U.S. TRADE RELATIONS WITH SUB-SAHARAN AFRICA

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

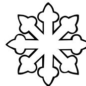
ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

FEBRUARY 3, 1999

Serial 106–64

Printed for the use of the Committee on Ways and Means



U.S. GOVERNMENT PRINTING OFFICE

66–044 CC WASHINGTON : 2000

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

COMMITTEE ON WAYS AND MEANS

BILL ARCHER, Texas, *Chairman*

PHILIP M. CRANE, Illinois
BILL THOMAS, California
E. CLAY SHAW, JR., Florida
NANCY L. JOHNSON, Connecticut
AMO HOUGHTON, New York
WALLY HERGER, California
JIM MCCRERY, Louisiana
DAVE CAMP, Michigan
JIM RAMSTAD, Minnesota
JIM NUSSLE, Iowa
SAM JOHNSON, Texas
JENNIFER DUNN, Washington
MAC COLLINS, Georgia
ROB PORTMAN, Ohio
PHILIP S. ENGLISH, Pennsylvania
WES WATKINS, Oklahoma
J.D. HAYWORTH, Arizona
JERRY WELLER, Illinois
KENNY HULSHOF, Missouri
SCOTT MCINNIS, Colorado
RON LEWIS, Kentucky
MARK FOLEY, Florida

CHARLES B. RANGEL, New York
FORTNEY PETE STARK, California
ROBERT T. MATSUI, California
WILLIAM J. COYNE, Pennsylvania
SANDER M. LEVIN, Michigan
BENJAMIN L. CARDIN, Maryland
JIM MCDERMOTT, Washington
GERALD D. KLECZKA, Wisconsin
JOHN LEWIS, Georgia
RICHARD E. NEAL, Massachusetts
MICHAEL R. MCNULTY, New York
WILLIAM J. JEFFERSON, Louisiana
JOHN S. TANNER, Tennessee
XAVIER BECERRA, California
KAREN L. THURMAN, Florida
LLOYD DOGGETT, Texas

A.L. SINGLETON, *Chief of Staff*
JANICE MAYS, *Minority Chief Counsel*

SUBCOMMITTEE ON TRADE

PHILIP M. CRANE, Illinois, *Chairman*

BILL THOMAS, California
E. CLAY SHAW, JR., Florida
AMO HOUGHTON, New York
DAVE CAMP, Michigan
JIM RAMSTAD, Minnesota
JENNIFER DUNN, Washington
WALLY HERGER, California
JIM NUSSLE, Iowa

SANDER M. LEVIN, Michigan
CHARLES B. RANGEL, New York
RICHARD E. NEAL, Massachusetts
MICHAEL R. MCNULTY, New York
WILLIAM J. JEFFERSON, Louisiana
XAVIER BECERRA, California

Pursuant to clause 2(e)(4) of Rule XI of the Rules of the House, public hearing records of the Committee on Ways and Means are also published in electronic form. **The printed hearing record remains the official version.** Because electronic submissions are used to prepare both printed and electronic versions of the hearing record, the process of converting between various electronic formats may introduce unintentional errors or omissions. Such occurrences are inherent in the current publication process and should diminish as the process is further refined.

CONTENTS

	Page
Advisories announcing the hearing	2

WITNESSES

U.S. Department of Commerce, Hon. William M. Daley, Secretary	21
U.S. International Trade Commission, Robert A. Rogowsky, Director	70

African Continental Telecommunications Limited, and Inner City Broadcasting Corporation, Hon. Percy E. Sutton	63
American Textile Manufacturers Institute, Carlos Moore	77
Cargill, Incorporated, Peter A. Kooi	54
Constituency for Africa, and Empower America, Hon. Jack Kemp	30
Enron International, Tim Rebhorn	59
Good Works International, LLC, Hon. Andrew Young	34
Gramm, Hon. Phil, a United States Senator from the State of Texas	8
Jackson, Hon. Jesse L., Jr., a Representative in Congress from the State of Illinois	9
Kmart Corporation, Dale J. Apley, Jr.	96
MAST Industries, Inc., Karen Fedorko	91
Mauritius, Republic of, His Excellency Chitmansing Jesseramsing, Ambassador	48
Senegal, Republic of, His Excellency Mamadou Mansour Seck, Ambassador	44
Uganda, Republic of, Hon. Amama Mbabazi, Minister of State for Foreign Affairs	40
Union of Needletrades, Industrial and Textile Employees, AFL–CIO, Mark Levinson	100

SUBMISSIONS FOR THE RECORD

African Coalition for Trade, Inc., Paul Ryberg, Jr., letter	110
Boeing Company, Arlington, VA, statement	116
Ferroalloys Association, statement	117
Footwear Industries of America, statement	119
International Mass Retail Association, Arlington, VA, statement and attachments	120
Luggage and Leather Goods Manufacturers of America, Inc., New York, NY, statement	124
National Cotton Council of America, Jack S. Hamilton, letter	126
National Retail Federation, statement	127
Neckwear Association of America, Inc., New York, NY, statement	131
Nilit America Corporation, Greensboro, NC, Mac Cheek, statement	132
United States Association of Importers of Textiles and Apparel, New York, NY, Laura E. Jones, statement and attachments	133

U.S. TRADE RELATIONS WITH SUB-SAHARAN AFRICA

WEDNESDAY, FEBRUARY 3, 1999

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

The Subcommittee met, pursuant to notice, at 9:52 a.m., in room 1100, Longworth House Office Building, Hon. Philip M. Crane (Chairman of the Subcommittee) presiding.

[The advisories announcing the hearing follow:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE CONTACT: (202) 225–1721
January 22, 1999
No. TR–1

Crane Announces Hearing on U.S. Trade Relations with Sub-Saharan Africa

Congressman Philip M. Crane (R–IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on U.S. trade relations with Sub-Saharan Africa. The hearing will take place on Wednesday, February 3, 1999, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m.

BACKGROUND:

Sub-Saharan Africa consists of 48 diverse countries, many of which have undergone significant political and economic change in recent years. Since 1990, more than 25 African nations have held democratic elections. At the same time, more than 30 countries have instituted programs to replace their centralized economies with free markets under the guidance of bilateral and multilateral donors such as the World Bank and the International Monetary Fund. Despite the fact that 33 countries in Sub-Saharan Africa are members of the World Trade Organization, U.S. trade with Sub-Saharan African countries remains low, relative to overall U.S. trade levels.

In 1994, Congress passed the Uruguay Round Agreements Act (P.L. 103–465), which required the President to submit five annual reports to Congress on the Administration's comprehensive trade and development policy for countries in Africa. On January 13, 1999, the President submitted his fourth report pursuant to this provision of law. The report describes the progress made in the implementation of the five components of the Administration's Partnership for Economic Growth and Opportunity in Africa: enhanced trade benefits to increase U.S.-African trade and investment flows; technical assistance; enhanced dialog with African countries; financing and debt relief; and continued U.S. leadership in multilateral fora to support private sector development, trade development, and institutional capacity building in African countries.

During the 105th Congress, the U.S. House of Representatives passed the African Growth and Opportunity Act, H.R. 1432, which would have authorized a new U.S. trade and investment policy toward Sub-Saharan Africa. The bill, which the Senate did not consider, called for the designation of countries in Sub-Saharan Africa pursuing market-based economic reform to participate in benefits of the bill. The legislation extended trade benefits under the Generalized System of Preferences (GSP) for countries eligible to participate in the Act, and would have authorized the President to grant duty-free treatment to non-import sensitive products from Africa currently excluded from the GSP program. In addition, the bill called for the creation of a United States-Sub-Saharan Africa Trade and Economic Cooperation Forum to provide a regular opportunity for the discussion of trade liberalization among the eligible countries. The bill also set as a policy objective the creation of a United States-Sub-Saharan Africa Free Trade Area. Furthermore, the bill would have restricted the imposition of quotas on textile and apparel products from Sub-Saharan African countries eligible to participate in the Act that adopt visa systems to guard against unlawful transshipment.

In announcing the hearing, Chairman Crane stated: "Last year, the House passed historic legislation to develop closer trade relations with countries in Sub-Saharan

Africa committed to democracy and market-based economic principles. Unfortunately, this legislation did not become law in the 105th Congress. I look forward to this opportunity to further explore how the African Growth and Opportunity Act, can promote mutually beneficial trade and investment opportunities between Africans and Americans.''

FOCUS OF THE HEARING:

Witnesses are expected to address ways that the United States could develop closer trade relations with the countries of Sub-Saharan Africa, including provisions proposed in the African Growth and Opportunity Act.

DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Traci Altman or Pete Davila at (202) 225–1721 no later than the close of business, Thursday, January 28, 1999. The telephone request should be followed by a formal written request to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The staff of the Subcommittee on Trade will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee on Trade staff at (202) 225-6649.

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether or not they are scheduled for oral testimony, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record, in accordance with House Rules.

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 200 copies, along with an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, of their prepared statement for review by Members prior to the hearing. Testimony should arrive at the Subcommittee on Trade office, room 1104 Longworth House Office Building, no later than Monday, February 1, 1999. Failure to do so may result in the witness being denied the opportunity to testify in person.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit six (6) single-spaced copies of their statement, along with an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, with their name, address, and hearing date noted on a label, by the close of business, Wednesday, February 3, 1999, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Trade office, room 1104 Longworth House Office Building, by close of business the day before the hearing.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit 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.

1. All statements and any accompanying exhibits for printing must be submitted on an IBM compatible 3.5-inch diskette in WordPerfect 5.1 format, typed in single space and may not ex-

ceed a total of 10 pages including attachments. Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, company, address, telephone and fax numbers where the witness or the designated representative may be reached. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press, and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at 'http://WWW.HOUSE.GOV/WAYS__MEANS/'.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

NOTICE—CHANGE IN TIME

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE CONTACT: (202) 225–6649
February 1, 1999
No. TR–1–Revised

Change in Time for Subcommittee Hearing on Wednesday, February 3, 1999, on the U.S. Trade Relations with Sub-Saharan Africa

Congressman Philip M. Crane (R–IL), Chairman of the Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee hearing on U.S. trade relations with Sub-Saharan Africa, previously scheduled for Wednesday, February 3, 1999, at 10:00 a.m., in the main Committee hearing room, 1100 Longworth House Office Building, will now begin at 9:45 a.m.

All other details for the hearing remain the same. (See Subcommittee press release No. TR–1, dated January 22, 1999.)

Chairman CRANE [presiding]. The Subcommittee on Trade will come to order. Today we'll hear testimony from a number of distinguished witnesses on U.S. trade relations with Sub-Saharan Africa. Yesterday I joined with over 60 of my colleagues, including Mr. Levin, Mr. Thomas, Mr. Rangel, Mr. Houghton, Mr. Neal, Mr. Ramstad, Mr. McNulty, Ms. Dunn, and Mr. Jefferson of the Trade Subcommittee in reintroducing the African Growth and Opportunity Act, H.R. 434. Last year this bipartisan legislation was passed by the House of Representatives, but was not taken up by the full Senate prior to adjournment. The delay in the enactment of this historic legislation has come at the expense not only of U.S. firms and workers who would benefit from increased access to the developing markets in the region, but also at the expense of the growing number of countries on the continent committed to free markets and democratic institutions. As a result, I believe that it is important for us to take action on this bill early in the 106th Congress in order to hasten its journey through the legislative process.

I now recognize Mr. Levin, the new Ranking Member of the Subcommittee, for an opening statement.

Mr. LEVIN. Thank you, Mr. Chairman. Thank you for convening this hearing on the African Growth and Opportunity Act. I am glad to join as cosponsor with you and with my friend and colleague Mr.

Rangel, as well as other Members of this Subcommittee, the Full Committee, and outside of the Committee.

This bill recognizes that in this era of economic globalization, the nature of trade relations has been changing. Developing economies have become increasingly involved in globalization. The nations of Sub-Saharan Africa must not be left behind. To help bring these countries into the global economy economic fold, however, we must do more than provide traditional development aid. While such aid is important, it must be complemented by strategies that foster growth and economic self-reliance. The African Growth and Opportunity Act recognizes that need and creates a partnership between the countries of Sub-Saharan Africa and the United States that will encourage both economic growth and democratic reform.

It is important that as developing economies increasingly participate in economic globalization, we are sensitive to the impact on American businesses and workers. Economic integration between developed and developing economies that usually have different capital and labor markets can have a profound impact on all countries. As developing economies move toward free market systems, we must take steps to ensure that the result is to raise the living standards of all the people in those nations as well as strengthening rather than undermining the living standards here in the United States.

Significantly, the bipartisan bill before us recognizes and addresses the link between labor and trade. It encourages the development of core labor standards in Sub-Saharan nations. Specifically, because the preferential trade provisions of this bill are based on the GSP statute in determining whether a country qualifies for expanded trade benefits under AGOA, the President must consider whether the country has or is "taking steps to afford internationally recognized worker rights to its workers."

Internationally recognized worker rights in turn are defined under the GSP statute to include the right of association, the right to organize and bargain collectively, a prohibition against any form of forced or compulsory labor, a minimum age for employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

I am encouraged that this bill includes these provisions, and would urge my colleagues that this approach be kept in mind as we in Congress and the Administration work to build a new consensus that will lead us to a revival of a bipartisan approach on the broader issues of trade. As we look beyond this bill, I look forward to working to developing this consensus.

We should also attempt in this spirit to work out differences over specific provisions regarding apparel and textiles. Last year the Senate adopted different provisions as we know, than the House, in consideration of the potential impact of increased trade with Sub-Saharan African nations on workers and businesses in the United States. I hope that we can meet early with the Senate to find common ground on this issue.

Mr. Chairman, if I might yield to our friend and colleague, the Ranking Member of the Full Committee, Mr. Rangel, who has been such a leader in this effort for any additional comments.

Mr. Rangel.

Mr. RANGEL. Thank you so much, Mr. Levin. Let me first thank Phil Crane for the leadership that he has provided in demonstrating the ability of the House to act in a bipartisan way if it's in the interests of the United States, and certainly in the interests of open trade. His leadership has been so helpful, as Congressman McDermott, and Jefferson, and Payne, and Royce, have worked together to put together this piece of legislation.

This is a unique piece of legislation because we have not told the countries that are to be affected what we want them to do, but we have asked them how can we be better friends, how can we be better partners. It is a good feeling to see the entire African diplomatic corps, with its Ambassadors who have worked with us, have testified in front of this Committee, who have been at press conferences, to see that this legislation is the beginning of a great trade relationship that should exist.

Let me thank Senator Gramm. I wish we can find more issues to be on the same side of, because in a fight, if we had to pick our team, I would want you on my side. You have been of tremendous assistance to us in helping us to understand the unique problems of your colleagues on the other side. I do hope that we will start early enough so that we can understand that compromise is not a dirty word, but we have to end up with an effective piece of legislation that set out to do what we want it to do.

I want to thank Andrew Young, who is here, a unique individual that has not only served in the civil rights field, but he has been a Member of Congress, an ambassador to the United Nations, a mayor of Atlanta. But in the private sector, he and Ron Brown have done so much in educating America as to the needs of this great continent and the countries that involve.

Of course I want to give a special thanks to a dear friend of mine, a neighbor of mine who was a successful politician, but more importantly, is a successful businessman. He will testify. His name is Percy Sutton. He comes from the village of Harlem, as I do. We share and talk about how we envied Speaker O'Neill when he went to Ireland, how we enjoyed vicariously when former Chairman Rostankowski went to Poland, and now we feel such a deep sense of pride when we go to Africa. So vicariously, this means a lot to Americans as well as to Africans.

This is an exciting piece of legislation. We have a lot of heavy lifting to do on the other side. But, Mr. Chairman, your leadership is historic. I am certain that all of us should remember this one day, because I am certain that at some point in time, all of us would be able to say that we played a part, no matter how small, no matter how big, in making this possible.

Jack Kemp, since leaving the Congress and leaving public service, has been an ambassador throughout this world. Your presence here enhances the ability of us to move forward in a bipartisan way.

Thank you, Mr. Chairman. Thank you, Mr. Levin.

[The opening statement of Hon. Jim Ramstad follows:]

Opening Statement of Hon. Jim Ramstad, a Representative in Congress from the State of Minnesota

Mr. Chairman thank you for calling this important hearing today to discuss U.S. trade with Sub-Saharan Africa.

During this hearing today, we will review legislation that you, I, and over 50 of our colleagues have cosponsored to create a new trade and investment policy for sub-Saharan Africa. I supported this legislation last Congress and I support it now because it is simply the right thing to do.

Since 1990, more than 25 African nations have held democratic elections. Over 30 have instituted programs to replace their centralized economies with free markets. We all know stronger economies contribute to social and political stability, and we must take steps to help secure that stability.

Increased investment and trade activity with the U.S. will improve the economic conditions of all the Sub-Saharan nations. And, as our Committee has heard in the past from African officials, they want this opportunity to industrialize their economies and facilitate technology transfers. They support the bill's efforts to encourage foreign investment and direct private sector involvement in further economic development in the region.

Mr. Peter Kooi, President of the World Grain Trading Group of Cargill, a privately-held agribusiness headquartered in my district and an active member of the Corporate Council on Africa, will be testifying before our committee today. In reading his written statement last night, I was impressed to learn of the extensive involvement of Cargill as a public corporate citizen in Africa to help bring about economic and political development in the region. Cargill exemplifies what we are trying to achieve with this legislation.

In addition, I was inspired by a sentence in his statement in which he says, "what Africa needs, and what the African Growth and Opportunity Act Passed by the House of Representatives last year begins to offer, is a partnership."

Mr. Kooi is correct. I am proud to be involved in the development of this partnership and look forward to enacting this critical legislation before us today.

Mr. Chairman, thanks again for calling this hearing. I look forward to the testimony of today's witnesses and learning more developing that partnership with the nations of Sub-Saharan Africa.

Chairman CRANE. Thank you, Charlie. We have a whole list of witnesses to testify before us today. Unfortunately there are time constraints associated with our hearing, which will be followed by our Subcommittee markup of the bill later, this afternoon after lunch.

Accordingly, I must inform all of our witnesses that we'll have to strictly enforce the 5-minute rule on oral presentations. Your written statements though will be made a part of the permanent record.

Now I would like to introduce our first panel. The Honorable Phil Gramm, who has been referred to by my good friend Charlie Rangel, chairman of the Senate Banking Committee, who as I understand Charlie's remarks, will translate the bill to the Senate. Is that correct?

Senator GRAMM. Yes, that's right.

Chairman CRANE. Very good. And also Hon. Jesse Jackson, from my home State of Illinois.

STATEMENT OF HON. PHIL GRAMM, A UNITED STATES SENATOR FROM THE STATE OF TEXAS

Senator GRAMM. Mr. Chairman, first of all, thank you, and Charlie, thank you, for your kind comments. I want to thank you, Mr. Chairman, for your steadfast support for free trade over the years. I want to try to keep my remarks brief.

I have often found myself as a conservative when we have been voting on foreign aid bills, realizing that most of the money we're spending is going to go to promote crony capitalism or socialism or programs that don't work. I have often wished we could find a way

to really help people. I think in the African Growth and Opportunity Act—it sounds like Jack Kemp named the bill—we have a way to help people through trade.

The points I would like to make are pretty simple. No. 1, this is a very modest bill. All of Sub-Saharan Africa combined sells America about .67 percent of the textiles that we buy around the world. If you look at the estimates by the ITC, they estimate that in all probability the opening up of trade as proposed by the President will probably mean that in the end, still maybe less than 1 percent of textile imports will come from Sub-Saharan Africa.

The opposition to the bill has come principally from textile interests. Americans today on average pay $700 a family more for clothing than they would pay if we had free trade in textiles. No other industry in America is more protected. This is direct and clear theft in literally taking the clothes off the backs of working people. The fear that is raised by those who oppose the bill is that Africans might actually produce clothing that is cheaper or better, and Americans might actually buy it. My response to that is what is wrong with that?

In the Senate, we had a provision added to the bill that required that the textiles that would come under the provisions of this bill would have to be made out of U.S. fabric, made from U.S. yarn. The point I want to be sure that everybody understands is that that kills this bill. There is no way that Africa, as non-competitive as it is in the very early stages of economic development, where you have got 750 million people, you have got per capita income of below $500 per person, there is no way if we have got to ship cloth and thread to Africa and use it in order for them to produce something to sell on our market that they can or will be competitive.

So the Senate provision kills this bill. You can not be for this bill and be for that provision. So I hope the House will pass this bill again. I think the strongest force we should have in this debate is shame. People ought to be ashamed to be against this bill. The President went to Africa, took a lot of pictures, made a lot of promises. He came back, and quite frankly, he ought to be ashamed that he and his administration have not done more to promote this bill. Where is he standing up, speaking out for this bill?

Second, for those who are trying to prevent this bill from working so that imports of textiles from Africa don't grow from .67 percent to 1 percent, it seems to me that that is totally unjustified. This is one of those issues where 750 million human beings are involved, where we ought to just say no to special interests.

So I don't see any potential for a compromise on this provision. I hope you can pass the bill. I believe in conference if you do, that we can have conferees from the Senate Finance Committee that will drop the Senate provision. But if you don't drop the provision, you kill the bill. That is really my message, Mr. Chairman.

Chairman CRANE. Thank you.

Mr. Jackson.

STATEMENT OF HON. JESSE L. JACKSON, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. JACKSON. Mr. Chairman, Mr. Crane, Ranking Subcommittee Member Mr. Levin, and Full Committee Ranking Member Mr. Ran-

gel, Members of the Subcommittee, thank you for this opportunity to discuss a new U.S. trade and economic development policy.

Before I begin with my remarks, let me first begin by offering, which is quite uncustomary for me, an apology to Mr. Rangel and to other Members of the Subcommittee who have been working diligently to establish a new policy with Sub-Saharan Africa. It is not my intention to engage, as I have been accused, in a misinformation campaign. I am not necessarily against the African Growth and Opportunity Act, but I am certainly for the HOPE for Africa Act, which I respectfully submit for your review and for the record in my entire statement, along with some related charts and graphs.

The acronym HOPE stands for human rights, opportunity, partnership, and empowerment, the moral, legal and developmental and humane principles underlying my bill. Last year when the African Growth and Opportunity Act of 1998 came before the Congress, the only option Members had was to vote for or against it. The two options were either to support that bill or support no bill at all. In reality, many of us were left with no option. We decided to create a third way.

A broad-based group of African and U.S. citizens groups, church, labor, development, anti-hunger, and NGO's, have worked hard over the past several months to put together an alternative bill so that Members who do not support the African Growth and Opportunity Act have the option to choose and be for another bill.

My legislation has a single aim, providing the policy and programs that would promote and support sovereign, equitable, and sustainable African development so that the needs of African people and the American people can be met. This proposal contains the policy initiatives that prove to be a subject of absolute consensus among the African economists, development and trade experts, and others with whom we work. No. 1, debt cancellation. No. 2, African sovereignty to choose economic policies. No. 3, sustainable economic opportunities. No. 4, the restoration of equal treatment for Africa concerning U.S. foreign aid.

Let me first begin with debt relief, quickly. First and foremost, the HOPE for Africa Act seeks to eliminate the greatest obstacle to the realization of Africa's enormous economic potential and serves as the greatest barrier to American opportunity in Sub-Saharan Africa, the region's $230 billion external debt. Sub-Saharan Africa, especially her poorest people, are inordinately burdened with this $230 billion debt, whose service requirements now take up 20 percent of the export earnings of the Sub-Saharan African region, minus South Africa.

Bilateral and multilateral debt burdens of Sub-Saharan Africa constitute a serious impediment to private sector development, stable democratic political structures, broad-based economic growth, poverty eradication, the expansion of small and women-owned businesses, food security, agricultural development, aid at feeding the continent's people, environmental sustainability, and regional integration. Any policy for Africa and development that is intended to benefit Africa must be premised on unconditional debt cancellation.

The history of U.S. cancellation of debt includes reversal of the U.S. demand that Germany pay 10 percent of its post-World War II export earnings to recover debts owed prior to the war. Germany

successfully negotiated for a rate which resulted in annual payments of less than 3.5 percent of export earnings. Currently, Mozambique, one of the world's poorest countries, pays over 20 percent of export earnings in debt service. To require African nations to compete in a global economy burdened with this debt is like throwing a person into the deep end of the pool with a ton of weights chained to their ankles.

Second, self-determination. The HOPE for Africa Act is premised on the goals developed by African finance ministers, in cooperation with the Organization for African Unity. Thus, the HOPE for Africa Act states a new U.S. policy toward Africa based on the recognition that economic development must be measured by the well-being of the majority of the people and oriented toward following those goals.

Strengthening diversity of Africa's economic production capacity, improving the level of people's income and pattern of distribution, adjusting the pattern of public expenditure to satisfy people's essential needs, providing, Mr. Crane, essential and institutional support for transition through debt relief.

Let me just conclude, Mr. Chairman, that my bill also adds and restores the 1994 levels of this Congress of $802 million in vital foreign aid to Sub-Saharan Africa. In conclusion, President Clinton's State of the Union address, he said we must create a freer and fairer trading system for the 21st century. Trade has divided Americans too long. We must find a common ground on which business, workers, environmentalists, farmers, and government can stand together. We must tear down barriers, the President said, open markets and expand trade.

