nasser, let me ask you, did you say you were born in Kenya?

Mr. NASSER. My mom was born in Kenya. My dad was born in Tanzania.

Mr. BUCHANAN. Okay. Well, that is one of the areas we have been talking about for like four or five years, about a free trade agreement. That is something that clearly needs to get done. The momentum should start there.

And the crazy thing is, I think it is very, very bipartisan. I can't understand why we can't be serious and get that done in a way, because that is part of the reason we are losing.

To a guy that has been in business for a long time, when I got a sense of a good acquisition, I went and closed it. And we need to close the deal with that. What are your thoughts quickly?

Mr. NASSER. I think that there are a lot of opportunities in Africa. The institutions that we have there are very flexible and very adaptable.

I think the biggest challenge for us, when you think about the logistics of Africa, is the lead times, and the transportation and the carrying costs associated with that long duration.

We look for business continuity in business resiliency, and we like to make sure that we are diverse—there is a lot of diversification. But I think we need to have a structure in place in Africa that makes it more palatable, from an investment perspective and from a timing perspective, to make sure that we invest more in Africa.

Mr. BUCHANAN. Quickly, Mr. Runde, did you have anything you wanted to add in terms of a free trade agreement there?

Mr. RUNDE. We should absolutely begin negotiations for a free trade agreement with Kenya.

Mr. BUCHANAN. Thank you. I yield back.

Chairman SMITH. Thank you. I now recognize Ranking Member Blumenauer.

Mr. BLUMENAUER. Thank you, Mr. Chairman, and thank you all for being here.

Ms. Muhika, you have a fascinating background in some of the more complex countries in this area. You point out in your testimony, both Haiti and sub-Saharan Africa struggle with high levels of informal employment.

This increasing casualization of work can lead to rampant labor abuses and precarious income.

Given the low level of government capacity and the highly informal nature of work across Africa, how can we best ensure that trade is a force for good that helps protect workers' rights and lift livelihood?

I appreciate your focus on a worker-centric trade policy, and I wonder if you can elaborate on this.

Ms. MUHIKA. Thank you for that important question. There are several ways that the United States Government should leverage trade policy and other laws to improve conditions of work for workers in informal sector.

One of the most important approaches is improving conditions for workers in the informal sector, is to include them as stakeholders in discussions and negotiations about the development and implementation of any trade policies.

Their voices are essential to having a worker-centered approach to trade.

The U.S. Government should continue to invest in foreign assistance that strengthens government institutions and enables civil society to exercise fundamental labor rights.

Technical assistance is vital to ensure that governments develop labor inspectorate regimes that establish effective social protection schemes for workers and that are engaged in labor diplomacy.

All this to say that workers must be put at the center of any conversation on trade. Thank you.

Mr. BLUMENAUER. Thank you.

Any observations from your perspective about what we should be doing in Haiti, given the chaotic situation that is there, the long-term consequences of United States failure. Do any of you have some perspective on what we should be doing in that regard? Mr. Runde?

Mr. RUNDE. Thank you, Congressman. I really hope that we can renew the Haiti-HELP Act this year. The best social program in the world is a job. Companies are already leaving as we speak.

I really hope that the Congress can coalesce around one bill. Let's, I hope, let not the perfect be the enemy of the good on the Haiti-HELP Act.

Mr. BLUMENAUER. Further observations? Mr. Nasser.

Mr. NASSER. Yeah, I think the extension of Haiti-HELP for an additional 10 years is welcome, but it would be ideal if Congress at some point can consider something more permanent for us to establish more predictability in that region.

Mr. BLUMENAUER. Thank you.

Thank you very much, Mr. Chairman.

Chairman SMITH. Thank you, Mr. Blumenauer.

I now recognize Mr. LaHood from Illinois.

Mr. LAHOOD. Thank you, Mr. Chairman. I want to thank the witnesses for your valuable testimony here today and adding to this conversation.

I am really pleased that we are holding this hearing today regarding trade preference programs that of course are due to lapse in 2025, including AGOA and certain programs for imports from Haiti.

Trade preference programs like AGOA and GSP serve as important mechanisms for the U.S. to encourage global economic growth and promote American goodwill and trade priorities abroad.

We have heard a little bit this morning obviously about the competition that we have with China and Russia, and other adversaries, particularly in Africa.

I also serve on our Select Committee on China and also on the Intelligence Committee. And as we think about, how do we win the strategic competition against the CCP and China, particularly in Africa, I think you do that on the economic front. So things like AGOA, things like engagement, need to be there.

And I would say, as we compete against Belt and Road and a number of other initiatives from our adversaries, we need to highlight that what we focus and predicate our policies on, are competition, the rule of law, enforcement mechanisms, things that work.

Sometimes it is very hard to compete against China and Russia and others because they don't play by the same sets of rules and standards that every other industrialized country in the world does, and that puts us at a disadvantage.

So I just want to mention that as we think about how do we compete in this space.

I also want to acknowledge Trade Subcommittee Chairman Adrian Smith for his leadership in advancing the renewal of these programs, particularly this bill to renew and update GSP, which was advanced out of the Ways and Means Committee in April.

And I am committed to working with you, Chairman Smith, and our colleagues on the committee to get this legislation across the finish line. It is vitally important when we think about our economic diplomacy around the globe.

In my view, it is crucial that the United States continue these programs as an effective countermeasure to the CCP and their efforts to replace the United States as a global economic leader.

I will also mention, I serve as the co-chair of the Digital Trade Caucus, and I have been especially concerned about China's digital trade and domestic regulatory laws that promote surveillance, allow for worker and human rights violations, and run counter to our American ideals.

Moreover, China is now exporting these principles through targeted initiatives like the Digital Silk Road, which is a series of developmental projects intended to build up countries' telecommunication networks, AI capabilities, e-commerce, and mobile payment systems, and surveillance technologies. They are rampant throughout much of Africa and other Third World countries.

It is my view that the United States needs to promote a strong agenda when it comes to digital trade and explore ways to modernize our trade programs, bringing them into the 21st century.

Mr. Runde, I am going to start with you. In your written testimony, you highlight that the U.S. has failed to recognize Africa's growing digital economy, opening the door for China to capitalize on our absent guidance there.

In your opinion, how can the United States regain its leadership in this space, and what steps can we make to ensure that we do not get in our own way again?

Mr. RUNDE. Thank you, Congressman. We can't fight something with nothing, and so we need to have a new digital partnership with China. We ought to be investing in training and capacity-building in Africa around digital issues. We should be supporting ICT policy development.

We should also be incentivizing rip-and-replace. Seventy percent of 4G in Africa is Huawei. We do not want the digital rails of the future of Africa controlled by the unholy trinity of Huawei, Alipay, and ZTE.

Mr. LAHOOD. Thank you for that. And with my remaining time, Mr. Runde, could you elaborate on what changes you think could be made to AGOA to better develop commercial partnerships and facilitate digital trade more effectively?

If you can comment on that, and then I have a follow-up.

Mr. RUNDE. Yeah. So I think—I suggest in my testimony that language could be included to develop a partnership around emerging international standards and reducing barriers to digital trade in Africa, including cross-border data flows and internet access.

I think we ought to be thinking about using our foreign assistance and the DFC and the EXIM Bank as wrap-arounds to AGOA, and I think there could be language in the legislation that reflects that.

Mr. LAHOOD. And as we think about that, if you look at the digital chapters that we put into USMCA as kind of a benchmark and a model, I mean, is that what we ought to be looking at in terms of a bilateral digital trade agreement with countries like Kenya and others?

Mr. RUNDE. Yes. I think we should have a Kenya free trade agreement, and we should begin negotiations as soon as possible. And I would like to also see, yes, I would like to see—I think we should be working toward—I think the USMCA digital chapter is what we should be working towards.

Mr. LAHOOD. Thank you.

Thank you, Mr. Chair.

Chairman SMITH. Thank you, Mr. LaHood.

I now recognize Mr. Kildee from Michigan.

Mr. KILDEE. Thank you, Mr. Chairman and Ranking Member Blumenauer also, for holding this really important hearing, and I agree with much of the sentiment that has been expressed, most particularly, Mr. Runde, you made the point that the U.S. presence is not nearly adequate for us to have any of our values manifest in the relationship that we have, nor any of our values manifest for the people of the African continent.

It makes a difference where the investment comes from and where the relationships are built, and if we defer to our adversaries, we have no ability, really, to have a meaningful impact on the continent.

I will be joining Mr. Buchanan on this delegation next week, so I very much look forward to exploring these issues much further.

And I also agree that reauthorization of AGOA with, I think, significant improvements, is absolutely necessary for us to achieve the goals that we have been addressing.

And I think in particular, it would be a mistake for us to reauthorize without using the opportunity to elevate these relationships, specifically—and this has been referenced—in the area of worker rights, where the USMCA example, I think, is actually a pretty good one.

Not only do we have pretty significant professions but also an enforcement mechanism built in and some prerequisites, some pre-requirements, in order for the benefits to go into effect.

I am curious, and I wonder if I could start with Ms. Muhika, if you could talk a little bit about some of the implementation strategies. I mean, it is already embedded in AGOA that there is a requirement to comply with internationally recognized worker rights provisions.

But if you could address how these National Action Plans on business and human rights in several African countries, particularly Kenya, are being used to pursue implementation of what we already have agreed to pursue.

Ms. MUHIKA. Thank you. I think it is too early to assess the impact of National Action Plans on business and human rights. For example, as you have stated, Kenya adopted its first NAPs in 2019, while Uganda in 2021, and several other countries are in the process of developing their own National Action Plans.

The United States can support trade unions and workers to participate in the development of these plans in their countries, alongside other stakeholders from civil society organizations.

Mr. KILDEE. Thank you. All right. I know it has been mentioned, specifically regarding Kenya, that the administration is pursuing an executive-level agreement. I agree with some of my colleagues that we ought to be pursuing a full bilateral trade agreement that has all of the necessary mechanisms for enforcement and implementation.

But I wonder, Ms. Muhika, if you could comment specifically, I have been concerned that earlier this year, members of the Kenya Medical Practitioners, Pharmacists, and Dentists Union, including the General Secretary of that organization, were reportedly attacked for peaceably protesting some differences that they had with Kenya's healthcare system.

What can we do, what can the U.S. do to prevent those sorts of practices, those sorts of attacks, including specific attacks on labor leaders, which has a chilling effect on advocacy on behalf of workers?

Ms. MUHIKA. Thank you for that important question. I am a Kenyan citizen, and I only moved here to Washington, D.C. last 6 months. So I totally understand your concern.

And as it regards to the Kenyan doctors, where we saw a blatant attack on Kenya's Secretary-General of the Kenya Medical Practitioners and Dentists Union, Dr. Davji—and I must say that he is a personal friend of mine. Before I took on my current role, I was the country program director for the Solidarity Center based in Nairobi. So I did work alongside the doctors union in Kenya and many other unions for about 4 or 5 years—I believe that the United States Government can play a critical role in preventing such attacks on workers and on labor leaders.

First, the U.S. Government must continue to support mechanisms that can provide resources to human rights defenders under threat or in exile.

In moments of acute crisis, we know our partners rely on our support from the—rely on support from the United States to enable them to access legal representation, relocation assistance, and medical services.

Second, labor leaders under threat benefit from the United States public support. When senior United States Government officials meet with workers and labor leaders, when ambassadors invite labors leaders to the United States embassies, when elected representatives take time to connect with workers during overseas travel, like what you are doing next week, and as you have possibly done on many occasions, it affords them a profile that offers them protection, and it makes a difference to the workers personally.

And I will conclude my interventions there. Thank you.

Mr. KILDEE. I appreciate it. I wish I had more time because I would love to hear from the other panelists. Maybe some of you can comment as we pursue this.

And, finally, before we depart for this delegation, if any of you have specific issues that you would like us to raise in the various places we will be visiting, please reach out to our offices. I would appreciate it very much. Thank you.

Mr. RUNDE. What countries are you visiting?

Mr. KILDEE. Kenya, Tanzania, Gambia, and Cabo Verde.

Chairman SMITH. All right. Thank you.

Next, I recognize Mr. Estes from Kansas.

Mr. ESTES. Well, thank you, Mr. Chairman.

And thank you to all of our witnesses for being here today.

You know, as a representative from Kansas' 4th Congressional District, I am honored to represent many farmers and ranchers in Kansas. You know, agriculture is a major economic industry in my home state. Kansas is the number-one producer of wheat and sorghum and number-three producer in cattle and beef processor in the United States.

Agriculture trade is a key way the Sunflower State connects with the rest of the world, including sub-Saharan Africa. In fact, in 2023, Kansas exported goods valued at $294 million to sub-Saharan Africa.

Last fall, I visited Ethiopia and Rwanda to engage in and advance discussions on trade with the United States among several other items. In Kansas, wheat farmers recently returned from a trade mission to sub-Saharan Africa where they were seeking to bolster the relationship between the United States and the region in hopes of strengthening and expanding access to the international markets.

Kansas ag producers benefit from open markets and free and fair trade, and, hopefully, the renewal of the African Growth and Opportunity Act, AGOA, will help expand market access. It is crucial that we have these conversations now so that we can renew AGOA before it lapses next September.

Mr. Runde, in renewing AGOA, how can we assure fair market access commitments for U.S. agricultural products?

Mr. RUNDE. Thank you, Congressman. I do think that—a couple of things. There has been some issues around pork and chicken, in particular in certain countries in Africa, specifically South Africa.

I know a number of pork producers have expressed concern about that.

AGOA has the ability to resolve—it has in it the resolution of bilateral trade disputes as one of the reasons by which they qualify for AGOA benefits. So if we have bilateral trade disputes in agriculture, we ought to be using AGOA qualification as saying, hey, you know, if you want to qualify, let's try and work this out.

I also think—it certainly seems to me that AGOA has provisions, you know, to require that barriers to U.S. exports are eliminated, including unjustified sanitary and phytosanitary barriers. I also think that, if those don't work, we ought to think about WTO formal complaints, specifically in the case of, say, South Africa.

And then, finally, I have heard some good things about supporting more support for some of the USDA farm agricultural export promotion programs. So I think all of those things would be things I would consider, Congressman.

Mr. ESTES. Thank you. And, obviously, one of the key goals we have with AGOA is how do we move the AGOA countries from the preferential program to, quote-unquote, graduate and be part of stronger reciprocal trade agreements.

Are countries ready to make this jump, and how can we get more countries to do that?

Mr. RUNDE. Thank you, Congressman. I think that we need to fix the concept of graduation. In my testimony, I said countries like Mauritius are now middle-income countries, and you basically graduate to nothing, which is terrible. When this was originally envisioned 25 years ago, the idea was this was a halfway house until we could develop free trade agreements with bilateral countries or with regions the way we have with CAFTA-DR and Latin America.

I would hope, as I said in my testimony, that we would begin again to have bilateral free trade agreements in Africa. I think we should begin free trade agreement negotiations with Kenya immediately, and I also think we should be thinking about regional trade agreements with West, Southern, and East Africa. Thank you, Congressman.

Mr. ESTES. Yeah. I mean, that is kind of—we kind of undercut a little bit of the value of AGOA without following up with those bilateral trade agreements once we are done. Yeah.

As I mentioned earlier, one of the countries I visited last fall was Ethiopia, whose AGOA status was terminated in 2021 due to violations stemming from a civil war in the Tigray province or Tigray region. This has obviously jeopardized growth in investment in the region, and that followed the most recent AGOA renewal in 2015.

Obviously, Ethiopia is part of the discussions that I had there as well as others. We would like to have that reinstated, and it is working to address those issues. Obviously, there were lots of concerns as you have rebel activity, and that happens scattered throughout the world.

Given some of the heightened risk and instability, how do we make sure that we make countries recognize the value of being more participative? Are there ways we can strengthen AGOA to help with that certainty and help make it more attractive, Mr. Runde, for other countries to participate?

Mr. RUNDE. So, in my testimony, I talked about that we ought to be—there are some improvements. I think that the Coons-Risch bill has some examples of some specific improvements around trade.

I also think we ought to be looking at some specific initiatives around digital and mining, and we ought to use our foreign assistance in some ways to kind of be wraparounds to AGOA. Ethiopia is a really big country. We can't ignore it. We have often relied on it as sort of a security partner in that part of the world, and so I am hoping that we can get to a better place with Ethiopia at some point.

Mr. ESTES. Yeah. Thank you. And free and fair trade is such an important part for the world. It has lifted more people out of poverty over the last 70 years, and we want to continue to have that.

Mr. RUNDE. Trade in the private sector is what lifts people out of poverty. Foreign aid is a supporting actor in this, but the real actor is the private sector.

Mr. ESTES. Right. Thank you.

Mr. Chairman, I yield back.

Chairman SMITH. Thank you, Mr. Estes.

I now recognize Mr. Panetta from California.

Mr. PANETTA. Thank you, Mr. Chairman.

And gentlemen, ma'am, thank you for being here.

Obviously, I am on the Ways and Means Committee, but I am also on the Armed Services Committee. So, obviously, trade is important, but security is important as well. And I haven't heard too much testimony about that today, and so I am going to talk about that a little bit.

And yes, Mr. Runde, thank you for the thumbs up because you have got my first question.

But before I get there, look, I think, obviously, we know and, as you have said, the 2025 expiration of AGOA comes as we begin an exit, though, from Niger and potentially Chad, at least militarily in our U.S. forces. We are seeing a deteriorating security environment all across the Sahel, an area that I have had help in calling a "deja coup" of an area, is what we are seeing.

So I do believe it is critical to understand how offering market access to others in the region allows the U.S. to improve the livelihoods and create favorable conditions for new security partnerships. Access to U.S. markets is a tool that we can and should wield to advance development while supporting the ability of our African partners to hedge against security threats, including political instability and, yes, VEOs' violent extremism.

I have been an advocate for more U.S. attention to the economy and security of sub-Saharan Africa, as I sit—as I mentioned, especially based on the committees that I am on. Some of the fastest growing economies in the world, as you have talked about, are located on the continent, and those same states are challenged, though—challenged, though, with porous borders, very weak governance, surges in violent extremist organizations, and an increased presence not just from China but Russia, as you mentioned as well, Mr. Runde.

But securing the Sahel requires more than providing conventional military support. I think we can all agree with that. So we must support robust economies amongst our African partners to support good governance, prevent economic exploitation that threatens regional security, and enable greater influence from terrorist and extremist organizations.

That said, I am curious to see how we can improve AGOA and similar programs, and I hope to hear more about how to expand upon these programs' successes and modernize them to reflect the changed security and economic realities.

So, Mr. Runde, as you have heard and as you know, we got a withdrawal from—a military withdrawal from Chad, a military withdrawal from Niger. We saw it in Mali. We saw it in Burkina Faso. And we have seen a void that has been created and obviously being filled by our near peers' competition. And those types of voids, they significantly impact our counterterrorism efforts and regional surveillance capabilities as well in that area.

As U.S. AFRICOM and the Department of Defense consider new security partnerships—which will be interesting to see how that develops—to backfill these strategic locations, we are also hearing concerns that some of these states may succumb to democratic backsliding, like we have seen pretty much all across the Sahel, as I mentioned.

That said, you talked about improvements to AGOA. Let me ask you, do you think one of the improvements we could amend AGOA could be to enhance capability-building assistance and instill good governance?

Mr. RUNDE. Thanks. The bad guys can fill voids today. So they are a near-peer, soft-power competitor, not just a near-peer, hard-power competitor.

China and Russia—so China is selling security for diamonds and gas, basically. Africa is going to go from 1.1 billion to something like 2.5 billion people. There will be more African citizens than citizens of China and India in 25 years.

There is a whole series of—we are going to need hundreds of millions of jobs. Either we are going to have a demographic dividend in Africa or we are going to have something else. I want a demographic dividend.

So absolutely. I think AGOA is one of the pillars of our partnership. We need a whole series of other things as wraparounds. So I agree with you, Congressman, the sorts of things that you are talking about.

But I do think dictatorships partner with dictatorships. So the more members of the Star Wars bar of thug regimes, you know, they are going to partner up with Russia and China. And so I think we, you know, should want to enable better democratic governance not just because it is the right thing to do, but oftentimes, democracy—there was a book written many years ago called "The Democracy Advantage" about how democracies ultimately, over the long term, have better economic performance.

So it is in our interest. We don't want these countries making nice with China because there they are going to have these ports. There is more than 20 ports basically controlled by China, and 70 percent of the digital rails of the future of Africa are controlled by Huawei. It is not a great situation for us, sir.

Mr. PANETTA. Exactly. So China is bringing the economic investment, Russia is bringing the security investment, and that puts us on the sidelines.

Mr. RUNDE. Right. And so to the extent that we step back, they can fill voids. This isn't 1995 anymore whether in the Taiwan Strait or in the Sahel.

Mr. PANETTA. Exactly. Thank you. Thank you.

Thanks to all of you.

I yield back.

Chairman SMITH. Thank you, Mr. Panetta.

I now recognize Mrs. Miller from West Virginia.

Mrs. MILLER. Thank you, Chairman Smith and Ranking Member Blumenauer, who I think is still here.

Thank you all for being here today.

The AGOA program has proven invaluable for economic growth of sub-Saharan countries empowering African women and increased opportunities for American producers, and it is vital that Congress commits to renewing and strengthening AGOA as soon as possible.

