

**Testimony of H.E. Girma Birru, Ambassador of the Federal Democratic Republic  
of Ethiopia to the US and Co-chair of the AGOA Ambassadors Working Group**

Before the  
**United States International Trade Commission**

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**Honorable Irving Williamson,  
Chairman of the United States International Trade Commission  
Honorable Commissioners,  
Distinguished Guests,  
Ladies and Gentlemen,**

As co-chair of the AGOA Ambassadors Working Group in Washington DC, I am greatly honored to be invited to testify on issues relating to the African Growth and Opportunity Act (AGOA) and share my perspective as the Commission undertakes various investigations on this important topic. I appreciate the opportunity to express my views as I would be speaking on behalf of the African AGOA Ambassadors Group.

The AGOA Ambassadors Group is made up of Ambassadors of AGOA eligible countries and is primarily interested to engage with the US Administration and Congress to promote the US-Africa partnership in the context of AGOA for mutual benefit. The Ambassadors Group has been able to develop a coordinated and common position on the reauthorization of AGOA which has been accepted by African Ministers of Trade. Our recommendations have further been submitted to the relevant Administration and Congressional authorities.

The position of the Ambassadors Group will be submitted to the Commission in writing. In my statement today, I will discuss only the summary of it.

**Honorable Chairman,**

As the most significant legislative initiative, AGOA remains the central pillar of US-Africa trade and economic cooperation. AGOA embodies our joint aspiration that sub-Saharan African (SSA) countries become a full-fledged member of the global economy. The authors of the Act had envisaged that AGOA could create a meaningful opportunity for beneficiary countries in SSA to fundamentally change the structure of their economies. The expectation was that AGOA would become a catalyst for economic growth and free markets by way of providing market access to qualifying SSA countries. It was also believed that AGOA would help accelerate Africa's integration to global markets through trade and investment.

No one doubts that AGOA has made a significant impact on exports of SSA countries and has helped to generate jobs in both Africa and the US. Although energy-related exports constitute the major share of AGOA exports to US markets, products from the textile and apparel sector have also gained visibility and prominence in US-Africa trade. It is true that exports from Africa have not flooded the US market as many hoped they would when AGOA was enacted in 2000. That, however, does not mean AGOA has not offered a meaningful opportunity for eligible African countries to transform their economies.

The challenge is rather in the effective utilization of the opportunity AGOA offers. Very few countries made use of the opportunity due to supply side constraints, mostly having to do with the lack of infrastructural and institutional capacities. At this juncture, AGOA eligible countries have recognized that they need to address these supply-side constraints which have hindered the effective utilization of AGOA by developing a coordinated and strategic response at the national level. Upon the decision of our Ministers of Trade that each AGOA eligible country should develop its own national AGOA response strategy, many countries have begun to work on their own national strategies to ensure that the AGOA opportunity is better utilized. This exercise is based on the realization that mere reauthorization is not going to lead to any dramatic results

unless beneficiary countries change the way they do business. Through this strategic exercise, beneficiary countries are able to identify key supply side constraints that impede the performance of the export sector and suggest appropriate support programs and policy interventions to overcome them. Such a strategic approach, I believe, will also make it more convenient for the US to support African countries in this endeavor. During the 2013 AGOA Forum, the African Ministers of Trade have requested that the US consider developing an AGOA compact to help ensure that countries that are undertaking a serious exercise to increase their AGOA exports should be able to get enough support to undertake the required policy and program interventions needed to overcome supply side constraints. Countries that have developed their national strategies can sign a compact that would lay out a clear road map for overcoming capacity constraints. The Compact would also have a rigorous monitoring and evaluation framework that helps track the performance of each country in terms of utilizing the AGOA opportunity.

**Honorable Chairman,**

Without losing sight of the need for the seamless reauthorization of AGOA in a timely manner (about which we have strong reassurance both from the Congress and the Obama Administration), it will be very useful to have a discussion on how AGOA can be enhanced further. As African countries strive to improve the trading environment and build an industrial economy through trade and technology transfer, the enhanced AGOA that we envisage for the next decades should go beyond market access by strengthening technical assistance and capacity-building initiatives to African entrepreneurs and businesses. This may also include different types of incentive packages for US companies investing in non-extractive sectors in Africa, facilitating more business to business interaction.

Having raised this general observation, I would like to raise a couple of points for your considerations in the context of the investigations the Commission is undertaking. Specifically, I would like to say a few words on 1) the importance of the

role of AGOA in regional integration and 2) the issue of the relevance of the Economic Partnership Agreements (EPAs) of the European Union in the discussion of AGOA reauthorization.

**Honorable Chairman,**

As you very well know, Africa is the least integrated region in the world. The political, economic and geographic fragmentation of Africa has created a number of barriers to trade, investment and the operation of supply chains. As a result, Africa is the most expensive region with which to trade in the world. Intra-regional trade is the lowest in the world and has been cited as a crucial but often absent component of economic development in the SSA. Regional integration efforts are one way to improve these intra-African trade ties, and AGOA calls for expanding U.S. assistance to sub-Saharan Africa's regional integration efforts.