At the same time, we must ensure that ordinary citizens in all countries benefit from trade, trade that promotes the dignity of work, the rights of workers, the protection of the environment. I agree and think that the HOPE for Africa Act of 1999 comes closest to achieving these goals. The policy regarding Africa that Congress sets now will deeply affect the economic future of the continent and thus, the future of the African people for the next hundred or so years. With such high stakes, it is vital that we get the initial policy right. It is with this in mind that I will submit my legislation, which has broad-based support from African and U.S. development, trade and economic experts, and also the organizations in Africa and the United States, representing the interests of the majority of people who we believe will be affected.

Thank you, Mr. Chairman.

[The prepared statement follows:]

[Attachments are being retained in the Committee files.]

Statement of Hon. Jesse L. Jackson, Jr., a Representative in Congress from the State of Illinois

Chairman, Mr. Crane; Ranking Subcommittee Member, Mr. Levin; Full Committee Ranking Member, Mr. Rangel; members of the subcommittee; thank you for this opportunity to discuss a new U.S./Africa trade and economic development policy.

I respectfully submit for your review and for the record my entire statement, along with some related charts and graphs, and a summary of a bill that I will introduce shortly called "The HOPE for Africa Act of 1999." The HOPE acronym stands for Human Rights, Opportunity, Partnership and Empowerment and outlines the principles upon which the bill will be based.

I am here today to state my support for legislation that would promote and support sovereign, equitable, sustainable African development, a goal which is in the mutual interest of the people of the United States and Africa. Such legislation would provide policies aimed at meeting the needs of the broad majority of African and American people.

Because I seek legislation on Africa that meets these goals I strongly oppose the legislation being considered by the committee today which has been mis-named the "African Growth and Opportunity Act." I agree with the sentiment expressed to this Congress last year by an ad hoc coalition of prominent African American leaders: it is better for Africa to have no bill at all than to have this bill pass. But happily, these are no longer our only two options.

Today I am pleased to announce that I am introducing legislation on Africa that meets the central pro-Africa goals of equitable, sustainable development and respect for African self-determination.

My legislation, the Human Rights, Opportunity, Partnership and Empowerment for Africa Act—the "HOPE for Africa Act"—has been developed over the past six months in consultation with African and U.S. citizens groups—church, labor, development, anti-hunger and more—as well as U.S. and African economists and trade specialists. This legislation focusses on policies that will be mutually beneficial for most people in Africa and in the United States.

Many of the original participants in the Clinton Administration's 1995 "dialogue" on Africa, such as Coalition for Black Trade Unionists President Bill Lucy and Professor Ron Walters support this legislation—because it furthers the goals discussed in that dialogue—and oppose the African Growth and Opportunity Act which undermines those goals. Last year, opponents of the African Growth and Opportunity Act tried to work with the Administration and the Act's authors to modify that legislation to encompass the concerns and goals set forth in this testimony. Such attempts were rebuffed. Even floor amendments by my colleagues Rep. Waters and Rush were opposed by the bill's authors.

Thus, I am now offering the HOPE for Africa Act because it would be immoral and wrong for the U.S. Congress to promote policies of either paternalism or colonialism toward Africa.

Over the past 30 years, many African nations have overcome decades of imperialism by declaring independence from their European colonial status. We must not now reverse that progress by imposing an economic neo-colonialism of U.S. corporations and speculators. Yet the African Growth and Opportunity Act would mandate numerous policies that would foster just this result.

We must respect the sovereignty of African nations, not treat them with paternalism. Yet the African Growth and Opportunity Act is the embodiment of paternalism: it imposes conditionalities designed to shape African economies to the benefit of U.S. business interests.

Contempt for African economic self-determination defines this legislation—a posture most clearly exemplified by the Act's declaration that not one shred of its so-called benefits shall be conferred upon any African nation until that nation submits to U.S. imposed terms for how it shall run its economic, legal and social systems. We treat no other region of the world in this fashion.

The HOPE for Africa Act, conversely, is focussed entirely on those policies that will promote the sovereign economic development of the African nations. On whom have we relied to determine what policies would accomplish this end? We have drawn directly from the policies developed by the Finance Ministers of the Sub-Saharan African countries in cooperation with the Organization for African Unity.

Thus, first and foremost, the HOPE for Africa Act seeks to eliminate the greatest obstacle to the realization of Africa's enormous economic potential: the region's $230 billion in external debt. Sub-Saharan Africa, especially her poorest people, are inordinately burdened by this $230 billion debt whose service requirements now take over 20% of the export earnings of the SSA region (minus South Africa). Bilateral and multilateral debt burdens of Sub-Sahara Africa constitute a serious impediment to private-sector development, stable democratic political structures, broad-based economic growth, poverty eradication, the expansion of small and women-owned businesses, food security, agricultural development aimed at feeding the continent's people, environmental sustainability, and regional integration. Any policy for development in Africa that is intended to benefit Africa must be premised on unconditional debt cancellation. The history of U.S. cancellation of debt includes reversal of the U.S. demand that Germany pay 10% of its post-World War II export earnings to recover debts owed prior to the war. Germany successfully negotiated for a rate which resulted in annual payments of less than 3.5% of export earnings. Currently Mozambique, one of the world's poorest countries, pays over 20% of export earnings in debt service. To require African nations to compete in the global economy bur-

dened with this debt is like throwing a person into the deep end of a pool with a ton of lead weights chained to their ankles.

I was pleased by last week's announcement that the Clinton Administration's budget will include funds to forgive—by paying off—some of this debt. However, as we all know, the Administration's budget serves as a political document announcing the Administration's interests and goals. It is the lengthy congressional budget process that will actually create the nation's budget.

We have sufficient experience with these matters to know what will likely happen to the Administration's fine demands for African debt relief in the hands of a Republican majority Congress. In light of this reality, it is entirely unacceptable to separate debt relief from the trade and economic provisions of an African policy. The likely outcome of this two-track approach is painfully clear: the economic and trade provisions benefiting U.S. business interests will pass and the debt relief that is the pre-condition for a successful African economic future will not.

Indeed, the Clinton Administration has prioritized the passage of the trade and economic provisions, as written, above all else. When the point has been raised that debt relief measures are an essential component of any pro-Africa policy, the Administration has answered that adding debt or aid language would undermine the political viability of the bill. Yet, if the strength of Republican opposition to debt relief is as strong as the Administration suggests, then it is obvious that separate debt relief provisions have no hope of passage. Indeed, the only viable approach is to include debt relief in African legislation, making debt relief the "price" for the trade and economic provisions sought by the Republican majority.

1. The Need for a New Approach to U.S.-Africa Policy

The countries of Sub-Sahara Africa form a region of tremendous human creativity, vast natural and cultural wealth, enormous economic potential and enduring political significance, yet over the past decades, the standard of living for most Africans has been declining.

Indeed, Africa is the only continent where economic production per person has declined throughout the last two decades. The per capita income for Sub-Sahara Africa averages less than $500 annually and per capita income fell from $752 in 1980 when the neoliberal development model was initially imposed on numerous African countries to $613 in 1988 (in constant 1980 U.S. dollars). In 1996, 20 Sub-Saharan African countries were still below their per capita incomes of 20 years ago. Indeed, the World Bank reports that in Sub-Sahara Africa wages have not grown since 1970 and in the last decade alone family incomes have fallen by a third and the number of African families unable to meet their basic needs doubled.

Africa has the largest number of the poorest countries in the world. Thirty-Three of the 41 Highly Indebted Poor Countries (HIPC) are located in Sub-Sahara Africa. Indeed, fifty percent of Africans live below the poverty line, 40% living on less than $1 per day. And 40% of Africans suffer from malnutrition and hunger, while one in five children in Africa die before the age of five. Many Sub-Sahara African countries are suffering from epidemics of AIDS, tuberculosis, malaria and other diseases, many of which are treatable or preventable with existing pharmaceutical and medical treatments;

Africa's wealth in natural resources, oil, and minerals is immense. However, current development and economic models based on their export have denied the majority of African people any benefits from this vast wealth. Current large scale development projects have not been designed in a fashion that produces benefits to most Africans. For instance, oil and mining projects such as Sierra Rutile and Terebebe have not benefitted most Africans economically and have caused severe environmental damage and led to conflicts with local communities.

There is ample evidence that one significant cause of this deterioration is the one-size-fits-all imposition of so-called Structural Adjustment policies mandated by institutions such as the International Monetary Fund (IMF.) In the past Congress, even many Members who supported increasing the U.S. contribution to the IMF agreed that IMF policies, such as requirements to cut domestic education, health and other core social services, have devastating effects on the populations of affected countries. The same critique was applied to IMF policies that foster speculation, promote wild currency fluctuations and extend rights to foreign investors to acquire control of nations' mineral, oil and other natural wealth at fire-sale prices. Also criticized were IMF policies which mandate cuts in corporate taxes and require privatization through divestiture of public assets services—such as telephone, banking, ports, mines, oil fields and more.

During the period of income decline in Africa, the IMF, the World Bank and other international lending institutions and aid agencies have forced African nations to

adhere to "structural adjustment programs." These programs orient economies toward export production, placing downward pressure on wages, encouraging unsustainable resource exploitation and undermining food security. They lead to major reductions in government spending, including in the crucial areas of education, healthcare and environmental protection; and they particularly harm women, who are most severely hurt by the elimination of the social safety net and the policy's neglect of small and domestically oriented farmers. Many such farm policies, such as substitution of export crops for staple food production, use of chemical fertilizers, hybrid seeds and other products, have resulted in damage to local farmers and agriculture and loss of food security.

These so-called structural adjustment programs impose a deregulatory and trade liberalization agenda that removes crucial government protections for society and leaves local business vulnerable to foreign multinationals; and they encourage wage cuts, including in the minimum wage, weakening of labor laws and labor rights, and government and private sector employment cuts. Structural adjustment programs force recessionary policies that most seriously victimize the poor; and they tend to exacerbate income and wealth inequalities and undermine basic well being as measured by access to food, shelter, medical services, and a sustainable livelihood, even when traditional economic indicators show economic growth.

Moreover, even pro-corporate entities like the Organization for Economic Cooperation and Development have criticized recent trade regimes, such as the World Trade Organization and its Uruguay Round GATT rules, as contrary to the interests of African countries. Both the IMF and WTO require changes in agriculture policy that undermine food security. The policies mandate the replacement of domestic food crops with non-staple crops for export—so that nations can earn the hard currency necessary to service external debt.

During the last Congress, as legislators and policy analysts looked beyond the name "African Growth and Opportunity Act" to study the legislation's binding provisions, we realized that the bill will intensify precisely the programs and policies of the IMF and WTO described above—programs which have already had destructive effects in Sub-Sahara Africa. It is these core provisions of the Africa Growth and Opportunity Act that led me to call the bill the African Recolonization Act and others to dub it "Lethal Medicine for Africa." Indeed, the trade press now calls the bill "NAFTA for Africa," because it so closely follows the NAFTA model which has done great damage to Mexico.

Indeed, it was friends in Africa who first warned us of the bill's dangers. They noted that the Africa Growth and Opportunity Act, though wrapped in rhetoric about helping Africa, is explicitly designed to secure U.S. corporate interests at the expense of the interests and needs of the majority of African people and at the expense of African nations' sovereignty.

These concerns were substantiated when we discovered the membership of the coalition promoting the bill. The so-called "African Growth and Opportunity Act, Inc." is comprised of U.S.-based oil and other multinational corporations, many of whom already suffer infamous reputations in Africa for their heinous human rights and environmental practices (and in some cases in the U.S. for their civil rights violations and union bashing). Africa Inc.'s advisory board includes the likes of Chester Crocker. The Members of the Committee will remember Mr. Crocker as the architect of the Reagan Administration's shameful "constructive engagement" policy with South Africa—a policy that helped prop up the vicious Apartheid regime while South Africa's rightful leaders languished in jail.

On the issue of who supports and opposes this legislation, much has been made of the official support of the Washington African Ambassadorial corp. Indeed, after South African President Nelson Mandela opposed the bill in a press conference standing next to President Clinton, South African Ambassador San sent a letter to Congress saying he supported the bill. Yet, in private, these Washington Ambassadors have repeatedly told my colleagues that their support for the bill was based on the understanding that failure to support the bill would be considered a slight to the U.S. government and that the only option was this bill or no attention to African at all.

With the introduction of my legislation, the choice will no longer be one between the devil and the deep blue sea. Indeed, Geneva-based African ambassadors who deal daily with the WTO—and with the other institutions whose good offices the bill imposes on Africa—have been among the critics of the Africa Growth and Opportunity Act. These officials had input into the development of my legislation through NGOs in their countries. For instance, the Africa Trade Network, representing 50 groups from across Africa—from South Africa's massive COSATU labor federation to small church, women's and anti-hunger groups throughout the continent—strong-

ly opposes the African Growth and Opportunity Act and has participated in the design of my legislation.

2. Grounds for Opposing the African Growth and Opportunity Act

I am attaching to my testimony a detailed analysis of the Africa Growth and Opportunity Act prepared by TransAfrica. In sum the bill's core provisions include:

A. *Imposition of Harsh U.S. Conditions; Access for U.S. Corporations:* The U.S. president must annually certify that African countries are meeting a U.S.-imposed set of conditions "favorable" to foreign investment and trade. The conditions, which must be met for an African country to qualify for programs or benefits under the bill, include the entire neo-liberal IMF-style economic program which has already devastated those African, Asian and Latin American countries on which it has been imposed. Among other provisions, this includes:

- Cutting domestic spending (health, education, welfare)
- Cutting corporate taxes
- Ending agriculture subsidies (vital for food security)
- Compliance with harsh IMF terms which mandate debt payment as the primary national goal
- Opening all sectors for foreign investment (thus giving up control of vital resources, including, for example, mineral wealth)
- Joining the World Trade Organization (WTO)
- Privatization of public assets, such as phone, electric services, timber lands, mines and more

B. *No Real Benefits for Africa:* The main so-called benefit of the African Growth and Opportunity Act is additional access into the U.S. market for textiles and apparel. This is a cruel hoax, because under global trade rules, all textile and apparel quotas end in 2004 with the phase out of the MultiFiber Arrangement, at which point there will be, for all practical purposes, only one country involved in that sector—China. Even in the interim, the bill's textile provisions would allow Chinese-made textiles and apparel to be trans-shipped through Africa, and considered "African," even if no work is done by, and no benefit accrues to, anyone in Africa.

The other benefit provided in the bill is allowing all African countries to get the "least developed country" (LDC) benefits of an existing trade program for developing countries called GSP (Generalized System of Preferences.) However, most of the Sub-Saharan countries already have been designated as qualifying for the LDC treatment.

Also listed in the bill as "benefits" for Africa are a series of items the Clinton Administration can do (and is doing) without legislation, including: a Africa-U.S. summit (set for March 1999), appointment of a special trade representative for Africa (done in 1998), designation of existing Import-Export Bank and Overseas Private Investment corporation resources for Africa (can be done by executive order), broader targeting of US Agency for International Development resources.

C. *Policies Demanded by Africans Left Out of the Bill:* Missing from the bill is any mention of the four items that all African nations and Africa policy advocates agree are the basis for sovereign and sustainable development: debt relief, sovereignty to choose economic and social policy, fair trade and investment rules, and aid to overcome the damage done by rich countries' through their past exploitation of the continent.

3. The Hope for Africa Act: A Forward-Looking Approach

My legislation, developed through input from and dialogue with African and U.S. civic society groups, has a single aim: providing the policy and programs that would promote and support sovereign, equitable, sustainable African development so that the needs of the African people and the American people can be met.

Our proposal contains the policy initiatives that proved to be a subject of absolute consensus among the African economists, development and trade experts and others with whom we worked:

- Debt Cancellation
- African Sovereignty to Chose Economic Policies
- Sustainable Economic Opportunities
- Restoration of Equal Treatment for Africa Concerning Foreign Aid

I have attached a thorough summary of the provisions of my bill. But in brief, my bill includes:

A. *Debt Relief*: African business development is not possible with 20% of all African export earnings now going into debt payment and no local credit markets possible. This is debt that has been repaid many times over, but with compound interest and new loans to pay the interest of old loans, this debt will never be "officially"

satisfied. This debt must be wiped clean, a demand of the worldwide religious Jubilee 2000 campaign.

Thus, the HOPE for Africa Act calls for full cancellation of African foreign debt, starting with the relatively small debt owed the U.S. government and covering IMF, World Bank and private sector loans. Effectively, what needs to be done is to pay off the principle of the loans at the often 5 cents on the dollar value at which such debt is market valued. Getting rid of the principle terminates the chains of everlasting interest payments on the high book value (versus the significantly less market value) of the loans. The HOPE for Africa Act also includes enactment of a cap on future debt payments so that no African country shall pay an amount exceeding 5 percent of its annual export earnings toward the servicing of foreign loans, which is the agreement built into the Marshall Plan for debt-burdened Europe after World War II.

B. *African Economic Self Determination*: The HOPE for Africa Act is premised on the goals developed by African Finance Ministers in cooperation with the Organization for African Unity. Thus, the HOPE for Africa Act states a new U.S. policy toward Africa, based on the recognition that economic development must be measured by the well-being of the majority of people, and oriented toward the following goals:

- Strengthening and diversifying Africa's economic production capacity;
- Improving the level of people's incomes and the pattern of distribution;
- Adjusting the pattern of public expenditures to satisfy people's essential needs;
- Providing institutional support for transition through debt relief;
- Supporting sustainable development; and
- Promoting democracy, human rights and the strength of civil society.

A key principle underlying these goals, and as specifically set forth by African finance Ministers in, for instance, the Lagos Plan, is freedom for each African country to self-determine what economic policies suit the needs to their people and development. Top goals of the Lagos Plan are: food self-sufficiency and security, potable water, shelter, primary health care, education and affordable transport.

C. *Trade and Investment Rules to Benefit People:* The HOPE for Africa Act grants new access to the U.S. market for a broad range of goods produced in Africa, by Africans, and includes safeguards to ensure that the corporations manufacturing these goods respect the rights of their employees and the local environment.

The Act grants African countries quota-free, duty-free market access for all goods listed under the Lome Treaty in which the U.S. is not a competing producer—these goods include a variety of minerals, tropical oils, and processed foods among other products.

The Act transfers to African countries as much of China's textile and apparel quota as these countries can fill, with strong protections to ensure that imports from Africa are not merely transshipped from other points of origin. The Act extends existing benefits enjoyed by African nations under the Generalized System of Preferences (GSP), through 2002, eliminating the need to renew these benefits in each of the intervening years and avoiding the consequent delays.

The Act is designed to ensure that African businesses and workers benefit from the new grants of duty-free access to the U.S. market. In order to achieve these ends, the Act requires that: All corporations benefiting from new duty-free market access have majority African ownership, employ at least 80% African workers and generate at least 60% of their products' value added in Africa; All such corporations respect internationally recognized labor rights, including the right to organize, and refrain from any use of child, forced, indentured or slave labor; And all such corporations that involve a joint-venture arrangement with a firm based in the U.S., the E.U. or Japan comply with the environmental standards that would apply to a similar operation in that firm's home country. As well, all countries seeking new duty-free access comply with the core labor standards enumerated in the International Labor Organization treaties that many African nations have adopted. Finally, the bill would extend GSP status for Sub-Saharan African countries through 2002, as does the African Growth and Opportunity Act.

D. *Foreign Aid and Assistance Programs:* The HOPE for Africa Act would restore Africa's budget line item, for foreign aid, with a set guaranteed amount of aid not to decline below 1994 levels. This would restore parity for Africa with U.S. foreign aid treatment to other vital regions.

The HOPE for Africa Act bill would increase, over the paltry sum offered in the African Growth and Opportunity Act, funding for the US Agency for International Development. However, the HOPE for Africa Act would re-allocate these funds in support of the Lagos Plan guidelines for social investment (rather than aimed at implementing the IMF's policies as is their use in the African Growth and Opportunity Act.) This includes set percentages for Microcredit projects; projects to provide basic health, education, transportation services to local populations; and agriculture

projects promoting food security, development of sustainable, low input farming methods for staple crops.

E. *Business Facilitation*: The Act provides for the targeted use of $650 million in existing Overseas Private Investment Corporation (OPIC) funding for the following purposes: $500 million to create infrastructure funds that will support projects on basic health services, potable water, sanitation, schools, rural electrification and accessible transportation and $150 million for sustainable development projects.

Decisional boards will be created to oversee these new OPIC funds and also designated Ex-Im Bank financing targeted to Sub-Sahara Africa. Such decisional boards shall have majority private sector membership emphasizing individuals with expertise in human rights, labor rights, the environment and development. Board meetings will be public. Seventy percent of trade financing provided by the Ex-Im bank, and 70% of investment insurance provided by OPIC, will be allocated to small, women and minority-owned businesses with at least 60% African ownership. Fifty percent of funds for energy projects will be used for renewable and/or alternative energy development; environmental impact assessments will be conducted and made public wherever relevant.

F. *Review Process*: The Act requires the President, three years after enactment, to give notice for public comment on the implementation results, successes and failure of the legislation—such comments to be made publicly available and submitted in whole to the U.S. Congress.

CONCLUSION

The policies regarding Africa that the Congress sets now will deeply effect the economic future of the continent and, thus, the future of the African people. With such high stakes, it is vital that we get the initial policy right. It is with this in mind that I will submit my legislation, which has the broad-based support of African and U.S. development, trade and economic experts and also organizations in Africa and the U.S., representing the interests of the majority of the people who will be effected.

Chairman CRANE. Thank you.

Mr. Levin.

Mr. LEVIN. Thank you. Well, welcome to both of you, Senator Gramm, the distinguished colleague of a friend of mine. Mr. Jackson, I am glad that you are here. Your testimony helps to kick off what I hope will be a wide scale discussion within the Congress and with the administration as to overall trade policy.

Let me just say a couple of things quickly because we do need to move on, but your testimony is important. First of all, I support this bill. I do think it is very much a step in the right direction. It isn't all the answer to relationships with Africa or with its development.

Senator Gramm, I do think we have to work hard to work out the provisions regarding textile and apparel. I must say to simply label those who are concerned about the impact on the textile and apparel industry as special interests, I'm not sure that moves us very far because every interest in that sense is a special interest. My own judgment is that the impact would be minimal. There are provisions in the bill that in essence address issues like labor market issues, and perhaps also capital market issues.

I am optimistic that we can work out with your help the differences between the Senate and the House, and pass this legislation.

To my friend, Congressman Jackson, I think you are right that debt relief is an important part of the picture, but we need to consider whether in addressing all the problems, in addressing problems, we have to tackle them all in one package. We don't have ju-

risdiction, this Subcommittee or in the Full Committee, over your proposal for full debt relief. It is a complicated issue, as you know. Examples can be set if we provide debt relief fully in one area as to what we might do in other areas.

I think the thrust of this bill is that trade is a vital piece of the picture as well as economic assistance. I was once in AID as an assistant administrator. Senator Gramm, I don't think all the money went to capitalistic cronies and the like. There were some important features of our assistance program with the development assistance with Africa that were steps in the right direction. I agree with you, there were problems in other areas, substantial problems. These economies need to reform toward a full-market economy for them to use effectively development assistance.

So I think you present kind of two ends of the spectrum here. I hope that what we can do is find the common ground on this bill and then move onto other broader trade bills and see if we can meet a consensus to move ahead legislation.

Senator GRAMM. Could I just respond very briefly? The provision that was in the Senate bill in the Finance Committee never got to the floor. We might have knocked it out on the floor. But if you've got to ship American cloth to Africa, and you have to sew it with American thread, the reality is we are claiming that we are doing something, but we're not doing it.

There is nothing wrong with special interests. So far as I know, I am the only spokesman for public interest in Washington. I am always suspicious of anybody else who claims it. But I do believe, that what happened here is that the textile lobby saw this as a tiny little thing, but sort of a principle they were going to establish. They weren't going to give one inch.

My point is, when you look at the big good to be gotten by expanding trade, and you look at the minuscule impact of this, this is one of those deals where we just have got to swallow hard and expand trade. Even the ITC, using single entry bookkeeping, which says how many jobs do you lose in areas where you are importing, not even looking at the jobs we might create exporting to Africa, says we are talking about 676 jobs. We have created 20 million jobs in the last 6 years. So I am just saying that we are talking about very small negative impacts using single entry bookkeeping, not even talking about expanding trade. While everybody wants to find a way they can satisfy every interest, I don't think you can satisfy every interest and have trade with Sub-Saharan Africa.

Mr. LEVIN. Let me just say briefly, I agree that the impact would be very, very small. We should move ahead. I think if we work toward a broader common ground on the larger issue and how we approach these problems, there would not be the kind of strength of feeling about the provisions in this bill that you're right, would have a very small impact on the textile and apparel industry.

So I hope we can work on the larger picture as we move to get this bill out of Subcommittee and then to Full Committee, and work out differences with the Senate.

Mr. JACKSON. Mr. Levin, if I might also have the opportunity to respond?

Chairman CRANE. Very briefly, because his time has long since expired.

Mr. JACKSON. Thank you, Mr. Crane, I certainly will. I would only take exception with the assertion that debt relief is something that we should not consider in this trade approach. If 20 percent of the poorest nations in Sub-Saharan Africa's export earning potential is going to service external debt, that is a major trade issue because it means by and large that many of those governments are going to have to choose between the education of their own people, the healthcare and basic services that governments provide, and paying off external debt.