As we begin negotiations for AGOA, it is equally important that we consider the broader goals of strengthening bilateral ties with countries around the world to counter China's malign influence. This committee has made great strides to do so through marking up critical legislation to reauthorize GSP, but we can still do better.

It is imperative that we remain optimistic towards enacting free trade agreements with our allies, particularly Ecuador, as we work to renew GSP, AGOA, and the other crucial programs that we are discussing today.

One important provision of both AGOA and the Haiti HOPE Act is the inclusion of apparel as an eligible product. Under AGOA, U.S. imports of apparel rose from $696 million in 2000 to $1.4 billion in 2021. In Haiti, apparel industry exports account for nearly 90 percent of total exports. Importantly, Haitians have shown resilience despite the unrest in their country and are still showing up to work.

Mr. Richmond, as an employer of 5,000 workers in a developing country, how have you witnessed the apparel industry lift citizens out of poverty, and what more can Congress do to help the growth of this industry?

Mr. RICHMOND. Thank you. We have witnessed great things, and that is exactly why we started our business, is that we recognize the power for good that the apparel industry has.

Again, everyone we hire—right—all 5,600—okay. Maybe not all—maybe 5,500 because some of those are accountants with specialized training. But, you know, the real factory workers, they have no experience. There is no educational requirement, right? Everyone comes in. Most of them have never had a formal job. Many don't have a bank account, right?

So we hire them. We train them. They get opportunity, right? They have bank accounts. They are part of the Social Security program now with the government, right? They pay taxes. All of these things that make them productive, right?

And they do make a wage that not only they can live on but they can—we have countless stories of women who joined us at one level and then have been promoted to supervisory or management positions and now are paying for their siblings or others to go to school and those sorts of things. I would be happy to send, you know, separately countless stories of those that we have.

Mrs. MILLER. Well, do companies like yours need a strong sense of certainty of the American preference programs in order to commit to your investments in the region?

Mr. RICHMOND. Absolutely. I mean, we do and so do so many others who are, you know, looking to grow this. Again, there are so many now brands. Everyone is looking to source from Africa, but there aren't enough qualified suppliers like ourselves. There needs to be more in order to incentivize the brands to place business there, right? And ultimately—yeah. Sorry.

Mrs. MILLER. Yeah. That is okay.

Mr. Runde, another area of particular concern for me is our reliance on China and Russia for critical minerals. I have introduced several pieces of legislation, including the End Chinese Dominance of Electric Vehicles in America Act, to close these loopholes and to counteract the leg up our adversaries have in this sector.

I appreciated hearing from you that Africa houses substantial critical mineral deposits. How could inclusion of critical minerals in AGOA benefit American producers and consumers?

Mr. RUNDE. Thank you, Congresswoman, and thank you for your leadership on the Ecuador Caucus as well.

Look, if we are going to have a carbon transition, we better love mining to the tips of our toes. I was at AID for a long time, and I like AID a lot. I was in the international development business, and I worked at the World Bank Group. But asking my friends in the international development community to work on mining projects, they would rather get a root canal than work on mining projects. Most people don't want to work on mining projects.

We need to spend a lot more foreign aid on minerals and mining. We need to make sure it is clean, that there is fair money, that people are getting a fair share of the resources, and that the people are treated well labor-wise.

Mrs. MILLER. Okay. Quickly. Quickly.

Mr. RUNDE. Yeah. Shoot.

Mrs. MILLER. I want to ask you about the Chinese trade agreements in South America——

Mr. RUNDE. Yeah.

Mrs. MILLER [continuing]. And what an individual preference program for a country like Ecuador could mean for competing in the region and the possibility of a full free trade agreement.

Mr. RUNDE. We absolutely should have a free trade agreement with Ecuador. I think the IDEA Act is okay, but I think if China has a free trade agreement with Ecuador, it is a lost opportunity for us. So if they are to join the Caribbean Basin Initiative, I think it is okay.

I am in agreement that we should have a free trade agreement with Ecuador as soon as possible. We have a pro-American President. There is going to be an election in Ecuador soon. They have been knocking on our door for a while. We ought to show up for our friends.

Mrs. MILLER. Thank you so much.

I yield back.

Chairman SMITH. Thank you, Mrs. Miller.

I now recognize Ms. DelBene from Washington state.

Ms. DELBENE. Thank you, Mr. Chairman and Ranking Member Blumenauer, for holding this important meeting.

And thank you to all of our witnesses for joining us and taking the time today.

Like many of my colleagues, I believe that AGOA is a critical tool in the American foreign policy arsenal to promote development and create jobs in sub-Saharan Africa. It has also led to jobs and economic growth in Washington State. We are one of the most trade-dependent States in the country, and my friend and former colleague of Washington State, Congressman Jim McDermott, was one of the original authors of AGOA back in the early 2000s.

So while AGOA has been transformational for certain African economies and certain sectors, there is so much more the U.S. should be doing to meet the economic needs on the continent, and if we succeed, American workers and our economic security and theirs will be better off, also.

I know you were in mid-discussion on this. Mr. Runde, in your testimony, you recommend that Congress modernize AGOA by focusing on Africa's digital economy as well as critical minerals. I wanted to see if you could say a little bit more and discuss the benefits and challenges of allowing AGOA beneficiary countries, perhaps those that meet certain heightened labor and environmental criteria, access to American tax credits for EVs and batteries.

Mr. RUNDE. Thanks. I have put a lot of time into trying to understand this issue.

As I understand it, there are no countries in Africa today that currently make electric vehicles nor make electric batteries, so—and there are no tariffs on basic raw materials and materials today. So I understand the—so I am interested in finding ways for us to support mining and minerals in Africa.

It is not—we need to be doing a lot more to—I think the minerals—the minerals security partnership, I think, is a—we should be doing a lot more in Africa around that.

If we are going to have a line item in AGOA or some sort of language in AGOA specifically about a—for AGOA eligibility for the IRA, it is going to be for the future. As of right now, we would have to think about 3 to 5 or 7 years from now.

So I think we should be doing a lot more with the minerals security—with the minerals strategic partnership—the security partnership, and we should be using a lot more of our foreign assistance both bilaterally and using the DFC. We need to be doing a lot more in flooding the zone on minerals with our soft power.

Ms. DELBENE. Thank you. And I also wanted to ask you a little bit more—building off of Congressman LaHood's question—what we can do to help African entrepreneurs sell online—this is on the digital side—sell online or how we can help finance Africa's broadband build-out.

Mr. RUNDE. Thank you. I do think we need a new partnership with Africa—a new digital partnership with Africa. I think that AGOA can call for that. I think we can have it call for that in the legislation. I do think there are a series of things we can be doing around supporting ICT policy development, training.

I also think we ought to make available money for rip and replace of Huawei. 70 percent of the 4G in Africa is controlled by Huawei. I mean, this is crazy. I mean, we are not going to be—you know, this is very, very bad.

I do think that, you know, the USMCA digital chapter, I think, is the gold standard, and we should work—we should all be—we should be—all of our trade agreements in the future should work towards the USMCA digital chapter.

Ms. DELBENE. Or try to provide some type of digital—I mean, there is obviously doing full agreements. Folks have also looked at other ways to do digital, so——

Mr. RUNDE. Yeah. I would love to see us have a bilateral free trade agreement with Kenya, and I would love us to go return to seeking free trade agreements in Africa.

Ms. DELBENE. Are there other particular countries?

Mr. RUNDE. Yes. Certainly, Kenya, I would start immediately.

Ms. DELBENE. I think Kenya is there. I was wondering if there is anyone outside of Kenya that would be——

Mr. RUNDE. We ought to think about potentially regional trade agreements along the lines of CAFTA-DR. I would say West Africa, East Africa, and Southern Africa. That would be the other thing I would do.

Ms. DELBENE. Thank you.

Thank you, Mr. Chairman, I yield back.

Chairman SMITH. Thank you.

I now recognize Mr. Arrington from Texas.

Mr. ARRINGTON. Thank you, Mr. Chairman.

Witnesses today, we appreciate your insights.

I will be taking my first CODEL outside of my freshman trip to Israel to Africa this week to meet with leaders of several African nations, some of which are included in this trade partnership.

I am not a trade expert, but my understanding is that the benefit to both parties and specifically to the United States for doing AGOA-like trade deals is to integrate supply chains with the U.S. and not China, to provide maybe cheaper inputs for manufacturers in the U.S. with products coming from, in this case, AGOA nations, and to develop that relationship so that, as it matures, as their market markets and economies mature, we can have this sort of more developed and more mature bilateral and reciprocal trade relationship where we are not only giving AGOA partners access to our markets with their goods, but they are opening their markets to the U.S. equally for our goods and services.

In the case of agriculture, I hail from west Texas where we generate a lot of ag and energy products, and when I look at the data on the tariffs in Kenya on ag products like peanuts, sorghum, beef, and dairy, it is anywhere from 25 percent to over 50 percent. And those are just the tariff barriers, and there are non-tariff barriers that I won't enumerate. And then you look at Ghana's average ag tariff, which is 17.5 percent, Nigeria 15.9. Our average tariff in the United States is five percent.

So, at some point, this needs to be a two-way street, a mutually beneficial relationship that has matured beyond just the initial investment in AGOA. We are 25 years now into this. I don't know. It seems to me we ought to be asking the question, why hasn't it developed further?

I am all for AGOA, from what I understand of it, and that there have been benefits accrued to both sides of the deal, but we are 25 years into it, and we are still—we still don't have the reciprocity and the fair access that I think we should expect as American policymakers.

So, I guess, Mr. Runde, I would ask you first, is that a fair characterization? Is that a realistic expectation 25 years later into this deal?

Mr. RUNDE. Thank you, Congressman. I 100 percent agree with you. It has been 25 years. The world has changed. Africa has changed. We have changed. There are about 450,000 U.S. jobs linked to U.S.-Africa trade. So it is not totally a one-way street. And there is something like 1.3 million African jobs linked to—that is sustained by AGOA, but we have not met the full potential of AGOA by any stretch of the imagination.

When it was set up, as I mentioned earlier, it was meant as sort of a halfway house for us to start building free trade partnerships with Africa. We are now starting to see several things happen in the last 25 years. We are now having countries becoming middle-income status like Mauritius. They are about to graduate—given the current rules, they could graduate to nothing because we were going to set up free trade agreements. Unfortunately, there has been a decrease in appetite of political will for us to pursue free trade agreements in the United States, and I regret that very much.

And the other thing I would say that is different from 25 years ago is China is eating our lunch——

Mr. ARRINGTON. Eating our lunch.

Mr. RUNDE [continuing]. On the continent.

Mr. ARRINGTON. Yeah. Yeah. I get that sense, too. Somebody told me that, in the last couple of decades, they have doubled their trade and export to the African continent. Do you have better data on that?

Mr. RUNDE. Yeah. So our trade with Africa is one-fifth the amount that China has with Africa.

Mr. ARRINGTON. Well, and ours is going down and theirs is going up——

Mr. RUNDE. Yeah.

Mr. ARRINGTON [continuing]. At about the same rate.

Mr. RUNDE. And they are probably the number-one trading partner for several dozen African countries when it was zero 25 years ago.

Mr. ARRINGTON. We need to be a lot more aggressive.

Mr. Chairman, we have to have a higher expectation from our partners, and I hope we move forward in that way.

Last question, Mr. Nasser, for you. We are the largest cotton patch in the world. A third of the cotton exported out of United

States comes from a 100-mile radius of Lubbock, America, which is where I live. It is the largest population center in my district.

And the rules of origin requirements are important in AGOA so that we are benefiting both countries and that—the textile supply chain is one that is benefiting us because it is including the AGOA nation raw cotton product and the United States.

Is that being enforced as—if it is not adequately being enforced, how are people taking advantage of that, and how do we ensure that those provisions, and that one in particular, are being enforced so we are benefiting both countries in the fullness of the supply chain in cotton in particular?

Mr. NASSER. Yeah. So I can speak from a macroeconomic perspective if it is being enforced. I can tell you that we adhere to the right standards and compliances within our supply chain.

Mr. ARRINGTON. Okay.

Thank you, Mr. Chairman. I yield back.

Chairman SMITH. Thank you, Mr. Arrington.

I now recognize Ms. Sánchez from California.

Ms. SÁNCHEZ. Thank you. I want to thank the ranking member and the chairman for holding a hearing on this important issue.

It is pretty clear that the U.S. can't simply focus on providing aid to emerging economies, whether it is sub-Saharan Africa or Haiti, to develop. Africa features some of the world's fastest growing economies and a booming young population, which creates the perfect environment for both American and African businesses to thrive if we can get this right.

U.S. investments, market access, and economic incentives can fuel job creation. It can also boost local economies and help develop new innovative industries in those emerging economies.

AGOA has created a generation of young women entrepreneurs and significantly improved women labor participation rates across Africa, which is a very good thing. So Congress should not let a program like this go without being renewed, like we did with PEPFAR, because these are programs that really do create great partnerships and create good outcomes.

We have to show emerging economies that we can be a reliable economic partner, even though their, you know, economies are cyclical—they go up, they go down, people may experience turbulent economic times—but if we were to reauthorize AGOA in our trade preferences with Haiti, I think that that would garner a lot of good will, not to mention, as I said, the economic partnerships that can be created.

Having said that, though, as many of my colleagues have said, we are all very much in favor of reauthorizing AGOA. We should take this opportunity to try to improve it, try to make some needed reforms to these programs, because just creating market access alone is not going to be enough to stimulate the economic development that we are looking to see in Africa. So I am hopeful that we can come to agreement on what we can do to update AGOA to make it a better agreement for both of us.

We know that in some of the countries that we trade with, there are issues that still linger of gender-based violence, of hereditary and child slavery. We know that there are many places around the world and many partners that we trade with that continue to have issues with worker rights. And we know that this is, you know, not unique to Africa, certainly, but we do see that there are those ongoing problems that we need to address. And, you know, that is despite the fact that we do have a worker rights emphasis in the AGOA eligibility criteria.

In Haiti, which has, you know, been very challenging, wage theft and worker exploitation issues have really harmed the Haitian population, and that has just further aggravated the poor economic conditions in that country. As I said, we have an opportunity to do better, and I think we must do better.

My first question is for Ms. Muhika. An innovative labor agreement that has emerged from the AGOA garment sector is a multistakeholder agreement to stop gender-based violence in Lesotho. That binding agreement is the first instance in which apparel brands and their suppliers entered into enforceable agreements with workers, specifically to stop gender-based violence.

In addition to expanding on the significance of that agreement, I would be interested to hear your thoughts on how the U.S. can use its trade policy to encourage agreements among producers, labor advocates, and civil society groups, specifically to address labor violations.

Ms. MUHIKA. Thank you, Ms. Sánchez, for that important question. And I would like to reiterate that the Solidarity Center is proud to have supported the agreements that you are talking about in Lesotho.

I think the U.S. development assistance policy should support the role of unions in advocating for labor rights in the context of trade, and this should include the USAID missions, you know, across the world, especially in sub-Saharan Africa.

And then, lastly, the U.S. Government must prioritize worker-centered trade policies, leveraging trade agreements and trade preference programs to achieve enforceable labor laws and to compel the establishment of binding mechanisms that meaningfully address rights violations.

All this to say that the U.S. Government has the opportunity to be a leader, to show that when you send our workers in labor policies or trade policies, you are doing the right thing. Thank you.

Ms. SÁNCHEZ. Thank you.

I have one more question. I am almost out of time, but I would accept the answer in writing after.

Mr. Runde, in your written testimony, you recommended that Congress can consider including language on critical minerals in AGOA, and while I agree that the U.S. should look to new markets, I do have concerns that emerging economies that are rich in natural resources—like many of the countries in Africa—have been, in the past, subject to exploitation, including environmental and labor exploitation which actually undermines their development.

So, my question for you—which I will take in writing after—is how can the U.S. work with African countries, including through our development financing tools, to create vertically integrated supply chains rather than just extracting the raw resources?

And I thank the chairman for his indulgence, and I yield back.

Chairman SMITH. Thank you.

I now recognize Mr. Smucker from Pennsylvania.

Mr. SMUCKER. Thank you, Chairman Smith, for convening today's important hearing.

I do want to echo my colleagues' calls for an on-time renewal of AGOA. It is important that we prevent any lapse in the program to give certainty to the businesses that have invested in sub-Saharan Africa or plan to. They need to know that those incentives will remain in place.

I also want to join my colleagues in expressing to the Biden administration that there is bipartisan support in Congress to deepen our trade relationship with Africa, and I urge the administration to resume dialogue on the U.S.-Kenya Free Trade Agreement.

Mr. Runde, you know, we have discussed a lot—there have been a lot of people before me here. We have talked about areas of reform to strengthen the trade ties. We have talked expanding—from graduation policies, expanding agriculture access, reforms to grow the apparel sector. Anything else? Any other ideas that you have for reform that we should consider that haven't yet been raised today?

Mr. RUNDE. Yeah. So I do think—certainly, a 10-year renewal or a 16-year renewal, as is in the Coons-Risch bill that is kind of mimicking the USMCA language.

Mr. SMUCKER. Businesses want the long-term predictability?

Mr. RUNDE. Yeah. I think that is good.

I also think the current arrangement—there is, like, an annual review. It is pretty onerous. I think we could have reviewing the eligibility every 3 years instead of every 1 year. I think that would be another simple thing we could do.

So I think those are things that I think—I also think some of the proposals for giving a broader menu for the executive branch and not just having an on-off switch. I think those are all good things, Congressman.

Mr. SMUCKER. Okay. Great.

Critical mineral supply chains have been talked about as a critical issue for the country. We want to move some of that out of China. I know you have mentioned it, but how can AGOA help with that? How is that important?

Mr. RUNDE. So, as I said, as of right now, there are no African countries making electric vehicles or making electric batteries, and there are no tariffs on—specifically on raw materials themselves or minerals.

I do think, though, that we ought to be—we ought to be doing a lot more with Africa on minerals. There is the Mineral Security Partnership that we need to be—we should be engaging a lot more aggressively in Africa. I do think that we need to be putting a lot of our foreign assistance—a lot more of our foreign assistance and development finance resources on mining and minerals.

I don't think the American people are going to accept switching from the internal combustion engine to electric vehicles and batteries controlled by the People's Republic of China. It just will stop.

Mr. SMUCKER. Thank you.

Mr. Richmond, your story is really fascinating. The apparel sector represents a logical area for AGOA partners to fill in the missing pieces so that fabrics cannot only be sourced domestically but also processed and transformed to a finished good all within the African continent.

From your experience operating in Africa—you have talked about this already, but—you know, what are some of the things that would continue to allow the industry to flourish? What are some of the things that have held it back from doing that at this point?

Mr. RICHMOND. Thank you for the question because then there are a few points that I have made notes about from some other things that I would also like to address.

First of all, there was a question about investment timing, right? So, again, key to the apparel textile industry in Africa and under AGOA is building these textile mills, having those inputs available.

I will give a real-world example of our own, right? We have already engaged with the IFC. We have gone through due diligence and everything to establish a new textile mill in Ghana—right—which would be a unique fabric that eliminates 99 percent of the water use from traditional fabric in the way it is dyed, right? This is a somewhere from $15- to $20 million investment that we are interested in making.

Mr. SMUCKER. Sure.

Mr. RICHMOND. We can't do that today, right? We don't know if AGOA is going to be renewed.

Mr. SMUCKER. Yeah.

Mr. RICHMOND. So that is on hold. That is just us. We are just one small player.

Mr. SMUCKER. That leads to sort of my next question, which is, you know, you have been planning and you have hired thousands of workers——

Mr. RICHMOND. Yeah.

Mr. SMUCKER [continuing]. Based on the idea that AGOA exists and will continue to exist, and I am sure now, as you are thinking ahead for the company, your strategic planning has to look very different and there has got to be a lot of questions there.

Mr. RICHMOND. Yes. It does include—that is why we are interested in looking at doing our own mills—textile mill, and there are others, you know, in West Africa who are investing, you know, a couple hundred million dollars that we know of to build out that vertical cotton supply, right? That is key, and that is what is going to happen.

But it also goes to, like, this utilization question about why, after 20, 25 years, hasn't there been more of an impact. I mean, I think we all know that, as a country, we have bought from China, right? For the last 20, 25 years, we were all—they made it very easy for us to buy from China. It is not easy to do business in Africa, right? But the Chinese made it very easy and made it very comfortable for all of the brands to just buy everything there.

Now, of course, there is this tremendous focus on how can we source elsewhere, and now it is that investment that needs to happen. I think that, over the next 20 years, that if there is a long-term, you know, renewal of AGOA—I think 20 years from now, we will see a completely—it will be a completely different conversation than what is having today.

Mr. SMUCKER. Well said. I am out of time, but thank you.

Mr. RICHMOND. Thank you.

Chairman SMITH. Thank you, Mr. Smucker.

I now recognize Ms. Sewell from Alabama.

Ms. SEWELL. Thank you, Mr. Chairman, and I want to thank you and the ranking member for having this hearing.

I am a very strong supporter of AGOA, and I really appreciate our conversation today has heightened the fact that it is a bipartisan and bicameral support for renewal of AGOA.

I, in recent months, have met directly with AGOA country leadership, civil society, and the business communities about the importance of AGOA but also what we can do to improve it. I most recently traveled with Chairman Jason Smith on a trade CODEL to Africa. We visited Benin. We visited Mauritius and Madagascar.