Understandably, some may express concern about the pace of economic integration in Africa. The eight Regional Economic Communities (RECs) of Africa which are the building blocks for integration have, for various reasons, demonstrated slow pace of integration which may have to do with prioritization of regional integration issues, proliferation of initiatives that leads to lack of harmonization of policies and activities, low level institutional mechanisms, poor infrastructural facilities etc.

There is, however, a need to recognize that economic integration will not happen overnight. Compared to similar exercises elsewhere, including that of the European Union, the pace of regional integration in Africa is still commendable. Although the process of integration has taken some time, Africa is committed to regional commercial and economic integration. In their annual summit in 2012, African Heads of State have decided that a Continental Free Trade Area should be created by 2017, bringing forward the date by 11 years, in a remarkable show of earnestness for faster regional integration. The decision also reflects the increased recognition that

the emergence of regional markets is central to Africa's integration into the global economy. Expected gains from greater economic integration for the continent include economies of scale as new markets open up, lower transaction costs and, more generally, a lower cost of doing business within the region. Regional integration should also help attract U.S. investors hoping to benefit from economies of scale because working with the entire region reduces transactions costs for U.S. exporters compared to having to deal with each member country separately.

AGOA has a critical role in Africa's integration efforts. Gradually, AGOA is adding momentum to regional integration by, among other things, helping promote regional value chains. To give a specific example, before Madagascar lost its illegibility, a typical example in the production of garment was that cotton was sourced from Zambia, fabrics from Lesotho and Mauritius, zippers from Swaziland and assembled in Madagascar. There is no question that similar types of cross-border value chains can be developed for many AGOA export products if proper regional strategy is put in place.

More empirical evidences could be cited that show the existence of strong consistency between AGOA and Africa's regional integration and that this is critical for the development and economic transformation of the continent. Reauthorizing AGOA would, therefore, promote regional integration by ensuring that the program continues to play a constructive economic role in supporting regional integration. In so doing, efforts should be made to include provisions reinforcing African efforts to meet its integration goals.

In this context, I would like to point out the imminent danger of introducing graduation provisions in AGOA. Such a measure would run against ongoing efforts to strengthen Africa's regional integration and boost intra-African trade. The issue of graduation at this stage of US-Africa partnership would be punitive and may be counter-productive to economic growth and regional integration in the SSA region. Furthermore, graduation would destroy industries at enormous economic and social costs to affected countries.

**Honorable Chairman,**

My other point has to do with the relevance of the European Union's Economic Partnership Agreements (EPAs) in the current discussion of the reauthorization of the AGOA Act. In light of economic improvements in the region, it has been observed that some are now calling for a greater focus on two-way trade in AGOA. Also since the European Union (EU) has concluded an Economic Partnership Agreement (EPA) with some countries that constitute the various African economic communities, there are calls to negotiate FTAs with African countries.

At the outset, I would like to emphasize that the discussion on the reauthorization of AGOA may not constitute an appropriate platform to discuss reciprocal trade or EPA type arrangements with the US. Secondly, I think it will not be prudent if we were to repeat the mistakes done with EPAs, which created a divisive environment that undermines Africa's regional integration by throwing an unnecessary spanner into the current wheels of regional integration. In my former capacity as Trade and Industry Minister of the Federal Democratic Republic of Ethiopia and party to the negotiations, I can attest to you that EPAs were not a success story. Currently, it is only South Africa that has a functioning preferential agreement with EU. This, I believe, should be considered as an exception and should be viewed in its own merit.

It should also be noted that negotiating reciprocal trade arrangements takes many years (it has taken over 10years in the case of the EPAs), and any suggestion that AGOA beneficiaries could negotiate and conclude an FTA with the US before the expiry of AGOA in September 2015 would be unrealistic. What would be prudent, in my humble opinion, is to delay any request for FTA until such a time as African countries have fastened the pace of regional integration by completing negotiations for a continental FTA and customs union. Premature negotiations would negatively affect the pace of regional integration.

**Honorable Chairman,**

Allow me to conclude by once again underscoring our strong belief in AGOA and our strategic partnership with the United States. Our message as representatives of the African Ambassadors Group is that there is a need to reauthorize AGOA in a timely fashion. In so doing it would be essential to make sure AGOA's full potential be realized and that caution should be taken not to infuse other initiatives with AGOA.

We believe very strongly that AGOA and what it stands for is fully ahead of us. Through AGOA we have been able to lay a strong foundation for the strategic US-Africa partnership over the last decade. Though it took some time, African businessmen and women have now began to understand the US market better and are planning for the long run. US Businesses are also increasingly looking towards Africa more than any time in the past.

If Africa can sustain its economic momentum of the last decade, it is very likely that it can follow on the footsteps of successful Asian countries. Therefore, if AGOA is to play its primary objective of helping African countries achieve sustainable economic transformation, AGOA should be extended for a period of 15 years. The Third Country Fabric provision should also be made inseparable from the lifespan of the reauthorized AGOA. We are asking for the reauthorization of AGOA on the basis of a partnership and in the hope that the very goals set for AGOA from the outset will be achieved.

**I Thank You!**