Very, very quickly, I was doing some searching on the Internet just yesterday and I happened to draw up a very large map, which I bring before your Committee and I certainly submit as part of my testimony. You can see the Internet since the passage of the Telecom Act, with the United States being central to the world information superhighway. Actually in the millions of bits of hosts, point to the United States, please, which is in the middle, you can see communication between Europe. You can see communications between South America, between Australia, and between the Far Eastern coast. Why is there absolutely very few, if any, Internet connections between Africa and the rest of the world? In part because most of these African American nations can't seven do what we do, one computer per classroom, invest in libraries, invest in infrastructure, because their debt burden is so high, they can't make basic decisions that we take for granted in our own Nation.

That is going to have a direct impact on trade and the stabilization of their democracies in Sub-Saharan Africa, which will have a direct impact on our investment and whether or not those investments in Sub-Saharan Africa are going to be stable. So I would only implore this Committee to certainly as we continue to deliberate, to look very closely at the impact of debt relief so that these nations will not have to be servicing this debt, and make vital choices that can undermine the quality of life for their people.

Thank you, Mr. Chairman.

Chairman CRANE. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman. I know we have a time problem and we are anxious to hear from the Secretary of Commerce.

I have already lauded the efforts of the Senator. Let me laud the efforts of my colleague in the House, Mr. Jackson. I would want to make it abundantly clear that when we have legislation, even though it might appear on the surface to be competitive, that it would seem to me that areas that you are concerned, some of those are directly related to our bill, and certainly as it relates to the reduction of debt relief, that is a major part of our bill.

I am so pleased to see that your testimony that you gave this morning was not the same testimony that someone distributed under your name, because while your opposition to this legislation is pretty clear, in the written testimony it indicates that your position would be that it would be better for Africa to have no bill at all than to have this bill to pass. In view of the fact that we have worked with the representatives of these African countries, and they have worked so hard for the last half a dozen years to do what they think is in the best interests of their countries, I would assume that that would be an audacious statement, that it would be

better for Africa to have no bill at all, when the African diplomatic corps, which includes the government of South Africa, would want the bill.

Mr. JACKSON. Let me, if I can, Mr. Chairman, certainly express my appreciation of your spirit with respect to the approach of this bill. There is a reason 186 Members of Congress voted against this bill in the last Congress. Not all of them voted for it simply on the basis of textiles and how textiles are being treated in the bill, or the issue of transshipment. Many of us recognize that there is history with respect to Africa, particularly as it relates to our country in the last 400 or so years. We would like to see a policy toward Africa that not only provides the kind of trade and development that the African Growth and Opportunity Act purports to accomplish, but also remedies some of the historical injustices that have occurred south of the Sub-Saharan African countries, including——

Mr. RANGEL. Mr. Jackson, we have a severe time restraint. My only question doesn't deal with the attitude of the Congress of the United States, but your statement in your written statement that it would be better for Africa to have no bill at all, I would want to know what would your response be to the 40 African-American ambassadors that have worked for this bill, but you still believe that you would know better than they would know as to what would be best for their countries and continent?

Mr. JACKSON. Mr. Rangel, let me just recommend that as we go through the legislative process, that many of the concerns that we have raised in the HOPE for Africa Act can possibly still be incorporated into the African Growth and Opportunity Act.

Mr. RANGEL. I have no question about that.

Mr. JACKSON. Which will make the bill, from our perspective, a much better bill and a much stronger bill.

Mr. RANGEL. I would like to work with you toward that effort, but my question, which may remain answered, is that you would not want this record to state that in your opinion it is better for Africa to have no bill at all?

Mr. JACKSON. In its present form, Mr. Rangel, with the $230 billion in Sub-Saharan African debt, the present terms of trade and the terms of contract that the United States is trying to establish with Sub-Saharan Africa, most of these African nations are not going to be able to service that debt. At this time, Mr. Rangel, that is my position.

Mr. RANGEL. Well, you further state that the sovereignty of the African nations would be in jeopardy. Actually, this is an American bill if it's signed into law. Then the African nation has the option as to whether or not they would want to participate. The present feeling is that they would, but they have an opportunity to take it to their legislative bodies to review it.

Do you not feel that they have the opportunity to determine what is best for their country as it relates to their sovereignty?

Mr. JACKSON. Certainly they do, Mr. Chairman. I shall also never forget, because I would like to think that I have been part of this process for sometime myself, along with others, NGO's and other African ambassadors that we have met with in Geneva who have been working with the World Trade Organization for quite some time. In 1979, when I met with President Samore Michel of

Mozambique 2 weeks or just a few weeks in the early eighties before he was killed in South Africa in a plane crash, we had only one discussion during the course of that conversation. I shall never forget it. Debt. He said it is the debt. It is the debt. At that time, they were still in contentious battles and struggles with South Africa on its southern border of Mozambique, the eastern border of Mozambique, and the northern border of South Africa.

Mr. RANGEL. When did this conversation take place?

Mr. JACKSON. In the early eighties.

Mr. RANGEL. In the eighties?

Mr. JACKSON. Yes, Sir.

Mr. RANGEL. Thank you.

Mr. JACKSON. I might add that Mozambique is still laboring under $10 billion in debt. Twenty percent of their export earning potential is still going to service that debt.

Mr. RANGEL. Let me thank you for your contribution.

Chairman CRANE. We thank you both for your testimony, appreciate it. Sorry for the brevity of our hearing here with regard to witnesses, but we are——

Senator GRAMM. Mr. Chairman, I would just add in response to Charlie's question that the passage of this bill by expanding exports will cut that debt burden almost in half. There are a lot of developing countries, like Korea, that bear a much greater debt burden on export earnings than 20 percent. The problem is not the debt, but the lack of income to pay it, it seems to me.

Chairman CRANE. All right. Our next witness is another fellow Illinoisan, Hon. William Daley, Secretary of the Department of Commerce. We know, Bill, that you are under tight time constraints too. Second, however, that little memento that I had staff show you, I want back. I showed that to your brother on a flight back to Illinois last week. He and I were on the same flight together. That's what reminded me of it. With that, proceed.

STATEMENT OF HON. WILLIAM M. DALEY, SECRETARY, U.S. DEPARTMENT OF COMMERCE

Secretary DALEY. Thank you very much, Mr. Chairman. Thank you for showing me that memento. I really do appreciate it.

Representative Levin, and Members of the Trade Subcommittee, I am honored to appear before you to discuss H.R. 434, the African Growth and Opportunity Act, and more generally the steps we are taking to expand our economic partnership with Africa. I have submitted a detailed statement for the record, so I will be brief.

I thank you, Mr. Chairman, and the Members of the Subcommittee who have been so active in working on a bipartisan basis to find ways to strengthen our relationship with the people of Africa. Your leadership was crucial in gaining passage of the Act by the full House last year. It will be essential in gaining enactment into law this year. The African Growth and Opportunity Act is a vital part of our effort to transform a relationship with Africa from one rooted in the cold war rivalries, to one based in prosperity through increased trade and increased investment.

The legislation will implement the trade provisions of the Clinton administration's overall initiative, the Partnership for Economic Growth and Opportunity in Africa. The partnership aims to inte-

grate Africa more fully into the world economy, and to build a stronger commercial partnership between Africa and the United States.

In my 2 years as Secretary of Commerce, I have visited Africa four times, including with President Clinton last March, and Members of this Subcommittee. I look forward to a fifth visit to Africa in 2 weeks for a meeting of the Binational Commission with South Africa, co-chaired by Vice President Gore and Deputy President Mbeki. My most recent trip to the region was last December, when I lead a 15-company Presidential business development mission to South Africa, Kenya, Cote d'Ivoire, and Nigeria. Representative Jefferson and Representative Eddie Bernice Johnson contributed tremendously to the success of this mission.

As you are aware, the majority of African countries have in recent years undertaken far-reaching reforms to build their economies and make them better commercial partners. Although Africa has not been immune to the effects of the Asian financial crisis, it appears that the continent will weather the storm better than many other regions. The IMF estimates that Africa's GDP growth will rebound to 4.7 this year, from 3.3 in 1998. To be sure, falling Asian currencies have hurt our efforts to grow U.S. trade with Africa. We estimate the U.S. exports to Sub-Saharan Africa grew about 5 percent in 1998. That does exceed our export growth to Latin American and the Newly Independent States, and contrasts with the decline in our shipments to Asia. At the same time, we do see that we are being displaced in some areas by low-priced products from Asia.

Still, our overall prospects to expand trade with Africa do remain bright. As African countries continue to implement reforms, U.S. business is responding to the growing commercial opportunities throughout the continent. So many firms applied for our business development mission in December, that I have asked the deputy secretary of Commerce, Robert Mallett, to lead another mission to Africa later this year.

As the Subcommittee knows well, the bill would authorize the President to grant broader access to the U.S. market for those African countries that implement additional reforms to open their markets, would permit duty-free treatment for certain products currently excluded from GSP, while extending the GSP program for Africa for 10 years. It would provide quota-free treatment for imports of textiles and apparel.

This important legislation is part of a coordinated effort to work with those African countries that are undertaking the reforms needed to strengthen their economies, to track new investment, improve intellectual property, and increase access to their markets for our exporters. The process will lead to more stable, peaceful, and prosperous Africa, and the United States will share in the benefits.

With respect to specific concerns about illegal textile transshipments, Mr. Chairman, the administration is determined to ensure that the benefits of the textile measures accrue to African producers and U.S. purchasers.

My full written statement also addresses other concerns some have raised about the legislation. For purposes of our dialog this morning, let me simply note that all this bill does is reward those

African countries that are taking the various steps needed to grow their economies, moreover, and encouraging expanded commercial ties. This legislation is not meant to replace existing aid and economic development programs, which are an important part of our overall partnership, and which complement what we are trying to do on the trade and investment front. At the Department of Commerce, we are developing a broad program to focus our resources and adding to our commercial infrastructure throughout Africa.

Finally, I want to highlight the Administration's plan to hold next month the first government ministerial level meeting with African leaders. Over the course of 3 days, we plan to discuss a wide range of important issues covering areas from economic reform, to governance, transparency, to conflict resolution. Much of this credit goes to the Members of this Subcommittee, who saw the need of this sort of high level meeting of United States and African government officials.

Mr. Chairman, as we prepare for the 21st century, we need to focus on new opportunities presented in regions of the world which have too often been overlooked by U.S. companies. We urge the Congress to pass this important legislation, and again, thank you for the leadership in this effort.

[The prepared statement follows:]

Statement of Hon. William M. Daley, Secretary, U.S. Department of Commerce

Mr. Chairman, I appreciate the opportunity to appear before the Trade Subcommittee to testify on the Administration's plans to develop and expand trade with Africa. This is a subject of great importance to U.S. business and workers. The Administration strongly supports the African Growth and Opportunity Act (H.R. 434), and we are gratified that the Ways and Means Committee is focusing on Africa early in the 106th Congress.

The trade and investment provisions of the Clinton Administration's Africa Initiative, The Partnership for Economic Growth and Opportunity in Africa, have two related objectives: to integrate Africa more fully into the global economy, and to build a viable commercial partnership between Africa and the United States for the mutual benefit of Africans and Americans. The African Growth and Opportunity Act is a vital tool to help transform our relationship with Africa from one rooted in the rivalry of the Cold War to one based on shared prosperity through increased trade and investment. We will work closely with both the House and the Senate to build bipartisan support for this legislation and achieve passage in the 106th Congress as expeditiously as possible.

President Clinton's historic visit to Africa in March 1998 stimulated a process of continuing partnership between the United States and Africa on several fronts, including regional security, civil aviation, education, health care, nutrition, and the environment, as well as trade and investment. The Administration is working now to implement the Partnership in all of those areas. We intend to use the upcoming first anniversary of the President's March 1998 trip to better highlight the many accomplishments in each of these areas, as well as to advance our ongoing initiatives and objectives. The Administration is planning the first ever ministerial-level meeting with African countries next month to discuss our cooperative partnership with Africa on issues including economic reform, trade and investment, governance, and conflict resolution.

I was fortunate to have the opportunity to accompany the President on his visit last year to Ghana, Uganda, and South Africa. I have returned to Africa twice since then, most recently in December 1998 when I led a 15-company Presidential Business Development Mission to South Africa, Kenya, Cote d'Ivoire, and Nigeria. In fact, I have visited Africa four times in my two years as Secretary of Commerce, and I look forward to returning a fifth time later this month for meetings of the Binational Commission with South Africa, chaired by Vice President Gore and Deputy President Mbeki. I can assure you that we view Africa as a vibrant and growing commercial market in the 21st Century, and our commitment to Africa is a lasting one.

Africa is important to the United States on several levels. It is the ancestral land of some 33 million Americans and the home of more than ten percent of the world's population. It is a continent whose wealth of human and natural resources remains largely underdeveloped.

The American experience holds a particular relevance for Africa, because our peoples share many common goals and aspirations: democratic, responsive governments; basic human rights and personal security; freer movement of people, goods, and ideas; and prosperity based on free markets. These natural linkages place Americans in an enviable competitive position in Africa, yet that is a position that both our government and our businesses traditionally have not pursued aggressively.

Much of the past reluctance of U.S. business to commit to Africa has been due to the region's unfavorable public image. For too long we have tended to focus only on the bad news—war, famine, disease, civil unrest, refugees, and economic stagnation. Certainly Africa faces enormous challenges, which cannot and must not be ignored. But the region also presents a wealth of opportunities. The majority of African governments are striving to implement democracy and energize their private sectors. As more and more Africans enjoy the benefits of democracy, they are also rededicating themselves to building prosperity on the basis of free markets. The Administration is determined that the United States should work closely with them in that effort, which is in our fundamental national interest.

Many African countries have undertaken major economic reforms to boost their competitiveness, expand trade, and attract foreign investment. For example, the 14-member Southern African Development Community (SADC) is building greater regional integration, and in April will engage in far-reaching discussions with the United States on cooperation with both economic and political issues. South Africa and the United States have concluded a bilateral tax treaty and are working toward a Trade and Investment Framework Agreement. Mozambique has liberalized its trade and foreign exchange regimes, privatized its banking sector, and signed a bilateral investment treaty with the United States. Kenya, Uganda, and Tanzania have revived their lapsed regional economic association, and plan to formalize their union with a treaty in the near future. Meanwhile, they have made their currencies convertible, and ended import licensing requirements. The Common Market of Eastern and Southern Africa (COMESA) has harmonized documentation for invoices and vehicle registrations in an effort to ease the transit of goods from port to customs. In West Africa, Nigeria has made impressive strides toward economic reform at the same time as it moves toward restoring democracy. Nigeria has deregulated fuel prices, unified its exchange rate, and ended pre-shipment inspections for imports and exports. Cote d'Ivoire has eliminated most price controls and trade restrictions, and liberalized marketing of coffee and cocoa. These and other African countries have adopted more realistic exchange rates, tightened fiscal management, implemented privatization programs, and removed artificial barriers to trade and investment.

Effects of the Asian Financial Crisis

As African countries implement far-reaching economic reforms, their economies are growing. According to the International Monetary Fund, Sub-Saharan Africa achieved 3.3% GDP growth in 1998. While that falls short of some earlier estimates, it is a vast improvement over the depressed growth rates of the early 1990's, and it comes in spite of the harsh effects of the Asian financial crisis on Africa's export earnings. The Asian crisis has taken its toll on Africa as world prices plummeted for the region's leading exports—including oil, gold, copper, and diamonds. But the IMF estimates that African growth will rebound to 4.7% in 1999, as the worst of the financial crisis subsides.

Depreciating Asian currencies have caused a decline in the U.S. market share in Africa, as well as those of most leading industrialized country suppliers. The U.S. export share in Africa fell to 6.1% in 1997 from 7.3% in 1996. France suffered a larger drop, and exporters in the United Kingdom, Germany, and Japan also experienced declines. Meanwhile, Asian suppliers (excluding Japan) enjoyed a doubling of their African market share. Despite this, it appears that U.S. exports to Africa in 1998 will have grown about 5% from 1997, which exceeds the growth in our sales to Latin America and the Newly Independent States. This contrasts with a decline in U.S. global exports, as well as those to Asia and Eastern Europe.

The good news is that the U.S. business community is responding aggressively to Africa's growing commercial opportunities. My business development mission to Africa attracted applications from more than 100 U.S. firms when it was originally scheduled for September 1998. Some firms were unable to join us when we had to

reschedule the mission for December due to the terrorist bombings of our embassies in East Africa. However, we selected 15 companies from a broad range of sectors of critical importance to Africa—information technologies, petroleum, agribusiness, consumer products, health care, and basic infrastructure. The companies expressed unbridled enthusiasm over the prospects for increasing their commercial presence in Africa, and several representatives have returned since the mission to develop their contacts and explore new commercial opportunities.

The mission demonstrated the readiness of U.S. business to participate fully in building Africa's prosperity, provided they encounter a level playing field, transparency and commitment to the rule of law, and a genuine interest in regional economic integration. In addition, we co-sponsored with the African Development Bank the first Joint U.S.-West African Legal Conference, a regional forum to highlight and examine the path to more effective legal foundations for trade and investment. We signed a number of agreements and memoranda on commercial cooperation and technical exchange. We engaged in frank discussions with senior government officials and private sector representatives, and we advocated for U.S. companies competing for several upcoming projects. Several companies announced plans to launch or expand projects to help develop Africa's great human potential by "doing well by doing good," in the words of my predecessor, the late Ron Brown. These projects include: donations of laboratory equipment by Pfizer Corporation to schools in South Africa; an agreement by Monsanto Corporation to cooperate in developing a disease-resistant sweet potato in Kenya; a contract for Princeton Medical Enterprises to provide medical equipment and training to a private hospital in Cote d'Ivoire; and an agreement between Georgia State University and the Government of Cote d'Ivoire to establish an international business administration and human resource development university in Abidjan.

The interest on the part of U.S. business in participating far exceeded our mission capacity, and the limited time available did not allow us to visit all the countries that they requested be included. Therefore, I have asked Deputy Secretary of Commerce Robert Mallett to lead another mission to Africa later this year. Deputy Secretary Mallett is my full partner in developing and implementing our Africa program. He has conducted business outreach conferences on Africa throughout the Nation. He plans to participate in the African/African-American Summit in Accra, Ghana in May, and will again participate in the World Economic Forum Summit on Southern Africa in Durban, South Africa in June.

CRITICAL ROLE OF THE AFRICA BILL

Most of what we need to do to strengthen our commercial ties with Africa can best be accomplished by the resourcefulness and ingenuity of our private sector. But we in government, both in the Executive and Legislative Branches, are in a position to assist and stimulate their efforts by addressing some of the remaining barriers to trade and investment in Africa. H.R. 434 is a critical element of what we need to do to accomplish that objective.

As members of the Subcommittee know, having worked so hard to develop this legislation on a bipartisan basis, the African Growth and Opportunity Act would implement the trade provisions of the President's Partnership. It would authorize the President to grant broader access to the U.S. market for African countries that implement reforms to open their own markets and become more competitive. Specifically, it would allow the President to grant duty-free treatment for certain products presently excluded from the Generalized System of Preferences (GSP) program, and eliminate quotas, or maintain our no-quota policy, on imports of textiles and apparel from Sub-Saharan Africa. It would also extend the GSP program for ten years in Africa, ensuring greater certainty for prospective traders and investors.

I am aware of the concerns that certain industries and unions have raised about some of the bill's provisions. Most of these concerns were highlighted when I testified in support of the legislation before the Senate Finance Committee last June. However, these provisions need to be considered in the context of the legislation and the President's Partnership as a whole. They constitute one important part of a coordinated approach to work with those African countries that are undertaking the reforms needed to strengthen their economies, attract new investment, improve intellectual property protection, and increase access to their markets for our exporters. As this process moves forward, it will lead to a more stable, peaceful, and prosperous Africa, and the United States will share in the benefits of that growth.

Legitimate concerns have been expressed about the risks of illegal transshipment of textile and apparel products by non-African manufacturers. The Administration is determined to ensure that the benefits of the textile measures in this legislation accrue to African producers and U.S. purchasers. I know the Subcommittee shares

that view, and African governments have assured us they do as well. We note that the bill contains safeguard measures to deal with transshipments, and we welcome the opportunity to work with Congress and African supplier countries to ensure that illegal transshipment does not occur. We would also welcome the opportunity to work with Congress, industry, and labor to resolve other contentious issues.

Others have raised concerns over the bill's so-called "conditionalities." These observers object to what they regard as the United States dictating a new set of conditions African countries must meet in order to benefit from the bill's provisions. In truth, however, the bill and the President's Partnership merely endorse the measures many African countries have already undertaken in an effort to boost their economies, become more competitive, and ensure that the fruits of political and economic reform are shared by more of their citizens. The measures are the generally accepted rules of conduct in the modern world economy, and they are standards most African countries are anxious to adopt.

A small minority has expressed misgivings about the bill and the Partnership, alleging that they mask an effort by the United States to diminish its aid commitment to Africa while we use trade and investment as a wedge to dominate the region economically. Much to the contrary, the President has pledged to work toward increased aid levels to Africa. Aid and increased trade and investment are complementary. Healthy, literate, and well-fed people make for more stable societies, and stimulate a greater readiness to benefit from increased commercial exchange. Aid—on both a bilateral and multilateral basis—will remain an essential component of our commitment to Africa, and will reinforce the benefits gained with a sound trade and investment strategy.

It is particularly important that African countries reduce tariffs, eliminate nontariff barriers, and assume meaningful obligations in services trade. Those that do so should enjoy further encouragement under the President's Partnership, including such benefits as bilateral debt reduction, technical assistance in meeting their WTO obligations, and greater U.S. market access in the form of GSP duty-free treatment for several sensitive products which are currently excluded from such treatment, subject to review by the International Trade Commission for potential injury to U.S. industry and jobs.

Implementation of the Africa Partnership

While passage of the African Growth and Opportunity Act is essential, many provisions of the Partnership can be implemented without new legislation, and the Administration is moving ahead with those initiatives. For example, the Overseas Private Investment Corporation has established two new investment funds for Africa and is working to establish a third fund. The U.S. Trade Representative's office now has its first Assistant USTR for Africa and has moved ahead in negotiating Trade and Investment Framework Agreements with several countries. The Export-Import Bank has appointed a new Africa coordinator, created an advisory committee on Africa, and expanded public and private sector lending with several countries.

At the Department of Commerce, we serve as the main catalyst for engaging the U.S. business community on Africa, and we work closely with other agencies to fulfill that important role. We are formulating a broad-based program to focus the Department's diverse expertise and resources on helping Africa build its commercial infrastructure. The initiative includes: programs of training and technical assistance; efforts to help Africa protect its resources and environment; and programs to promote increased trade and investment linkages. We, along with USAID, are also considering the establishment of commercial law development programs with selected African countries, to provide training and consultative services to lawmakers, regulators, judges, lawyers, and educators in the evaluation, development, and implementation of market-oriented commercial law systems.

In addition, our Trade Information Center has put together extensive information on the Internet to help U.S. companies take advantage of the opportunities to export and do business with Africa. The Trade Information Center also advises U.S. exporters on country specific information, including information on all the African nations, through a nationwide toll-free number: 1–800–USA–TRADE.

An important element of the Commerce initiative is a significant increase in our Commercial Service staffing in Africa, as reflected in the Administration's FY 2000 budget request for the Department. The President has requested $4.2 million to fund the hiring of 12 new officers in Sub-Saharan Africa, including 6 to be assigned in countries not currently staffed by the Commercial Service.

As noted, the African Growth and Opportunity Act is a critical element of the effort to forge a new kind of economic relationship between the United States and Africa. It would help increase peace and stability in Africa by spreading prosperity

and strengthening the tide of economic reform. It would promote increased transparency, predictability, and the rule of law, making for an increasingly strong marketplace for U.S. exports. Throughout my travels to Africa I have met with unqualified support for the bill by African government and business leaders, who continue to urge its enactment.

We therefore urge the Congress to pass this legislation, and in so doing to help integrate Sub-Saharan Africa into the global economy and build a more lasting and durable partnership for the benefit of Africans and Americans alike. I thank Chairman Crane and members of the Trade Subcommittee for your leadership in this historic effort.

Chairman CRANE. Thank you, Mr. Secretary. The ITC study indicated that the House bill would have little effect on the domestic textile and apparel industry. The bill's opponents, however, have attacked the ITC for using "a fatally flawed econometric model whose basic assumptions deny common sense and make the entire study worthless." Does the Administration have a position on the ITC's analysis of this bill?

Secretary DALEY. We feel that the analysis is much more accurate than the opponents believe it is, Mr. Chairman. There is no question there will be jobs affected, as there are in any sort of trade agreement. For those who are affected negatively, we have great concern and want to look for actions that we can take to help them and cushion the blow if there is one. But the impact on the U.S. textile industry would be minuscule, in our opinion.

Chairman CRANE. Thank you.

Mr. Levin.

Mr. LEVIN. Just a couple quick comments, and then maybe I will yield because time is limited, to Mr. Rangel or some of my colleagues who did not have an opportunity to participate earlier.