And I can tell you that a lot of the countries were really nervous about reauthorization and were requesting it be reauthorized this year partly because of what you said, Mr. Richmond. Companies need to have assurances. You are placing bets on materials, supply chain, way into the future and want some assurances.

I also know that reauthorization without trying to reform would be a missed opportunity. When I think about the kinds of reforms, I am thinking about smoothing out graduation requirements. I am talking about—you said something about the annual review process and making it either biannual or every 3 years. Consider strengthening our labor and environmental standards for them as well as looking at strengthening enforcement generally.

Having said all of that, I want to kind of go along the lines that my colleague, Linda Sanchez, did. I think it is a missed opportunity if we are not trying to build supply chains within Africa. Instead of just extracting minerals or extracting cotton, how about creating real supply chains?

Mr. Runde, will you talk a little bit about that and how we can strengthen AGOA and actually strengthen the economic viability of Africa if we are not just extracting but we are rather helping to build?

Mr. RUNDE. Thank you, Congresswoman, and thank you for your leadership on AGOA.

So, I think, after COVID, when the People's Republic of China said they were going to cut off our pills and cut off our ventilators, that was grounds for a divorce. And I think it creates an opportunity for Africa, so—in terms of friend-shoring, near-shoring, ally-shoring. So having AGOA as sort of a basic rules of the game is critical for that to happen.

I do think that, as I mentioned in my testimony, I mean, Africa is a very different place than it was 25 years ago when this was enacted. They are more smart.

Ms. SEWELL. And it will be even more different 25 years from now.

Mr. RUNDE. Twenty five years—yeah. It is going to be—and so, you know, your trip, I am sure, made that clear. Mauritius was not a middle-income country 25 years ago——

Ms. SEWELL. And now it is.

Mr. RUNDE [continuing]. And now it is.

Ms. SEWELL. And it is afraid to graduate.

Mr. RUNDE. It is afraid to graduate because it graduates to nothing and loses it. So I am very much tracking your comments, Congresswoman.

So I think all of the things that you have suggested, I think, make a ton of sense. I think we should—I think we need to pass AGOA, and then we need to think about a 21st century partnership with Africa. So I think we need to lift our sights and see—I mean, Africa has got a lot more partners. They don't have to wait around for us. They have got—there are two generations of successful entrepreneurs. You have met them.

Ms. SEWELL. Absolutely.

Mr. RUNDE. They would like to work with us, but we have got to show up.

Ms. SEWELL. And also, with respect to bilateral agreements, I agree with you that we should be doing those.

Can you talk a little bit about the benefits of bilateral agreements in addition to having these trade preference agreements in—trade preference programs with AGOA?

Mr. RUNDE. Thank you, Congresswoman. So I think we ought to pursue a free trade agreement with Kenya. I think it would set a model for future agreements in Africa. We need to create a path towards bilateral and regional trade agreements with Africa. That was the vision 25 years ago by the folks who were on this dais 25 years ago. I think we should fulfill that vision.

I think that it is a—so I think we should—you know, I think that if we get a free trade right with Kenya, also with the African—the AfCFTA, the regional agreement—like, the train is leaving the station.

Ms. SEWELL. Those would be really great. I agree.

Mr. Richmond, I was talking about supply chains and creating opportunities—direct opportunities for Africa to not just supply the cotton and then send it abroad to make the apparel. Can you add to that your thoughts on creating better supply chains in Africa?

Mr. RICHMOND. Yeah. I mean, it is necessary, right? Like I said, there are—you know, I know in Benin and Togo, it has started already to do that. West Africa, obviously, has a tremendous amount of cotton, and it is a shame that, historically, it has been sent out and all the value has been extracted elsewhere and reimported.

Ms. SEWELL. Exactly.

Mr. RICHMOND. But, absolutely, that is what needs to happen.

Ms. SEWELL. Well, Mr. Chairman, I know that people are anxious to get it reauthorized soon, soon, soon. I think we should really take our time to make sure that we are using this as an opportunity not just to reauthorize but to improve and to offer some really meaningful reforms for AGOA as well, obviously, with in mind to pass it in 2025. Thanks.

Chairman SMITH. Thank you, Ms. Sewell.

Now, I recognize Mrs. Fischbach from Minnesota.

Mrs. FISCHBACH. Thank you, Mr. Chair, and I appreciate it.

Thank you to all of you for being here. This is critical stuff.

And I think it was Mr. Arrington mentioned agriculture and maybe even Mr. Estes had mentioned it, and I am from a heavy ag district, and so it is a critical export for us. And one of the things—I think that it was Mr. Estes that just kind of glanced on the pork issue. And it is a huge export. About 30 percent of the pork produced is exported.

But my understanding is that, in South Africa, it—the U.S. pork exports only account for about 1.3 percent of the pork imported into South Africa. And it is not necessarily that they are not eating pork. It is some unscientific issues, trade barriers that are in line.

And maybe, Mr. Runde, if you want to—you are nodding, so I am sure you have got something to add on that.

Mr. RUNDE. So, first, I eat a lot of bacon, and so thank you—I want to thank the producers of your district for all that they are doing. So please pass that along.

I think President Obama had similar concerns about pork in South Africa. And I do think that the pork manufacturers—the pork producers in the United States should be emphasizing the job losses in the United States to these unscientific, unjustified sanitary and phytosanitary barriers.

And AGOA has, as I mentioned earlier—that part of it to qualify is the resolution of bilateral trade disputes. This is starting—in the Obama administration, it was seen as a bilateral trade dispute. So I do think that it certainly falls in that category.

And then I also think AGOA has provisions to require that these barriers—these unjustified sanitary and phytosanitary barriers be addressed.

And, finally, I think that—I would hope that the Biden administration might consider bringing this as a formal complaint to the WTO. So I understand your constituents' concerns, and I share them.

Mrs. FISCHBACH. So USTR should be pursuing this?

Mr. RUNDE. Absolutely, Congresswoman.

Mrs. FISCHBACH. Okay. I appreciate that.

Just kind of on another note, as we have been talking, you talk a lot about the free trade agreement, and, unfortunately—and I will get—they are not pursuing them. The Biden administration is not pursuing them right now, and it is very disappointing not only for ag but for a lot of other industries that are not able to take advantage of those.

As a matter of fact, I was in Ecuador with Chairman Jason Smith on a visit there, and we see China moving in, and we are not pursuing those free trade agreements. And so we are going to really lose out on a lot of what is going on.

But you have something to add?

Mr. RUNDE. Yeah. Thanks, Congresswoman.

As I said earlier, our trade with Africa is one-fifth the trade activity with China. In Ecuador, we have had two—we have a pro-American President. There is going to be an election coming up. They had to sign a free trade agreement with China. They really would like to sign one with us. They have been knocking on our door. We are not showing up for them. I think the IDEA Act is okay as a halfway house. I would like us to have a full free trade agreement with Ecuador.

So I agree with you, Congresswoman. And so I think part of it is we can't fight something with nothing, so what is our something?

Mrs. FISCHBACH. Yeah. I absolutely agree. We really should be pursuing those.

And maybe if anybody else has anything else to add about maybe ag trade? I mean, I would appreciate any kind of or any—nope? Okay.

Well, I will yield back, but I do appreciate you being here. And it is a huge concern for not only ag trade but free trade. Thanks.

Chairman SMITH. Thank you, Mrs. Fischbach.

I now recognize, from Virginia, Mr. Beyer.

Mr. BEYER. Mr. Chairman, thank you very much.

I thank all of you for being here.

Mr. Runde, I want to follow up on your conversation with Congresswoman Sewell about reforming AGOA.

Senator Coons and Senator Risch, in a bipartisan way, have proposed that countries maintain high-income status for a period of 5 consecutive years in order to graduate, and others have proposed graduating sectors once they reach certainly thresholds rather than graduating the entire country. You know, graduating this sector, hold that sector.

How should we assess the merits of these proposals?

Mr. RUNDE. Thank you, Congressman. So I think that the original concept of graduation was to imagine that they would graduate to free trade agreements. Unfortunately, we don't have free trade agreements.

My suggestion would be is that we allow them to—African countries to stay even if they achieve middle-income status. So I think the current arrangement certainly isn't workable with Mauritius basically graduating to nothing and losing their status.

So I would like us to raise our sights and return to an agenda of free trade agreements in Africa, whether it is Kenya and elsewhere. That was the original intent 25 years ago.

So I think the Coons-Risch bill is excellent. I have a few quibbles with it, but I think—on that specific issue, I think it is—what I will argue for is to keep countries in until there is a time that we have free trade agreements with Africa.

Mr. BEYER. Thank you. Mr. Runde, I am also curious about your thoughts on the frequency of AGOA country assessments. One of the criticisms we hear from the private sector is we have to do this every year. And there are proposals to do it every 2 years, every 3 years. What would you think about decreasing the frequency, and would that incentivize firms to invest more in sub-Saharan Africa?

Mr. RUNDE. So I think it is a great idea. I think it is burdensome to the countries, and I think it is a—I think every 3 years, I think, would be an appropriate number, sir.

Mr. BEYER. One last AGOA question. The binary nature of it. You are in or you are not. When countries fall out of compliance, we have no choice. I have talked to U.S. Trade Rep Katherine Tai a number of times about Ethiopia, you know, failing on a human rights thing and getting kicked out, regardless of the impact that it could have on the long-term stability laws, regardless of the impact of who it is affecting in the country.

You suggest a menu of enforcement options: Warnings, probation periods, and the like. What are the advantages to this nonbinary approach?

Mr. RUNDE. Thank you, Congressman. I think that the Coons-Risch bill has a very good menu. I think AGOA is a trade mechanism, not a political mechanism.

I am sorely tempted to find sticks against South Africa. I think what they are doing with China and Russia is obnoxious. I don't like how they are treating Israel. We can agree or disagree. But I just think that I find that the South African Government is—you know, has moved from being nonaligned to something else, and so I can understand the temptation to find a stick.

I think we need a menu of options, whether it is informal warnings, probationary periods, and partial termination of benefits. Also, a lot of the sectors that are more pro-West, including agriculture and others, that are beneficiaries of AGOA and South Africa would be unduly punished for the actions of the South African Government if we were to use this as a stick.

Mr. BEYER. Thank you.

Ms. Muhika, you have this unique role as the program director for the Solidarity Center in Ethiopia and other East African countries, so like—probably unlike most of the panel, you come at this from a left-of-center perspective from a labor perspective.

Can you give us any hope or any sense that there will be a world in which free trade agreements agree again? Clearly, the Biden administration has not been enthusiastic about it. We expect none in the remainder of the year. If in a, you know, different world, Ambassador Lighthizer comes back, again, there was no enthusiasm under his leadership for free trade agreements.

When can the pro-free and fair trade advocates among us have some hope for free trade agreements again?

Ms. MUHIKA. Thank you for that question. I would like to get back to you comprehensively in writing as I would not want to speak about free trade agreements right now. Thank you.

Mr. BEYER. Well, in my 33 seconds, Mr. Runde, do you have an opinion?

Mr. RUNDE. So I do think—I think all of our trade agreements starting with the GAD had a Great Power Competition push behind it. So I think there are geoeconomic—if I can use that term—geopolitical and geoeconomic drivers oftentimes behind our trade agreements, and I think—I fear that Great Power Competition with China is what is going to bring us back to the table on free trade agreements. So soon, it is going to be that.

Mr. BEYER. Thank you.

I yield back, Mr. Chair.

Chairman SMITH. Thank you, Mr. Beyer.

Next, Mr. Kustoff from Tennessee.

Mr. KUSTOFF. Thank you, Mr. Chairman.

And thank you to the witnesses for appearing today.

Mr. Runde, if I could with you—and I know that my colleague asked about pork. Maybe if I could ask about poultry. I represent Tennessee's 8th Congressional District. It is a very heavy ag district. It exports about $2.2 billion worth of agriculture-related products.

And so as it relates to poultry and maybe specifically South Africa, I know that South Africa has been applying prohibitive anti-dumping duties to U.S.-origin poultry since the year 2000. Over 20 years. Another factor that has resulted in low political activity is South Africa's decision probably to raise tariff duties on our products. Of course, there are other categories of U.S. poultry that does not have access to the market. We have talked about fair market access for our products. It is important, I think, to all of us, certainly to my district.

Could you talk specifically, though, about South Africa's current trade restrictions on U.S. ag products, and how do these barriers impact U.S. farmers and U.S. producers?

Mr. RUNDE. So I eat a lot of bacon and I also eat a lot of chicken, so I want to thank your constituents.

But I also think poor people around the world rely on cows and they rely on chickens for their protein. And so I think we should enact pro-poor agricultural policies in the Global South. So we should be supporting animal husbandry as part of supporting food security in general.

As I said earlier, the Obama administration had concerns about pork and I also believe poultry back in 2015 with South Africa. So this is not a new issue that we have. This is a pain point in our relationship with South Africa.

As I said earlier, the resolution of bilateral trade disputes is part of AGOA eligibility, and AGOA has the provisions that require that barriers to U.S. exports be limiting, including unjustified sanitary and phytosanitary barriers.

And I think there have been concerns about avian flu, but I also understand that there has been sort of major progress in that area in the United States in terms of our poultry. So I eat it every day with no concerns, so I would hope our friends in South Africa would do the same.

I do think, Congressman—I think that we should be documenting job losses for the American poultry producers as part of this hold-up, and I think we should be demonstrating that.

And then, finally, I would hope that the Biden administration would consider even a formal WTO—a WTO formal complaint on this issue of poultry vis-&-vis South Africa, Congressman.

Mr. KUSTOFF. Thank you, Mr. Runde.

If I could, maybe in a different area—I know in your testimony, you said that the United States is not going to displace China on the continent or match it with the investment dollar for dollar, but we could compete in certain sectors. So what are the sectors you think that we could be competitive in?

Mr. RUNDE. So I certainly think there are certain components in the digital space where I think that is the case. I certainly don't want—as China moves into whether it is—so I think—so digital is one. I would like us also to think whether it is healthcare, whether it is pharmaceuticals. I also think manufacturing. I also think, certainly, we are very competitive in agriculture.

So I do think they also—given sort of these global shifts in supply chains, we want to offer ourselves and should offer ourselves as a partner with Africa to build this next level of—they don't want to just be in the extractive business. You know, it is not the continent of 25 years ago.

To the extent that we have a positive, forward-looking agenda that speaks to their hopes and aspirations in terms of their economies, we should be seen as not just—I think China is seen as an extractive partner, and we need to be seen as an additive partner, Congressman.

Mr. KUSTOFF. Thank you very much.

Thank you, Mr. Chairman. I will yield back.

Chairman SMITH. Thank you, Mr. Kustoff.

I now recognize Mr. Schneider from Illinois.

Mr. SCHNEIDER. Thank you, Mr. Chairman.

I want to thank the witnesses for first sharing your insights and perspective—this has been very helpful—but also your patience as we work our way through the day.

I want to thank the chair and committee for calling this hearing today. Africa and Haiti are crucial to U.S. interests, and I am going to touch a little bit on each.

As a member of—in fact, the only member of both the House Committee on Ways and Means and the House Foreign Affairs Committee, I am proud that so much of our work is dedicated to America's global leadership around the world. I often say that the U.S. is at its best when we lead—when we lead with our friends and allies, not just looking at the bottom line, but looking at our strategic interests broadly in a way that is shared with our allies and reflecting the moral clarity of our values-based vision for the future.

Of course, there is much strategically to be gained from working with African countries and allies in Africa. It is the young population in some of the world's fastest growing economies, as was noted today. But more than that, it is crucial that African countries as friends and partners to the U.S.—we recognize them as such and that we work together towards a world that is more just, fair, and sustainable.

As was said earlier—my colleague Terri Sewell mentioned it. Mr. Runde, you touched on it. We need to work to reauthorize, but not just reauthorize, but to enhance and improve AGOA, and I look forward to working on this committee to doing that.

I want to focus most of my—or all of my questions on Haiti. Abraham Lincoln, our greatest President—and I will note proudly a fellow Illinoian—was the first U.S. President to recognize Haiti. Since then, the relationship has been complex but always crucial, whether geopolitically or through the strong ties between the diaspora and the island.

Today, Haiti is facing one of its greatest challenges since independence. We are witnessing a near collapse of the state, and I hope the Republicans on the House Foreign Affairs Committee and the Senate Foreign Relations Committee will come to unblock the crucial funds to help restore calm.

As the administration works with our allies, especially Kenya, to stabilize the situation in Haiti, we must also think about the future. We must do everything in our power to ensure that the future of Haiti is not just a recovery but includes prosperity and security and that our private sector is able, willing, and committed to investing to lift up the Haitian people.

So let me ask Ms. Muhika and Mr. Runde, what can we in Congress do to best help Haiti going forward? The surge in foreign direct investment that followed HOPE I, HOPE II, and HELP in the early part of this century is something this body can and should be proud of. As Secretary Blinken recently noted, HOPE/HELP is a vital program.

And as you talk, can you—well, I will leave the question there for now.

Ms. MUHIKA. Thank you, Mr. Schneider. Unfortunately, I am not an expert on Haiti, but the Solidarity Center's Haiti team is happy to get back to you comprehensively in writing.

Mr. SCHNEIDER. Mr. Runde, any thoughts?

Mr. RUNDE. So the best social program in the world is a job, and I would hope that we renew this year the Haiti HOPE Act. I think we have talked about making adjustments to AGOA, and so that may be a little bit more complicated.

I would ask, in all humility, that the Congress coalesce around one bill. I know there is multiple bills. There is a number of folks who have they care about Haiti.

The best thing we could do is coalesce around one bill, even potentially even get to unanimous consent around one bill. I think companies are leaving now.

I believe it is the seventh largest source of undocumented people crossing our border, the Southern Border, are from Haiti. We are going to have more people—if we don't have jobs, we are going to have all sorts of bad things happen.

Of course there needs to be a political settlement in Haiti. Of course there needs to be some sort of security arrangement. I know that there has been, you know—so it is a—but we have to start with getting this renewed.

Mr. SCHNEIDER. I hear you and one I will note, and maybe you have thoughts on this, but our colleague, Stacey Plaskett, has the HOPE for Asian Prosperity Act of 2023.

Do you have any thoughts on what that could do or—well, we can bring that up in a later conversation.

Mr. RUNDE. I have a opinions on a lot many things, Congressman. I don't have a view on the different—there is at least three different bills, if I understand it, sir, and maybe a fourth. All I would ask is that Congress, in its wisdom, coalesce around one bill, sir.

Mr. SCHNEIDER. I hear you, I concur, and we need to do more to help Haiti in a very difficult moment.

And with that, I yield back.

Mr. BUCHANAN. Thank you, Mr. Schneider, I now recognize Ms. Moore from Wisconsin.

Ms. MOORE. Thank you, Mr. Chair, for allowing me to wave on this subcommittee, and I want to thank the witnesses for a tremendous education here this afternoon. I have questions for all of you. So many questions, so little time, so bear with me.

Ms. Muhika, I am going to ask you this question, and I may ask others it too. What in your opinion or your research has prevented really good vertical integration within the African continent to make them more productive?

I mean, you got a lot of cotton there, but then they have to send the cotton off to Asia to get it processed, and I think one of our witnesses talked about the different colors—Mr. Richmond.

What could AGOA do, in your opinion, to promote vertical integration?

Ms. MUHIKA. Thank you for that question. Please allow us to get back to you in writing.

Ms. MOORE. Okay. How about you, should I ask Mr. Richmond, Mr. Runde, who wants to volunteer?

Mr. RICHMOND. Sure. I will go ahead. Thank you.

Ms. MOORE. Okay.

Mr. RICHMOND. It takes investment in terms of investment dollars and expertise. Right? Building that out, it is not rocket science, right, but it does take a lot of money, in terms of equipment, it takes expertise, bringing—you know, we have, I mentioned, 5,600 people working for us, so we have a hundred ex-pats that we have brought from Sri Lanka and Bangladesh and Philippines and all over, to transfer that knowledge, right?

Just like China wasn't China 20, 30, 40 years ago. They had to learn, so.

Ms. MOORE. So, Mr. Nasser, let me ask you, Mr. Nasser, really quick, Kenya, we are about to go to Kenya in a couple days, and I know that they are recipients of AGOA, but they may, quote/unquote, graduate.

What do you think would be the consequences of them graduating at this time in their development?

Mr. NASSER. Thanks for the question, Congresswoman Moore. We have a small supply chain in Kenya. It is about 5 percent of our imports. I am not sure or familiar with the specifics of a graduation program for them, so I can't comment.

Ms. MOORE. You know, because people have commented—okay, Mr. Runde, come on, help us out here.

Mr. RUNDE. Thank you, Congresswoman. I am a Packers fan, so it——

Ms. MOORE. All right. See, I knew that.

Mr. RUNDE. That is good. So graduation, look, Congresswoman, I think it is a—would be a terrible thing for—whether it is Mauritius and other countries in Africa, as I said earlier, AGOA was set up as a halfway house to move towards free trade agreements.

I hope we can restart dialogue about a free trade agreement with Kenya. So having a country become middle income and then graduate from AGOA to nothing is a disaster.

I would suggest that we keep all the countries in AGOA until such time as we have free trade—work towards free trade agreements, Congresswoman.