Mr. Secretary, welcome. I think that your testimony answers any concerns about the interests of the Administration in Africa or its commitment to the passage of good legislation. I think everybody should read your testimony regarding specific provisions, including the textile apparel provisions. Clearly, we are going to have to work together to straighten out differences here.

I think it touches the nerve of a much larger issue. That is, the overall impact of our increasing trade with developing economies on the American economic scene. I don't think that that larger issue, the concern about it, which I feel deeply should misshape the likely impact of increased trade here in textile and apparels. It is relatively small, but it involves a much larger issue. But it can't bear all the weight of resolution of this larger issue, as you and I and others have discussed. So we will welcome your active participation as we try to work out the textile apparel provisions.

Also, I hope that everybody will read your full text and its relationship or its discussion on page 5 about conditionalities. We are imposing conditions on Africa. Our whole aim is to try to nurture a market economy in these countries. I don't think it is fair to say this is simply a conditionality and it's paternalism.

Indeed, as I understand Mr. Jackson's bill, and I need to read it in detail, he sets down certain standards before there could be further trade relationships. These include some of the very provisions that we're concerned about, labor market, capital market provi-

sions, perhaps. So I hope everybody will read your testimony on this.

I think we should acknowledge that we are working in trade agreements toward other countries adopting a market economy relating to both capital and labor, and also that we are anxious that they move in that direction for their benefit as well as ours.

Actually my time is up. I'll give back the remaining time, and see if others have questions, Mr. Chairman.

Chairman CRANE. Mr. Houghton.

Mr. HOUGHTON. Thank you very much, Mr. Chairman. I think the Act makes sense. We should have done it last year. We ought to do it now. Let me just ask you a question. The Act really concentrates on imports to this country. What about the exports from this country? What does it do to international trade? Also, what about the other countries around the world? Are they going to loosen up their demand for special preferences or quotas and things like that? What happens to the other people that could be recipients of African products?

Secretary DALEY. I believe, Congressman, to be frank with you, that we have concentrated too much on the potential imports that will come into this country. I think the opportunity for U.S. exports into a market of $700 million potential consumers is enormous. Our exports, as I mentioned, are now—our export growth was more this past year than it was in Latin America and in the Newly Independent States. The sort of interest that we had from U.S. companies on the trade mission indicates an enormous amount of interest in the countries in Africa, which this bill encourages to stay on the course of reform economically, if their economies improve, the standard of living improves, their consumers have ability in their companies to buy more U.S. products, that will obviously positively impact our exports. That is what we are focused on in our endeavors in the Department of Commerce, an increase in the number of commercial service people, doubling them throughout Africa, location and number of personnel. So we focus more on the export growth.

A third of our economic success the last 6 years is a result of our exports, and with troubles in other parts of the world, we have got to concentrate more on that, in my opinion, during these difficult times, and not to worry as much, even though it's of concern, I agree with Congressman Levin, the trade deficit. Our economy is very strong. We are increasing our imports by virtue of the fact that our consumers are ravenous purchasers.

Mr. HOUGHTON. But as far as the other countries, I know that many times we take into our economy far more as a percentage of our imports and our gross domestic product than Japan, for example, takes into its economy. I just don't know what the other countries are doing. Because it's a vast market out there and we're only one slice of it.

Are you, in your conversations, encouraging others? Or do you get any signals of what they are doing?

Secretary DALEY. Well, we have great concern that certain markets around the world which have historically been closed, closed to most U.S. products, are going to during these difficult times, especially in Asia, take steps that will even close them more.

One of the very positive conditions or items that are in this bill is the fact that we want to see countries in Africa promote freer trade and open their markets more to products. It will help their consumers. It will help their industries. That is an example of what some may call a condition. It's a positive step towards economic reform that's going on in Africa.

Mr. HOUGHTON. Thank you.

Chairman CRANE. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman. Mr. Secretary, when we lost Ron Brown, a lot of us thought that he was responsible for educating America as to the need to having a better working and trade relationship with the countries in Africa. I have to tell you that you have more than protected his legacy, not only for Ron and the Department of Commerce, but most importantly for our country and the millions of people on the continent of Africa.

The question of conditionalities is a very sensitive question. A lot of African nations thought that that language might exclude Nigeria. It is just so interesting and exciting today to see that using conditionalities, no one could be a better beneficiary than the great people in Nigeria, as they have dramatically moved forward in terms of expressing full democracy for all of its people. Let me thank you for what you do for our country, and what you have done for the memory of my dear friend, Ron Brown.

Secretary DALEY. Thank you very much, Congressman. That is a very kind statement on your part. I did have the pleasure of visiting Nigeria briefly during this trade mission. It was the day after the first elections in 10 years. The enthusiasm and interest by Nigerian businesspeople in getting the different relationship with the United States was most remarkable. Thank you for your kind comments though.

Chairman CRANE. Well, Mr. Secretary, I know you are a tight time constraint. We have already run you over your limit. We greatly appreciate though your appearance here today and your testimony and support of the bill. Hopefully we'll be sending you a bill this year.

Secretary DALEY. We hope so.

Chairman CRANE. We have got to educate our Senators. It's a slow learning process, but it's doable.

Secretary DALEY. Thank you very much, Mr. Chairman.

Chairman CRANE. Thank you.

Now we have the distinct honor of welcoming back two of our former colleagues who have gone on to a better world. One, a former Secretary of the Department of Housing and Urban Development, Jack Kemp. The other, former U.S. Ambassador to the United Nations, Andrew Young. But both of them former colleagues of course of ours here in the House.

So gentlemen, if you will take seats. Again, let me remind you if you can confine your oral comments to 5 minutes or less, all of your printed statement will be a part of the permanent record.

Jack, you can fire away.

STATEMENT OF HON. JACK KEMP, CO-DIRECTOR, EMPOWER AMERICA, BOARD MEMBER, CONSTITUENCY FOR AFRICA, FORMER SECRETARY, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, AND FORMER MEMBER OF CONGRESS

Mr. KEMP. Mr. Chairman, I am really pleased to be here. Thank you for this opportunity to testify. I am here on behalf of the Constituency for Africa, for which I am a member of the board. Constituency for Africa was started by Ambassador Andy Young and is now chaired by mayor Dinkins and our executive director, Mel Foote. It is an organization that is both black and white, as well as business and labor. It is comprised of people who are profoundly concerned about not only Africa, but the people of Africa. I think Mr. Rangel and yourself, Mr. Chairman, have both emphasized that for a free society, which sits on the edge of a new century, this is not a right-left issue. There are 750 million Africans in Sub-Saharan Africa who should have the same right as we do in the United States of America to purchase and to sell, to do business and engage in commerce and trade with Mexico, Latin America, Asia, Canada, Europe, and now Eastern Europe.

The cold war is over. After every great war in this century, certain visionaries have looked upon the world in a way that engages the idea of opening up freedom, democracy, trade, peace and prosperity. I like what Phil Gramm said; people against this bill should be ashamed of themselves. I say this with all due respect. I am not trying to pick on anybody. I understand why there are different groups that hold opposing opinions. But clearly, this bill is on the side of a world into which we are moving with such dispatch and rapidity that it defies imagination.

Congressman Jackson, who happens to be a friend of all of us in this room, showed a map of the Internet; the World Wide Web. Whether we like it or not, there is going to be a borderless world in cyberspace. This world is reaching Africa.

Seated here in this room, Mr. Chairman, are members of the African diplomatic corps. Jesse Jackson is correct in pointing to debt relief and restructuring as one element of this effort. But you can't pay off debt unless you have a growing economy. You must measure debt against the size of the economy. This will help African nations; small, large, east, and west, to begin producing the type of income for its people upon which debt restructuring, debt relief, and ultimately debt payment can be made.

So I believe this is a 21st century idea. I think it is absolutely essential that this bill be passed as quickly as possible. Now that the cold war is over, we can begin to think of what we did after World War II when we passed the Marshall Plan in the Congress with bipartisan support. Its focus was aid and trade. Aid and trade. Although we needed both, ultimately, trade became an essential ingredient in the Marshall Plan.

I am briefly going to raise one issue that I am concerned about. As we enter the 21st century, we are watching the breakdown of the 35-year experiment with floating exchange rates. It's not working. I think we have reached a point, Mr. Chairman, where we are in essence witnessing a hault for the future of free trade. The competing currencies of the world don't float, they sink. With the help

of the men and women on this Committee and other people who support this, including the CFA, Constituency for Africa. Passing this bill, I believe, is inevitable.

Labor is concerned that we are competing with countries that have allowed their currency to collapse. Thus this collapse makes their exports into our economy cheaper and more competitive. I think it is absolutely essential that we begin to think about not only a new trade relationship with Africa, Sub-Saharan Africa, Latin America, Eastern Europe, Asia, et cetera. But, in addition, it is essential that we begin to formulate some policy toward rebuilding an international monetary system in which there's stability of exchange rates and in which countries do not use manipulated currencies to try to get an advantage. That is the ultimate zero-sum game. Today on this earth what is manifesting itself is trade wars exacerbated by monetary units of account that are being manipulated for advantage. That is the ultimate zero-sum game.

So my hope is that there would be an attempt by the United States, both at the congressional and at the executive branch level, to build a new system that is tied together with the free trade zone with Africa. This would produce a system in which exchange rates are stable as well as an IMF that actually helps Third World countries grow instead of punishing them with fiscal austerity and high interest rates.

I don't see how we can ever receive the benefits of a free trade zone with Africa at a time in which the IMF is running around Zimbabwe or other African countries as well as Asia or Latin America, and telling them to float their currency in order to boost exports and raise taxes to balance the budget. If we had followed that policy, our country would not be in a surplus today.

I appreciate this hearing, Mr. Chairman. I want to thank you for the vision for which you, Charlie, and many other Members of this Committee are responsible.

I turn it over to my good friend, whom I greatly respect, Ambassador Young.

[The prepared statement follows:]

Statement of Hon. Jack Kemp, Co-Director, Empower America, Board Member, Constituency for Africa, Former Secretary, U.S. Department of Housing and Urban Development, and Former Member of Congress

Thank you, Mr. Chairman, for inviting me to testify on H.R. 434, the "African Growth and Opportunity Act." Before I begin, let me pass along warm greetings from Mel Foote, Executive Director of the Constituency for Africa, and its Board of Directors. And I am especially pleased to be here with my old friend, Ambassador Andrew Young, who originally got me involved with CFA when he was Chairman of the Board.

It is a pleasure to be here to discuss how to spread the blessings of freedom, enterprise, democracy and human rights to the widest possible group of people—and specifically, to the people of Africa, a place where for too long, too many of those benefits, of those human rights, have been lacking.

The legislative initiative toward Africa again under consideration by this committee is vitally important. The legislative goals in this bill constitute a roadmap toward development: eliminating government corruption and minimizing government intervention in the market; encouraging private ownership and removing restrictions on investment; lowering tax rates and establishing stable money; promoting the free movement of goods and protecting property rights. If African countries navigate by these stars, and if the United States works with them to reduce tariff and nontariff barriers to trade and to negotiate free trade areas, there is no limit to the continent's potential.

Since I last spoke to the Committee on the subject (April 1997), I have visited Africa as a participant at the African African-American Summit in Harare, Zimbabwe, where I had the honor to meet President Nelson Mandela and many other distinguished African and African-American leaders.

Mr. Chairman, much of Africa is growing dynamically today—growing economically, politically, socially and most of all in the attention of the United States and the world. Shifts toward political and market liberalization are revitalizing and energizing the continent. We see a new generation of leaders implementing democratic reforms, expanding economic growth and unleashing the human spirit that will help bring greater prosperity and democracy to African nations. Problems and challenges abound, but the potential of both human and physical resources is enormous.

Many of Africa's leaders, like President Museveni of Uganda and his colleagues, have revived the East African Community and brought trade liberalization and renewed economic growth to Uganda and the region.

We have the spirit of Thabo Mbeki, who rejected the cramped goals of mere subsistence and African recovery or Western aid. It is not enough, as he has said, for us to work for "African development." He said we must seek nothing less than an "African Renaissance."

And we have the great Leon Sullivan, whose memorable words on the universal desire of people to improve their living conditions and be free, I quoted all over the world and during my trip to Africa two years ago.

Post-colonial and post-Cold War Africa has made considerable progress but its progress has not yet reached enough people. Though political stability has improved for much of the continent, too many African nations are still plagued with violence, disease and political unrest. And though economic growth is healthy, development is slowed by remaining political and economic barriers that hinder Africans from reaching their fullest God-given potential.

By removing those barriers we can build an even stronger, more prosperous, more democratic Africa—a community of nations mutually benefiting each other, secured and sustained by broad-based economic growth, trading openly with the rest of the world. In that spirit, I am pleased to be here today to discuss a way in which America might assist in this endeavor, not in a paternalistic sense, but as a true partner of the African continent and its great people.

Some of the common themes in the policy mix of African countries enjoying strong economic growth, which would make them excellent partners, are: reasonable tax rates, particularly on personal incomes that allow individual Africans to flourish and prosper; stable monetary and exchange rate policies; and balanced policies on foreign investment with a focus on privatization and economic growth as the solid foundation that is the ultimate magnet for investment capital.

Those African countries that have established successful economic policies want nothing more than to be able to continue the healthy trends they are experiencing, countries such as in Botswana and Uganda. But more than this, they wish to be able to reap the benefits of private capital flows and trade that follow naturally from such policies. They are not asking for a handout, or even for a long-term investment on sentimental grounds. They only seek to harness for their people the same market forces that have worked so prodigiously for the developed nations of the world.

When this committee first opened the prospect of American trade and access to American markets and conceived of a direct relationship with Africa's new tigers, it was an audacious proposal. It still is, but it cannot work if it is implemented in an environment of currency turbulence. Remember the high hopes we all had for NAFTA—hopes that were crushed under a collapsing peso? Revival of those hopes has been stunted by the protectionist sentiments that arose from the currency chaos that followed the peso's devaluation.

Since I last visited with the Committee to discuss this subject, currency chaos has spread. The world financial system has been thrown into turmoil, calling into question the beneficial effects of market forces and indeed creating doubt about the whole notion of economic globalization.

Protectionist instincts, never far beneath the surface, are on the rise as a consequence of the global deflation in commodities and other raw materials. The U.S. steel industry, hurt by a record level of imports from Russia, Asia and other regions, is a prime example. These protectionist instincts are being misdirected at free and open trade instead of the real source of the problem—an international monetary arrangement of floating currencies, in which no currency is linked to a stable anchor and all countries are tempted to use currency devaluation as an economic policy instrument during times of economic duress.

The current system clearly is a menace to the stability and viability of global markets. Since the 1970s, the Leviathan known as the International Monetary Fund has impoverished much of the developing world—such as helping to wipe out the

savings of ordinary citizens and families in Mexico when it supported the devaluation of the peso four years ago—through its mindless formula of increasing taxes to balance budgets and depreciating currencies to promote going-out-of-business export sales. Despite promises to reform, the IMF continues to inflict its damaging policies on countries already suffering from financial and economic collapse. Rather than shelling out billions of dollars for the Fund, our Treasury Department should be hard at work figuring out how to reconstitute a stable international monetary system.

The beginning of chaos in financial markets around the world can be traced to the devaluation of the Mexican peso four years ago. At the time, Fed Chairman Alan Greenspan essentially told the Senate Banking Committee that the impoverishment of Mexico would not have occurred if we were on a gold standard—which would have meant that both the peso and the dollar were convertible into gold at a fixed rate. The same is true of the Asian crisis, which sent Thailand and Indonesia off track as the Fed's monetary deflation caused the dollar to depreciate against gold and other commodities.

The economist and author Judy Shelton makes the connection between stable money and free trade: "The real threat to the global trade system is thus the prevailing free-for-all approach to currency relations that engenders monetary nationalism and ultimately fosters a protectionist backlash. The solution is to set up an orderly international monetary system that would permit all nations to compete in the global marketplace based on a common unit of account."

The great 30-year experiment in floating exchange rates has clearly failed. Restoring world-wide currency stability must be our first order of business. Not only Africa, but also the world would greatly benefit from the establishment of a coherent and stable monetary foundation to support free markets and free trade and achieve far greater economic growth.

Some people believe that by setting up currency boards we can curb monetary disorder. In certain countries under certain circumstances, that may be the right thing to do. But a country-by-country approach is an insufficient solution. The world desperately needs a new international monetary regime linked to gold.

Such an arrangement would be the very antithesis of the so-called "new international financial architecture" now being pursued by Deputy Treasury Secretary Lawrence Summers, who favors continued reliance on government-managed fiat currencies and who would grant expanded supervisory and central bank-like powers to that bureaucratic Leviathan, the IMF.

That is why I propose a new international gold-price standard updated for today's sophisticated financial markets. We must restore a standard that makes the dollar "as good as gold," in order to prevent the kind of hyper-inflations and deflations that Brazil and many Third World countries have experienced when they anchor their currency to the dollar and the value of the dollar changes. It is imperative that we do so. Indeed, the fate of the world economy depends upon restoring a global monetary anchor as soon as possible. Doing so would provide a lift to free trade and the global economy, and Africa would reap the benefits of the new international monetary system of stable prices and a currency with a constant value.

In closing, I want to thank the committee for bringing the "African Growth and Opportunity Act" up early in the 106th Congress. Let me reiterate that I believe some of the ideas contained in this legislation can make an important contribution to helping Africa take its rightful place in the global political economy.

A democratic and economic revival of Africa would be mutually beneficial to Africa and her partners in trade, business and diplomacy. This is the genius of economic freedom from which every nation can benefit: no country succeeds at the expense of another. Everyone benefits from their neighbor's prosperity. It is the common ground on which to build a stable community.

Thank you again, Mr. Chairman, for affording me an opportunity to address this crucial matter today. My very best to you and your colleagues as you continue your work to open this new relationship between Africa and the United States. I would now be happy to answer any questions from the committee.

Chairman CRANE. Thank you, Jack.

Fire away, Andy.

STATEMENT OF HON. ANDREW YOUNG, CHAIRMAN, GOOD WORKS INTERNATIONAL, LLC, FORMER UNITED STATES AMBASSADOR TO THE UNITED NATIONS, AND FORMER MEMBER OF CONGRESS

Reverend YOUNG. Thank you very much, Mr. Chairman. It is pleasure to be with you. I'll take my few minutes to try to talk personally about this.

What we are trying to do with Africa, and what I think you are trying to do with this bill, is almost the way I understand what my job was when I left this place and ended up as mayor of a city, and there were no more government funds. The cities were in debt. The government was in debt. I had only one choice for creating jobs, benefits, and opportunities for my citizens. That was through attracting trade and investment. We generated over the 8 years I was mayor some $70 billion in private investment. It came from all over the world. But in order to get it there, we had to have certain conditions. We use conditionality as a bad word, but conditions are those policies that made our government more effective in attracting capital. For instance, it would take you 7 months to get a building permit. That's a terrible condition for an investor. We worked out all of the environmental laws, all of the employment regulations. We even had very rigid affirmative action laws that we included. But you could get it done in less than an hour once we refined it and worked out those conditions. Then we found that there was no longer an impediment for new investment. In fact it facilitated new investment.

That is sort of the thing that Africa needs. We have seen, where we have seen hope in Africa, it has largely been through private investment. There are some negative things said about privatization. But what privatization does is bring money, bring technology, bring management skill. It doesn't take anything away. When Southwestern Bell bought 30 percent of the South African Telecom, they brought in over $1 billion. They also brought in new equipment. They expanded the use, they dropped the cost of long distance service. They made more lines available to people who had been previously denied.

If Africa is going to get on the Internet, it is going to be largely through privatization, private investment, private technology. No government, no matter how much money you give them, is going to be able to handle the technology that makes them part of the global communications network. But the same thing is true of almost everything else, airports, ports, water purification systems. Africa does not have to reinvent the wheel. Africa just needs access to the private capital, the private technology.

What I see you trying to do in this bill is create a vehicle of support for those American businesses that are looking toward Africa. Now I have been in Africa at least a dozen times last year, from Eritrea, I mean from Ethiopia down to South Africa, and back up to Ivory Coast. There is both a tremendous amount of hope and promise, but there's also a tremendous amount of tragedy. Africa could go either way. I see this bill as a vote of confidence by the U.S. Congress, which I think will be followed by initiatives from the executive branch and from the State Department. Initiatives like debt relief, which doesn't need to be unconditional, but which

could be negotiated debt relief where instead of just wiping off debt, you allow people to pay down their debt by investing in education and in healthcare. Swapping debt for development.

We have had a good effort toward democratization of Africa. Africa has made clear progress. But we have not had the capital and the technology to promote the development. I think your bill will facilitate that process. I certainly encourage its passage.

[The prepared statement follows:]

Statement of Hon. Andrew Young, Chairman, Good Works International, LLC, Former United States Ambassador to the United Nations, and Former Member of Congress

In the past year, it seems that I have spent more time on the African continent than I have at home in Georgia and I always return with an increasing sense of urgency. Africa seems to be teetering on the pinnacle of her history. There can be a slow but rational descent into a valley of glorious peace and prosperity or the continent can plunge into a chasm of violence, disease and famine.

A millenium of colonial domination, exploitation, naive cold war machinations, and greedy despotism has been countered by the determined efforts of missionary educators, enlightened administrators, and United Nations' efforts to end apartheid and the injustices of colonialism, while strengthening the social and technical infrastructure needed to secure sustainable development.

For every African tale of horror that emblazons our media, I have also seen leaders emerge with vision and the determination to proclaim the dawn of new possibilities. The fear of bloodshed and destruction under apartheid has been replaced by the creative power of truth and reconciliation. The corruption and tyranny of Nigeria's military dictatorship has moved towards successful elections and a hopeful transition to civilian rule. The ruthless repression of the independent press in Zimbabwe is paralleled by a new generation of young entrepreneurs in the private sector and the continued presence of an aging Ian Smith freely walking the streets of Harare. Tanzania and Kenya survive the shameful embassy bombings and continue to struggle toward stable and prosperous democracies. Mozambique seems to be recovering from the cold war destruction and now attracts billions of dollars in private investment from Europe and South Africa while Angola continues to struggle with the results of a misguided U.S. policy that empowered the Savimbi war machine. Oil flows daily towards U.S. shores from Cabinda as the Angolan people suffer the legacy of contradiction. Growth and stability in Senegal and Cote d'Ivoire exist side by side with chaos in Sierra Leone and Liberia. Ghana is seen as a small miracle, as hope and despair wrestle in Uganda, Ethiopia and Eritrea.

Africa's future is in the balance but the future of the global economy may be swaying in that same balance. We have the opportunity in the 106th Congress to help sway that balance toward the expansion of peace and prosperity through the passage of the Africa Growth and Opportunity Act. This Act could be passed at a crucial time for Africa. The global economic crisis, combined with bad weather and weak prices for commodity exports, slowed the growth in total output in Africa during the last two years. The world's leading economic experts do forecast a renewal of growth in Africa in the next few years, but there are concerns about the timing and the quality of this growth. Important sources of foreign investment, particularly from Asia, are now less dependable, and some commodity export prices remain weak. Africa's share of global exports remains at less than 3 percent, and there is precious little by way of investment capital in these countries. Now is a special time when U.S. assistance can make a difference.

At the present historic moment, this Bill would send a signal of concern and commitment that Africa needs. It is not the whole answer, but it is enough to activate private investment, which will bring much needed capital, technology, management and training. It would be a sign that the new macroeconomic policies followed by some African countries are looked on with favor by leaders in this country. It would signal U.S. approval of structural reforms that support economic discipline, and it could signal approval and support for the successful resolution of armed conflicts. And it would show a willingness to help African economies through a development bump, the Asian financial crisis that was not of their own making.

Africa may be the world's richest continent. Its oil reserves, mineral resources and a market of some 700 million people provide a missing link in the equation of the global economy. Africa's need for transportation, communication, food security, clean water and health care offers an absorptive capacity, which is available in very few places on the globe. The requirements of the Africa Growth and Opportunity Act of

good governance and fiscal responsibility are simply basic necessities if Africa is to compete favorably for investment and trade. Corruption must be replaced by transparency and accountability. Government policies must compete for capital by assuring an equitable return on investment and providing a work force that is free to develop the best of their abilities in an honest marketplace.

We have seen the folly of "crony capitalism" in Asia as well as greed and corruption in past governments of Africa, Europe and the Americas. The guidelines of the World Bank, International Monetary Fund and World Trade Organization are attempts to help nations learn from the mistakes of the past. Now we must all help these great international agencies as they take the next step in the evolution of their policy advice and recognize that there are many paths to economic policy discipline. Let us use the cultural differences among countries to form a stronger and even more disciplined policy process, and let the Africa Growth and Opportunity Act be a statement of the United States' intention to recognize good African economic policy.

We must help nations to evolve and negotiate their way into the global economy. These institutions (World Bank, IMF, and World Trade Organization) are designed to help in that process. Only when there is a refusal to negotiate a plan or process of reform and financial rectitude do these institutions appear to be authoritarian. At the Georgia State University School of Public Policy we have been quite successful in working with governments from more than 30 countries in assisting them with their negotiations and with reaching agreements that are both acceptable to the IMF and responsible to the citizens that governments represent. The governments we have worked with at the Georgia State Policy Studies School have ranged from in size from Russia to Jamaica.

Africa needs the growth and opportunity that this act intends, but it is equally true that the United States needs Africa.

I am quite anxious about the present stalemate in the Middle East, both with regard to Israel and the Palestinians; but, even more so, with Iraq. This situation remains explosive in a region of aging monarchs and volatile masses. During the Arab oil embargo of the late 70's, it was African oil that provided the safety valve for the U.S. economy. The African Continental Shelf, from Senegal to Angola, is absolutely vital to the U.S. economy and military security. African oil is more abundant and defensible than is the oil in Kuwait. In fact, more recent geological surveys estimate reserves comparable to those in the Arabian Gulf. Yet, the investment of diplomacy, finances and military resources in the entire African continent would barely equal the expenditure in one week in the Middle East.

The Africa Growth and Opportunity Act may be just the effort we need to begin a mobilization of conscience, concern and commitment to our vital interests on the African continent.

Chairman CRANE. Thank you, Andrew.

What obstacles, and I'll direct this to both of you, exist at present to the creation of jobs and investment capital in Sub-Saharan Africa? How do you feel our bill would address in a positive way the issue?

Reverend YOUNG. Well, for instance, I think yes, it's true that Mozambique has a significant amount of debt, debt which I agree we helped to cause, because we helped, our bad policies of a period worked to destabilize Mozambique. But in spite of that, Mozambique has attracted about $1.5 billion of private investment. There's another $4 billion on the books. That is largely because the president of Mozambique has been back and forth here with the Corporate Council on Africa, has worked out relations with the business world, and has been able to sell Mozambique as a site for investment and opportunity.

I think that this is going to happen in many more places. I think my colleague is right on Zimbabwe. We didn't treat Zimbabwe the same way we treated Uganda on the IMF because we happen to like President Museveni a little better than we like President

Mugabi, but there is a sense in which Zimbabwe is even more democratic and where its private sector, which is unrelated to the government and antagonistic to the government in many respects, is made up of 30- to 40-year olds who were educated in British and American universities and moving the country forward, in spite of sometimes bad government policies by my friend Robert Mugabe.

Mr. KEMP. Could I add to what Andy said? Seated behind me with Ambassador Edith Sampala of Uganda, is the minister of foreign affairs, Minister Amama Mbabazi. We were in South Africa last summer to hear the presidents of different countries, such as President Museveni, as Andy Young pointed out, or Mugabi, or Mbeki, who talked about an African renaissance. The force of Africa toward private enterprise, toward trade, toward capital investment, is so irreversible, in my opinion. There will be policies now and then that are mistaken, and no one defends that. But there are mistaken policies all over the world. The right to be free is the right to make mistakes and correct them.

Andy is right. May I say to the Chairman that this would be a huge signal to the world that America is taking Africa seriously. In addition, we are sending more than just a symbolic message to American business to invest in Africa. We are sending a signal to the 750 million people in Sub-Saharan Africa that you too have the same right to trade openly, and freely, whether it be on the Internet and the World Wide Web or in textiles or produce or commodity. We are saying that you have the same rights in the world community today as those which we are granting to Latin America, Asia, and Eastern Europe. It seems to me it would be an embarrassment to this country on the eve of a new century, one that we hope is a democratic century for the world, not to allow Africa to participate in this explosion of technology, trade, commerce, and capital investment.

Chairman CRANE. Thank you.

Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman.

Welcome to both of you. I think you have been eloquent and have put this bill in perspective.

Mr. Kemp, I think you are right about the currency issues. We just can't resolve them in this bill. The fact we can't doesn't mean we should not move on this.

To our friend whom we deeply admire, I don't know whether to call you Congressman, Ambassador, whatever, Reverend.

Reverend YOUNG. That's right.

Mr. LEVIN. That's better. Reverend Young. I think you have helped put the issues of so-called conditionality in perspective. I mean obviously we want our policies to help move Africa toward free capital and labor markets. There is conditionality in a sense built into it, because if they move in the opposite direction, our policies would be different.

So just, Jack Kemp covered it. But Andy, if you would, you have been there so often. Just say a word about where you think African nations by and large are moving in terms of free capital and labor markets. Is there now a trend that you, as Jack Kemp says, you think is irreversible?

Reverend YOUNG. There is no question that it is irreversible. While we are debating, the private money from Europe and Asia is already coming in. I think the presence of American investment balances it out and keeps it from being neo-colonialism. Neo-colonialism was a domination or redomination by one economy. The thing that protects Africa is American business competing with French and Spanish and Portuguese and Malaysian business, and working out competitive contracts that lower prices and that offer more.

Mr. LEVIN. Thank you. Thank you, Mr. Chairman.

Chairman CRANE. Mr. Houghton.

Mr. HOUGHTON. Thank you very much, Mr. Chairman.

Gentlemen, great to be with you. I just want to try to put this in perspective. The U.S. Government basically is eliminating or reducing tariffs. They are not putting any additional money in. They may redirect money from existing funds for the OPIC, but that's it. So what the basic benefit is by reducing those tariffs, or eliminating them, the quotas in the United States, they are providing the opportunity for American businessmen to go in.

Now how effective is that going to be?

Reverend YOUNG. Just in the places that I know, and I think you'll hear the African ambassadors, but I have been very impressed going to Uganda and seeing the American companies there. Coca Cola alone, from my hometown, has put in more than $1 billion on the African continent. They are not a charitable organization. They expect people to drink Coca Cola because they expect these economies to grow. They also employ more Africans than maybe any other American corporation. So their investment creates jobs.

What we are saying is that smaller companies need a little more encouragement from the Government. We need to push this trend a little more so that it's more than just a few, a handful of major multinationals that are moving toward Africa, but that Africa can have a broad base of private investment.

Mr. KEMP. Could I just add one point? I agree with Ambassador Young, but I would take it just a step further. Don't do it for Coca Cola, don't do it for Cargill, who is going to be testifying later. With all due respect, you ought to do it for people. Do it for the entrepreneur. Do it for the right of consumers in Africa and for the United States to be able to participate in that technology that was addressed by Jesse Jackson when he showed us a map of the World Wide Web yet to reach Africa. It will never come to Africa unless we can begin to show that the United States and the developed world is as interested in Africa as we are in Eastern Europe.

I would like to make one other point as a postscript. This, I would like to direct to my old friend and colleague from New York. I used this metaphor when I testified last year on this bill. I was in the Miami Airport for the Super Bowl. My wife and I were walking by the duty free shop. You have never seen a duty free shop until you are in the Miami Airport. It is made up of Latinos, Hispanics, Africans, but they are all very wealthy people. There were first class air passengers on all of the airlines coming in and out of Miami. I thought "trade is not just for rich people". Right now, however, it is because they are the ones who can afford to go in

a duty free shop, afterall, they are traveling first class into foreign countries.

Ultimately a duty and tariff-free world is in the interest of the poor. They should be able to buy and sell and participate in trade with all people. Don't do this for big companies. Do it for small companies. Don't do it for rich folks. Do it for people who want to someday be rich. Ultimately this movement toward freedom and democracy is to the benefit of the poor as opposed to those who are already at the top of the pyramid, with all due respect to Coca Cola. Do it for the tiny little businessmen and women both in Africa as well as the United States, who want to participate in the exciting technologies of the 21st century.

Mr. HOUGHTON. I guess what I was trying to do was to put this thing into perspective with the long term, because what this does is allows American manufacturers to go in and invest, and come back into this country with their finished product. It also allows anyone else, hopefully members of that nation, to borrow money or to get money and to do the same thing.

But it's a small step. I mean I think, I really think that there is a much larger operation. I think it's a great deal and we ought to do it, and no question about it. But I don't think we ought to think that this is the panacea. It's not. It is only a small, small beginning. Thank you very much, Mr. Chairman.

Chairman CRANE. Thank you.

Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman. It is amazing, Jack, how after listening to you I feel that I'm just not doing anything. You are just an energizer. It is seriously an honor to have both of you, who have made such an outstanding contribution, not just for a better America, but for a better world, to be a part of the launching of this ship that I know when it's finally signed into law that people all over the world would wonder how did it get started. So let me thank both of you.

Reverend, Congressman, Ambassador Young, could you refresh my recollection as to the date and time that you left the United Nations?

Reverend YOUNG. It was December 1979.

Mr. RANGEL. 1979. If I recall correctly, your exit was accelerated by a visit that you had made with members of the PLO. I just thought that you might want to know that the Republican leadership of both the House and the Senate has invited Yasir Arafat to pray with them this morning. It is my understanding that Mr. Arafat is lobbying the Hill. And if there is any advice that you would want to give us to protect our seats, I hope that you might feel free to tell us. But you should know it's a really fast changing world. Thank you for your courage.

Reverend YOUNG. Unfortunately, Mr. Chairman—I'm sorry, Minority.

Mr. RANGEL. That's OK. They are getting ready for that.

[Laughter.]

Reverend YOUNG. It wasn't fast enough, because I think that my concern was that the generations of young Palestinians that now seem to be very much in control were not even in existence then. If we could have talked to the PLO, who actually, I never met with

Arafat. I met with a professor at Columbia University who was the representative of the PLO at the United Nations. But people were so emotional about it, we never focused on that.

Mr. RANGEL. Well thank you for realizing how important it was then, and especially now, as all of us move forward to try to conclude the Y River Treaty. Thank you.

Chairman CRANE. Thank you both. We appreciate your support for our effort here to expand our relations with that neglected portion of the world.

I now would like to request that the next two panels on the schedule participate together. That would be Amama Mbabazi, minister of State for Uganda, Ambassador Mamadou Mansour Seck from Senegal, and the Ambassador from Mauritius, Chitmansing Jesseramsing. Also Pete Kooi, with the World Grain Trading Group, Cargill, Incorporated, Tim Rebhorn, commercial director, Iron and Steel Initiatives, Enron Corp., and Hon. Percy Sutton, chairman emeritus, Inner City Broadcasting Corp. in New York.

If you folks will be seated. Let me again remind everyone that if you can please confine your oral presentations to 5 minutes or less, your printed statements will be made a part of the permanent record. You can monitor the time constraints by that little light in front, green light. When it turns red, please try and wrap up the oral presentation.

With that then, we will proceed in the order in which I introduced all of you to come to the dais. That's first Hon. Amama Mbabazi.

STATEMENT OF HON. AMAMA MBABAZI, MINISTER OF STATE FOR FOREIGN AFFAIRS, REPUBLIC OF UGANDA

Mr. MBABAZI. Mr. Chairman, honorable Members of the Ways and Means Committee, ladies and gentlemen, good morning. I am pleased to be here today to share the views of the government of Uganda on U.S. trade relations with Sub-Saharan Africa, with particular emphasis on the African Growth and Opportunity Act, which we regard as an important milestone in the United States-Africa relations.

I wish first of all, Mr. Chairman, to commend you and Ranking Member, Honorable Charles Rangel, and all your colleagues for working tirelessly for this act. I wish also to thank Members of the House for passing the Act in the House of Representatives last year. We acknowledge with gratitude the many well-wishers and supporters of this act from corporate America, NGO's, the religious community, and the general public.

Uganda welcomes this initiative. In fact, when it was in its early stages, President Museveni was one of the first African leaders to support it. He expressed Uganda's support in a letter he sent to President Clinton and other letters he sent to officials of the administration, Senators, and Members of this House. Uganda still supports this act, and appeals for its passage through the current 106th Congress.

We support enactment of this Act into law because among other things, it aims at promoting trade and private sector investment in Sub-Saharan Africa. This Act, elements of which have already been reflected in the Clinton administration policy, marks an appro-

priate and respectable approach in which African countries will be engaged as trading partners with the United States for the benefit of all. We appreciate that we continue to be consulted and our views are being considered.

This Act is being considered at a critical moment of tremendous opportunity in Africa. The continent is undergoing political and economic transformation which we believe will have significant implications for the world economy in general, and the United States in particular. Africa offers the United States a new market frontier. Approximately 700 million people live in Africa, accounting for more than 12 percent of the world's population. In 30 years, this will represent 17 percent of the world's population of about 1.6 billion people.

This is significant because it represents a large, but untapped market for U.S. products and services. The potential for the benefits of this new U.S. trade policy for business on both sides of the continent is enormous.

As for the benefit to Africa, I would like to give you one example to illustrate the point. Uganda receives in terms of tax revenue approximately $50 million annually from one of the biggest private foreign companies operating in the country. This excludes the revenue the country gets from utilities, water, electricity and so on, all the amount of money they spend on buying raw materials for their factory. All put together, this makes this company one of the biggest sources of national revenue in Uganda. As President Museveni once noted, if Uganda had 1,000 of such companies, Uganda would graduate from the begging club and join the donor's club.

As Uganda's economy grows through trade with the United States, thousands of jobs will be created in Uganda and in the United States. Mr. Chairman, this is what real partnership is all about. We therefore commend this change in America's policy toward Africa, and welcome your support and increased interest in our continent.

Let me comment briefly on the current aid relationship between Africa and the United States. Africa has for long been an aid recipient from the United States. This aid, in my view, has not had the same impact it created in Europe under the Marshall Plan or in Japan after World War II. Aid to Europe and Japan was very much linked, as Hon. Kemp has just stated, to trade. That is why it succeeded. We believe that the development of Africa will also require the same type of aid, one linked to trade.

Of course there are many reasons which have contributed to the failure of aid policy in Africa. The most obvious one is the poor quality of leadership that dominated most African countries after independence. In many countries, including my own Uganda, there was dictatorship, which among other things suppressed entrepreneurship. Today however, there is an increasing number of African leaders who are committed to democratic governance and free market policies. The situation has rapidly improved.

In the case of Uganda, Mr. Chairman, the country has made a remarkable recovery. Democracy and respect for human rights are the cornerstone of our country's governance. The economy has been liberalized and the government has made the private sector the engine of economic growth.

To implement economic recovery programs, the government has successfully undertaken the following measures, among other things: Reduced the intervention of the central government in the micro management of the economy; privatized state-owned enterprises; adopted correct macro economic policies which have resulted in a stable single digit rate of inflation and stimulated the economic growth at the rate of an average of 6.5 percent for the last 10 consecutive years; removed the few remaining non-tariff barriers to international trade; initiated the process of reforming commercial laws; liberalized the capital account, which makes Uganda one of the most liberal economies in the world; established a stock exchange; promoted the expansion of markets which resulted in the creation of regional markets; and harmonized tariffs within the East African Cooperation framework.

Given that economic and political reforms have taken root in Uganda, the new change in the United States/Africa relationship will bring about a fundamental change in trade and investment between the two countries. Uganda is in the process of negotiating a United States/Uganda investment treaty to facilitate this.

I wish therefore in conclusion, Mr. Chairman, to reiterate that the passage of this Act will develop closer U.S. trade relations with the countries of Sub-Saharan Africa. In particular, it will send a strong message to corporate America to look closer at the enormous opportunities for investing in Africa. Investments will stimulate growth and revitalize our economies. It will open African markets to U.S. products and services. It will give African products access to the U.S. markets. We therefore, urge all to fully support this bill.

[The prepared statement follows:]

Statement of Hon. Amama Mbabazi, Minister of State for Foreign Affairs, Republic of Uganda

Good Morning Mr. Chairman, Hon. members of the Ways and Means Committee, ladies and gentlemen.

I am pleased to be here today to share with you the views of the Government of Uganda on U.S. trade relations with Sub-Saharan Africa with particular emphasis on the "The African Growth and Opportunity Act," which we regard as an important milestone in United States/Africa relations.

I wish first of all to commend you, Mr. Chairman, Ranking Member Hon. Charles Rangel, and all your colleagues for working tirelessly for this Act. I wish also to thank Members of the House for passing the Act in the House of Representatives last year. We acknowledge with gratitude the many well-wishers and supporters of this Act; from Corporate America, NGOs, the Religious Community and the general public.

Uganda welcomes this initiative. In fact, when it was in its early stages President Museveni was one of the first African leaders to support it. He expressed Uganda's support in a letter he sent to President Clinton and in other letters to officials of his administration as well as to Senators and Members of the House of Representatives. Uganda still supports this Act and appeals for its passage during the current 106th Congress.

We support enactment of this Act into law because it, inter alia, aims at promoting trade and private sector investment in Sub-Saharan Africa. This Act—elements of which have already been reflected in the Clinton Administration policy—marks an appropriate and respectable approach in which African countries will be engaged as trading partners with the United States for the benefit of all. We appreciate that we continue to be consulted and our views are being considered

The African Growth and Opportunity Act is being considered at a critical moment of tremendous opportunity in Africa. The continent is undergoing political and economic transformation which we believe will have significant implications for the world economy in general and for the United States in particular. Africa offers the

U.S. a new market frontier. Approximately 700 million people live in Africa, accounting for more than 12 percent of the world's population. In 30 years, this will represent 17 percent of the world's population of about 1.6 billion people. This is significant because it represents a large but untapped market for U.S. products and services. The potential for the benefits of this new U.S. trade policy for business on both sides of the continent is enormous.

As for the benefit to Africa, I would like to give one example to illustrate the importance of private investment; Uganda receives in terms of tax revenue approximately $50 million annually from one of the biggest private foreign companies operating in the country. This excludes the revenue the country gets from utilities—water and electricity, from buying raw materials from local farmers, wages for employees, and many other benefits, all put together makes this company one of the biggest sources of national revenue. As President Museveni once noted, if Uganda had a thousand of such companies, we would join the donor's club.

As Uganda's economy grows through trade with the United States, thousands of jobs will be created in Uganda and the United States. Mr. Chairman, this is what real partnership is about.

We therefore commend this change in Americas policy toward Africa and welcome your support and increased interest in our continent.

Let me comment briefly on the current aid recipient relationship which has so far characterized United States/Africa relations. Africa has for long been an aid recipient from the United States. This aid in my view has not had the same impact it created in Europe under the Marshall Plan or in Japan after World War II. Aid to Europe and Japan was very much linked to trade and that is why it succeeded. We believe that the development of Africa will also require the same type of aid—one linked to trade.

Of course, there are many reasons which have contributed to the failure of aid policy in Africa. The most obvious one is the poor quality of leadership that dominated most African countries after Independence. In many countries, including my own Uganda, there was dictatorship which among other things suppressed entrepreneurship. Today however, there is an increasing number of African leaders who are committed to democratic governance and free market policies. The situation has rapidly improved.

In the case of Uganda, the country has made a remarkable recovery. Democracy and respect for human rights are the cornerstone of our country's governance. The economy has been liberalized and government has made the private sector the engine for economic growth. To implement economic recovery programs, government has successfully undertaken the following measures, among others:

- reduced the intervention of the central government in the micro management of the economy;
- privatized state-owned enterprises;
- adopted correct macro-economic policies which has resulted in a stable single digit rate of inflation and stimulated the economic growth rate to an average of 6.5 percent for the 10 consecutive years;
- removed the few remaining non-tariff barriers to international trade;
- initiated the process of reforming commercial laws;
- liberalized the capital account, which makes Uganda one of the most liberal economies in the world;
- established a stock exchange
- promoted the expansion of markets which resulted in the creation of the East African Cooperation (EAC) to be upgraded by July 1999 to a common market and the larger common market for Eastern and Southern Africa (COMESA);
- harmonized tariffs within the East African Cooperation framework.

Given that economic and political reforms have taken root in Uganda, the new change in the United States/Africa relations will bring about a fundamental change in trade and investment between the two countries. Uganda is in the process of negotiating a United States/Uganda investment treaty to facilitate this.

In conclusion, I wish to reiterate that the passage of the Act will develop closer U.S. trade relations with the countries of Sub-Saharan Africa. In particular:

1. It will send a strong message to Corporate America to look closer at the enormous opportunities for investing in Africa. Investments will stimulate growth and revitalize our economies.
2. It will open African markets to U.S. products and services.
3. It will give African products access to U.S. markets.

Thank you.

Chairman CRANE. Thank you.
Now Ambassador Mansour Seck.

STATEMENT OF HIS EXCELLENCY MAMADOU MANSOUR SECK, AMBASSADOR, REPUBLIC OF SENEGAL

Ambassador SECK. Thank you, Mr. Chair. As an African ambassador, I thank Honorable Crane, the Chair, McDermott, Rangel, Jefferson, Royce, who helped us to understand the American democracy and also to interact with you and your staff, because we learned that it is more important sometimes to learn from and to work with your staff because they are your memory. For 5 years, I think since 1995, we have been interacting with them for this piece of legislation.

As an African ambassador, I feel honored and pleased to be a part of this undertaking for a real partnership between the United States and the continent of Africa. Maybe for the first time we Africans have the unique opportunity in this process to give our thoughts about cooperation for a mutual benefit, namely, the enactment of the Growth and Opportunity in Africa, the end of dependence. You will notice that in the title, all the words are very important. When you say growth and opportunity in Africa, that means that it's for the well-being of our people. When you speak about the end of dependency, that means that we recognize our dignity as human beings, as partners.

What we want is just a rendezvous of give and take between our two continents. Therefore, as early as 1996, we sent a memorandum to the White House, to the Congress, and to the administration to give our proposal for enhancing our cooperation. Among the ideas what we said was that we Africans, we appreciate the Presidential report entitled "Comprehensive Trade and Development Policy for the Countries of Africa." We were determined to assist in transforming these concerted efforts into concrete results.

In our document, we underline that economic assistance still remains a necessity for the time being, the private sector is of paramount important. We emphasized the promotion of trade and investment. As the people before me said, the continent represents 10 percent or more of the population of this world, and our market is untapped mostly from the U.S. services.

The Europeans, the Japanese, the other Asians are aware of this fact, and they are everywhere in Africa. The U.S. share in our market is only 7 percent, whereas the Europeans is 44 percent. I remember the late Ron Brown declaring in Dakar, Senegal during the 1995 African-American Summit that we have to correct that. We are here not only to welcome the idea, but to put it into reality.

In our memorandum, we suggest also to have a summit between your president and our presidents every 2 years, and also a forum between your ministers and our ministers. You can see that we're talking about interaction and give and take between you and us.

We have a lot of negative points, like the crises in Africa. We don't have to hide them. But we have some positive points also. For example, the growth of Sub-Saharan Africa, for the last 3 years in a row has been more than 5 percent. If I remember, America performed a very good year last year, with 4 percent growth. The sec-

retary of Treasury recognizes that if you invest in Africa, you have a return of 30 percent. As somebody said before me, the U.S. exports to Africa represents $6 billion, creating 100,000 jobs. This is very important.

I have to conclude. Our continent wants only to be treated like Europe and Asia. Africa in general shares the same universal values as America, for a quest of well being, freedom, more justice, more democracy for the global village where we all are neighbors.

In this context, we already shared side by side World War I, World War II, and Desert Storm. Senegal and Niger were among those countries. Senegal, my country lost a lot of soldiers during this conflict, meaning that we have shared these moral values, why not share the environment of our economy?

I finish by quoting President Clinton during his historic visit to Africa. "Perhaps" he said, "the worst sin America ever committed about Africa was the sin of neglect and ignorance." This is what he said in Uganda. In Senegal, he said, "We import about as much oil from Africa as we do from the Persian Gulf. We export more to Africa than to all of the former Soviet Union. And Americans should know that our investments in Sub-Saharan Africa are in return of 30 percent, higher than any other continent in the world." I quote him in South Africa, "Yes, Africa needs the world more than ever. It is equally time that the world needs Africa." Thank you very much, Mr. Chairman.

[The prepared statement follows:]

Statement of His Excellency Mamadou Mansour Seck, Ambassador, Republic of Senegal

Dear Chair, Ladies and Gentlemen.

As an African Ambassador, I feel honored and pleased to be a part of this undertaking for a real partnership between the US and the continent of Africa. Maybe for the first time we Africans have the unique opportunity, in this process to give our thoughts about a cooperation for a mutual benefit, namely the enactment of the "Growth and Opportunity in Africa, the End of Dependency." You will notice that in the title all the words are important "Growth and Opportunity" represents the well being of our people but the "the End of Dependency" represents our dignity as human beings.

In fact, since 1995, the African diplomatic corps has been working closely with Congress, the White House and the Administration and even the business community to build this piece of legislation, which will create a legal framework within which America and Africa will cooperate to develop their economies. We want to forge a rendezvous of "give and take" between our two continents, a "win-win situation".

Therefore, already in May 1996, we sent a memorandum to the White House, to the Congress and to the Administration to give our proposal for enhancing our cooperation.

I will extract some of our main ideas from this document.

I. THE AFRICAN DIPLOMAT CORPS MEMORANDUM

First, we appreciate the presidential report entitled "Comprehensive Trade and Development Policy for the Countries of Africa" on February 96 and we stressed, I quote, "We, African Ambassadors are encouraged by those positive developments and we are determined to assist in transforming these concerted efforts into concrete results".

As a contribution and in consultation with the US business community, we issued on June 95 a document entitled "Policy Recommendations of the Development of the US Economic Agenda for Africa."

In our document, we underline the fact that:

- Economic assistance still remains a necessary complement to help the African countries become viable trading partners;
- The private sector is of paramount importance

• We emphasized the promotion of trade and investment for our development in partnership with the US public and private sector.

Africa represents a population of 700 million people who aspire to be not only consumers but also producers of goods and services. Our vast untapped market is widely opened to the US goods and services.

The Europeans, the Japanese and other Asians are aware of that fact and present everywhere in Africa. Today, the US share in the African market represents only 7% whereas the European market represents 40%.