Ms. MOORE. Okay. Now, Mr. Runde, while I have got you here, you had an interesting discourse with the gentle lady from West Virginia about minerals. And you said something, like, oh boy, people would hate going into mining. Then you went on to talk about how we need to really lean into that.

Can you really clarify for me, because I am very interested in the exploitation, and I guess, you know, Ms. Muhika would agree with that, that a lot of the exploitation that occurs in this sector, and as we move into needing these critical minerals, can you clarify for me what you mean?

Mr. RUNDE. Yes, Congresswoman, what I was trying to say is that we need minerals, and we are going to need a lot more minerals in the future. I believe that the American people are not going to want to transfer—you know, moving from the internal combustion engine to electric vehicles and electric batteries if they are controlled by the Chinese Communist Party.

I also believe that——

Ms. MOORE. So is this a space where AGOA could skip in and——

Mr. RUNDE. I think so. I mean, I think we—what I would say is that we need to be supporting clean, fair, equitable activities in mining and minerals. We need to raise standards. There are many fine mining companies around the world, many of them U.S. companies, British companies, Australian companies. I think it is——

Ms. MOORE. And they could benefit as well?

Mr. RUNDE. Yeah, absolutely, they——

Ms. MOORE. I only have 30 seconds left. I am sorry to cut you off, but I have to really ask Ms. Muhika a question again. I was on an airplane, and some woman squeezed herself into a middle seat because that is all that was left there, and I really got depressed by the time I was finished talking to her, because she works for an international environmental organization, and she says that it is—everybody in the development world knows that as soon as you go in and start helping women and empowering women and lifting women up, people in the community who are most likely to use that money to spend it on uplifting the family, that the instance you do that, domestic violence skyrockets.

I was so depressed after I got off the plane, sitting next to her. Can you tell me, what, if anything, you propose in the way of programming to alleviate this outcome?

Ms. MUHIKA. Thank you for that question, and I do not think I agree with that analogy, but——

Ms. MOORE. Okay.

Ms. MUHIKA [continuing]. We know that labor rights, or labor in general, is an intersectional issue. For example, women rights are critical to upholding labor rights. Policies that hold back women, governments that do not appoint women to leadership positions, and employers who do not maintain a safe workplace free from gender-based violence, are stifling up the advancement of labor rights in general.

So my only response would be that we cannot stop supporting the advancement of women just because of a different——

Ms. MOORE. I think I saw you shaking your head or doing something, Mr. Runde. Any thoughts on that?

Oh, you Mr. Richmond?

Mr. RICHMOND. Sure. I mean, I will just say, I mean, again, as, you know, we employ 76 percent women. In fact, our local partner in Ghana is a Ghanaian woman.

The studies I have seen show that, you know, when women bring home money, that it is more likely to go towards supporting the family and the things it should go to than otherwise. So I mean, we are big believers in providing those opportunities.

Ms. MOORE. All right. Thank you.

Mr. Chairman, Mr. Ranking Member, thank you for your indulgence. Thank you for having this hearing. Thank you for letting me wave on, and I yield back.

Chairman SMITH. Thank you, Ms. Moore. I certainly thank you to all my colleagues. I deferred on my questions, but I certainly appreciate the participation here today.

It has been robust with just about a hundred percent participation of all subcommittee members. I think it speaks to the fact that for what we need right now in the world, Africa offers many, many solutions, offers examples of what the right thing to do is, unassociated with a commercial name obviously, but I think that this opportunity gives us a chance to analyze where we have been, where we need to go.

So let me just say, Mr. Runde, you have touched a bit on some concerns about South Africa. And make no mistake, they enjoy vast benefits from AGOA, and yet I think they are undermining our foreign policy—their partnership with Mr. Putin and attacking Israel through the International Court of Justice. These are concerning issues.

Intellectual property protections are lacking, and let me add that they are attempting also to expropriate American IP through the TRIPS Waiver Process, again, I think, undermining our interests, even when our interests are helping the world.

And so I am very, very concerned about that, and I think this is an opportunity for us to look further in modernizing how we handle AGOA moving forward.

You know, there is enthusiasm to make necessary changes, to kind of lift our expectations, but I too was with the colleagues around Africa a few weeks back where we have seen great examples of what is working, whether it was in Mauritius or Benin, other places.

So let's see more of that, but also let's not have our trading partners, who are doing the right thing all along the way and utilizing AGOA, and then have nowhere else to go. I mean, it is hard to even call it graduation when it is a dead end.

And we owe ultimately the American people better policy through this effort, and so I would hope that we could dig and dig deeper.

I hear the comments here and, I think, an appetite for a trade agreement with Kenya. I am beginning to wonder that the only people opposed to a trade agreement with Kenya happen to be at the White House. How unfortunate.

Because as I engage with colleagues here in the legislative branch, there is this appetite and enthusiasm to get going here, let's get things done. And this is bipartisan, certainly on the heels of USMCA that has been bipartisan as well.

So, Mr. Runde, can you perhaps examine further, you said that a complaint filed through the WTO on South Africa would be in order. Would you like to elaborate, or could you elaborate on that a bit?

Mr. RUNDE. I would just say that I understand the temptation to use AGOA as a stick, but I am trying to resist the temptation. They have been a bad actor. They are undermining American policy on a number of fronts, but I do think we have had to work at our relationship with South Africa.

And so as I said earlier, the Obama administration had similar concerns on certain agricultural products, and I believe they found ways to work with them.

So I think we have a fabulous ambassador in Ambassador Reuben Brigety. I think he represents us very, very well. I am a great admirer of his.

And so I know that he has a very difficult job there, but I do think that some of it needs to be behind closed doors. Some of it needs to be through calling attention to it through Congress, and then I think to the extent that we can use actions, whether through having a dialogue through the AGOA process but also through the WTO, I think these are all things that we ought to be looking at, Mr. Chairman.

Chairman SMITH. Thank you. Now, on Kenya, do you have any numbers, by chance, in terms of what they are already benefitting from and perhaps how we could benefit more through a bilateral trade agreement that there is so much support for?

Mr. RUNDE. I don't, sir. But what I will do is, I will come back to you with some brief thoughts in writing for the record.

Chairman SMITH. Okay. I appreciate that.

Mr. RUNDE. I will do some homework, Chairman.

Chairman SMITH. I appreciate that. I know that we have been told repeatedly from the administration that they are not leading on any trade agreements because they don't have the votes. I would challenge that assertion based on the discussion we have had here today and other engagements I have had, both sides of the aisle, in terms of what we should be doing, like with Kenya.

The fact is that the Trump administration teed up a trade agreement with Kenya and that the current administration is unwinding it, stepping back from it, and yet having a discussion as long as it doesn't involve tariffs.

You know, certainly other colleagues have touched on other barriers, non-tariff trade barriers, again back to South Africa, but, wow, there is just so much opportunity, opportunity for, I would hope, South Africa to improve where they stand with our country right now, but that is also exactly what we need.

Our challenges now with China can be resolved with building relationships. As Mr. Richmond has pointed out, there are great opportunities there.

And, Mr. Richmond, anything you would like to add to previous comments?

Mr. RICHMOND. Well, I mean, if you would indulge me, I would like to actually ask a very naive question.

Chairman SMITH. Okay. Go ahead.

Mr. RICHMOND. And that is, I have heard everybody say that they are in favor of renewal, reauthorization of AGOA, but—but—want to take the opportunity to make improvements, and it is a—you know, it is a one-sided, right, it is a unilateral agreement, right?

So I guess what I am—one of my naive questions is, what prevents you from reauthorizing it as is to give the certainty to investors and yet still work on all of the improvements you want and enacting those when you have agreed to those? So that it provided that stability but still the opportunity, like, that is the part I guess I am naive about.

Chairman SMITH. Well, you raise the concerns about predictability and stability. I think that is very important, and just as a gauge, and as we have discussions and I get various points of input from colleagues and stakeholders, the urgency to renew it is very present.

So I think that, you know, looking at it—there are also the expectations, though, that along with that urgency, we need to deal with some of these things such as the dead end of so-called graduation. We are going to have to deal with that.

Now, that won't all be resolved, in my opinion. When we know we need a trade agreement, say, with Kenya, a bilateral trade agreement with Kenya, comprehensive, and it will take Mauritius, a great example of what we set out to accomplish, they are doing the right thing, what is next?

You know, we won't resolve all of that in a renewal in my opinion, but I think that we need to really examine and put pressure on the administration, for example, to show some leadership where the executive branch is most appropriate to lead in these areas. I cannot emphasize that enough.

So whether it is agriculture that we have heard about, textiles, adding value, the opportunities are many to make some corrections but also build what can be, I think, a very bright future, especially with the fastest growing continent in terms of population and just so many opportunities.

So with that, again, thank you to our witnesses for joining us here today. Please be advised that members have two weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record.

With that, this subcommittee stands adjourned. Thank you again.

[Whereupon, at 3:35 p.m., the subcommittee was adjourned.]

MEMBER QUESTIONS FOR THE RECORD

VERN BUCHANAN
DISTRICT 16, FLORIDA

FLORIDA DELEGATION
CO-CHAIR

COMMITTEE ON WAYS AND MEANS
TAX-WRITING COMMITTEE
SUBCOMMITTEES:
HEALTH
CHAIRMAN

TRADE

Congress of the United States
House of Representatives
Washington, DC 20515-0916

June 21, 2024

Mr. Runde,

Ecuador is another country that warrants this Committee's immediate attention. Ecuador is one of our closest partners in the Western Hemisphere, yet United States-Ecuador trade relations remain underdeveloped. In fact, Ecuador is the only Pacific-rim country in Latin America with which the United States does not have a free trade agreement (FTA). I strongly believe that the Biden Administration should promptly move to begin FTA negotiations with Ecuador.

Ecuador is currently experiencing crisis-level economic circumstances that have created opportunities for criminal cartels to cause civil unrest and instability. Escalating violence and rising crime within Ecuador recently caused the President to declare an internal armed conflict and activate the Army to protect citizens and businesses.

Ecuador needs immediate economic support from the United States. That is why I am an original cosponsor of the IDEA Act, which will provide immediate and necessary economic relief for Ecuador by granting a few targeted industries duty-free access to the United States market that most other Latin American and Caribbean countries currently enjoy.

The IDEA Act will provide Ecuador rapid relief by bolstering important industries like tuna, frozen broccoli, and roses, all items that U.S. consumers want due to their proven quality. Ecuador and the United States have complementary economies, and thus our trade relationship creates jobs in Ecuador and in our country while providing high-quality products to American consumers. Granting temporary duty-free access into the United States market for these products while working toward a permanent, reciprocal trade agreement will help Ecuador bolster a strong and sustainable jobs market and create both short-term and long-term economic opportunities for ordinary Ecuadorian citizens. Moreover, this could help tide the flow of migrants from Ecuador to the United States.

Questions:

During the hearing, you discussed your support for a comprehensive FTA with Ecuador. Could you further elaborate on the potential economic and diplomatic impact of a U.S.-Ecuador FTA?

2110 Rayburn House Office Building
Washington, DC 20515
(202) 225-5015
FAX: (202) 226-0828

8433 Enterprise Circle
Suite 210
Bradenton, FL 34202
(941) 951-6643

510 Vonderburg Drive
Suite 303
Brandon, FL 33511
(941) 747-9081

www.buchanan.house.gov

Unfortunately, it seems that the Biden Administration will continue to neglect this important strategic goal. In the meantime, I believe Congress should act to pass the IDEA Act. Could you comment on the ability of the IDEA Act to provide quick economic relief to existing business sectors in Ecuador?

Can you comment on ways in which Ecuador has been a strong ally of the United States in the region and why it is important that the United States decisively support the country, given the current security situation?

In your opinion, does enhanced economic activity created with improved U.S. trade relations serve to provide a welcome alternative to illicit criminal activity, reduce migration to the southern border, and bolster democracy in Latin America?

As a follow-up to the previous question, do you think the IDEA Act could also support U.S. national security interests?

Sincerely,

Vern Buchanan
Member of Congress

2110 Rayburn House Office Building
Washington, DC 20515
(202) 225-5015
FAX: (202) 226-0828

8433 Enterprise Circle
Suite 210
Bradenton, FL 34202
(941) 951-6643

510 Vonderburg Drive
Suite 303
Brandon, FL 33511
(941) 747-9081

www.buchanan.house.gov

Questions for the Record

Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti, and Others

6/12/2024

Witness – Dan Runde

Representative Vern Buchanan, FL-16

1. During the hearing, you discussed your support for a comprehensive FTA with Ecuador. Could you further elaborate on the potential economic and diplomatic impact of a U.S.-Ecuador FTA?

Ecuador has long sought a free trade agreement (FTA) with the United States, viewing it as more than just a matter of tariffs but as a vital relationship between the two countries. Ecuador has been a great ally, one of the strongest in the region, and a free trade agreement would allow for stronger economic integration by linking our countries' economies through trade and providing a homogenous legal framework that encourages stability in Ecuador and within the region. Given Ecuador's dollarized economy, trade with the US is the best way to make an impact, particularly because the US remains Ecuador's largest market. Due to the lack of an FTA with the US, China has expanded its market share, and if oil is excluded, the Asian country is Ecuador's first trading partner. Indeed, many countries in the region have lost the US as a top

trading partner as China's influence has grown. Establishing an FTA and creating economic incentives would not only solidify a democratic Ecuador as a strong ally but also offer political stability and economic support in the face of regional democratic backsliding.

2. Unfortunately, it seems that the Biden Administration will continue to neglect this important strategic goal. In the meantime, I believe Congress should act to pass the IDEA Act. Could you comment on the ability of the IDEA Act to provide economic relief to existing business sectors in Ecuador?

The IDEA Act includes Ecuador in the Caribbean Basin Initiative (CBI), providing Ecuador with the benefits of the Caribbean Basin Economic Recovery Act (CBERA) and the Caribbean Basin Trade and Partnership Act (CBTPA). By accessing these two programs, Ecuador would finally be granted access to US markets mostly without tariffs. This trade preference program is only needed because and FTA has not been negotiated, however, this access is particularly beneficial for products like flowers, canned tuna, frozen broccoli, and exotic fruits, which are in high demand in the US but not produced domestically. Creating jobs in these sectors would enhance local well-being and provide legal employment opportunities, providing disincentives to migrate to the US and ultimately reducing the flow of irregular and illegal migration to the US border. By providing opportunities with jobs through the IDEA Act, the US could simultaneously support the stability and economic flourishing of Ecuador while reducing incentives to immigrate to the US. Additionally, countries within CBERA and CBPTA do not compete with US industries, making it a mutually beneficial arrangement. For every dollar exported to the US in the flower industry, 75 cents stays in the US. For every job created in the

Ecuadorian flower industry, a job is created in the US. Although the U.S. is Ecuador's most important trading partner, Ecuador represents only 0.3% of imports and Ecuadorian products are at the margins. The economic benefits for Ecuador would be significant, and the impact on the US economy would be positive with no adverse effects. Ecuador would benefit greatly, and while the trade impact on the U.S. may be marginal, it is still positive. It's a no-brainer.

3. Can you comment on ways in which Ecuador has been a strong ally of the United States in the region and why it is important that the United States decisively support the country, given the current security situation?

   Ecuador is one of the US's strongest allies in the region, particularly in combating drug trafficking – Ecuador is currently third in the world in drug seizures, following Colombia and the US. The country's successful policies in deterring drug trafficking directly benefit American citizens by preventing drugs from reaching the US. Ecuador has also supported US-led federal initiatives and was among the first to denounce the invasion of Ukraine. Our two countries have collaborated at the UN Security Council to help Haiti and have worked together on regional issues such as transnational organized crime, drug, and human trafficking. Ecuador's inclusive approach to integrating migrants, including 500,000 Venezuelans, further helps prevent migration flows to the US.

4. In your opinion, does enhanced economic activity created with important U.S. trade relations serve to provide a welcome alternative to illicit criminal activity, reduce migration to the southern border, and bolster democracy in Latin America?

The IDEA Act and a potential FTA are not just about trade; they are crucial for security and immigration control. For Ecuador's dollarized economy, legal trade channels are essential for bringing in dollars and preventing the shift towards illicit economies. Typically, people enter illicit economies as a last resort. Ecuador still struggles with its employment rates. Increasing exports would boost job creation and attract investment by providing certainty in the American market. The IDEA Act has a long horizon -- these conditions that allow for American and other companies to invest directly increase security and stability in the region and, as such, stems migration by creating better living conditions. FTAs also establish a legal framework that ensures stability and fosters bilateral relations regardless of political leadership, becoming leverage from the US perspective. Ecuador has experience with this – even when the Ecuadorian administration was once not in favor of FTAs, economic incentives compelled a trade agreement with the EU. An FTA establishes a legal framework that creates certain known rules and attracts investment from companies, bolstering democracy in Latin America and stability in the region. These rules have political incentives buried within them due to the stakes of a rule-breach being so high. Ecuador was about to graduate from the Generalized System of Preferences (GSP) program, so it forced the Ecuadorian administration into the EU deal. Economic incentives generate political incentives.

5. As a follow-up to the previous question, do you think the IDEA Act could also support U.S. national security interests?

Strengthening economic ties through an FTA would give the US greater leverage in the region, particularly with Ecuador. If the IDEA Act is approved, 90% of Ecuador's export products to the US would enter tariff-free under such an agreement, significantly

benefiting Ecuador's economy. This economic boost would lead to increased job opportunities, reduced migration flows, and enhanced national security for the US. Politically, an FTA would signal strong support for one of the US's most reliable allies, especially in a time of regional democratic challenges. By tying Ecuador more closely to the US economy, the FTA would foster long-term stability and mutual benefits for both countries.

MEMBER:
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON TAX
SUBCOMMITTEE ON TRADE
SUBCOMMITTEE ON SOCIAL SECURITY
CHIEF DEPUTY WHIP

Linda T. Sánchez
38TH DISTRICT, CALIFORNIA

Congress of the United States
House of Representatives
Washington, DC 20515

DC OFFICE:
2428 RAYBURN BUILDING
WASHINGTON, DC 20515
(202) 225-6676

DISTRICT OFFICE:
15111 WHITTIER BLVD.
SUITE 220
WHITTIER, CA 90603
(562) 860-5050

www.lindasanchez.house.gov

June 25, 2024

Dear Mr.Runde,

Thank you for taking the time to speak before the Ways and Means Trade Subcommittee on trade with Sub-Saharan Africa and Haiti. Please provide an answer to the following question:

1. Mr. Runde, in your written testimony you recommend that Congress consider including language on critical minerals in AGOA. While I agree that the U.S. should look to new markets, I have concerns that emerging economies rich in natural resources — like many in Africa — have been subject to exploitation, including environmental and labor exploitation, which has undermined their development.

   How can the U.S. work with African countries – including through our development financing tools – to create vertically integrated supply chains, rather than merely importing their raw resources?

Thank you for your time and attention to this question.

Sincerely,

Linda T. Sánchez
Member of Congress

Questions for the Record

Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti, and Others

6/12/2024

Witness – Dan Runde

Representative Linda Sánchez, CA-38

1. Mr. Runde, in your written testimony you recommend that Congress consider including language on critical minerals in AGOA. While I agree that the U.S. should look to new markets, I have concerns that emerging economies rich in natural resources – like many in Africa – have been subject to exploitation, including environmental and labor exploitation, which has undermined their development.
   a. How can the U.S. work with African countries – including through our development financing tools – to create vertically integrated supply chains, rather than merely importing their raw resources?

Thank you for your important question. The U.S. Agency for International Development (USAID), the World Bank, the Millennium Challenge Corporation (MCC), and the African Development Bank (AfDB) are vital institutions in promoting development. However, they often hesitate to engage in the mining sector due to its perceived complexity, controversy, and environmental concerns. To address this, Congress should

encourage aid agencies and multilateral development banks (MDBs) to prioritize investment in the mining sector, dedicating more resources, time, and funding to these projects. The Development Finance Corporation (DFC) is another crucial institution, along with other development finance institutions (DFIs). In FY2023, DFC began financing 132 active projects related to global development, only two of which focused on strengthening the supply chain for critical minerals. With the DFC up for reauthorization next year, this area warrants further investigation by Congress.

Additionally, the U.S. Trade and Development Agency (USTDA) and the U.S. Export-Import Bank (EXIM) have roles to play in the mining and mineral sectors. However, it appears their involvement is minimal or insufficient. While the Biden administration has taken some constructive steps in this area, there is considerable potential for increased efforts and investments, as highlighted in my testimony.

PUBLIC SUBMISSIONS FOR THE RECORD

AFRICAN COALITION FOR TRADE, INC.

1701 Pennsylvania Avenue, N.W., Suite 200
Washington, D.C. 20006
Telephone: 202-531-4028 www.acttrade.org Email: act@his.com

AGOA Has Been a Success for Both Africa and the United States

The African Coalition for Trade (ACT) is pleased to submit this statement for the record of the House Ways and Means Trade Subcommittee's hearing on the African Growth and Opportunity Act (AGOA), which was held on June 12, 2024.

ACT is a nonprofit association of African private sector organizations and individual companies trading with the United States under AGOA. ACT served as the primary spokesperson for the African private sector in the development, enactment, implementation and amendments to AGOA since its inception. ACT's members come from the private sectors in Eswatini (formerly Swaziland), Kenya, Lesotho, Madagascar, Mauritius, and Tanzania. These countries supply the vast preponderance of U.S. apparel imports under AGOA. Accordingly, this statement will focus mainly on the AGOA apparel sector.