I remember the late Ron Brown declaring in Dakar, Senegal during the 1995 African-American Summit that this has to be corrected. We are here not only to welcome this idea, but to also put it into reality.

We also stress in this document our strong support for a *Summit* on a regular basis between the leaders of our 2 continents for a "US-Africa Trade and Investment Partnership" as soon as possible. The idea of an "annual high level *Forum*" among our ministers to "evaluate and monitor the implementation of our partnership" was also strongly proposed. We hope to start these meetings in March 1999.

II. Other reasons for the Bill

At this point, I will mention some other reasons why the enactment of this Bill is important and beneficial to you Americans and to us Africans.

1. The average growth rate of the GNP for SSA countries for the last 3 years is 5%, it is almost 10% for some others. Generally, 3% is a good average for many countries (US 4% in 1998).
2. The US Secretary of Treasury recognizes that the return on direct investment in Africa is about 30% when the average return worldwide does not exceed 14%.
3. US exports to Africa total 6 billions dollars, meaning more than US exports to the former Soviet Union. These exports generate 100,000 jobs in the US.
4. At the end of 1998, more than 48 African countries were connected to the Internet.
5. 12% of the US population is of African descent.
6. 30 Sub-Saharan African countries are actively democratizing or are already democracies. My country Senegal for example, has 30 different political parties and has never experienced any military coup d'etat.
7. The state-owned companies are in the process of being privatized all over the continent.
8. Senegal and Niger were part of Desert Storm campaign against aggression and injustice.
9. The House passed this bill last year already.

III. Comments of the Bill

In the section entitled "The Findings," you can read "The Congress finds that it is in the mutual economic interest of the US and Sub-Saharan Africa to promote stable and sustainable economic growth in Sub-Saharan Africa and that sustained and economic growth in Sub-Saharan Africa depends in large measure upon the development of a receptive environment for trade and investment".

The US seeks to assist SSA countries and the private sector in these countries to achieve economic self-reliance by:

- Strengthening and expanding the private sector
- Encouraging increased trade and investment between the US and SSA
- Reducing tariffs, non-tariffs barriers and other obstacles
- Assisting SSA in their efforts for regional integration
- Negotiating free trade areas
- Establishing a US-SSA trade and investment partnership
- Focusing on countries committed to accountable governments, economic reforms and the eradication of poverty
- Establishing a US-SSA Economic Cooperation Forum
- Supporting the building of civil societies.

In section 3 titled "Statement of Policy," the Congress supports "Economic Self-reliance" for SSA particularly for those countries committed to:

- Economic and political reforms
- Market incentives and private sector growth
- Eradication of poverty and
- The importance of women to economic growth and development.

The section 4 titled "Eligibility requirements" states that to be eligible, an African country must:

- Respect the human rights
- Promote free movements of goods and services between the US and SSA

- Promote exports through joint-venture projects
- Protect property rights
- Promote appropriate fiscal system and avoid double taxation
- Promote measures to create a conducive environment to domestic and foreign investments
- Promote regional markets
- Eliminate government corruption
- Support the private sector
- Privatize government-controlled enterprises
- Observe the rules of law
- Comply with international regulations issued by the World Trade Organization (WTO) and the IMF
- Promote the micro-enterprises

Section 5 "The US-SSA Trade and Economic Cooperation Forum" reads in the declaration of policy that:

"The President shall convene annual high level meetings between appropriate officials of the US government of the SSA countries in order to foster close economic ties between the US and SSA".

"The President shall direct the Secretary of Commerce, the Secretary of Treasury, the Secretary of State and the USTR to host the first annual meeting with counterparts of such secretaries from the governments of SSA countries, the secretary general of the OAU, the Government officials etc. . . . to discuss matters like expanding trade and investment relations between the US and SSA".

"The President will encourage US NGOs and private sector to host annual meetings with their African counterparts in conjunction with the US-Africa Forum.

"The President shall meet with the heads of African governments no later than 12 months after the enactment".

Section 6 through section 16 proposes a US-SSA Free Trade Area eliminating barriers and encouraging exports.

Section 7 stresses that the lack of competitiveness of SSA in the global market makes it a *limited threat to US jobs.*

African textile and apparel exports to the US represent less than 1% of the total of 54 billions dollars.

Even if that percentage remains around 3%, there will be no threat. In fact Asian, among them China, export more than 70% of that market without being considered a threat.

Kenya, Mauritius and other African countries must adopt an efficient visa system "against unlawful trans-shipment of textile and apparel goods and the use of counterfeit documents".

"The President shall continue the existing no quota pole on countries in SSA." He will submit a report to the Congress on the growth in textiles and apparels exports to the US each year in order to protect workers and US consumers.

In section 8, The Generalized System of Preferences states that "The President may provide duty-free treatment for any article set forth" if, after the advice of the International Trade Commission, he considers that such article is not sensitive.

The duty-free rule will terminate in June 2009.

In section 9, US role in the African debt reduction, especially for HIPC countries will happen through the International Bank for Reconstruction and Development (IBRD), the IMF and ADB.

In section 11, the "OPIC will initiate equity funds in support of projects in SSA. Funds of 500 millions should be used in support of the infrastructure projects in SSA. It also state that "The Eximbank will facilitate operative support by US commercial banks for trade with the SSA".

Section 16 provides the possibility for the US to donate to governments of SSA "air traffic control equipment that is no longer in use with a technical assistance."

IV. Critics of the Bill

1. We know that the bill is not perfect. Now, even European countries like France are amending their constitution to comply with the European Union treaty.
2. In this bill, there is a guarantee of continuous oversight. President has to report to the Congress every year to assess the success of this undertaking. On the other side, African countries are free to make their own assessment.
3. Together Africa and the US can improve the bill as we go along with its implementation.
4. In many of the requirements for eligibility, even though some of them are hard to meet. We have experience with the same conditionalities with the Bretton Woods Institution (World Bank and IMF).

CONCLUSION

This bill must represent a wide framework within which America and Africa will express their will to work together for the integration of Africa into the global economy of the next millenium. A win-win situation of mutual benefit will be the result especially for the US business community.

Our Continent wants only to be treated like the Continents of Europe, Asia and America. Africa in general shares the same universal values than America: quest for our well being, for our freedom, for more justice and for more democracy in the global village where we all are neighbors.

If in this context, we already shared side by side World War I, World War II and Desert Storm. If we risked our lives for the same freedom and justice, why can't we share the same economic environment for the well being of our people?

One of our dreams, for Africa is to be a part of a network enhancing our cooperation with the US. Last year, Congress enacted the "*Seeds of Hope Act.*" This year, we hope that not only the House and the Senate will pass this bill, but also that the US will ratify the "*Convention to combat Desertification*" that have already ratified by almost all the African countries.

I will conclude by quoting President Clinton during his historic visit to our continent.

In Uganda, March 1998: "Perhaps the worst sin America ever committed about Africa was the sin of neglect and ignorance".

In Senegal, March 1998: "We import about as much oil from Africa as we do from the Persian Gulf. We export more to Africa than to all the former Soviet Union. And Americans should know that our investments in SSA are in a return of 30%, higher than any other continent in the entire world".

In South Africa, March 1998: "Yes, Africa needs the world more than ever. It is equally time that the world needs Africa".

We African Ambassadors thank Honorable Crane, McDermott, Rangel, Jefferson, Royce, Payne, McKinney, Jackson Lee, Norton, Hastings, Hall, to name few, for introducing this bill.

I thank also Honorable Gingrich and my dear friends General Collin Powell and Jack Kemp, for supporting this bill.

I thank you.

Chairman CRANE. Thank you.

Our next witness is Mr. Jesseramsing.

STATEMENT OF HIS EXCELLENCY CHITMANSING JESSERAMSING, AMBASSADOR, REPUBLIC OF MAURITIUS

Ambassador JESSERAMSING. Chairman Crane, Members of the Committee, I would like to thank you for your invitation for me to speak on the African Growth and Opportunity bill. I would also like to commend you on the admirable speed with which your Committee is dealing with this historic piece of legislation. Certainly all of us in Africa are watching with great interest and excitement the passage of this bill through this Congress. We warmly applaud the support that this Committee has provided for the Africa bill, both in the 105th Congress and what's going on in this present Congress.

The Africa bill is a good bill for America. It's a good bill for Africa. It is a modest bill, but one that lays a solid foundation for the development of a strong framework to encourage mutually beneficial economic partnership. It is fitting that considering the traditional ethnic, racial, and cultural links that bind the African continent over the centuries with America, the United States is strengthening its ties, its economic ties with Africa.

Despite being a forgotten continent in the mind of many Americans, Africa imports more from the United States than does the

whole of the former Soviet Union. These imports directly provide work for thousands, hundreds of thousands of Americans. But, Mr. Chairman, African exports to the United States are overwhelmingly raw primary products, which are then refined here in America and transformed into manufactured products, both creating many, many more American jobs, and also providing the American customer with a greater variety of affordable goods.

As a latecomer to the African marketplace, the United States finds itself in competition with the European companies that have been implanted in the African soil for decades, if not centuries. This is part of history. It's the colonial past. It's the empires that were built around.

If 7 percent of African imports are American, then 44 percent come from Europe. Mr. Chairman, we know well your dedication to free trade. So we welcome greater American interest in Africa to stimulate competition, and offer Africa additional sources for both goods and markets.

The question was put earlier about the terms of investments, what do Americans gain in terms of trading with Africa. If you take the case of many African countries, certainly South Africa and Mauritius, recently things which were unheard of where all the investments and all the biddings were done by European countries, Qualcomm is now in Mauritius. They won a bid. Microsoft has installed itself. Then again, we bought Boeing planes and so on, instead of you know, the traditional ones of going to Europe for Airbus and so on. So there is a movement toward buying American.

The Africa bill would set up the institutional framework that will expand the increasingly dynamic partnership between the United States and Africa, and would permit African countries a greater freedom in their commercial and economic choices.

Mr. Chairman, Africa we know has had a negative image. It's too often stereotyped in the international media. Yes, there are conflicts, but there are conflicts in Europe also. There is unemployment, there is underdevelopment, but yes, there is today, hope. There is a renaissance in Africa. Then we have to remember that two power houses in Africa, South Africa, Nigeria, are now reintegrating the international community. Regional economic blocs such as the South African Development Community, SADC, the Economic Community of Western African States, ECOWAS, the Common Market for Eastern and Southern Africa, COMESA, and the East African Cooperation Tri-partite Commission are all overcoming national and natural boundaries to create more vibrant and modern economies.

From the almost total domination of state-run economies during the cold war period, most African countries are nowadays democratizing and adopting liberal economic policies. Eight out of ten Sub-Saharan African countries are now members of the World Trade Organization and are implementing International Monetary Fund and World Bank programs of reform. There is a strong democratization process going on in Africa. This has been heralded by the U.S. State Department itself. Africa is on the move, and this bill is important at this historic moment.

It is important to Africa that this bill passes the U.S. Congress with all its provisions, especially its trade provisions in tact. With

the rapid globalization of the world economy, there is every danger that Africa finds itself marginalized. More advanced developing countries in South East Asia and Latin America have suffered major economic upheavals as they adjust to this new climate of the world economic order. We in Africa have fragile economies, and we are much more vulnerable.

It is certainly not in the interest of the United States to have an Africa in chaos. The Africa bill is opportune as African countries seek to create the proper enabling environment for business and commercial development that it would be a crime of historic proportion not to have it passed. We in Africa believe that the Africa bill will develop our economies, to increase trade and investment opportunities, thus making us more able to better withstand the shocks of the world market and also to be a strong economic partner with the United States.

In conclusion, the way forward for Africa must be through the development of a manufacturing sector, which will create meaningful and sustained employment for the unemployed, develop an industrial culture, and develop a work force that will be also consumers, and end this cycle of poverty and despair for the youth of Africa. The Africa bill does provide the basic modest trade proposals. These proposals are a drop in the ocean for the U.S. economy, but for us it's a riverswell and it will revitalize and invigorate the economies of Sub-Saharan Africa.

Several African countries, including my own, Mauritius, have developed quickly after implementing sound economic policies. Mauritius, which in the sixties was a typical African basket case, boasts today a dynamic economy with full employment and a strong democratic framework. It is also encouraging regional cooperation through our own Mauritian investments in other African countries.

Finally, Mr. Chairman, we're talking of 700 million people, men, women, children, may live a better life and longer and happier life if they can actively participate in national policies through a democratic process, if they can participate more effectively in their national economy through liberal economic policies, and also if they can feel they are not the forgotten of this world, but that they have a hope for a better tomorrow.

Mr. Chairman, and Members of the Committee, this bill does in its own modest way, it lays the foundation for an improved today and does give that hope for a better, far better tomorrow. Thank you.

[The prepared statement follows:]

Statement of His Excellency Chitmansing Jesseramsing, Ambassador, Republic of Mauritius

1. BACKGROUND

It is quite appropriate that the genesis of the Africa Growth and Opportunity Bill was in the Uruguay Round Agreement Act (Section 134) passed by the US Congress on December 8th 1994. That the US Congress had to mandate the President to develop a trade and investment policy toward Africa emphasized how little attention had previously been paid to the African continent as a possible economic partner for the United States. Furthermore Section 134 recognized the need to integrate Africa into the new Uruguay Round/GATT international trading system in the context of the developing globalization of the world economy. Failure of such an integration would confirm the increasing marginalization of a massive continent of 700 million people rich in mineral, natural and human resources.

The history of American interaction with Africa until now has been marked by the military demands of the Cold War, the strategic importance of a few individual African countries and a general benign economic neglect. Yet despite this Africa has been an important source of primary products for the United States and is a major market among the developing and transitional economies of the world.

As the United States comes to terms with its new role as sole super-power with the end of the Cold War and as the major and most dynamic economy in the world so it has to rethink its relations with the African continent. This re-thinking is also spurred on by a more dynamic and economically important Afro-American community that is justifiably seeking to develop ties, economic and cultural with the motherland from which so many millions of its sons and daughters were dramatically and rudely torn.

As the United States does carry out this rethinking about its relationship with Africa it also recognizes that an Africa in chaos is a serious threat to the national security of America. As the burden of the role of international policeman is thrust, willingly or unwillingly, on the shoulders of the United States, and as the hot spots of the world increase both in number and in intensity, the United States has no interest in an Africa that is disintegrating into intra-state and inter-state conflicts. Not only conflict but a lack of sophistication and preparedness in African countries permits serious threats to US interests and personnel as shown so dramatically in the terrible bombings of the US embassies in Dar-es-Salaam and Nairobi last year.

The United States can no longer afford to ignore Africa. It can no longer afford to permit a poor level of development on the continent. The United States must act now for every minute lost in encouraging economic development in Africa today will cost ten times more in the future for the developed countries. It makes much more sense to have strong and economically viable trading partner than a dangerous, unstable economic time-bomb waiting to go off.

Past efforts to help Africa on the part of the United States have not achieved the expected results. The aid programmes which have been in place for some time certainly help particular groups and needy people. There is no question that they should be continued and certainly stepped up, for Africa has serious need of all the help it can get.

Present efforts to deal with the heavy indebtedness of many of the African countries should be pushed vigorously forward and the writing off of these debts by the international community would be a major push to bring many African countries out of their convoluted poverty situations. But there must be a way forward, a dynamic programme that offers hope, sound economic programmes and a sense of partnership rather than subservience. This way forward is the Africa Growth and Opportunity Bill.

2. The Immediacy of the Problem

A major obstacle to African countries in their fight to integrate the global economy is the limited window of opportunity that faces them. The post-Uruguay Round implementation of free trade measures and greater global economic integration is moving ahead apace. By the year 2005 the Multi Fiber Agreement (MFA) will be phased out, the Free Trade Area of the Americas (FTAA) will be in place, and NAFTA will have reached complete economic integration.

Time is certainly not on the side of the Sub-Saharan African (SSA) countries.

The Africa and Growth and Opportunity Bill does provide a basis for the development of meaningful trade and investment opportunities between the United States and Africa. But just as importantly, it does provide for these opportunities in the immediate term.

The failure to enact this legislation will create serious delays that will certainly considerably hamper the efforts of the African countries to profit from the window of opportunity that is available at present. This in turn may have the consequence that finding solutions to problems in Africa in the future will be far more costly and daunting to the international community than speedy and effective action at the present time, It will certainly also mean that Africa will not be able to play its anticipated role as a developed partner in trade with the United States, providing markets for US goods and business opportunities for US companies.

This is why Mauritius urges the US Congress to pass the Africa Growth and Opportunity Bill with especially its trade and investment provisions intact, as soon as possible, for delay may be fatal to this legislation.

3. Trade and Investment Provisions

This submission, while supporting unequivocally the whole Bill as it stands, will concentrate specifically on those two economic elements which can be of immediate effect on the Sub-Saharan African countries,

(a) OPIC Funds

The Africa Bill does provide for the setting up of funds for infrastructure projects and equity to be overseen by the Overseas Private Investment Corporation (OPIC). The poor situation of the infrastructure in Sub Saharan Africa, particularly in terms of transport, with 14 land-locked countries, is a major handicap for our continent to participate in the growing international trade of the post Uruguay-Round world. The speedy enactment of this Bill would permit the use of these funds to improve in the immediate the physical infrastructure of the Sub-Saharan African countries.

(b) Textile and Apparel

However, the major element in the Africa Bill which would allow for the immediate development of some manufacturing basis in Africa, is the provision for quota and duty-free access to the United States for exports of textile and apparel from Sub Saharan Africa.

Mauritius is the main exporter of apparel to the United States in the SSA region and our experience has shown that this method of industrialization can help considerably to overcome some of the grave problems facing African countries today.

To create sustainable growth, to create employment for young job seekers, to gain foreign exchange and to develop an export-oriented economy. African countries have realized the necessity to develop their manufacturing base. History has shown that the cheapest and most quickly set up manufacturing industry is apparel production. Since some SSA countries are also producers of raw materials such as cotton, the development of the clothing industry could create a more sold integrated industry if it uses local fabric or regionally produced fabric from another SSA country.

However there are few SSA countries which have begun their textile or apparel industries, and those that have, are for the most part in an infant stage. Any SSA country wanting to develop its textile and apparel industry has only a very short time in which to do so for with the new Uruguay Round GATT Agreement and the setting up of the WTO, the quota restrictions on the world's major textile producers will be ended with the phase out of the Multi-Fiber Agreement (MFA) on 1st Jan. 2005.

Therefore on that date countries like China, India, Pakistan, Bangladesh, Vietnam which have massive cheap labour pools, raw materials and a long tradition of textile and apparel production will have unrestricted access into the markets of the developed countries and will clearly sweep away any competition from inexperienced competitors such as Sub Saharan Africa.

This is the importance of the duty free element in the Africa Growth and Opportunity Bill, for with that duty at about 17% on average, the Sub Saharan African countries could continue to compete if they have that advantage over the other exporters who would have quota free but not duty free and would still have to pay the 17% tariff.

(I) US International Trade Commission. The US International Trade Commission was asked by the US House of Representatives Ways and Means Committee to look into the effect on the US economy of providing quota-free and duty-free exports to the United States of Sub-Saharan African exports of textiles and apparel.

Their conclusions published in the USITC Investigation No. 332–379, Publication 3056 of September 1997 were as follows:

- Since SSA countries exports in these categories represented less than 1% of total global imports into the USA, even a doubling or tripling of such SSA exports would have little effect on the US economy;
- The USITC estimated that such measures would entail at most the loss of some 676 jobs in the United States.
- The USITC believed that at least 16 SSA countries would benefit immediately from these measures, and that others could benefit in the future if they set up such industries.

(II) US Industry attacks against Africa Bill Textile Provisions. The American Textile Manufacturers' Institute (ATMI) is concerned that textile fabric from the Far East and Asia will be made up into clothing in Sub Saharan Africa and will enter the USA quota-free and duty-free under the Africa Bill, thus undermining its own strategy of using the Caribbean and Mexico for apparel making from US textile fabric.

Therefore they have stated that the granting of quota-free and duty-free to SSA countries will have the following negatives for the US economy.

(III) Responses to these Arguments—Job Losses. There has been a major loss of jobs in the US textile and apparel industries over the past twenty years. During that period SSA exports have represented less than 1% of total imports in this sector into the USA. The job losses in these industries have been principally engendered from the relocation of US companies to the CBI countries and Mexico.

The USITC has stated that complete quota-free and duty-free entry of textile and apparel from SSA would create not more than 676 job losses.

Even if SSA countries doubled or tripled their exports to the USA it would not cause major job losses in the USA which is principally, due to higher wages, an up-market clothing producer, and not a cheap low-market producer as the African countries would start of as. Any job losses would probably occur in Asia as production is shifted from there to Africa.

Transshipment. The US Customs have criticized the ATMI for their scare-mongering statement in the ATMI's submission to the House Ways and Means Committee of the 105th US Congress in a letter from Ms. Janet L. Labuda, Director, International Trade Management, US Customs to the ATMI.

"I am very concerned by the fact that false and misleading information was disseminated and that this information was attributed to US Customs. To prevent this from happening again, I would request that your organization submit information or statements to US Customs prior to their public release when any information or statement is attributed to US Customs."

46 of 48 SSA countries have quota-free entry to the USA and all have quota-free and duty-free entry to Europe under the Lome Convention. Yet up till now neither the USA nor the EU have found any major transshipment through Africa to their markets. In fact the SSA exports to the USA represent less than 1% of all imports and so any transshipment, if there should be any, is minimal. US Customs have found no case of transshipment going through Africa since 1996.

The Africa Growth and Opportunity Bill does also provide for control against illegal transshipment through the introduction of a Visa system in partnership with US Customs. Furthermore heavy penalties are imposed on any company which is caught involved in illegal transshipment.

(IV) Foreign Workers. The ATMI in its attempts to de-rail the Africa Bill, as well as some US NGOs have stated that the textile provisions will not help African workers but foreign, i.e. Asian workers, will be brought into Africa to carry out the production. They have based themselves on the experience of the Northern Marianas, islands which are part of the United States.

The whole purpose of encouraging the development of a textile and apparel industry in Africa is precisely because there is a very large unemployment problem there and it would be suicidal politically for mainland African countries to introduce foreign workers in place of their own unemployed. Furthermore the suggestion that foreign workers are needed in Africa is tainted with the concept that African workers cannot do the work, which is false.

Owing to its tiny population (1.1 million) and rapid economic development Mauritius has been forced to use foreign workers, but, they represented in 1997, 5.3% of the total work force and 8.6% of the textile and apparel industry work force. The Mauritian textile industry is 72% wholly owned by Mauritians and Mauritian capital makes up an important part of the remaining companies. All foreign workers in Mauritius are governed by the local labour laws, and are protected by minimum standards of working conditions that are enforced by the Government of Mauritius. Furthermore, since the workers are under contract and so only temporarily in the island, the Government of Mauritius ensures that companies employing foreign workers have return air tickets for these workers to leave if and when they want, even before the expiry of their contract. Mauritius is a long time democracy with freedom of association, reflected in very free trade unions, freedom of speech reflected in a very free press, and any abuses of foreign workers' rights would be quickly brought to the notice of the general public.

A good number of Mauritian enterprises have also set up factories in other African countries creating jobs and sustainable economic growth: for example, in Madagascar where 25,000 jobs have been created by the 44 Mauritian companies in the Malagasy Free Zone, as well as in Lesotho, Mozambique and Tanzania. Africa is helping Africa.

Mauritian textile and apparel companies export to renowned up-market companies in the United States and Europe all of which require strict adherence to their Codes of Conduct for production, including: no child labour, no forced labour, no compulsory overtime, acceptable working conditions, and freedom of association.

4. CONCLUSION

The Africa Growth and Opportunity Bill comes at a decisive moment in the relations between he United States and Africa. The visits of President Clinton, Vice President Gore, the First Lady, Hilary Rodham Clinton, Secretary of State Hon. Albright and other members of the Cabinet have focused attention on the real possibilities of increased economic partnership between Africa and the United States. The unprecedented Presidential visit to 6 Sub-Saharan African countries has certainly given the impetus for increased collaboration between the United States and Africa.

The Congressional Delegation visit led by Congressman Charles Rangel, together with a large number of American businessmen from a wide panoply of companies, covering manufacturing, telecommunications, information and financial services, to several African countries including Mauritius in December 1997, also reflected this growing interest in economic relations between the United States and Africa.

The Bill comes at a historic moment as we enter together the 21st century with the sincere hope that Africa, having undertaken successfully its "Renaissance," may take its rightful place at the table of nations, no longer as supplicant but as mature participant capable of being a solid partner in international economic development.

However, the opportunity to achieve something of concrete, something of worthwhile, is only present for a short time and we must seize that time. Delay and disappointment today will cause greater problems in the future.

There are economic measures in this Bill which can create the necessary ennobling environment for mutually beneficial business development between the United Sates and Africa. These measures are the essence of the Bill, and without them, the Bill would not be able to deliver it's promises.

While there is concern by the US domestic textile and apparel industries about these provisions, the facts are there to show that Sub-Saharan Africa will not be a major threat to the US economy, but in reality will be able to develop into an important source of jobs and exports for US companies. The Africa Growth and Opportunity is therefore a win-win situation for both USA and Africa.

Chairman CRANE. Thank you, Mr. Jesseramsing.

Mr. Kooi.

STATEMENT OF PETER A. KOOI, PRESIDENT, WORLD GRAIN TRADING GROUP, CARGILL, INCORPORATED, MINNEAPOLIS, MINNESOTA

Mr. KOOI. Mr. Chairman, Members of the Committee, thank you very much for your invitation to discuss economic opportunities and development in Africa. My name is Peter Kooi. I am a corporate vice president and president of the World Grain Trading Group of Cargill, Incorporated. Cargill is a privately-held agribusiness company founded over 130 years ago in Iowa. Today Cargill is headquartered in Minneapolis, Minnesota, and is involved in marketing, processing, distributing commodities with some 80,000 employees in 65 countries. We have trading relationships in an additional 130 countries.

Cargill is no stranger to the developing world, nor to Africa. We believe the legislative initiative you are considering today is needed to accelerate economic and political development in Sub-Saharan Africa.

I am Cargill's representative to the South African Development Council. Cargill is an active member of the Corporate Council on Africa. We have been pleased to participate in President Clinton's historic trip to Africa, and Secretary Daley's recent trade mission there. Cargill's current businesses in Africa include processing and trading in cotton, coffee, cocoa, oilseeds, rice, sugar, and grain, and in rural development, through a subsidiary company, Cargill Tech-

nical Services. We now have offices and facilities in 10 African Sub-Saharan countries, with annual sales of $220 million from our asset-based businesses, and total trade of $1.3 billion.

Our experience in Africa convinces us that unlocking Africa's latent agricultural productivity is the best way to begin self-sustaining broad-based development. Let me give an example from Uganda. We currently purchase 4,000 tons a month of coffee from small farmers. Our plant in Kampala employs local workers, who clean, grade, and bag coffee for export to Europe. With Cargill's practice of reinvesting most of its earnings inside the country, Uganda benefits from increased local cash-flow, spending power, as well as from our investment in the processing facility.

As successful as these efforts in Uganda and elsewhere may be, the development needs in Africa can not be met by the private sector alone. What Africa needs, and what the African Growth and Opportunity Act passed last year begins to offer is a partnership, each participant in the effort working with its unique skills, resources, and abilities, can contribute to the solution.

To move Africa from subsistence to dynamic growth requires real collaboration among local governments, multi-lateral development banks, and agribusiness. For a country to be attractive to agribusiness does not require a huge asset investment, but it does require some investment. In countries like Uganda, to use my earlier example, investors in agribusiness development do need one specific infrastructure. It's transportation. If the farmer is to get his coffee to the buyer, and the buyer to get the coffee to the processing plant, and the plant to get it to an export port, the coffee can become a world-priced product, generating cash for more internal investment and foreign exchange earnings for the national account. This moves the cycle of improvement upward.

To achieve stable political and economic environments, local governments can be well supported through the World Bank and MDBs. The provisions in the legislation for continual consultation on policies is a critical part of that support. No one outside of the country can make the next step happen. The governments locally must establish responsible, fair, and transparent trade, fiscal, and monetary policies with properly valued exchange rates, a legal system based on the rule of law, not the rule of individuals. Law that enforces laws against bribery and corruption. Secure rights of property ownership, a reliable enforceable law of property and contracts, credit policies focused on the farm sector, and a movement toward democracy, civil development, and greater individual freedoms.

Were these conditions or at least most of them exist, private enterprise and especially agribusiness can help take the development process to the next level. We come to the pathway through which needs can be met both within Africa and in the parts of the world that are markets for African products. As economies are strengthened and local and regional prosperity grows, the Africans themselves have increased capacity to purchase. They seek improvements in their diets and in the way they live, creating a market for imported food, clothing, and consumer and capital goods, technology and further investment.

The African countries can, and if we all contribute to the effort, will become a larger market for those goods reflecting the United States' comparative advantages. This upward spiral requires each partner in the development process to play its role well. The African governments, foreign government like the United States, the aid community, multilateral development banks, universities, and research organizations and private enterprise, each must contribute what we are most capable of doing for the benefit of the people of Africa and the people of the United States.

Again, thank you for the opportunity to speak with you this morning. I would be pleased to answer questions.

[The prepared statement follows:]

Statement of Peter A. Kooi, President, World Grain Trading Group, Cargill, Incorporated, Minneapolis, Minnesota

Mister Chairman, Members of the Committee:

I am pleased to submit this testimony to discuss economic opportunities and development in Africa. My name is Peter Kooi. I am President of the World Grain Trading Group of Cargill, Incorporated. Cargill is a privately-held agribusiness company founded over 130 years ago in Iowa. Today, Cargill is headquartered in Minneapolis, Minnesota, and is involved in marketing, processing and distributing commodities, with some 80,600 employees in 65 countries, and we have trading relationships in 130 additional countries.

Cargill is no stranger to the developing world, nor to Africa. We believe the legislative initiative you are considering today is needed to accelerate economic and political development in Sub-Saharan Africa. I am Cargill's representative to the South African Development Council and Cargill is an active member of the Corporate Council on Africa. We have been pleased to participate in President Clinton's historic trip to Africa and Secretary Daley's recent trade mission there.

Cargill has been a trading partner with African countries for many years, and also has been part of African development through our subsidiary, Cargill Technical Services (CTS). We have been active "on the ground" within Africa since 1981. Our current businesses in Africa include processing and trading cotton, coffee, cocoa, oilseeds and rice; sugar, tallow, rubber, malt and grain trading; and the rural development work of CTS. We now have offices and facilities in ten African Sub-Saharan countries, with annual sales of $220 million from our asset-based businesses trading within Africa, and total trade (inside and through exports and imports) of $1.3 billion. In these ten countries, Cargill has a full-time workforce of about 1000, and we employ another 1300 seasonal workers. Only 15 of these people are foreign service employees, or expatriates.

Our experience in Africa convinces us that sustainable development must begin with agriculture. Attached to this testimony is a copy of the November 1998 *Cargill Bulletin,* "Agriculture and Sub-Saharan Africa." Agriculture is the foundation stone for every African economy. Unlocking Africa's latent agricultural productivity is the best way to begin self-sustaining, broad-based development. Let me illustrate how that happens by describing how we have invested in Africa.

Our efforts in Africa focus on providing a market for the farmer and the goods he produces. We help the farmer learn how to use inputs to improve yields and to plant and harvest more efficiently. We add value to farm production through our in-country processing, ginning and milling businesses. We provide the farmer with a way to market their products. In some cases, such as coffee, cocoa or cotton, where Africa has a comparative advantage to other parts of the world, that market may be the export market. In just the past month, we increased our investment in Africa as we began construction of a cocoa processing plant in Cote d'Ivoire. In other cases, we help to create a local or regional market.

Let me give a couple examples.

The first is from Uganda. We currently purchase 4,000 tons of coffee every month from small farmers. Our plant in Kampala, employing local workers, cleans, grades and bags the coffee for export to Europe. And, with Cargill's practice of reinvesting most of its earnings inside the country, Uganda benefits from increased local cash flow and spending power, as well as from our investment in the processing facility.

In South Africa, the government has taken steps in recent years to adopt policies supportive of open markets and economic development. We have seen changes in the marketing of maize, one of the country's most important agricultural products.

Previously, the government-owned and -run maize marketing boards were intended to “assure food security.” In fact, what they did was prevent the development of a functioning market system. Prices were fixed by the boards, without reference to the demands of the market, so farmers planted what the boards would pay for, and not what the market wanted. For example, in many years the board supported the production of yellow maize, despite a strong demand for white maize.

The new government did not want to support the old system that was seen, more than anything, as protection for the white commercial farmers. It wanted to build a system that would be responsive to the market, make food more cheaply available to all their consumers and take advantage of the unique strengths of South African agriculture. The Ministry of Agriculture worked with the partnership I have described above. The ministry brought together agribusiness companies with agronomic experts and South African farmers and built a new, stronger and more transparent system.

They began by removing price controls from the domestic market, though they did not immediately disband the boards. This slow and cautious approach allowed all parts of the economy to adjust to the change, and protected the farmers’ planting decisions for the short term. As a first step, internal prices were allowed to be established by the rules of supply and demand, rather than by artificial restrictions of a government-run board. Slowly, they opened the export market, and for a period, the commodity traders competed in the export markets side-by-side with the state-run boards. Gradually, traders were allowed to take price risk, then price supports were removed, and exports were allowed to freely respond to and compete in the international market.

A small futures exchange was created for white and yellow maize, so that prices in those commodities were more transparent to the market. The government set up a grain information service, so that farmers could learn how to make informed planting choices and compete in the free market, rather than being dictated to by the boards. Exports and imports both moved freely into and out of the country.

White maize prices rose 150 percent, driven by predictions of the impact of El Nino, stimulating farmers to continue planting white maize, and leaving the yellow maize to be imported. South African farmers are able to capitalize on the market demand for white maize and find it more cost effective and better for the economy to import yellow maize when there is a shortage. Maize trading has now reached 30,000 metric tons daily.

In South Africa, Cargill has assisted and participated in this change. We believe that situations like these from Uganda and South Africa are good examples of our company living its vision statement: “to raise standards of living around the world by delivering increased value to producers and consumers.” We increased outputs of already established crops, and we added value through our trading and processing businesses, creating jobs and income.

In other parts of Africa, Cargill has been ginning and trading cotton in Malawi, Tanzania and Zimbabwe (where we are contributing strength to the local economies by employing women in the gins). We have been exporting cocoa beans from Nigeria, the Cameroon, Ghana and Cote d’Ivoire for several years.

As successful as these modest efforts may be, the development needs in Africa cannot be met by the private sector alone.

Nor can they be met by the aid community alone. Private Voluntary Organizations (“PVO’s) can help to initiate development efforts and spread their benefits, but sustainable growth requires well-functioning markets and entrepreneurial opportunities. Government’s role is to create an environment, infrastructure and socio-political stability that promote development, reform and growth in their countries. They do need help and support. The challenges of Sub-Saharan Africa, particularly debt burdens, population growth, under employment, poverty and disease, would confound any government operating in the best of circumstances.

What Africa needs, and what the African Growth and Opportunity Act passed by the House of Representatives last year begins to offer, is a partnership. Each participant in the effort—working with its unique skills, resources and abilities—can contribute to the solution.

Let me briefly describe how the members of that partnership, working together through various stages of development, can raise standards of living in Africa.

People living in poverty have little margin for error in feeding themselves. Crop fluctuations or other natural disasters create risks of severe hunger. Those risks usually can be overcome through trade or relief efforts. What can compound shortages and imperil relief from imports is civil strife. When civil order fails, risks of famine increase and assistance efforts are imperiled. Consequently, maintaining civil order and building political legitimacy are critical responsibilities of govern-

ments and the institutions that seek to help them. Indeed, order and legitimacy are necessary preconditions for effective assistance.

Beyond the point of crisis, Non-governmental organizations, or "NGO's," working with the World Bank and through development banks, can help. Cargill Technical Services, which often partners with aid institutions, has provided technical assistance in helping farmers to improve their productivity. This has ranged from help and advice on research into better seed varieties to development of better storage facilities (African farmers may lose up to 40% of their harvested crop to insects, rodents and weather damage) to the development of village-sized hand-operated oilseed presses to allow farmers to produce edible oil for their own needs.

U.S. and international research institutions provide help over longer time lines by adapting technologies to local needs, supporting indigenous research and extension services and building up local agricultural support institutions.

While the improvements realized through these efforts are necessary, they are not sufficient for self-sustaining growth. They are not enough to break out of a subsistence economy to a dynamic growing economy.

To make this next step requires real collaboration among local governments, multilateral development banks and agribusiness. In some respects, the answer for the next level of development lies in a phrase made famous in a movie made some years ago: "If you build it, they will come."

Investors choose countries with at least the basic infrastructure, as well as stable political and economic environments, needed to earn decent returns. For a country to be attractive to agribusiness does not require huge asset investment, but it does require *some* investment. In countries like Uganda, to use my earlier example, investors in agribusiness development do need specific infrastructure: transportation and energy.

To achieve stable political and economic environments, the role of the local governments becomes critical. Their efforts can be well supported through the World Bank and the multi-lateral development banks, and the provisions in the legislation for continual consultation on policies are a critical part of that support. But no one outside of the country can make this next step happen. The governments locally must establish:

- responsible, fair and transparent trade, fiscal and monetary policies;
- properly valued exchange rates;
- a legal system based on the rule of law, not the rule of individuals;
- laws that are enforced against bribery and corruption;
- secure rights of property ownership;
- a reliable and enforceable law of contracts and a fair, transparent dispute resolution system;
- credit policies focused on the farm sector; and,
- a movement toward democracy, civil development and greater individual freedoms.

Where these conditions (or, at least most of them) exist, private enterprise, and especially agribusiness, can help take the development process to the next level. We become the pathway through which needs can be met—both within Africa and in the parts of the world that are markets for African products. Agribusiness uses the global market to match the needs of the rest of the world with the capabilities of Africa. When the countries of Africa are meeting needs beyond their borders and are meeting the needs of their people beyond mere survival or subsistence, indigenous wealth is generated.

As economies are strengthened and local and regional prosperity grows, the Africans themselves have increased capacity to purchase. They seek improvements in their diets and in the way they live, creating a market for imported food, clothing and consumer goods. They also become a market for capital goods, technology, and further investment. The African countries can and, if we all contribute to the effort, will become a larger market for those goods reflecting the United States' comparative advantages.

Eventually, these countries will join, in real economic, social and political terms, the international marketplace, realizing food and economic security. Once that position is achieved, internal threats to peace subside and openness to international intercourse increases.

This upward spiral requires each partner in the development process to play its role well. The African governments, the foreign governments (like the United States), the aid community, the multilateral development banks, universities and research organizations and private enterprise—each must contribute what we are most capable of doing, for the benefit of the people of Africa and the people of the United States.

[Attachments are being retained in the Committee files.]

Chairman CRANE. Thank you. Next, Mr. Rebhorn.

STATEMENT OF TIM REBHORN, COMMERCIAL DIRECTOR, IRON AND STEEL INITIATIVES, ENRON INTERNATIONAL, HOUSTON, TEXAS

Mr. REBHORN. Mr. Chairman, Members of the Committee, thank you for the opportunity to testify today in support of expanding trade relations between the United States and Africa. Enron is one of the world's leading integrated electricity and natural gas companies, which owns and operates approximately $30 billion in energy-related assets globally. I am an infrastructure project developer for Enron, which means that I travel to Africa and look for and implement investments for my company.

In Africa, Enron is currently developing energy-related infrastructure projects valued at over $3 billion. We are currently exploring potential opportunities in more than 10 African countries and expect a high level of activity there in the future. A project which is representative of our interests in African investment is the Pande Gas/Maputo iron and steel project in Mozambique. The project will utilize trapped natural gas discovered some 30 years ago, and will facilitate construction of a 600-kilometer natural gas pipeline to supply competitively priced fuel for the capital city, spur further industrial development along the corridor between Johannesburg and Maputo, and create 8,000 direct and indirect jobs in the Maputo area.

After 20 years of civil war, Mozambique has emerged as an example of what democracy and private investment can do. The government will hold multi-party elections this year, and has instituted legislation to encourage private investment in infrastructure, which has been virtually ignored for the last two decades.

So, if the African nations are doing their part to encourage investment, and the private sector is wading in, how can Congress help support U.S. policy objectives for economic growth in Africa? The large equity investment Enron and its partners will make in this project requires over $1 billion in loans to support the total capital requirement for the project. This amount of debt is simply not available from commercial lenders for either this project in Mozambique or for projects in the majority of countries in Sub-Saharan Africa. Fortunately, sources of debt like the U.S. Eximbank, OPIC, and the World Bank, are available to finance projects in developing regions. It's noteworthy that this debt is backed by assets and contracts which make up the project. The lenders will not make such loans to the project available unless there is sufficient comfort that the loans will be repaid from revenues generated by the project—the same standard applied by commercial banks.

Since many African countries lack a long repayment history, they suffer from the unavailability of commercial funding for their much-needed infrastructure projects. This legislation helps remedy this problem in a way that is an efficient, market-based use of American tax dollars which properly incentivizes African governments, while at the same time, creates new markets for U.S. goods and services. These projects will in turn generate revenue for the

African governments in the form of royalties and taxes, which can be used for the provision of basic services and debt repayment.

Enron supports the passage of the African Growth and Opportunity Act in the 106th Congress. We believe this legislation will increase United States-Africa trade and investment flows, support continued economic growth in Sub-Saharan Africa, and further Africa's successful integration into the global trading community. Enron's support of this legislation is predicated on our belief that the legislation fosters an environment for growth and democratization in which U.S. companies like Enron can successfully compete.

Currently U.S. business is at a serious disadvantage in gaining access to the African market. British and French investments were 300 percent and 200 percent greater respectively than U.S. investments during the nineties. Enactment of the African Growth and Opportunity Act will change this equation by helping U.S. companies compete with the already established and growing market presence of our foreign competitors. This legislation enhances trade and investment policy to support the economic partnership between the United States and Sub-Saharan Africa and promotes U.S. competitiveness in the region.

Sub-Saharan Africa represents new opportunities for American exporters, particularly for infrastructure and energy projects. These projects can offset some of the setbacks U.S. exporters are currently experiencing in Asian markets, and position U.S. companies to capture their fair share of opportunities created by this growth. New export markets in Africa will increase the number of domestic jobs created over the next decade. Higher living standards in Africa will in turn contribute to stability, peace, and democracy—fundamental goals of U.S. foreign policy.

The African Growth and Opportunity Act is crafted to create an important economic opportunity for the United States and African interests. I personally have seen tremendous growth in Africa while developing our project in Mozambique. I know that the African people will welcome the challenges contained within this legislation. I respectfully request that this Subcommittee, the Full Committee, and the Congress support this legislation, and let the world know just how much the United States and Africa can accomplish working together.

I would be pleased to answer any questions from this distinguished Committee. Thank you for your attention to my testimony.

[The prepared statement of Mr. Rebhorn follows:]

Statement of Tim Rebhorn, Commercial Director, Iron and Steel Initiatives, Enron International, Houston, Texas

Mr. Chairman, Members of the Committee, thank you for the opportunity to testify today in support of expanding trade relations between the United States and Africa.

My name is Tim Rebhorn, and I am an infrastructure project developer for Enron International in Houston, Texas. Enron is one of the world's leading integrated electricity and natural gas companies, which owns approximately $30 billion in energy related assets, produces electricity and natural gas, develops, constructs and operates energy and water facilities worldwide and delivers physical commodities and risk management and financial services to customers around the world.

ENRON IN AFRICA

In Africa, Enron is currently developing energy related infrastructure projects valued at over $3.0 billion. Enron has been active developing projects in Africa for sev-

eral years. We are currently exploring potential opportunities in more than 10 African countries and expect a high-level of activity there in the future.

A project which is representative of our interest in African investment is the Pande Gas/Maputo Iron & Steel Project in Mozambique. We have cooperated closely with the Government of Mozambique during the development of this project. The project will create a large anchor customer which will utilize the natural gas discovered some 30 years ago in Mozambique, but which has lain dormant. This anchor project will facilitate construction of a natural gas pipeline to supply competitively priced fuel to the capital city and spur further industrial development along the corridor between Johannesburg and Maputo.

An example of the spurred industrial development is the Maputo and Matola ports, which before the war in Mozambique handled more than 12 million tons of cargo per year, but now handle less than 3 million tons annually. These ports are in much need of investment. The Pande Gas/Maputo Iron & Steel Project will increase volumes through the ports by an additional 200%, help to fund rejuvenation of the harbor infrastructure, and provide an additional outlet for products in Mozambique and South Africa to world markets.

The present value of the tax and gas revenue to the Government of Mozambique from the Pande Gas/Maputo Iron & Steel Project is $350 million. Most importantly, the 8,000 direct and indirect jobs created during the construction and operation of the project will become the base of a skilled workforce that will enable significant additional investment to the area.

The large equity investment Enron and its partners will make in this project requires over $1 billion in loans to support the total capital requirement. This amount of debt is simply not available from commercial lenders for either this project in Mozambique or for projects in the majority of countries in Sub-Saharan Africa. Fortunately, sources of debt like the US Export-Import Bank, Overseas Private Investment Corporation (OPIC), and the World Bank are available to finance projects in this important region. It is note-worthy that this debt is backed by assets and contracts which make up the project, and the lenders will not make such loans to the project available unless there is sufficient proof that the loans will be repaid from revenues generated by the project—the same standard applied by commercial banks. However, since many African countries lack a long re-payment history, they suffer from the unavailability of commercial funding for their much needed infrastructure projects. The legislation you are considering today remedies this problem in a way that is an efficient, market-based use of American tax dollars, while at the same time is a creator of additional new markets for U.S. goods and services.

THE AFRICA GROWTH AND OPPORTUNITY ACT

Enron supports the passage of the African Growth and Opportunity Act in the 106th Congress. We believe this legislation will increase U.S.-Africa trade and investment flows, support continued economic growth in Sub-Saharan Africa, and further Africa's successful integration into the global trading community. Enron's support of this legislation is predicated on our belief that the legislation fosters an environment for growth and democratization in which U.S. companies like Enron can successfully compete.

Since 1995, real GDP growth in Sub-Saharan Africa has averaged 4 percent or more annually. Although today this represents one of the higher growth rates in the global economy, one must consider the small economic base from which they begin and recognize they still have a long way to go. Private capital is waiting to flow into Africa—incentives like those provided by this legislation in the form of trade privileges helps create an environment which encourages an atmosphere comfortable for investors and helps the U.S. government reach its policy objectives sooner.

In the past few years, over 2,000 state enterprises have been privatized in African countries, raising over $2.3 billion in government revenue. This revenue is invested in education, public health, common infrastructure, and repayment of debt. Enron believes privatization of the African energy sector is imperative for enhanced economic growth and we encourage the governments of the African nations to proceed down the path of privatization. We discourage the disincentive of continued bilateral and multilateral direct aid to government controlled pipeline and power projects—if the project is necessary, the market can find a better way to complete it more efficiently.

Promote U.S. Competitiveness in Africa

Currently, U.S. business is at a serious disadvantage in gaining access to the African market. The African market, with its 800 million consumers, has already been

recognized by our European competitors. British and French investments were 300% and 200% greater, respectively, than U.S. investments during the early 1990s. The British and French investments helped establish the substantial European presence in the region which we see today.

Enactment of the African Growth and Opportunity Act will change this equation by helping U.S. companies compete with the already-established, and growing market-presence of our foreign competitors. To this end, the bill establishes the U.S.-Africa Economic Forum and directs the President to negotiate a U.S.—Africa Free Trade Area.

U.S. exporters are ready and eager to do business in Sub-Saharan Africa. The needs of the emerging African nations present a unique opportunity to create new infrastructure projects, such as expanded power generation and transmission. This legislation enhances trade and investment policy to support the economic partnership between the United States and Sub-Saharan Africa and promotes U.S. competitiveness in the region.

Expand U.S. Export Opportunities in Africa

The African Growth and Opportunity Act provides the framework necessary to increase U.S. investment in the region. The bill will expand the availability of export finance, insurance and guarantees which will support increased U.S. exports and create more export-related jobs for American workers. For example, risk insurance by the Overseas Private Investment Corporation (OPIC) and loans/loan guarantees by the Export-Import Bank of the United States will help U.S. exporters gain access to developing African markets. Accordingly, the bill will establish a $150 million equity fund and a $500 million infrastructure fund for Sub-Saharan Africa and require the Export-Import Bank and OPIC to take prompt measures to increase their activities in Sub-Saharan Africa. These programs will provide loans and insurance to U.S. companies not otherwise made available or too expensive to be economically feasible.

The African Growth and Opportunity Act provides effective responses to the challenges facing Sub-Saharan Africa in increasing trade and attracting new foreign investment. To help stimulate African exports, the bill, in turn, builds on the well-established principles of the Generalized System of Preferences (GSP) to support African entrepreneurship and trade-related employment.

This legislation also challenges each African country to meet the standards of democratization and human rights that are deeply held by the citizens of the U.S.

Trade With Africa Is Good For The United States

Sub-Saharan Africa represents new opportunities for American exporters, particularly for infrastructure and energy projects. These projects can offset some of the setbacks U.S. exporters are currently experiencing in the Asian markets. The total number of jobs supported by U.S. exports of goods and services reached a record 12 million by 1999. New export markets in Africa will significantly raise the number of domestic jobs created over the next decade. Increased prosperity and higher living standards in Africa in turn will contribute to stability, peace and democracy -fundamental goals of U.S. foreign policy.

Trade With The United States Is Good For Africa

Enactment of the African Growth and Opportunity Act will make a significant contribution to the economic development of Sub-Saharan Africa and help to raise the standard of living for the people of this region by making the resources of our private investment and trade more widely available. Economic progress will, in turn, contribute to stability, peace and democracy, which are long-term objectives of the more than 40 African nations this bill intends to reach. The African Diplomatic Corps and African leaders have been working assiduously towards the passage of the African trade bill, and they believe this legislation is designed to advance the best interests of the African people by raising their standard of living.

The African Growth and Opportunity Act is crafted to create an important economic opportunity for U.S. and African interests. I personally have seen tremendous growth in Africa while developing our project in Mozambique, and I know the African people will welcome the challenges contained within this legislation. I respectfully request that this Subcommittee, the Full Committee, and the Congress support this legislation and let the world know just how much the U.S. and Africa can accomplish together.