AGOA was signed into law in May 2000, offering almost all African products duty-free access to the U.S. market. AGOA was renewed most recently in 2015, running through September 30, 2025. With only a little over one year remaining in AGOA's current authorization, this is an appropriate time to assess what AGOA has accomplished, with an eye on what the future U.S. trade policy toward Africa should be.

AGOA Has Benefited Both Africa and the United States

The primary policy purpose of trade preference programs like AGOA is to encourage economic development in developing countries by incentivizing private sector investment through trade preferences, typically by extending duty-free access to products imported from beneficiary countries. In assessing trade preference programs, it is natural, therefore, to focus on whether they have been successful in contributing to economic development through increased trade.

During the 24 years AGOA has been in effect, it has had a very positive impact on U.S.-Africa trade flows and economic development in Africa. Non-petroleum imports by the United States from the AGOA countries have shown strong growth, up 206% from \$6.6 billion in 2000 to \$20.2 billion in 2023.[1] The growth in non-petroleum trade under AGOA has been

[1] In analyzing the impact of AGOA, it is useful to exclude petroleum imports because every barrel of oil imported from Africa since 2000 would have been imported even if AGOA had never been enacted. In other words, AGOA had very little impact on petroleum trade other than to reduce the cost of African petroleum products by eliminating duties that otherwise would have applied. Petroleum imports from the AGOA countries initially represented the lion's share of total imports from Africa – fully 63% of total imports in 2000. But U.S. petroleum imports from all origins have fallen sharply since 2000, as the United States has become more energy self-sufficient and petroleum prices had generally declined. U.S. petroleum imports from Africa were also down -26% since 2000, falling from \$11.3 billion in 2000 to \$8.4 billion in 2023.

concentrated mainly in apparel, automobiles, and agricultural products. It has been estimated that AGOA has created at least 300,000 new direct jobs and millions of indirect jobs in Africa in the apparel sector alone.

At the same time, the U.S. trade balance with the AGOA countries has also improved significantly since 2000. U.S. exports to the AGOA countries have improved from $5.0 billion in 2000 to $14.4 billion in 2023, an increase of 188%.

Just as AGOA has created jobs in Africa, it has also created employment in the United States. The U.S. Department of Commerce has reported that 154,448 U.S. jobs were supported by exports to Africa in 2020.[2] It has also been estimated that U.S. imports from Africa under AGOA have created approximately 300,000 U.S. jobs, mostly in the retail and transportation sectors.[3] Taken together, two-way trade with Africa under AGOA has created as many as 450,000 U.S. jobs. It is clear, therefore, that the United States has benefited from AGOA through increased exports and job creation.

The Apparel Sector Is the Leading AGOA Success Story

From several perspectives, the apparel industry is the best gauge of AGOA's success. Although petroleum and other extractive products account for a larger share of total imports from Africa, the prices for these products are highly volatile and price fluctuations can distort comparisons. In certain years, automobiles have constituted the largest non-extractive category of imports, but over AGOA's 24-year history, apparel ranks as the number one non-extractive product imported under AGOA.[4]

There is a consensus that AGOA has been the main cause of the overall increase of U.S. imports of apparel from Africa since 2000. Prior to AGOA's implementation there were relatively few manufacturers of export quality apparel in Africa. When the program was first enacted, U.S. imports of apparel from Africa totaled 164 million square meter equivalents (SMEs). By 2022, U.S. apparel imports from Africa had increased by 182% to over 463

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[2] U.S. Department of Commerce , U.S. Jobs Supported by Exports by Destination, available online at: https://www.trade.gov/data-visualization/jobs-supported-exports-destination

[3] In a 2012 report, the Heritage Foundation developed a methodology for estimating the number of U.S. jobs created by imports. Applying that methodology to imports from Africa under AGOA produces an estimate that approximately 337,000 U.S. jobs in the transportation and retail sector have been created by imports under AGOA. The Heritage Foundation report is available online at: http://www.heritage.org/trade/report/trade-freedom-how-imports-support-us-jobs

[4] Imports of agriculture products in total are greater in some years than apparel, but the largest categories of agricultural imports – notably cocoa and related products – receive no AGOA preference because they are zero duty from all origins. On balance, therefore, apparel trade is the best indicator of AGOA's success in contributing to economic development in Africa.

million SMEs. In terms of value, imports increased from $748 million in 2000 to $1.8 billion in 2022, an increase of 136%.[5]

Some AGOA countries that had little or no apparel production before AGOA's implementation received investment and saw growth during AGOA's first few years due to the program's new benefits. For example, Namibia, which exported no apparel to the United States in 1999, exported nearly $79 million worth of apparel to the United States in 2004. Similarly, Uganda—which exported no apparel to the United States in 1999—exported over $4 million in 2004. Exports from Malawi increased from $1.2 million in 1999 to $26.8 million in 2004. Countries that already had infant apparel industries also immediately benefited from AGOA: Lesotho, Madagascar, and Kenya increased their exports to the United States by 312%, 608%, and 606%, respectively, during the first few years of AGOA.

A total of eight AGOA beneficiaries exported significant volumes of apparel to the United States under AGOA in 2023 (in alphabetical order):

Country	MSME	$Million
Ethiopia	82.697	216.592
Ghana	11.532	38.515
Kenya	126.496	471.850
Lesotho	34.482	168.183
Madagascar	77.835	343.269
Mauritius	5.173	55.851
South Africa	0.780	6.403
Tanzania	35.717	82.879
Total	**374.712**	**1,383.542**

Due to the relative lack of vertical integration in the textile-apparel sector in Africa, AGOA's third-country apparel rule of origin, which allows apparel manufacturers in lesser developed beneficiaries to use yarn and fabric from any origin, continues to be essential for apparel manufacturers under AGOA. U.S. apparel imports under the third-country fabric provision have consistently accounted for approximately 90% of AGOA apparel trade, and the same is true today.

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[5] As discussed in more detail *infra*, apparel imports from Africa under AGOA declined sharply in 2023 due to uncertainty over whether AGOA would be renewed, and if so, on what terms. The decline has continued into 2024.

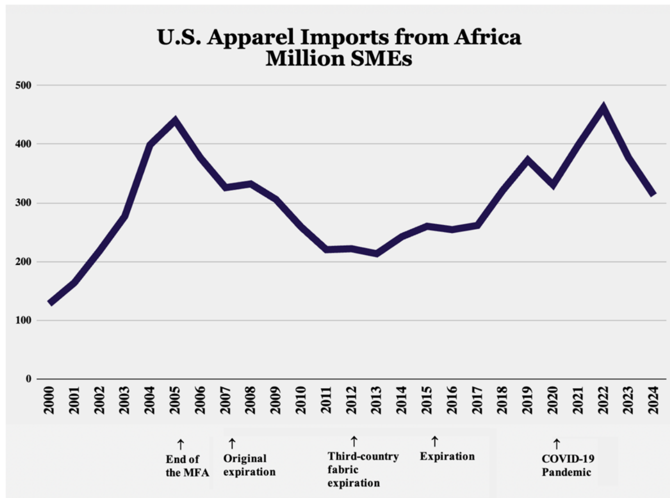
Apparel Trade Under AGOA Has Been Restrained by Extraneous Factors

Although U.S. apparel imports from Africa have grown significantly since AGOA has been in effect, such imports have not followed a consistent trend line. Rather, apparel trade peaked in 2004-05 during AGOA's first few years in effect and then retrenched significantly following the expiration of the Multi-Fiber Arrangement (MFA). Consistent and meaningful recovery did not begin again until the critical AGOA third-country fabric rule of origin was renewed in 2012. The recovery accelerated in 2015 with the extension of AGOA to 2025. But for nearly a decade from 2005 to 2012, U.S. apparel imports under AGOA generally declined. What was the cause of this disappointing pattern?

The End of the MFA Quotas

Without question, the most serious detrimental factor that limited the success of AGOA prior to 2012 was the end of the Multi-Fiber Arrangement (MFA) in 2005. The MFA was a derogation from the General Agreement on Tariffs and Trade (GATT) used to regulate apparel trade by authorizing developed countries to implement otherwise prohibited quotas on textile and apparel imports from developing countries. Its intent was to function as a transitional tool that would allow developed countries to adjust their domestic industries to increased competition from relatively cheaper textile and apparel imports from developing countries.

Between 2001, the first full year of AGOA implementation, and 2003, exports of apparel to the United States from Africa grew impressively from $950 million to $1.5 billion, an increase of nearly 60 percent in just three years. As shown in the following graph, the MFA system of quotas ended on January 1, 2005, beginning the first decline of U.S. apparel imports from Africa since AGOA's enactment. The infant apparel industries in the AGOA countries were not able to retain their new share of the U.S. market that went mostly to super-competitive, much larger apparel producers in Asia, especially China, Bangladesh, Cambodia, India, Pakistan, and later Vietnam, all of which dramatically increased apparel exports to the United States as quotas were lifted in the post-MFA era. In particular, apparel imports from China more than doubled in just two years from 3.0 billion SMEs in 2004 to 6.5 billion SMEs in 2006.



Source: OTEXA, Department of Commerce

The Impact of Short-Term Extensions

In addition to the damage caused by the expiration of the MFA, it is also undeniable that AGOA was undermined until 2015 due to the unpredictability of its renewals and the extensions of the third-country fabric provision. AGOA was originally authorized only to 2007. The third-country fabric apparel rule of origin originally had a shorter tenure with expiration scheduled in 2004. Without certainty whether the third-country fabric provision would be extended, many U.S. apparel importing companies—that typically make their sourcing decisions 12–18 months in advance—held off placing orders with the AGOA countries.

The AGOA apparel provisions were under Congressional scrutiny several more times over the life of the program. In 2006, the third-country rule was extended to 2012, and then again in 2012 to 2015. However, trade data shows that leading up to 2006 and 2012, U.S. imports of apparel from AGOA dipped significantly, by almost 14 percent between 2005 and 2006, and by 4 percent between 2011 and 2012 – again due to uncertainty over the terms that would govern imports under AGOA. In 2015, AGOA and the third-country apparel provision were extended through 2025. But leading up to the 2015 renewal, U.S. imports from the AGOA countries declined again, from 260.2 million SMEs in 2014 to 254.4 million SMEs in 2015.

It is clear, therefore, that the series of relatively short-term authorizations and renewals of AGOA and the third-country fabric rule of origin in fits and starts over the years handicapped investment under AGOA and prevented AGOA from accomplishing as much economic development as otherwise might have occurred. Subsequent to the 10-year extension of AGOA in 2015, U.S. apparel imports under AGOA have demonstrated consistent and steady growth, with the only exception of 2020, when the COVID-19 pandemic disrupted trade generally. Between 2015 and 2022, U.S. apparel imports under AGOA grew from 267.460 million SME to 463.514 million SME, an increase of 73%. If AGOA is extended for at least ten years beyond 2025, it is reasonable to expect similar growth in apparel exports and jobs in both Africa and the United States. But in the meantime, U.S. apparel imports from Africa are again retrenching due to uncertainty over when AGOA will be renewed. In 2023, AGOA apparel imports were down -18.6% by volume and -21.2% by value. The decline has continued into early 2024.

Recommendations for AGOA Renewal

ACT is a member of the AGOA Renewal and Enhancement Alliance (AREA),[6] which has recommended several measures for renewing and enhancing AGOA. AREA's recommendations are summarized in the position paper reprinted at the end of this statement. In brief, AREA recommends:

1. Renewing AGOA as soon as possible – this year if possible – to prevent the loss of trade and jobs that is already occurring in Africa due to the uncertainty of AGOA's renewal;

2. Renewal for as long as possible, but not less than 10 years in any event, in order to continue the progress from 2015 to 2022;

3. Continuation of the critical third-country fabric rule of origin;

4. Modification of the "graduation provision" to prevent unintended disruption of regional integration;

5. Cumulation with all African Union (AU) members that have ratified the African Continental Free Trade Agreement (AfCFTA), including in North Africa, to encourage regional integration; and

6. Other non-controversial reforms to increase the competitiveness of African products.

Renewal as Soon As Possible

As noted above, U.S. apparel imports from Africa under AGOA decreased by -21.2% measured by value in 2023 and -18.6% by volume. The decline has continued so far during 2024, with apparel imports through March 2024 down a further -10.8% by volume and -15.8%

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[6] The other members of AREA are the Corporate Council on Africa, the American Apparel and Footwear Association, the AGOA Coalition, and Manchester Trade.

by value. The only reason for these staggering losses is the uncertainty over whether AGOA will be renewed, when it will be renewed, and on what terms.

As discussed above, this same phenomenon occurred each time AGOA was up for renewal in the past. U.S. apparel buyers place their orders 12-18 months in advance, so as they look at the end of AGOA's authorization on September 30, 2025, they are already shifting orders out of Africa. Jobs are already being lost in Africa where there are few alternative employment opportunities. Congress must act promptly to renew AGOA this year to prevent a further collapse of AGOA trade and the accompanying loss of jobs.

Renewal for Not Less than 10 Years

As discussed above, the history of short-term renewals of AGOA handicapped the program from accomplishing as much as had been hoped for. Only with the 10-year renewal of AGOA in 2015 was AGOA's true potential demonstrated. Major investments require at least a 10-year amortization. Renewing AGOA for at least 10 years beyond 2025 will set the stage for a significant further escalation of development and trade. The AGOA renewal bill introduced by Senators Coons and Risch proposes a 16-year extension of AGOA, which would enable even more economic development.

Continuation of the Essential Third-Country Fabric Rule of Origin

As noted above, approximately 90% of apparel imported under AGOA is under the third-country fabric rule of origin. Indeed, this provision has been the key to the success of the AGOA apparel program.

Although significant investments have been made in building the "upstream" capacity in Africa to produce the yarn and fabric required by apparel manufacturers, so far African textile manufacturers supply only about 10% of the yarn and fabric consumed by the apparel manufacturers. New investments already underway (especially in West Africa) will increase the cotton yarn and fabric production capacity by perhaps another 10%, and additional projects are being planned but are on hold until AGOA is renewed. But the simple truth is that African apparel manufacturers will be dependent upon imported yarn and fabric for the foreseeable future.

This is especially true regarding man-made fiber (MMF) yarn and fabric. Most of the yarn/fabric produced in Africa is made from cotton. There is essentially zero MMF yarn/fabric produced in Africa. Yet MMF apparel is the fastest growing category of apparel under AGOA due to both consumer preferences and the significantly higher U.S. tariffs on MMF apparel.

We know from the failed "abundant supply" experiment in 2007 that micro-management of fabric sourcing seriously undercuts the ability of African apparel producers to obtain orders from U.S. buyers.[7] The (widely unknown) truth is that for the most part, African

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[7] In a well-intentioned effort to encourage investment in yarn and fabric production in Africa, in 2007 Congress amended AGOA to mandate that any yarn or fabric that was readily available in Africa had to be used for the resulting

apparel manufacturers do not choose what fabric they will use. Rather, the U.S. buyers usually dictate the fabric to be used in any specific order. This is because they are producing what are supposed to be identical garments in various countries around the world. If different fabrics are used in one country or another, the garments will not be identical. Accordingly, if a U.S. buyer specifies a particular fabric, but an African apparel producer cannot use that fabric under AGOA, the African producer will lose the order. The beauty of the third-country fabric provision is that it gives the AGOA apparel producers complete flexibility to be able to meet U.S. buyers' fabric specifications.

Overall, China remains the largest source of yarns and fabrics used by AGOA apparel producers, but it varies widely by sector. India and Pakistan are competitive sources of cotton yarn and fabric, but China remains by far the largest source (in some cases the only source) of MMF yarns and fabric, especially sophisticated blends (some of which are produced nowhere else). And much of the growth in AGOA apparel exports since 2015 has been in MMF products because of the much higher tariffs (double those on cotton apparel). For example, Tanzania has been the most recent AGOA success story in developing an AGOA apparel industry. Fully 70% of Tanzania's apparel exports are made with MMF, and almost all of that comes from China. Therefore, restricting the use of Chinese MMF yarns/fabric would destroy the Tanzanian apparel industry, and would seriously undermine apparel manufacturers in other AGOA countries.[8]

Modify the Graduation Provision To Prevent Undermining Regional Integration

AGOA incorporates the graduation provision from the Generalized System of Preferences (GSP), which provides that beneficiaries' eligibility shall be terminated if they exceed the World Bank high income threshold. 19 U.S.C. 2462. Congress originally contemplated that, as AGOA beneficiaries became economically more developed, they would negotiate reciprocal free trade agreements (FTAs) with the United States to take the place of the unilateral preferences extended by AGOA. *See* 19 U.S.C. 3702(4), 3723. From this perspective, graduation was intended to be a step forward to a more mature, mutually-beneficial trade relationship. But the United States is not currently negotiating FTAs, so graduation has now become a penalty, not a reward.

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garment to be eligible for duty-free status. U.S. buyers rejected this attempt to micro-manage their sourcing decisions and cut back their orders from Africa. Congress had to repeal the abundant supply provision in 2009 and reinstate the unrestricted third-country fabric rule of origin.

[8] There is no MMF production in Xinjiang Province, China, so the legitimate concerns about forced labor in the Chinese cotton supply chain do not apply to MMF yarns/fabrics from China. Moreover, although China is a major cotton producer, it is also the largest importer of both U.S. and African cotton. Chinese producers of cotton yarn/fabric intended for the U.S. market (including via AGOA) have largely stopped using cotton grown in China in order to avoid the risk of not complying with the Uyghur Forced Labor Prevention Act (UFLPA). Instead, they are using mostly U.S. or African cotton in producing yarn/fabric to be used in making apparel for the U.S. market. Banning the use of cotton yarns/fabric spun/woven in China would, therefore, have the unintended effect of harming both U.S. and African cotton growers, processors and exporters.

In the 24-year history of AGOA, only two countries have graduated: Equatorial Guinea and Seychelles. Both were AGOA outliers, taking little advantage of AGOA and not significantly involved in regional integration.[9]

The next country in line to graduate would be Mauritius.[10] Economic projections indicate Mauritius may exceed the high-income cutoff in the next few years. In contrast to Equatorial Guinea and Seychelles, Mauritius is heavily dependent upon AGOA and is a hub for regional integration in the subregion. Mauritius' AGOA exports include: apparel, seafood, jewelry, sugar, eyeglasses, and medical equipment. Despite its small size, Mauritius regularly ranks among the top exporters of non-extractive products under AGOA. At least 40,000 people (out of a total population of just 1.2 million) are directly employed in producing AGOA products in Mauritius, with several times that number working in support sectors.

Yarn spinning operations in Mauritius source raw cotton primarily from Africa. The yarns and fabrics produced in Mauritius are in turn sold to neighboring countries in the region, especially Madagascar, where they are used to manufacture apparel for export to the United States under AGOA. A strategic alliance has evolved between Mauritius and Madagascar in the textile and apparel sector. In addition to supplying yarn and fabric, Mauritian apparel companies have invested in factories in Madagascar, where tens of thousands of workers are employed. Design, marketing and administrative operations for these companies remain headquartered in Mauritius, while the manufacturing of apparel takes place in Madagascar. Today, the majority of apparel produced in Madagascar comes from factories with ties to Mauritius. Madagascar ranks as the second largest supplier of apparel to the United States under AGOA (after Kenya). This accomplishment is due in large part to the strategic alliance between Mauritius and Madagascar.

But if Mauritius were graduated from AGOA, not only would workers in Mauritius suffer, but Madagascar would also feel serious repercussions. Indeed, economic integration in the subregion would be disrupted, as evolving supply chains would be stressed if not severed. This is completely contrary to the policy goals of AGOA, as well as the goal of the AfCFTA, which has been endorsed and actively supported by the United States.

A variety of options are available to prevent graduation from having the unintended consequence of undermining regional integration:

1. Eliminate the Graduation Mechanism: The graduation provision was included in the GSP in 1974 to prevent the Asian Newly Industrialized Countries (Taiwan, South Korea, Hong Kong and Singapore) from capturing a disproportionate share of the duty-free benefits at

[9] Equatorial Guinea was graduated from AGOA eligibility after its GNI hit $12,330 in 2008. Since then, its GNI has plummeted to just $5,240 in 2022. Illustrating the unimportance of AGOA to Equatorial Guinea, it has never sought to have its eligibility reinstated despite the fact that its current GNI is now less half the level that led to its graduation.

[10] After Mauritius, Botswana and Namibia would be potential candidates for graduation. South Africa is far down the list and would be unlikely to graduate in the near future. In other words, any changes to the graduation provision would be unlikely to benefit South Africa during the term of any extension of AGOA.

the expense of less developed countries. There is no risk of any AGOA country similarly prejudicing its neighbors' trade opportunities. Accordingly, there is need for the graduation mechanism in AGOA.

2. FTAs: Congress originally intended that African countries would graduate from AGOA beneficiaries to equal FTA partners. Consistent with Congress's original intent, the AGOA graduation provision could be amended to provide that no beneficiary shall be graduated unless it has had a reasonable opportunity to negotiate an FTA with the United States. Several AGOA countries, including not only Kenya but also Mauritius and others, have volunteered to negotiate FTAs with the United States, but these overtures have been rejected by USTR.

3. Provide Presidential Discretion: The GSP graduation mechanism is mandatory: If a beneficiary exceeds the income cutoff, it must be graduated. But as noted above, graduating AGOA beneficiaries would undermine regional integration, which is really not a concern under the GSP. This can be avoided by changing the graduation provision in AGOA to a discretionary one. For instance, the President could be given the discretion to waive graduation if he determined graduating a particular beneficiary would undermine regional integration.

4. Five-Year Standard: The AGOA renewal bill introduced by Senators Coons and Risch provides that AGOA beneficiaries will be graduated unless its income exceeds the high income cutoff for five consecutive years. This is intended to avoid the "yo-yo" effect of a country exceeding the cutoff in one year, only to see its GNI fall in the next year due to the graduation process. Falling below the cutoff would make the country eligible for reinstatement, but permanent harm would already have been done, as investors would have been scared off by the risk of graduation. Requiring the income cutoff to have been exceeded for five consecutive years would ensure that only those countries that are truly developed would be graduated.

5. Provide a Derogation for Botswana, Mauritius, and Namibia: The AGOA third-country fabric provision permits lesser developed AGOA beneficiaries to use yarn and fabric from outside the region. AGOA provides a special derogation, extending the third-country fabric provision to Botswana, Mauritius, and Namibia even though these are not lesser developed countries. 19 U.S.C. 3721(c)(3). The policy justification for this derogation was based on the fact that in the case of each country there were special circumstances that made GNI not a good indicator of the true level of economic development. For Botswana and Namibia, the special circumstance was diamonds and precious metals that inflate GNI, but do not create a proportionate number of jobs. For Mauritius, the special factors are the tourism industry and the offshore financial sector, both of which attract significant funds but create few jobs.[11] By analogy to the third-country fabric derogation, the graduation

[11] To illustrate the impact of the tourism sector in Mauritius, when the Covid-19 pandemic caused a complete lockdown in 2020, the Mauritius GNI fell by almost 20%. If the Mauritius GNI were reduced by 20% to reflect the tourism sector, Mauritius would be far below the graduation cutoff.

mechanism could be revised to provide that Botswana, Mauritius, and Namibia would not be graduated during the term of the next extension of AGOA.

Other AREA Modifications to AGOA

Other modifications to AGOA endorsed by AREA would:

- Harmonize the AGOA edibility review with other U.S. preference programs to require the eligibility review be conducted every three years instead of annually;
- Allow cumulation of inputs with all AfCFTA signatory countries (including those in North Africa);
- Replace the outdated textile visa requirements with those from current CBP cooperation agreements; and
- Increase the size of the duty-free limits to reflect current trade flows.

Conclusions

In short, AGOA has succeeded in creating a new apparel industry in Africa that provides employment for hundreds of thousands of direct workers and several times that many jobs in support sectors. At the same time, these trade flows have created an almost equivalent number of jobs in the United States. Since the 10-year renewal of AGOA in 2015, the AGOA apparel program has demonstrated steady growth and job creation. The best formula for continuing this pattern of successful economic development is to provide stability and predictability in the terms of trade governing the AGOA apparel program, which would be achieved by a long-term extension of AGOA this year.

On the other hand, as noted above, trade has contracted each time in the past there has been uncertainty whether AGOA would be renewed, resulting in the loss of tens of thousands of jobs in Africa, as well as in the United States. It is of critical importance, therefore, that AGOA should be renewed this year to send the right signals to U.S. apparel importers who may be "on the fence" about investing in and continuing to source from Africa.

The members of ACT in the African private sector appreciate the opportunity to share their views on the future of AGOA with Congress. We would be happy to respond to questions.

Respectfully submitted,

Paul Ryberg
President

June 13, 2024

AGOA Renewal: A Strategic Opportunity to Enhance U.S.- Africa Trade and Business

The AGOA Renewal and Enhancement Alliance (AREA) brings together diverse stakeholders – including U.S. and African companies, business associations, and the African diplomatic corps in DC – to support the African Growth and Opportunity Act and its immediate, long term renewal.

AREA supports the following core principles:

1. **Early and Long Term AGOA Renewal is Critical**
2. **Early AGOA Renewal Advances U.S. Strategic and Policy Goals in Africa**
3. **Targeted Technical/Non-controversial AGOA Enhancements Can Positively Impact Its Success If They Don't Delay Its Renewal**

1. **Early and Long Term AGOA Renewal is Critical**
   - Renewal of AGOA as soon as possible is critical to industry investment and planning. The industries most capable of utilizing AGOA operate on two-year cycles, meaning that new investment projects are already on hold, and they will begin cutting back on orders as early as this year if the statute has not been renewed.
   - Delayed renewal also risks missing an important window of opportunity as companies are currently shifting production out of China due to increased costs, forced labor concerns, and political risks. Securing a lengthy AGOA renewal in 2023 will increase company interest in looking at opportunities to invest in and source from Africa.
   - Renewal for less than ten years does not provide companies with the longer-term horizon they need to plan and execute investments or develop sourcing networks and distribution channels that will drive vertical integration of the continent to allow greater country participation.
   - Longer term AGOA provides predictability to the more than 450,000 American workers (150,000 from American exports and 300,000 tied to U.S. imports) whose jobs are linked to U.S./African trade

2. **Early AGOA Renewal Advances U.S. Strategic and Policy Goals in Africa**
   - AGOA is one of the most important tools and incentives to grow and diversify our trade and investment relationship with Africa and to counter the presence of China on the continent.
   - Long-term renewal of AGOA supports economic integration under AfCFTA, one of America's top strategic goals in Africa.
   - Extending AGOA supports ongoing African economic and business reforms, capitalizes on considerable infrastructure investment, and improves the business climate for growing U.S. investments into the continent.
   - AGOA exports can quickly grow into a broader partnership that can lead to investment and trade in both directions, creating jobs and economic growth in both the U.S. and Africa.

3. **Targeted Technical/Non-controversial AGOA Enhancements Can Positively Impact Its Success If They Don't Delay Its Renewal.**
   - A small number of targeted enhancements should be made to:
     - harmonize AGOA eligibility reviews with other U.S. government preference programs by converting the annual AGOA eligibility review to once every three years;
     - add a provision allowing cumulation from all AU Members that have ratified AfCFTA;
     - replace outdated textile visa requirements with closer Customs cooperation agreements;
     - adjust the size of the apparel quota; and
     - modify graduation criteria for AGOA countries.

U.S. Chamber of Commerce

1615 H Street, NW
Washington, DC 20062-2000
uschamber.com

November 8, 2024

The Honorable Jason Smith
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20510

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20510

Dear Chairman Smith and Ranking Member Neal:

The U.S. Chamber of Commerce welcomes the opportunity to offer testimony for the record for the House Committee on Ways and Means June 12 hearing on "Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti, and Others."

A wide range of American businesses of every size, sector, and state would benefit from renewal of the trade programs on your agenda: the African Growth and Opportunity Act (AGOA), the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act, and the Haiti Economic Lift Program (HELP) Act as well as programs not on the agenda such as the Generalized System of Preferences (GSP) and the Miscellaneous Tariff Bill (MTB). These programs foster market-based economic growth in developing countries and advance U.S. strategic interests in key regions. They give U.S. consumers and companies duty-free access to select goods from beneficiary countries, helping families stretch their budgets and companies enhance their competitiveness. Imports eligible for these benefits generally do not compete with U.S.-made goods in significant ways.

These programs have traditionally won approval with overwhelming bipartisan support, and we encourage this Congress to extend the same approval. The Chamber urges Committee members to expedite their work and avoid using these programs as political bargaining chips in debates over other matters.

African Growth and Opportunity Act

With AGOA due to expire in September 2025, the Chamber urges Congress to begin work immediately to reauthorize the program and avoid a damaging lapse similar to those seen with the GSP and MTB programs.

AGOA has represented a shift from the traditional aid-based approach to the African continent to one that favors free enterprise and market-based economic growth. Similar to GSP, it provides duty-free and quota-free access to the U.S. market for qualifying products from sub-Saharan African countries meeting certain eligibility requirements. These requirements focus on market-based economy principles; rule of law and political pluralism; elimination of barriers to U.S. trade and investment; protection of intellectual property; efforts to combat corruption; and protection of human rights and worker rights, among other points. In return, the legislation provides an opportunity to forge new trade and investment partnerships with African countries, while allowing the U.S. to pursue its strategic and global security interests on the continent.

AGOA has been critical in facilitating strong trade and investment ties between the U.S. and sub-Saharan Africa. According to USTR's 2022 Biennial Report on the program's implementation, total two-way goods trade with sub-Saharan Africa totaled $44.8 billion in 2021. That same year, non-oil imports under AGOA — representing the main source of AGOA's job-creating value — were roughly $4.8 billion, the largest annual figure since 2013.

Currently, 32 countries are eligible for AGOA benefits. The current review period provides an opportunity to examine options to improve the effective utilization of AGOA by more African countries and to discuss AGOA's long-term prospects in the context of the implementation of the African Continental Free Trade Area (AfCFTA) agreement.

As the business community contemplates ways the program can be modernized, the Chamber encourages Congress to examine how the program can enhance trade in ways that reinforce African efforts to spur economic growth, expand commercial linkages to the United States, and support supply chain connectivity. Additionally, the program should play a key role in identifying and addressing investment barriers preventing U.S. companies from expanding in Africa.

All in all, African governments should be incentivized to examine policies that impede trade and investment with the United States. To enhance economic growth and development, AGOA should encourage efforts to promote trade facilitation, expand market access, protect intellectual property, extend fair treatment to foreign investors, and improve the business climate in African countries. The Chamber also supports the addition of eligibility criteria relating to digital trade similar to a proposal included in the GSP bill recently reported out by the House Ways & Means Committee.

Furthermore, the AGOA program excludes many products that could be of great value for trade with sub-Saharan Africa. The Administration should consider adding additional products that promote economic diversification. The Chamber also supports the extension of AGOA's third-country fabric provisions.

The expiry of AGOA in September 2025 creates uncertainty for the business community, and it threatens to dampen investment and depress trade well in advance of the actual expiration of the program. Continued cooperation between the U.S. and the African Union beyond AGOA will also be critical in facilitating African partner country aspirations to deepen regional integration, develop plans to engage the U.S. in bilateral and multilateral trade agreements, and support growth in regional trade.

Indeed, it is notable that trade policy's "Four Corners" in the Congress — the chairs and ranking members of the House Ways and Means and Senate Finance Committees — have all urged the Biden administration to pursue a more ambitious, market-opening trade agreement with Kenya. The Chamber strongly agrees (and has for years). Nothing about such an initiative with one or more African countries should be seen as impeding the swift reauthorization of AGOA.

Haiti HOPE and HELP Acts

Haiti continues to undergo political, economic, social and security crises. Access to the U.S. market under the trade preferences established in the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act and the Haiti Economic Lift Program (HELP) Act continue to be a lifeline for the country. These programs have contributed to the development of Haiti's apparel industry, which provides a significant source of employment and economic opportunity.

According to data from the Haiti's Industry Association, the garment industry has in recent years supported as many as 50,000 jobs, which under HOPE legislation require intensive, transparent, and public monitoring of factories' compliance records. HOPE/HELP will expire on September 30, 2025, and early and long-term renewal will provide greater certainty for investment and job creation in Haiti in the same manner as early reauthorization of AGOA will for Africa.

Generalized System of Preferences

While the Committee on Ways and Means recently reported out favorably a bill to renew GSP—for which reason it is not on the agenda of this hearing—the Chamber reiterates its strong support for swift reauthorization.

For more than four decades, GSP has been an effective tool promoting market-based economic growth in developing countries. The program suspends tariffs on a pre-approved list of imports from approximately 120 developing countries. GSP helps advance U.S. foreign policy objectives, promotes international development and free enterprise, and helps American families stretch their budgets by reducing prices of a variety of consumer goods. It also supports the diversification of supply chains away from China.

The lapse in this important trade program is now approaching three and a half years, leading to mounting costs for U.S. small businesses and incentivizing companies to source more imports from China rather than GSP-eligible developing countries. GSP beneficiaries are often natural alternative suppliers to China. The program's elimination of duties on China's competitors often makes GSP countries a better choice than low-cost Chinese producers.

Many U.S. small businesses shifted their supply chains out of China after Section 301 tariffs were imposed on many Chinese products in 2018 and 2019. However, the lapse in the

GSP program in December 2020 has shifted the cost calculus back in China's favor for many products.

The impact of the lapse in GSP on U.S. small businesses is particularly galling. The typical beneficiary company employs about 20 people, and GSP saves them between $100,000 and $200,000 in duties — big money for many small businesses. This damaging situation has already persisted for far too long, and we urge Congress to prioritize reauthorization of GSP on a fully retroactive basis as soon as possible.

Miscellaneous Tariff Bill

While the MTB is not formally on the agenda of this hearing, it has traditionally been approved (by broad bipartisan consensus) together with other trade preference programs, and so the Chamber is availing itself of this opportunity to reiterate its strong support.

The MTB temporarily suspends tariffs on a carefully vetted list of imported goods, most of which are inputs used by U.S. manufacturers. Fundamentally, it helps U.S. companies maintain their competitive edge by sparing them needless extra costs. However, the last iteration of the MTB lapsed in 2020, when duty suspensions and reductions on more than 3,000 imported products expired.

The range of goods covered is scrutinized with great care. The U.S. International Trade Commission leads a rigorous vetting process established by Congress to confirm that products proposed for tariff relief are not made in the United States or are unavailable in sufficient quantities to meet U.S. businesses' needs. In order to be considered for inclusion, each proposed duty suspension must be considered "noncontroversial" — meaning it has forgone tariff revenues of a maximum of $500,000 per product and no domestic producer or member of Congress objects. According to the U.S. International Trade Commission, tariff relief under the previous MTB boosted U.S. GDP annually by as much as $3.3 billion and output annually by as much as $6.3 billion.

Since the previous MTB expired in December 2020, manufacturers and other businesses have paid more than $1.4 billion in tariffs, or $1.3 million per day, on goods that are generally not available in the United States. The harm has been especially significant for small and medium-sized manufacturers, often limiting the ability of such firms to expand production, hire additional workers, or invest in new cost-saving equipment.

The last MTB (in 2018) passed Congress without a single vote in opposition. We urge this Congress to expeditiously re-up this commonsense program and, in the process, to reauthorize the American Manufacturing Competitiveness Act, which establishes the MTB petition process.

The Chamber appreciates the opportunity to submit these comments, and we look forward to continuing to engage with the Committee on these critically important trade programs.

Sincerely,

John Murphy
Senior Vice President and
Head of International
U.S. Chamber of Commerce

cc: Members of the House Committee on Ways and Means

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American Apparel & Footwear Association
Statement for the Record
House Committee on Ways and Means Trade Subcommittee Hearing
"Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti, and Others"
Held on June 12, 2024

On behalf of the American Apparel & Footwear Association (AAFA), we appreciate this opportunity to submit a statement for the record for the Trade Subcommittee's hearing, "Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti, and Others" held on June 12, 2024.

AAFA is the national trade association representing apparel, footwear and other sewn products companies, and their suppliers, which compete in the global market. Representing more than 1,000 world famous name brands, AAFA is the trusted public policy and political voice of the apparel and footwear industry, its management and shareholders, its more than 3.2 million U.S. workers, and its contribution of more than $490 billion in annual U.S. retail sales.

The U.S. apparel, footwear, and related products industry encompasses domestic manufacturers, exporters, importers, and global suppliers. Our members make and sell products in the United States and around the world. Because nearly every U.S. job in our industry depends on access to foreign customers, access to global supply chains, or both for its existence, trade is vitally important for the competitiveness of the industry.

Approximately, 97% of apparel, footwear, and travel goods sold in the United States today are imported. Yet the U.S. still maintains high duties on these products – some of the highest we levy on any products - adversely affecting U.S. consumers who ultimately pay those duties in the form of higher prices. This is why renewal of trade preferences programs such as AGOA, GSP, and Haiti HOPE/HELP is so critical.

African Growth and Opportunity Act (AGOA)

AGOA is a success story for the apparel and footwear industries due to the duty-free access combined with state-of-the-art flexible rules of origin. In fact, AGOA continues to be a main reason why our members are in Africa and why they are now looking at expanding, or continuing to expand, their business there. AAFA supports the AGOA Renewal and Improvement Act [S.4110] to renew the trade partnership between the U.S. and sub-Saharan African countries and encourages introduction and passage of legislation in the U.S. House of Representatives.

As we forge to further develop a responsible industry, we have an opportunity to ensure that this development benefits a traditionally underserved population – women, who make up a large portion of our African workforce. As our members expand their operations there, they not only create direct jobs for women, but they also foster skills development and entrepreneurial opportunities for these workers. Moreover, investments in this workforce benefit entire families and communities, multiplying the economic opportunities that are created through apparel and footwear sourcing.

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Even though the AGOA expiration date is a year away, U.S. investment in the region already faces mounting uncertainty. Companies are poised to diversify out of China, and Africa is a logical place for many of them. The on-again, off-again nature of the program before the ten-year renewal was extremely disruptive and meant the industry was not able to take full advantage of the first 15 years of the program. The 10-year renewal, with state-of-the-art rules of origin, in 2015 was an important first step but was not nearly long enough – as we repeatedly noted in 2015 – to sustain the kind of long-term trade and investment that is needed to alter centuries of underdevelopment. If AGOA were to be renewed this year for at least another 10 years (although ideally longer), companies would have the necessary certainty and timeframe they need to grow a vertical, responsible, and competitive industry in Africa up to and past 2025.

As more companies are beginning to utilize AGOA, and specifically the third country fabric provision, the quota fill rate will be significantly increasing in the coming years. Therefore, we also suggest raising the existing 3.5% limit to at least 4.5%, with a growth provision, so that it not be a constraint going forward.

Haiti

Immediate action is required to ensure the long-term reauthorization of the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) and the Haiti Economic Lift Program (HELP) Acts, commonly known as HOPE/HELP, which expires next year. AAFA supports the Haiti Economic Lift Program Extension Act [H.R.5614 and S.552] to provide much needed stability to the Haitian people.

There is no question that Haiti is at a critical juncture. While we are seeing some positive steps like the first contingent of Kenyan police arriving in Haiti this week, our hope is that the U.S. Government will continue to support measures that will bring about an end to violence, support democratic institutions, and enable quick economic recovery to avoid a worsening humanitarian crisis in our neighborhood.

One action that can play an important role in reinforcing the long-term U.S./Haiti partnership and eliminate uncertainty that is today threatening economic livelihood in Haiti (and the Dominican Republic), would be for Congress to immediately renew the HOPE/HELP trade program. The HOPE/HELP allows duty-free access for certain apparel products from Haiti creating more than 50,000 formal Haitian jobs, and supporting tens of thousands more Haitians and the communities in which they live. But the apparel jobs created by this program, and the communities they support, are now at risk. Companies are now having to guess whether they should place orders now for importation that will occur after the scheduled expiration of HOPE/HELP, an impossible dynamic that is eroding future business today. U.S. businesses that invest in this sector are committed to their operations and workers even during these dire times but need assurance that the HOPE/HELP program will continue without interruption. Timely renewal of Haiti HOPE/HELP this year would provide that critical assurance, especially in the context that GSP has been expired for 42 months.

Generalized System of Preferences (GSP)

While the focus of the trade subcommittee's hearing was not on GSP, it remains a critical program for AAFA member companies. AAFA supports the Generalized System of Preferences Reform Act [H.R. 7986] to promote both the competitiveness of U.S. companies and economic development throughout the world

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and continues to encourage introduction and passage of legislation in the U.S. Senate. Specifically, AAFA supports retroactive refunds and a long-term extension of the program. The refunding of tariffs collected during prior gaps in the program's operation has been common in previous renewal bills. In addition, measures to update the competitive need limitation (CNL) mechanism and open a process to consider currently ineligible products are vital if GSP is to be properly equipped to help companies invest in supply chains as they diversify from China.

Thank you for this opportunity to provide a statement for the record. It's critical that AGOA, GSP, and Haiti HOPE/HELP are renewed this year and for a long extension. Please contact me at bhughes@aafaglobal.org if you have any questions or would like additional information.

Sincerely,

Beth Hughes

Beth Hughes
Vice President, Trade & Customs Policy
American Apparel & Footwear Association

Statement for Submission before the House Ways and Means Subcommittee on Trade

"Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti, and Others."

A Submission by

Fred O. Oladeinde
Chairman, African Growth and Opportunity Act Civil Society Organization (CSO) Network
AGOA Civil Society Organization (CSO) Network Secretariat
1200 G Street N.W., Suite 800, Washington DC 20005
Tel: 202-331-1333/Fax 202-202-436-9477
Email: www.agoacsonetwork.org

June 25. 2024

Chairman Smith, Ranking Member Blumenauer, and Distinguished Members of the Subcommittee, I am honored and delighted on behalf of members of the AGOA Civil Society Organization Network to submit the Communique and Recommendations from our 9thAnnual AGOA Civil Society Organization Network Spring Conference on April 18, 2024, titled *Timely Reauthorization and Enhancement of AGOA Beyond 2025* held at the Rayburn House Building for the consideration of the Subcommittee and the record.

Let me also express the AGOA Civil Society Organization Network's gratitude to the Chairman, Ranking Member, and Distinguished Members of the Subcommittee for the opportunity to present in person before the Subcommittee Roundtable on AGOA on April 10. 2024.

In conclusion, The AGOA Civil Society Organization Network urges the Subcommittee for the timely reauthorization and enhancement of AGOA by the 118th Congress for a minimum of ten years, from September 30, 2025, to September 30, 2035, or beyond. We are delighted to provide additional information upon request and can answer questions.

The AGOA Civil Society Organization (CSO) Network Secretariat and The Foundation for Democracy in Africa (FDA) hosted the 9th Annual AGOA CSO Network Spring Conference under the theme: Timely Reauthorization and Enhancement of AGOA Beyond 2025 on April 18, 2024, at the Rayburn House Building on Capitol Hill in Washington, DC, U.S. A.

The conference was a hybrid event that brought together civil society organizations, business, and government leaders from across Africa and the United States virtually and in person. The purpose of the gathering was to advocate for the following:

- A minimum ten (10) year reauthorization of AGOA from 2025 to 2035 or beyond
- The African Union's Agenda 2063 - including implementation of the African Continental Free Trade Areas (AfCFTA) and African Customs Union
- Extending AGOA benefits to all African Union member States with full access for U.S. companies to participate and benefit in the Free Trade Areas and Customs Union
- Funding for civil society and non-governmental organizations to provide technical assistance on eligibility requirements and AGOA country strategy.
- Creating tax incentives for U. S. companies to catalyze U.S. investment, innovation, and technology transfer in targeted sectors highlighted in AGOA Country Strategies and to strengthen AGOA benefits utilization and removing outdated requirements.

The agenda for the event included the following:

- Welcome and Opening Remarks
- Civil Society Organization Perspective on AGOA Reauthorization and Enhancement
  Private Sector Perspective on AGOA Reauthorization and Enhancement
- Presentations on AGOA Reauthorization and Enhancement
- African Diaspora Investment and Engagement Roundtable
- Closing Remarks

Background:

Since its passage by Congress on May 18, 2000, and signing into law on October 2, 2000, by President Bill Clinton, the African Growth and Opportunity Act (AGOA) has been the cornerstone of U.S. economic engagement with the countries of Sub-Saharan Africa (SSA).

AGOA is a long-term commitment with broad bipartisan support. On June 25, 2015, Congress overwhelmingly approved the Trade Preferences Extension Act (TPEA) of 2015, and on June 29, 2015, President Barrack Obama signed TPEA into law. TPEA reauthorizes AGOA and the associated "third Country fabric "provision for ten years through 2025. Congress passed, and the executive branch implemented three prior legislative enhancements of AGOA, with significant bipartisan support in 2002, 2004, and 2006.

The African Continental Free Trade Area (AfCFTA) agreement became legally binding on May 21, 2019. Despite the global COVID-19 pandemic, the AfCFTA Secretariat officially opened in Accra, Ghana, on January 1, 2021. AfCFTA is the largest free trade area regarding population and geographic size, covering 1.3 billion people across the second largest continent.

AfCFTA offers African countries many opportunities for sustainable development and economic growth. AfCFTA plans to boost intra-Africa trade by making Africa a single market of 1.3 billion people with a cumulative GDP of more than $3.4 trillion. One of the core objectives of AGOA, when enacted by the U.S. Congress and signed into law by President Bill Clinton more than two decades ago, was to support Africa's regional integration. Therefore, the U. S. as a stakeholder in AGOA should fully utilize the

opportunities that AfCFTA, the largest free trade area since the establishment of the World Trade Organization in 1995, has to offer by developing trade agreements under AfCFTA with Sub-Saharan African countries and expanding trade and economic cooperation with this single market of 1.3 billion Africans.

On January 21, 2021, the day after the U.S. Presidential Inauguration, the AGOA CSO Network Secretariat sent a letter to the Biden-Harris Administration, advocating for support of AfCFTA, among other U.S. – Africa-related trade issues.

The United States and Kenya launched the United States -Kenya Strategic Trade and Investment Partnership (STIP) on July 14, 2022, to increase investment, promote sustainable and inclusive economic growth, benefit workers, consumers, and businesses, and support African regional economic integration.

Discussion Highlights:

The AGOA CSO Network Secretariat:

- Commended Senators Chris Coons and James Risch for introducing the AGOA Renewal and Improvement Act of 2024 and welcomed further discussions and support for the bill in Congress. The bill addresses the reauthorization and enhancement of AGOA and reflects bipartisan support for AGOA in Congress.
- Commended the Biden-Harris Administration for initiating the United States (U.S.) -Kenya Strategic Trade and Investment Partnership (STIP) and anticipates the successful implementation of this bilateral trade agreement.
- Acknowledged and thanked the Subcommittee on Trade of the Committee on Ways and Means for their continuing support and cooperation and looks forward to collaborating closely with the Subcommittee on the timely reauthorization and enhancement of AGOA for at least ten years.
- Detailed its AGOA renewal initiatives, including advocacy on Capitol Hill, conducting outreach events, and establishing an electronic petition platform to garner support for AGOA reauthorization and enhancement. The Secretariat also underscored the following:

- Noted its support for modifying AGOA's rule of origin to allow inputs from North African AfCFTA members to count toward the requirement that 35% of a product's value originate in the region to support the development of intra-African supply chains.
- Emphasized the role of AGOA in creating sustainable economic growth and

development, poverty reduction democracy, the rule of law and stability in Africa. AGOA has created hundreds of thousands of new direct jobs and millions of indirect jobs in Africa in the textile, agricultural, and automotive industries and more than 500,000 jobs in the U.S. AGOA's cost to U.S. taxpayers is nominal, especially compared to U.S. investment in Development Aid to Africa, and AGOA remains a transformative success story.

- Underscored the decline in African exports to the United States - African exports to the U.S. under AGOA declined from USD 78.01 billion in 2013 to USD 28.19 billion in 2022, resulting in a setback for Africa. The issue of low utilization rates of AGOA benefits needs addressing. Studies show that nations with AGOA Country Strategies have higher utilization rates than nations without country strategies, and these countries have seen success and use AGOA benefits to create good-paying jobs.

The private sector reaffirmed the importance of renewing AGOA promptly to prevent further adverse financial impacts on African economies and American buyers and the enormous potential of the African Continental Free Trade Area (AfCFTA) in stimulating economic growth and increasing trade opportunities. Other significant issues include:

- Eliminating outdated textile visa requirements
- Better handling of graduation issues to avoid unintended consequences and negative impact on regional value chains
- Changing the annual review of eligibility requirements for AGOA-eligible countries to every three (3) years,

There is interest in Congress in exploring ways AGOA benefits can be widely distributed and used to create good-paying jobs across Sub-Saharan Africa (SSA) and understanding how investment can be coupled with trade to address poverty reduction and advancement in targeted sectors.

Civil Society emphasized the need for more climate-resilient agricultural practices to adapt to changing climates and the importance of supporting conservation efforts and a just energy transition in alignment with U.S. strategies towards Sub-Saharan Africa and AGOA.

African countries should create conducive environments for SMEs to access U.S. markets, including streamlining regulatory processes, reducing bureaucratic barriers, and enhancing business support services.

Encouraging industrialization, access to finance, and investment will drive economic growth in African economies. Targeted incentives and policies are essential to attracting investment in targeted sectors, such as manufacturing and technology.

The issue of Gabon's recent suspension from AGOA due to political change surfaced.

Conferees called for a pragmatic assessment of sanctions and highlighted the importance of dialogue and engagement to resolve such issues. During the discussion, conferees expressed their solidarity with AGOA Civil Society Organization Network members in Gabon, and the Network offered to work with stakeholders to address reinstatement of Gabon's AGOA eligibility through constructive engagement and support for democratic processes.

The African Diaspora plays a unique role in driving development initiatives. Participants shared experiences and success stories of Diaspora-led projects and initiatives that fostered economic growth and empowerment in their home countries. The discussion also underscored the need for increased collaboration and coordination among African Diaspora organizations to advocate for policies and initiatives that support Diaspora engagement and investment in Africa and the U.S. to maximize the effectiveness and outcomes of development efforts in Africa.

Collaboration and advocacy efforts are crucial in maximizing the potential of AGOA and ensuring its continued relevance in a rapidly evolving global economy. At the event, civil society, government representatives, and private sector stakeholders pledged to work together to ensure the successful renewal and improvement of AGOA.

Recommendations:

During the event, delegates made the following recommendations:

1. Reauthorize AGOA promptly and extend the program from its current expiration date of September 30th, 2025, to September 30th, 2035, or beyond, with enhancements to improve its effectiveness. Proposed enhancements include the following: Providing funding for civil society organizations and tax incentives for U.S. businesses to attract the required investment and technology transfer to support economic growth and development in the region; Eliminating outdated textile visa requirements; Changing the annual review requirement for continued eligibility in the program to everytwo (2) years; More effectively handling graduation issues to avoid unintended consequences and negative impact on regional value chains; and Supporting conservation efforts and a just energy transition in alignment with U.S. strategies towards Sub-Saharan Africa.
2. Expand AGOA benefits to all 55- member states of the African Union from the current 49 Sub-Saharan African countries.
3. Support the African Union Agenda 2063, including establishing an African Continental Free Trade Area (AfCFTA) and African Customs Union - tools essential to utilizing trade to strengthen U.S.-Africa strategic alliances.
4. Provide support for the AGOA CSO Network's $5 Billion Special Purpose Investment Fund for Africa (SPIFA) initiative for the following purposes:

a) Assisting small, medium, and Diaspora-owned businesses to catalyze U.S investment, innovation, and technology transfer in targeted sectors in Africa
b) Conducting training and technical assistance for AGOA-eligible countries to assist in developing AGOA Country Strategy Plans and preparing for annual eligibility reviews and others.
c) Supporting developing critical path analysis for AGOA-eligible countries as they prepare to graduate from AGOA benefits.
d) Conducting education campaigns, training, and capacity building for small, women, disadvantaged, and Diaspora-owned businesses to navigate AGOA's requirements and maximize its benefits to strengthen AGOA benefits utilization and help create desperately needed good-paying jobs.
e) Organizing mandated annual civil society organization sessions of the AGOA Forum

5. Deliver on commitments the U.S. made to Africa during the US-Africa Leaders' Summit, including a $55 billion pledge to support the African Union's Agenda 2063 and the creation of a new Digital Transformation with Africa (DTA) initiative intended to invest more than $350 million in financing Africa's digital transformation.

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Ministerio de Relaciones Exteriores y Movilidad Humana

Embassy of Ecuador to the United States
2535 15th ST NW
Washington D.C. 20009
Tel. +1 (202) -234 -7200
eecuusa@cancilleria.gob.ec

Statement letter for the official records of the Trade Subcommittee: "Trade Subcommittee Hearing on Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti, and Others."

Washington, June 18th, 2024

The Honorable
Jason Smith
Chairman of the Committee on Ways and Means
U.S. House of Representatives

Dear Congressman Smith,

Ecuador is facing an unprecedented economic and security crisis that urgently requires the support of its main partners. The encroachment of drug trafficking, illegal immigration, and transnational organized crime is overwhelming our country, and we need effective solutions.

On behalf of the Government of Ecuador, we submit this statement letter for the official records of the Trade Subcommittee hearing on June 12th titled **"Trade Subcommittee Hearing on Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti, and Others"** advocating for the U.S. Congress decisive support in making the necessary decisions to address Ecuador's dramatic situation. We urge Congress to consider a bill that establishes a tailored tariff preference program for our country to address the root causes of our current challenges.

We have witnessed how The House Ways & Means Committee and its Subcommittee are diligently working to ensure balanced benefits for Americans while also considering the geopolitical challenges and threats our region is facing and how the U.S. can help sustain our democracies and their foundations.

Thus, please find below the main arguments that support Ecuador's request:

Due to its location, Ecuador is a strong partner to combat drug-trafficking and has been recognized as the third country in drug seizures. Ecuador is a not a drug producing country, however, it is a transit country. **When Ecuador succeeds in its security efforts, the United States succeeds and that is why the success of Ecuador is important to the National Security of the United States**. It's a partnership with co-shared responsibilities and mutual interest and benefits. However, recent developments have challenged the foundation of Ecuador and the country requires more support from the United States, especially to address the root causes that foster organized crime.

The linkages between the cartels of Mexico and Colombia with local criminal organizations have generated an escalation of violence which made Ecuador one of the countries with the highest rate of homicides. At the beginning of 2024, Ecuador reached a devastating rate of over 40 violent deaths per 100.000 inhabitants; however, as a result of the policies implemented by the Administration of President Daniel Noboa and the Decrees issued, violent deaths have decreased considerably, however they still remain high. Operations continue in the 18 prioritized districts, where more than 70% of the country's violent deaths were recorded.

Ecuador maintains robust cooperation with United States in security areas, and is one of only two countries in South America with a "security roadmap" program in Defense. This MOU includes collaboration on technical matters, best practices, lessons learned, and equipment, and does not include a specific financial allocation. The two countries establish four lines of effort: exchange of information, capacity building of the Ecuadorian Armed Forces, training and qualification, and acquisition of essential resources. However, it is important to strengthen the financing to ensure that this cooperation can be implemented as expeditiously as possible.

Only in January 2024, Ecuador achieved a milestone by destroying a total of 32.95 tons of cocaine, representing an increase of 160% compared to the same period last year, and total seizures over 100 tons in the first four months of 2024, an increases of 28 tons compared to the previous year, preventing its sales in the United States and Europe, and their impact on American citizens.

The National Government of Ecuador conducted 313,202 security operations nationwide from January to May 2024, resulting in 31,054 arrests and the seizure of a total of 121,542.80 kg of drugs, marking a 27% increase compared to 2023. Additionally, out of the 35 Centers of Deprivation of Liberty, 30 have been intervened, with a total of 267 interventions.

However, security policies and international cooperation only address the consequences of violence but do not have a preventative mechanism nor do they address the root causes of crime, which are mainly lack of jobs and economic opportunities. To address the root causes, Ecuador needs to create more opportunities, not only to prevent crime but to create incentives for Ecuadorians to remain in the country instead of migrating to the United States. Over 35,000 Ecuadorians were apprehended at the southern border between January and March. That is close to a 35% increase compared to the previous year.

The best mechanism to create jobs and opportunities, especially in a dollarized economy like Ecuador's, is through trade. That is why the IDEA Act is the best long-term mechanism the U.S. Congress has to support Ecuador's fight against drug traffickers, and other illicit economics like human smuggling and trafficking, until a full trade agreement can be negotiated. The IDEA Act would benefit many industries, including broccoli, roses and tuna, that are located in vulnerable areas subject to drug transit routes, prominent ports and rural areas affected by poverty that become fertile grounds to recruit the youth into illicit economies.

These three industries and others face high tariffs and competitiveness hurdles like unfair competition from Chinese companies. In Europe, tuna has lost around 27% of its market share to Chinese companies due to lower labor and environmental standards. Tuna currently pays up to 35% tariffs to enter the U.S. market. These challenges have already produced a significant destruction of jobs and a reduction in investments, with some factories cutting jobs by 20 to 30%. The industry is located adjacent to an important port and is in one of the main areas afflicted by gangs and narco-trafficking, thus its presence as a legitimate industry is extremely important to counterbalance the negative impact of drug trafficking and illicit economies.

Furthermore, roses face direct competition from Colombia, which benefits from a trade agreement with the United States, and broccoli pays close to 15% tariffs since the Andean Trade Preference Program expired, making it very challenging to compete in the U.S. market, where it does not compete with American producers as frozen broccoli is not produced in the U.S. These three Ecuadorian industries employ mostly women heads of household, providing employment to more than 500.000 Ecuadorians, directly and indirectly. These industries without access to the U.S. market are at serious risk, jeopardizing the jobs they create. This would lead to a rise in illicit economies and an increase in illegal migration.

By providing more economic opportunities, via trade with the United States, Ecuadorians would remain in Ecuador instead of migrating to the United States and there would be less incentives to join organized crime, thus also reducing violence and limiting the transit of drugs, which are intended to go to the United States.

Ecuador is a country that meets all the eligibility requirements of the Caribbean Basin preference programs; for example, it has made substantial progress in environmental and labor issues, and it has generated policies for the insertion of micro, small, and medium-sized enterprises in the commercial circuit, as well as the incorporation of women into the labor market.

This presents an unparalleled opportunity to forge a new historical milestone in the relationship between Ecuador and the United States, fostering increased production, employment, and investment, particularly in socially vulnerable areas. U.S. consumers also deserve to have access to initiatives that would grant access to high-quality products and foster job creation, all while adhering to stringent social, labor, and environmental standards.

Ecuadorian exports are complementary to the American economy and there are no substantial competing products, as an independent study conducted by the Economic Commission for Latin America and the Caribbean (ECLAC) of the United Nations demonstrates. It will also strengthen trade relations with regional partners in the

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Caribbean and the U.S., giving America a powerful ally when engaging in regional matters. **The United States is still Ecuador's main trading partner, whereas American imports from Ecuador only represent around 0.3% of total U.S. imports. This reiterates the fact that adding Ecuador to CBI would have a negligible effect on U.S. trade, but it will have a positive and major impact in Ecuador´s economy. In fact, the IDEA Act could be game-changing for the Ecuadorian economy, with estimates suggesting it could increase the country's GDP by 4-5% in the years following its implementation.**

Passing the IDEA Act is the best mechanism to support an important democratic ally in a region where democracy is receding, but more importantly supporting Ecuador through the creation of economic opportunities and trade is in the Unites States' national security interest as it prevents illegal migration and narco-trafficking.

I avail myself the opportunity to renew the assurances of my highest consideration.

Ma Soledad Peña

María Soledad Peña Plaza
Chargée d'affaires a.i.
Embassy of Ecuador to the United States

EMBAJADA DEL ECUADOR WASHINGTON D.C.

Cc:

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives Washington, DC 20515

Congressman
Adrian Smith
Chairman of the Trade Subcommittee
House Ways & Means Committee

The Honorable Michael McCaul
Chairman
Committee of Foreign Affairs
U.S. House of Representatives Washington, DC 20515

The Honorable Gregory Meeks
Ranking Member
Committee of Foreign Affairs
U.S. House of Representatives Washington, DC 20515

Embajada de Ecuador en Estados Unidos
2535 15th Street NW. Washington, D.C. 20009.
Tel. +1 202 234 7200 www.ecuador.org
f: EmbajadaEcuadorEnEstadosUnidos t:EmbajadaEcuUSA

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AFRICAN UNION REPRESENTATIONAL MISSION
TO THE UNITED STATES OF AMERICA

1640 WISCONSIN AVENUE, NW WASHINGTON DC 20007
TELEPHONE (202) 293 8006 FAX (202) 293 8007

SUBMISSION TO THE TRADE SUBCOMMITTEE OF THE HOUSE WAYS AND MEANS COMMITTEE HEARING

FROM THE AGOA GROUP OF ELIGIBLE COUNTRIES

Date of Hearing: June 12, 2024 @ 1:15 p.m.

Title: Hearing on Trade programs that are set to expire in 2025, including the African Growth and Opportunity Act and certain preferences for imports from Haiti.

The Group of AGOA eligible countries thanks the Trade Subcommittee of the House and Means Committee for holding the Hearing on Trade Programs that are set to expire in 2025, including the African Growth and Opportunity Act and certain preferences for imports from Haiti. We would like to take this opportunity to submit this statement and hope that the Subcommittee will consider our proposals in the process of renewing the African Growth and Opportunity Act.

Importance of AGOA Renewal

The AGOA, signed into law in 2000 has played a crucial role in improving and consolidating trade relations between the United States and beneficiary sub-Saharan African countries.

The Group would like to recall the statement of the African Ministers of Trade during the 20th AGOA Forum held in Johannesburg, South Africa in November 2023 expressing the need of an urgent renewal of AGOA with non-controversial amendments for a minimum of 10 years to provide the required predictability and certainty to the markets and urging the US to make the decision as early as 2024 but not later than September 2024. At the AGOA Forum in 2023, the private sector, civil society and organised labour from both United States and AGOA beneficiary countries also supported early and long-term renewal of AGOA.

The AGOA Renewal and Enhancement Alliance, comprising the Corporate Council on Africa, the African Coalition for Trade and American and African companies amongst others, has been advocating for the renewal of AGOA, with a few non-controversial issues to be addressed simultaneously so as not to delay its reauthorization.

Long term renewal for AGOA

At present, there is no visibility as to when the AGOA program would be renewed. The Group, therefore, welcomes the Bill introduced by Senators Coons and Risch for the Renewal of AGOA which sets the pace for engagement with stakeholders. **We are pleased to note that**

the Bill includes a 16-year renewal proposal and cumulation of rules of origin among AfCFTA signatories as proposed by the African Trade Ministers.

The USITC Report on Program Usage, Trends and Sectoral Highlights has noted that AGOA has revitalised a once-declining African apparel industry, creating jobs and a starting point to extend apparel regional value chains. It further adds that AGOA would yield greater benefits if it worked in tandem with the AfCFTA. In particular, the AGOA programme has been instrumental in reinforcing the inter-linkages between the textile and apparel sectors of Mauritius and Madagascar.

A **long-term renewal of AGOA preference** without any further delay will prevent any disruption of trade, provide the private sector increased predictability of market access in the U.S. and create an environment conducive for private sector investment in the regional value chain.

In the past, short term authorisations/renewals of AGOA and unavailability of the Third Country Fabric provision have had adverse implications on apparel orders and the viability of the textile and apparel sector.

Thus, the renewal of AGOA should be for a **minimum of 10 years, should include the Third Country Fabric provision, and should also address the Graduation issue.**

Graduation

Together with AGOA renewal, the African Ministers of Trade also called for the US authorities to address the graduation issue side by side in order not to jeopardize the results so far yielded and avoid the exclusion of African countries based on GNI per capita, which may not accurately reflect a country's level of development.

Countries using AGOA preferences for development should not be victims of their own success. Graduating a country using the income threshold would result in the abrupt discontinuation of benefits, causing uncertainty and hinder long-term economic growth. In addition, such a decision will also affect regional value chains that are starting to form in the Africa, underpinned by the implementation of the Africa Continental Free Trade Area.

It is to be emphasized that the AGOA legislation incorporates GSP eligibility requirements, meaning that countries having reached the “high income threshold” are graduated out. The 5-year transition period in Senators Coons, Risch Bill does not provide a solution but simply delays the graduation of a country.

Small countries like Mauritius, Botswana, Namibia may have high Gross National Incomes (GNI) per capita by virtue of their small size and limited population and not because they have a developed and diversified economy.

Hence, the GNI per capita is not an appropriate yardstick to measure resilience or development of small economies and be used to determine a country’s eligibility to the AGOA program.

Moreover, it would be counter-productive if a country that reached a high-income status were to fall back in the middle-income range due to loss of AGOA benefits. In addition, the current AGOA legislation does not contain specific conditions for “reinstating” AGOA benefits.

It is useful to underline that suspension from AGOA preferences, albeit for a few years, for some countries like Madagascar and Eswatini has had serious implications on their economies. In this respect, graduation from AGOA preferences would be tantamount to an amplification of such adverse consequences.

Importance of the Third Country Fabric Provision

Given the heavy reliance of sub-Saharan African countries on apparel exports made of third country fabric, it is essential to maintain the third country fabric provision within AGOA, as is. Even though Africa is known to be the producer of one of the best cottons of the world, spinning, weaving/knitting facilities are still lacking to meet the African demand of cotton yarn and fabrics. Such investment will provide return on investment in approximately 8 -10 years. Moreover, third countries constitute an important supplier of synthetic fabrics.

Support to regional value chains and AfCFTA

The AGOA Forum in 2023 recognized that AGOA supports a number of regional value chains on the continent. Examples include the clothing and textile value chains between Mauritius and Madagascar, automotive sectors of South Africa, Botswana (wire harnesses) and Lesotho (leather seats), coper sectors of Zambia, DRC and South Africa and as technically specified natural rubber (TSNR) sectors of Nigeria, Ghana, Senegal and South Africa.

In view of building sustainable regional value chains, we believe that countries should be encouraged to develop business models that favour regionally sourced inputs. As such, the Group welcome the proposal in Senators Coons and Risch Bill **to allow regional cumulation with all countries that signed and ratified the AfCFTA including any graduated beneficiary.**

It is also important to address any barriers that hamper effective utilization of AGOA, including for agriculture products and to support capacity building to enable AGOA beneficiary countries to access the US market.

In order to enhance the utilization of AGOA, AGOA should be used to support and upscale the existing regional value chains such as the auto-value chains and support the development of more value chains. It may be important for the US to take note that other countries are benefiting indirectly from AGOA through exports of intermediate products to other AGOA beneficiary countries.

When a country loses AGOA preferences, it leads to spill-over effects on other AGOA members in terms of supply and value chain disruptions, drop in business opportunities and investment opportunities, among others. Graduation would disrupt existing value chain in Sub Saharan regarding export to the US.

Investment-led trade strategy

For many AGOA beneficiary countries, the trade remains undiversified. The Group advocates for the need to enhance US investments into Africa to encourage value-addition and beneficiation, including of critical raw materials and minerals in Africa at source. AGOA should have development dimension that promotes investment, including in relation to infrastructure, industrial development as well as technology transfer and the US should explore the opportunities to upscale investment, infrastructure and digital development including the innovative financing schemes to promote Regional and Continental Value Chains.

The Group's Proposals

In light of the above, the Group urges Congress:

- to consider urgent renewal of AGOA with non-controversial amendments for a minimum of 10 years to provide the required predictability and certainty to the markets and urging the US to make the decision as early as 2024 but not later than September 2024.
- To address the graduation issue side by side with AGOA renewal, in order not to jeopardize the results so far yielded and avoid the exclusion of African countries based on GNI per capita, which may not accurately reflect a country's level of development. To this effect, the following proposals could be considered:

    - Option 1: No country shall be graduated out of AGOA (complete carve-out from the graduation clause);

    - Option 2: The transition period of graduation from AGOA shall be renewed to allow the completion of FTA negotiations between the graduating country and the US. In other words, no country shall graduate out of AGOA until it has completed FTA negotiations with the USA; or

    - Option 3: Graduation shall apply not to countries but to products which have achieved a level of competitiveness measured by the share of exports, set at 1% compared to the global imports of that product into the US.

- to take into account the nexus between AGOA and the AfCFTA and to ensure that AGOA supports the developmental objectives of the AfCFTA by allowing for cumulation of AGOA with all AfCFTA signatories which would align AGOA to the AfCFTA through acceptance of AfCFTA rules of origin and promote the development of regional and continental value chains;
- to consider an investment-led strategy that promotes sustainable development and structural transformation of the AGOA beneficiary countries.

Conclusion

To conclude, the Group would be ready to engage and provide any additional information that could help in an expeditious reauthorisation of AGOA for the mutual benefits of the United States and the AGOA eligible countries.

National Pork Producers Council

The Global Voice for
the U.S. Pork Industry

Written Testimony of the National Pork Producers Council

Renewal of the African Growth and Opportunity Act

House Committee on Ways and Means

June 12, 2024

Iowa 10676 Justin Drive | Urbandale, IA 50322 | 515.278.8012
Washington, DC 122 C Street, NW, Suite 875 | Washington, DC 20001 | 202.347.3600 nppc.org

National Pork Producers Council®

The Global Voice for the U.S. Pork Industry

Introduction
The National Pork Producers Council (NPPC), representing 42 affiliated state associations, works to ensure the U.S. pork industry remains a consistent and responsible supplier of high-quality pork to domestic and international markets. Through public-policy outreach, NPPC fights for reasonable legislation and regulations, develops revenue and market opportunities, and protects the livelihoods of America's more than 60,000 pork producers.

The U.S. pork industry is a significant contributor to the economic activity of U.S. agriculture and the broader U.S. economy, marketing more than 140 million hogs annually. Those animals provided farm-level gross cash receipts of more than $30 billion in 2022.

To produce those hogs, pork producers used roughly 1.6 billion bushels of corn and soybean meal from nearly 10.5 million tons of soybean meal. The industry also purchases more than $1.6 billion in other feed ingredients.

Economists at NPPC and Iowa State University estimated that in 2023 the U.S. pork industry was directly responsible for creating more than 36,000 full-time-equivalent jobs in pork production and generated roughly 112,000 jobs throughout all of agriculture. In addition, the pork sector was responsible for 145,000 jobs in meatpacking and processing and 38,000 jobs in professional services such as financial services, insurance, and real estate. In total, the U.S. pork industry supports more than 573,000 mostly rural jobs in the United States and adds more than $62 billion to the country's GDP.

Most importantly, U.S. pork producers in 2023 provided more than 27 billion pounds of safe, wholesome, and nutritious meat protein to consumers worldwide.

Pork Exports
Trade is vital to America's pork producers, who annually export about a quarter of their total production to more than 100 countries. The United States is among the top global exporters of pork, shipping more than 2.9 million metric tons, valued at $8.16 billion in 2023. Those exports supported an estimated 155,000 U.S. jobs.
Despite ongoing challenges – inflation, a strong U.S. dollar, and the threat of African swine fever (ASF), for example – lingering supply chain issues, and continuing retaliation from some of its trading partners, the U.S. pork industry continues to export a significant amount of pork. In fact, through April of this year, America's pork producers have shipped $2.9 billion worth of product to foreign destinations compared with $2.6 billion for the same period last year, a 10 percent increase.

Exports of U.S. pork have increased almost every year for the past three decades generally because of improving economies and a rising middle class in countries around the globe. Another factor driving the increases is the emergence of robust hotel and restaurant industries in some nations, particularly as world travel has become relatively easier and more affordable. Additionally, several important U.S.

export markets in Southeast Asia have been battling ASF for the past several years, creating increased demand for pork imports.

The biggest reason for U.S. pork export growth over that period, though, has been trade initiatives, whether free trade agreements (FTAs), less-formal trade and investment framework agreements (TIFAs), or one-off market access deals. Through such initiatives, the United States moved from a net importer to a net exporter of pork in 1995.

Just how important are trade initiatives? Consider that the U.S. pork industry now exports more pork to the 20 countries with which the United States has FTAs than to the rest of the nations of the world combined.

In addition to trade agreements and market access deals, U.S. exports have grown as a result of preferential trade programs the United States has conferred on many countries. The programs give beneficiary nations duty-free access to the U.S. market as long as they meet certain statutory eligibility criteria set by Congress.

African Growth and Opportunity Act

The African Growth and Opportunity Act (AGOA) is one of the U.S. preferential trade programs, providing market access to sub-Saharan African countries, allowing them to export more than 1,800 products to the United States duty-free. To be eligible, among other criteria, countries must establish or make continual progress toward establishing a market-based economy and must eliminate barriers to U.S. trade and investment.

NPPC strongly supports AGOA and its objectives of expanding U.S. trade and investment with sub-Saharan African nations, stimulating economic growth, and facilitating sub-Saharan Africa's integration into the global economy. The program expires at the end of June 2025.

According to the Office of the U.S. Trade Representative's 2022 biennial review of the program, non-oil imports to the United States under AGOA were about $4.8 billion in 2021. That was the largest amount since 2013. (With oil included, the amount was $6.7 billion.) Currently, 32 countries are eligible for AGOA benefits.

In addition to its obvious benefits to eligible countries and U.S. exporters to those nations, AGOA is crucial to U.S. efforts to remain competitive with other global powers, including China and Russia, both of which have increased their influence on the African continent.

Although NPPC supports AGOA's trade preferences allowing goods from eligible countries to enter the U.S. market duty-free, it opposes AGOA countries reaping the rewards of the program while significantly limiting market access for U.S. pork. Two examples of AGOA countries failing to provide reasonable and equitable treatment for U.S. exports are South Africa and Nigeria.

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South Africa

Pork is an important source of protein in South Africa, with total imports averaging $66 million from 2021 to 2023, primarily from the European Union and Brazil. Net imports average about 9 percent of South Africa's consumption – the rest is produced domestically. Almost none of this comes from the United States, however, even though America accounts for around 30 percent of the global pork trade. In 2023, the United States exported just 313 metric tons of pork, valued at $718,000, to South Africa, representing just 1.3 percent of the country's pork imports.

South Africa, the largest U.S. trading partner in Africa, could and should be a growing market for the U.S. pork industry, but exports there are hampered by unwarranted, non-scientific restrictions that are preventing the United States from "reasonable and equitable" access to the South African market. These restrictions, which are inconsistent with U.S. and international standards, include:

- No market access for pork offal, heat-treated/canned products, and casings.
- No guidance for the requirement that lymph nodes be removed from shoulder cuts.
- Stringent, non-science-based freezing requirements on U.S. pork related to trichinae. The United States does not require the freezing of pork because Trichinella is not present in U.S. commercial pork production. While data has not been officially released, USDA has tested about 2.8 million samples from geographically dispersed pigs, with none testing positive for trichinae.
- Limits on pork cuts because of – unfounded concerns related to Porcine Reproductive and Respiratory Syndrome (PRRS) and the pseudorabies virus (PRV).

South Africa has an obligation under the World Trade Organization (WTO) Agreement on Sanitary and Phytosanitary Measures (SPS Agreement) to ensure that its SPS measures are applied only to the extent necessary to protect life or health (cf. SPS Agreement Article 2.2 and Article 5.1). Despite repeated engagement from the U.S. government and the pork industry, South Africa has yet to remove these trade barriers and has not limited control, inspection, and approval requirements to what is reasonable, necessary, and appropriate (cf. SPS Agreement Annex C).

The continued use of these restrictions indicates South Africa is not meeting its AGOA obligations – commitments it made during the 2015 AGOA reauthorization – to make continual progress on eliminating barriers to U.S. trade and investment. Because of these unjustified barriers, the United States is losing tens of millions of dollars in exports and associated U.S. jobs.

The ban on variety meats (pork offal) is particularly harmful. While limited demand for them exists in the United States, variety meats are in strong demand in South Africa and other international markets. In 2015, U.S. beef gained greater access to the South African variety meat market and expanded exports to $11.6 million in five years and stood at $13.1 million in 2023. NPPC hopes to gain similar benefits for U.S. pork exports if it is provided equitable treatment.

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Gaining access to these markets allows U.S. pork producers to increase the value of each hog sold while providing consumers with an affordable, safe product. Expanding market access for variety meat exports also would reduce rendering and landfill disposal.

South Africa currently is the largest non-oil beneficiary of AGOA, exporting more than $3.6 billion of goods under the program to the United States in 2022. (South Africa also takes advantage of the U.S. Generalized System of Preferences (GSP) program, which also gives duty-free treatment to certain goods entering the United States.) Despite this, the country remains unwilling to extend reasonable and equitable treatment to imports of U.S. pork.

Nigeria

Like South Africa, Nigeria continues to block market access for U.S. pork, despite being the second largest AGOA beneficiary, exporting $3.5 billion of goods to the United States in 2022. The country should be a significant importer of pork given its rapidly growing population of 236 million people and increasing protein-consumption trends. It also could serve as a useful trade hub for U.S. exports to neighboring African countries.

NPPC believes the market potential for U.S. pork in Nigeria to be valued at approximately $26 million annually and has been working to gain market access to the country, without mitigations and under science- and risk-based policies and practices.

While Nigeria began allowing pork sausage imports from the United States in early 2022, it has maintained an express prohibition against the importation of raw pork (all tariff lines under HTS 0203, 0206, and 0210.10), as well as against beef, poultry, and associated products.

Nigeria's restrictions against U.S. meat and poultry are non-science-based, clearly violate the General Agreement on Tariffs and Trade (GATT) Article XI.1, and must be eliminated.

Conclusion

As Congress considers the renewal of AGOA it must ensure that beneficiary countries provide all U.S. sectors, including agriculture, full market access without restrictions. In May of this year, 27 members of congress signed a letter sent to USTR urging USTR to take action to ensure fair market access for U.S. Pork in South Africa and committed to ensuring the renewal include robust enforcement mechanisms. If countries are reaping the benefits of U.S. preferential trade programs but failing to provide the United States reasonable and equitable access to their markets, Congress should include robust enforcement mechanisms to allow USTR to more easily consider removing countries – or at least intimating removal – from the programs.

Congress of the United States
Washington, DC 20515

May 22, 2024

The Honorable Katherine Tai
Ambassador
U.S. Trade Representative
600 17th Street, NW
Washington, DC 20006

Dear Ambassador Tai:

We write to express our concern with restrictions by the Government of South Africa that deny U.S. pork products equitable and reasonable market access. We urge you raise these issues in your bilateral conversations with the South African Government and consider them as you conduct the ongoing African Growth and Opportunity Act (AGOA) annual review process. Further, as Congress considers renewal of AGOA, we stand ready to work with you to ensure the United States Trade Representative (USTR) has effective tools available to enforce equitable, science-based treatment for U.S. pork exports to South Africa.

For decades, South Africa has received preferential trade benefits under the U.S. Generalized System of Preferences (GSP) and AGOA programs. South Africa is our largest trading partner in Africa, and the United States is South Africa's second-largest export destination, with total two-way trade of $20.1 billion in 2023.[1] As you know, AGOA beneficiaries are required to provide "reasonable and equitable treatment" for U.S. exports.[2] Unfortunately, South Africa refuses to follow international standards on pork products or uphold market access commitments made during the 2015 AGOA reauthorization.

Among those unwarranted, non-scientific U.S. pork restrictions are a ban on imported offal, heat-treated or canned products, and casings; a requirement that lymph nodes be removed from shoulder cuts; trichinae-related freezing requirements; and limits on imported cuts over unfounded concerns related to Porcine Reproductive and Respiratory Syndrome and the pseudorabies virus.[3] These restrictions provide unreasonable and unequitable treatment of our exports.

As a result, and despite pork being an important source of protein in South Africa, the country imports very little pork from the United States – just 313 metric tons, valued at $718,000 in 2023. That represents less than 1.3% of total South African pork imports.[4]

South Africa must live up to its market access commitments and eliminate its non-tariff barriers to pork trade to continue enjoying the benefits of GSP and AGOA. We urge USTR to continue to

1 United States International Trade Commission DataWeb, Search on 3/25/24. https://dataweb.usitc.gov/
2 United States Congress, Trade Act of 1974, (Section. 502(c)(4)) https://www.govinfo.gov/content/pkg/COMPS-10384/pdf/COMPS-10384.pdf
3 The Office of the United States Trade Representative, "National Trade Estimate Report on Foreign Trade Barriers" (2023) p. 371 https://ustr.gov/sites/default/files/2023-03/2023%20NTE%20Report.pdf
4 United States Department of Agriculture Foreign Agricultural Service, Global Agricultural Trade System, Report generated on 2/7/24. https://apps.fas.usda.gov/gats/default.aspx

engage counterparts and utilize all tools available to ensure South Africa provides fair market access for U.S. pork, as outlined in AGOA. Thank you for your previous engagement on this matter and we look forward to continuing to work with you to address this issue.

Sincerely,

Gregory F. Murphy, M.D.
Member of Congress

Randy Feenstra
Member of Congress

Vern Buchanan
Member of Congress

Adrian Smith
Member of Congress

Mike Kelly
Member of Congress

Darin LaHood
Member of Congress

Brad R. Wenstrup, D.P.M.
Member of Congress

Kevin Hern
Member of Congress

Daniel T. Kildee
Member of Congress

Brian K. Fitzpatrick
Member of Congress

Claudia Tenney
Member of Congress

Michelle Fischbach
Member of Congress

Beth Van Duyne
Member of Congress

Mary E. Miller
Member of Congress

Donald G. Davis
Member of Congress

Don Bacon
Member of Congress

Mark Alford
Member of Congress

Wiley Nickel
Member of Congress

Ashley Hinson
Member of Congress

David Rouzer
Member of Congress

Larry Bucshon, M.D.
Member of Congress

Mariannette Miller-Meeks, M.D.
Member of Congress

Rudy Yakym III
Member of Congress

Ashley Hinson
Member of Congress

Richard Hudson
Member of Congress

Mike Bost
Member of Congress

Dusty Johnson
Member of Congress

James R. Baird
Member of Congress

Looking Beyond 2025 for Trade with Sub-Saharan Africa,
Haiti and Others

House Committee on Ways & Means
Subcommittee on Trade
Hearing Date: June 12, 2024

Bryan Riley
Director, Free Trade Initiative
National Taxpayers Union
Submission for the Record
June 26, 2024

I appreciate the opportunity to submit these comments on behalf of National Taxpayers Union (NTU), a non-partisan citizen group founded in 1969 to work for less burdensome taxes, more efficient, accountable government, and stronger rights for all taxpayers. More about our work as a non-profit grassroots organization is available at www.ntu.org.

Trade preference programs like the African Growth and Opportunity Act (AGOA) encourage mutually beneficial transactions between Americans and our trading partners. As an organization dedicated to the rights of taxpayers, NTU supports AGOA as an alternative to costly foreign aid programs.

AGOA supports people in African nations by encouraging mutually beneficial trade instead as an alternative to foreign aid programs. Reducing barriers to imports from beneficiary countries also encourages U.S. exports of agricultural products and other goods. This is especially important due to the failure of the United States to negotiate new market-opening free trade agreements in recent years.

NTU encourages long-term reauthorization of AGOA. We also urge Congress to improve the program to better promote U.S. interests and to reject proposals that would weaken AGOA.

Examples of how to get the most from AGOA include:

- Reauthorize AGOA on a permanent basis or, at a minimum, provide for a long-term extension. Shorter extensions create uncertainty that undermines the program's benefits. Two Senate bills, S.4110 and 2.2952, have been introduced that would extend the program through 2041 and 2045, respectively.

- Provide universal coverage so that all products from AGOA members are eligible for duty-free status. In 2023, fewer than one-third of U.S. imports from AGOA nations utilized the program.
- To determine AGOA product eligibility, allow countries to cumulate the value of content from the United States, countries that have free trade agreements with the United States, and countries that are eligible for trade preference programs. For example, based on a 35 percent AGOA rule of origin, an import from Kenya would qualify with 35 percent Kenyan content, but also with 35 percent of combined content originating from Kenya, the United States, our free trade partners, or other AGOA or Generalized System of Preferences countries. This would strengthen supply chains and increase the benefit of signing a free trade agreement with the United States.

These and other suggestions should not detract from the primary goal of providing for a long-term extension of AGOA. Ideally, reauthorizing AGOA would spark progress toward mutually beneficial zero-tariff trade agreements with Kenya and other African countries. NTU encourages Congress to reauthorize AGOA.

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