I would be pleased to answers any questions from this distinguished Committee. Thank you for your attention to my testimony.

Chairman CRANE. Thank you. Before our final witness, I would like to yield to our distinguished colleague, Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman, for giving me the honor to introduce Percy Sutton, our next witness.

Mr. Sutton, I was adding up the number of years that we have known each other. When it came out to be over 50 years, I started redoing it, thinking that there must have been something wrong with my arithmetic. But to my colleagues, I can think of no one other than my late brother, Ralph, that has been more instrumental in my political advancement, whatever success it's been. I wanted to publicly thank him, not only for sharing with me that friendship, but the great contribution he has made to our country as a Tuskegee war veteran and the first one to fly when discrimination prevailed in World War II, and to come back home and to continue that in the civil rights field, to be successful as a State legislator, then as borough president, to be successful as a businessman. But here today to thank you for the bridge that you have built between the United States and Africa, the friendships that you have made, the trade and contact that you have done, and the fact that you are still willing to become that partner with all of Americans, especially those from the Village of Harlem. Thank you for taking the time out to share your experiences with us today. I personally and politically appreciate it. We would like to hear from you.

STATEMENT OF HON. PERCY E. SUTTON, CHAIRMAN, AFRICAN CONTINENTAL TELECOMMUNICATIONS LIMITED, CHAIRMAN EMERITUS, INNER CITY BROADCASTING CORPORATION, NEW YORK, NEW YORK, AND FORMER PRESIDENT, BOROUGH OF MANHATTAN

Mr. SUTTON. Thank you very much, Mr. Congressman.

Mr. Chairman Crane, Mr. Ranking Member of the Subcommittee, Mr. Levin, Ranking Member of the House Ways and Means Committee, Congressman Rangel, Ms. Dunn, Mr. Jefferson, old friend, all, Mr. Houghton, good seeing you again, Sir. Some of you may remember, I was here last year to testify with regard to this bill and I left here quite satisfied and excited that the Senate surely would pass the bill. It didn't happen. So today when I saw the Senator from Texas, Mr. Gramm present, I thanked him for being present. I reminded him that I was from San Antonio, Texas. He said as I passed him, he said, good, I'm testifying here today. Ask some of your family in Texas to support me. I am not prepared to ask all of them to support him, but we'll divide up. It's a large family. To get support of this bill, I will ask half of them at least to support the Senator in his next move.

My lady, gentlemen, I come from a large family in Texas. I grew up on a farm. I watched planes fly over me. I got interested in technology as a child. In my family, my father, my mother were Pan-Africanists. I am a Pan-African. My mother and father taught each of my 14 brothers and sisters, all from the same mother and father, that Africa was our homeland, Mr. Jefferson. My mother comes from New Orleans. And that we must all, every Sutton as we went

forward in life, we were businesspeople. As we went forward in life, we must support Africa as our homeland. We must fight for the freedom of Africa. We were not even free then, because our businesses were operating under segregated circumstances in San Antonio, Texas. The civil rights movement, my brothers and sisters were going to jail in the civil rights movement, as I went to jail in the civil rights movement. But always we were taught that Africa was a place to go and to help, as we helped ourselves here in America.

I am, my lady and gentlemen, a lawyer and I'm a businessperson. I own radio stations around America. I own radio stations in New York City. Two of those radio stations were at one time considered the voice of Africa during the freedom movement. To those stations came leaders and representatives of the African freedom movement to get their story to the public. We did so, in California, Texas, Michigan.

I am also in the cable television business. I am here today not as a chairman emeritus, not because my wife and my son voted against me and put me out as chairman of Inner City Broadcasting Corp., that happens with age, but I did also want to tell you there is a life after government service.

I was for many years in the State legislature and president of Berman Hotten in New York City for 12 years, too long. I ran for mayor. When people say I left government, I didn't leave government. I was evicted from government many years ago. To see today my old friend Jack Kemp being here testifying, to see Andy Young, persons that I have known all through the years, to see them involved in Africa makes me very, very happy. I am happy because I feel that I am paying tribute to my mother and father. But more important than that, for 40 years, I have been in and out of Africa supporting causes, freedom movements. One of the dreams that I have always had is that one day the African Nation would be treated as some other nations are, free trade. For no nation, no continent can come to status in this world without a free economy, good government, and access to the rest of the world.

To be a person in the media, in politics, in government, and to all of the years see other nations developing through trade, we've done it. We have used tariffs, we've used sanctions, we have used a variety of things to discourage trade and to improve trade. I said I was going to put a face on this.

When I saw young Mr. Jackson, who I have known since he was a child, testifying here today against the bill, I love him, I love his father, I have been his father's lawyer from the time since his father has been a father, and all those years to see him testifying saying let's get the bills settled, let's get debt first. And then he put a map up there. The map showed how few things there are in Africa. He was talking about the Internet. Well let me complete this and tell you another reason why I am supporting this bill.

I have a large investment in a telecommunications company. It is called African Continental Telecommunication, as do others have a large investment. We have more than 18 licenses to produce telecommunications. We have a proposal and a contract with a major company that will use $450 million of labor and materials to get our satellite up over the continent of Africa. When launched in the

year 2003, that satellite will permit one to speak into the handheld phone, reach the satellite, and come down to another handheld phone anywhere in the continent of Africa, or come down to enter the Earth station to be transmitted to anywhere else in the world.

In the course of doing this, in the course of raising money, we have as our investment banker, Lehman Brothers, a major investment banking company. But as we have sought to get investments from other persons here in America, in the past a difficulty has been that too often American investors look at Africa as though it was a place into which you pour money and don't get anything out. That is not a fact of life.

Let me read to you. There is a man now who was in some pain who is before a judge. The concern is whether or not he shall be able to continue the free-wheeling way that he's been operating. He is called Bill Gates. He has a little company called Microsoft. He has, I understand, some wealth in this world. He said, "Africa is one of the most exciting continents we're working in," that is Microsoft, "and despite its complexities, we see it as one of the fastest growing regions that Microsoft is currently operating in. The Internet is the single most important tool that will open Africa up to the rest of the world. It is the future of communication worldwide, and Africa is not as far behind as some people believe."

Surveys show that many of Africa's businesses think Mr. Gates is right. More than half of the companies sampled for the Africa Competitive Report responded that Internet access is widely available, although prices remain high. However, there is a general trend of optimism now held by African businesses with regard to the application of technology. Twenty-three African nations in the survey reported that they anticipated access to the Internet will soon increase in quality, while decreasing in price. Why do I mention that? I mention that because when Mr. Jackson talked about the Internet, one of the things that our satellite will do, this satellite that reaches the entirety of this continent of 750 million people, where only 3 percent of the entire continent have telephones in their businesses or in their homes, or telephones are easily available.

I became interested when Congressman Rangel at the time I was evicted from public office in 1977 after 12 years, arranged for me to meet with a number of persons of importance that he thought might be helpful to me in Africa. I got into spot oil trading out of Nigeria. It was great money, but one of the cruelest and injurious feelings one can get, when one has barrels of oil out in the ocean going to the refinery, but can't get insurance because one can't get to the telephone to reach Lloyds of London, standing in line. In my trading in heavy machinery in other parts of Africa, to wait and wait and wait for a telephone. One of the things as a part of the infrastructure is telecommunications.

But let me tell you also of the value of our trading with Africa. Africa is an open market. If we can enter into a free trade agreement with them, if we can have access to their economies, and they have access, the trade is really going to be to our benefit. In our satellite, more than 400 million manhours of work or materials and other things go into producing that satellite. American labor bene-

fits from that. Then African labor takes over. So they are in each of the instances.

Let me close with this. For all of those people who say, and my friends in the labor movement may I just tell you that I am a life member of the Transport Workers Union from the time that I was conducting the subways of the city of New York and going to law school and to graduate school at the same time, I tell you that the advantages my lady and gentlemen, the advantages are all to us. To think that it has taken this long before you, Mr. Chairman, before you, Mr. Houghton, became sponsors, to get even initiation of action on free trade, is to condemn that which should have happened. Condemn the fact that nobody of real strength became interested.

I thank you very much for entertaining this. As someone who has been in government, in politics, may I wish you good elections.

[The prepared statement follows:]

Statement of Hon. Percy E. Sutton, Chairman, African Continental Telecommunications Limited, Chairman Emeritus, Inner City Broadcasting Corporation, and former President, Borough of Manhattan

Mr. Chairman Crane, and distinguished members of this very important Sub-Committee on Trade, of the House Ways and Means Committee, of the House of Representatives, I come to you from the Village of Harlem in the City of New York.

Mr. Chairman, and distinguished members, I am especially grateful for the opportunity to be able to offer my comments to you, as you seek to structure, once again, an important economic access route for the developing nations of Sub-Saharan Africa.

I come with warm feelings about that which you, propose in your legislation. Really, it is more than a warm feeling, it is a feeling of high excitation, as Sub-Saharan Africa Free Trade is, in my view, an essential element in an African nation's move toward economic development and maturity.

In today's society, we are all members of a Global village, with interacting economic gains or losses as a part of our every day existence. In these circumstances, Free Trade is as essential to a nation's economic development and advancement as is its energy supply, its natural resources, its telecommunications, its highways, its roads, its rivers, and its various means by which its populace inter-connects and advances economically, within its own borders, and gains access to the economies of other nations, outside its borders.

My presence here is occasioned by a notice and invitation from my next door neighbor in Harlem; my colleague and friend—Harlem's "star of stars"—the Honorable and beloved Charles B. Rangel, your colleague and ranking member of the House Ways and Means Committee.

I am most grateful to the Honorable Charlie Rangel. It was so very good of him to reach out to me and suggest that I appear here, as he knows of my long-time emotional, business, cultural and social interest in, and attachment to, the continent of Africa.

I am a Pan Africanist. I became so as a son of Pan Africanist, parents, who lived and breathed their love for Africa.

You can imagine, I hope, my sense of pleasure in being here today to support your proposed legislation, which will help my nation of birth, these United States, while also helping the place of birth of my ancestors: Africa.

Mr. Chairman, and distinguished members, no continent and no nation can come to appropriate social, economic or cultural, competitive status without a stable government, an open economy and a well developed infrastructure. An infrastructure inclusive of telecommunications; a matter about which you will learn, I have intense interest and involvement.

Your legislation to initiate Free Trade with nations in Sub-Saharan Africa, is a great step towards economic advancement of those nations and is of benefit both to the continent of Africa and the United States.

Mr. Chairman, and distinguished members, for more than forty years I have, on a regular basis, visited, conducted business in, communicated with, supported, promoted and/or advanced efforts designed to bring the nations of Africa into economic openness and into a favorable relationship to these United States.

I did so in my love for both Africa and America, and out of my conviction that there was mutual benefit to be found from inter-relationships between nations on the African continent and the United States. Relationships as to form of government, culture, political practices, products or economies. I did so also because I have an ancestral and emotional attachment to Africa, as the continent of my forebearers.

My father and mother were educators and business people in Texas. They gave to me and my brothers and sisters many educational and business opportunities; although both the education and business opportunities were under strictly segregated circumstance—as was the practice during my "growing up" years in Texas.

In all of the years of my youth, my father and mother were constantly pounding into their children's heads a love for Africa. They told us that Africa was our Homeland and that we had an obligation to be involved in the future of our Homeland and its people, as free people; governing themselves as free people, in an open society.

Mr. Chairman, distinguished members, The African Competitive Report of 1998, published by the World Economic Forum, following the gathering at the May 1998, Southern Africa Economic Summit, held in Winhoek, Namibia, stated that:

> One of the greatest challenges in the 21st century is the integration of the African continent into the Global economy.

Your efforts in this proposed legislation, I am confident, can play a very large role in integrating the African continent into the Global economy; with mutual benefits to the nations of Africa and the people of the United States.

As a part of integrating Africa into the Global economy, it is clear that reducing the United States import restrictions, to allow textiles and clothing and other products from Sub-Saharan Africa, would help to develop the textile and clothing industries, in at least eight African nations, at a very small loss of American jobs. Such an opening of the U.S. market to African products would help U.S. consumers, with only a small number of job losses by American labor. Which losses can be matched by job gains elsewhere in the American economy.

Similar import restrictive policies in the European Union and east Asia restrict products from African nations. But they also restrict the development of African consumers of imported goods.

Because the connection between manufactured exports and growth of a nation's economy is very strong, it is unlikely that nations in Africa will achieve and sustain rates of growth, necessary to an open and free economy, without further development of the manufacturing of exports. And, it is unlikely that the manufacturing sector of African nations will develop as needed as long as major international markets remain closed to them.

Recently foreign businesses have begun to look at Africa with much more favor and African policymakers are moving steadily on the path of governmental and economic reform, and free economies; all of which is reassuring to foreign investors. Indeed, the latest World Investment Report, states that: "Returns on foreign, direct investment in Africa, are high, especially in comparison with other emerging nations."

One major American company's chief executive; Mr. Bill Gates of Microsoft, stated recently:

> Africa is one of the most exciting continents we are working in, and despite its complexities we see it as one of the fastest growing regions that Microsoft is currently operating in. The Internet is the single most important tool that will open Africa up to the rest of the world. It is the future of communication worldwide and Africa is not as far behind as some people believe.

Surveys show that many of Africa's businesses think Mr. Gates is right. More than half of the companies sampled for The Africa Competitiveness Report responded that Internet access is widely available, although prices remain high.

However, there is a general trend of optimism now being felt by African businesses, with regard to the application of technology to various business operations. In twenty three (23) African nations surveyed companies report that they anticipate that access to the Internet will soon increase in quality, while decreasing in price.

Mr. Chairman, and distinguished members, please permit me to give you some historical background as to why I feel so strongly about the possibility of the successful implementation of your Free Trade efforts, if your proposals are enacted into law. Let me deal with the great economic possibilities for both the United States and the nations of Sub-Saharan Africa operating under a Free Trade law.

I am the founder, and now Chairman Emeritus, of Inner City Broadcasting Corporation, a New York City-based radio, cable television, television production and entertainment company, with interests in telecommunications.

With regard to our radio operations; from the year 1972, to the present, our company's radio stations in New York: WLIB–AM and WBLS–FM, have been considered by many as the "Voices of Africa, in America."

During the various African freedom movements, in the 1970's and 1980's, one of our radio stations, WLIB–AM, served as a vehicle for African freedom movements contact with American supporters.

Both of our New York radio stations: WLIB–AM and WBLS–FM, were often the place of first stop on the schedule of leaders and representatives of the African freedom movements, upon their arrival in the United States. Aware of Americas historic sense of support of freedom for all people, they came to us seeking access to our radio microphones; to tell their story to the American public. They received access to our microphones, our hearts, our finances, and the American public.

For many years I, my family and my company, have supported activities, propagandizing the development of open economies on the African continent. You, in your action, in this legislation are giving to me, my family and my company great hope.

Mr. Chairman, and distinguished members, for more than forty years I have, on a regular basis, visited, read about, communicated with, supported, promoted and advanced efforts designed to bring the nations of the continent of Africa to the forefront of world attention. I did so, in the conviction that there were mutual benefits to be had from the sharing of cultures, practices and products between the United States and the continent of Africa.

Now, through successful legislative enactment of the African Growth and Opportunity Act, and the beneficial elements which you include in your legislation, the United States—Sub-Saharan Africa Trade and Economic Cooperation Forum and the Free Trade area, I believe that I shall, in my lifetime, see many nations with democratically elected and stable governments and profitable and growing open economies. Economies encouraged by your action and that of the U.S. Senate and the President of these United States, in the year 1999.

Mr. Chairman, and distinguished members, another business in which I play a role is, the African Continental Telecommunications Limited (ACTEL); an Africa-based telecommunications company designed to furnish state of the art, satellite-based telecommunications services to the entire continent of Africa.

ACTEL is represented by Lehman Brothers investment bankers, and ably directed by the former head of AT&T's Skynet Satellite Services as the President and Chief Executive Officer. I serve as Chairman of ACTEL.

It is the business of ACTEL to not only furnish telephone service to the residents and businesses on the African continent but to also provide Internet and telemedicine and distant learning; as well as other much-needed telecommunications-based, technology-based, services, delivered to the people and businesses on the African continent. There is a great need for these telecommunications services in Africa.

Mr. Chairman Crane, distinguished members, in the entire continent of Africa, fewer than three percent (3%) of the residents and businesses have telephones on their premises, or easily accessible to them.

While my colleagues in ACTEL and I look at the tiny rate of three percent (3%) teledensity, in the entirety of Africa, we at the same time, see a ninety seven percent (97%) opportunity for ACTEL to do good financially, while doing well for the development of the nations on the African continent, in their economies and social, cultural and governmental activities.

This three percent (3%) teledensity, in a continent of more than seven hundred fifty million (750,000,000) people, unless improved upon in the near future, does not bode well for a speedy economic development in the nations of Africa; even if nations in Sub-Saharan Africa gain the benefit of your proposed legislation. However, I am convinced that such legislation will help develop a climate that will encourage investments in ventures in Africa. And I am also convinced that our company ACTEL will be a beneficiary of this climate.

Mr. Chairman, and distinguished members, I was here to testify last year, when you began your good work on this subject of Free Trade, in relation to Africa. I testified in strong support of your action.

After testifying we, in ACTEL, were highly energized and pleased by the later action of the 105th Congress of the U.S. House of Representatives, in its passage of the African Growth and Opportunity Act, H.R. 1432. For a moment, we were very excited by the possibility of the United States Senate considering, endorsing and enacting your legislation.

Particularly appealing to me and my colleagues in ACTEL were those provisions which would create a United States—Sub-Saharan Africa Trade and Economic Cooperation Forum, and a United States—Sub-Saharan Africa Trade Area. Both provisions would assist our company's, efforts by creating a climate of greater acceptability of the continent of Africa as a "go to" place, for American investors and prod-

uct and service providers. Unfortunately the U.S. Senate did not act upon your proposals and we are here again; with great hope that this time the Senate will give support and act to legislate favorably.

Mr. Chairman, and distinguished members, although not presently publicized, I can attest to you that there are great opportunities for American investors in Africa. And the end product of many of these investments can greatly benefit the businesses and people on the continent of Africa; while also benefiting American investors and American labor and products and services.

The company, Inner City Broadcasting Corporation and my wife and I, personally have invested more than sixteen million ($16.0M) dollars in this African telecommunications project, ACTEL. We believe in it for ourselves. We believe in it for America and we believe in it for Africa.

The investors in African Continental Telecommunications Limited (ACTEL) have an opportunity for dramatic and highly profitable returns on their investment. While doing so, these investors are also contributing to the advancement of the economics of Africa; as ACTEL carries essential telephone and other telecommunications related services to the people and businesses on the African continent, ACTEL will also provides job opportunities and investment and business opportunities to the African populace.

These job and business opportunities made available to the African populace by ACTEL, will be good, will not be low paying, non-desirous positions; but rather, they will be jobs and good contractual agreements to provide business products and services to ACTEL as well as other opportunities ranging from common labor through high administrative, finance and high technology management positions; all the way up to the highest management positions in the company; as well as powerful Board of Directors and Advisory Council memberships.

A completed ACTEL project will have a ratio of one (1) American to twenty (20) Africans. Fewer than twenty (20) Americans, or non-Africans, will be involved in ACTEL's management and work force: A work force exceeding two thousand (2,000) diversified positions.

In ACTEL's development launching and operation, American companies will supply more than eighty percent (80%) of the materials, machinery, equipment and apparatus. However, once in operation Africans will become eighty percent (80%) of the labor force and one hundred percent (100%) of the contracted supplier business force. This is good for Africa. It is good for America.

Mr. Chairman, distinguished members, an historic difficulty in gaining a foothold for ACTEL in Africa, has not been the obtaining of the working agreements, rights and licenses, to do business in the individual nations of Africa—as many Americans and other nationals have experienced—rather, ACTEL's difficulty has been in the absence of an existing Free Trade agreement between the United States and the majority of the nations of Africa to create a favorable climate for potential investors in African ventures. It is this favorable climate that your Free Trade bill will produce that makes us hopeful.

A Free Trade climate between the United States and nations of Africa in your legislation's economic focus, creates a favorable impression in the mind of an investor who is faced with considering an investment in a business, operating on the continent of Africa.

We, in ACTEL, do not, in any way, blame the absence of a Free Trade agreement between the United States and the nations of Africa for our inability to gain early investors in ACTEL. However, the absence of a Free Trade climate has been a constant injury to our ability to gain additional investors, as too many Americans still have a view of Africa as the "dark continent," a continent into which investors pour money, but don't get money out. While such is not the case, as attested to by Microsoft's Bill Gates. It has remained too long as a perception.

Notwithstanding this too often held belief we, in ACTEL have made much progress and will commence our initial operation of ACTEL in Africa by delivering telecommunications services via VSAT first in the nation of Zambia, no later than the fourth quarter of this year, 1999. Then, Zambia; then Botswana; Zimbabwe; Malawi, Namibia; and Mozambique, Ghana and other nations, until 2003.

By the third quarter of the year 2003 ACTEL will be furnishing "state of the art" telecommunications services to every nation on the continent of Africa.

I close, Mr. Chairman and distinguished members, by recalling that last year there were complaints from some elements of organized labor in the United States against your proposed legislation.

Opening up the American market to African exports has been opposed by some in the U.S. labor movement who see importance of textiles, apparel and certain products from Africa as a threat to the American labor movement.

Permit me, on a personal basis, as a Life member of the TWU (Transport Workers Union), since my days in graduate and law school, to express the belief that the impact of African exports to the United States will be minuscule, compared with the general benefit accruing to American labor as Free Trade between the African continent and the United States moves forward and American workers labor to produce products to be exported to African nations.

In this regard, our company ACTEL will generate more than three thousand job-hours of labor for American laborers during the process of manufacturing the apparatus, machinery and equipment and the assembling and launching of our Pan-Africa satellite. Many of these job-hours will be at high wages paid to American laborers. Thereafter, in operation African labor and business will benefit from jobs and business opportunities arising from ACTEL.

Mr. Chairman, and distinguished member, I think that, at least in our instance, both the American labor and the African labor force will benefit.

I conclude by thanking you, so very much, for hearing my comments.

I thank you for your action on behalf of Free Trade with the Sub-Saharan nations of Africa.

And, as one who, at one time, was involved in politics and government, I wish to you, *good elections*.

Chairman CRANE. Thank you, Mr. Sutton. Let me thank all of our witnesses who testified.

We will now call our next panel rather than going through our normal question and answer because we're about to get confronted with votes on the floor. We are going to have to call some of our next panel back after that 1-hour break.

So thank all of you for your testimony. As I say, all written remarks will be made a part of the permanent record too.

With that, now I would like to call our final panel, Robert Rogowsky, Carlos Moore, Karen Fedorko, Dale Apley, and Mark Levinson. We will proceed in the order that I introduced you. That was Robert Rogowsky, Carlos Moore, Karen Fedorko, Dale Apley, and Mark Levinson.

STATEMENT OF ROBERT A. ROGOWSKY, DIRECTOR OF OPERATIONS, U.S. INTERNATIONAL TRADE COMMISSION

Mr. ROGOWSKY. Thank you, Mr. Chairman, and Members. It is an honor to be here to talk on this important issue. At the request of the Committee on Ways and Means, the U.S. International Trade Commission conducted a study of the competitiveness of the textile and apparel industries in Sub-Saharan African countries, and the economic impact on U.S. producers, workers, and consumers of tariff-free and quota-free entry of imports of textiles and apparel from Sub-Saharan Africa.

I want to focus my comments on the following question. What would have been the effect on the United States textiles and apparel sector if other things being held equal, the tariffs and quotas applied to U.S. imports of these products from Sub-Saharan Africa had been eliminated in 1996. This is the question that the Commission tried to answer.

The Commission's analysis is not an econometric analysis. There is some confusion about that. I think that part of the criticisms we faced have been the fact that people have misunderstood the analysis. The Commission's analysis is not a statistical forecast analysis. It does not tell what will happen if tariffs and quotas are

actually removed. It provides an assessment of the effects of the proposed policy change, if in place, in the year we studied it.

To provide a more complete picture of the possible effects of elimination of quotas and a reduction of tariffs, ITC staff calculated lower and upper bound ranges of the effect. I want to highlight the upper bound or worst case scenario. These are the circumstances that led to the largest reduction in U.S. shipments and employment. In this exercise, staff stretched each of the factors that affect the calculation to its highest reasonable levels to estimate a maximum effect on the United States. Under this upper bound scenario, imports of apparel increased by 46 percent to about $557 million. Net U.S. welfare increases by approximately $96 million. Imports from the rest of the world decline by about approximately .2 percent. Domestic shipments decline by about .1 percent. Assuming that the decline in employment tracks a decline in production, about 676 jobs are eliminated.

Arguments have been made that the study did not deal adequately with transshipment through and foreign investment into Sub-Saharan Africa. These factors in fact were incorporated implicitly into the staff's quantitative analysis by expanding Sub-Saharan Africa's supply capability.

At the request of the staff of the Ways and Means Committee, ITC staff went beyond this to also analyze what would happen if U.S. imports from Sub-Saharan Africa increased nearly tenfold. This increase raised Sub-Saharan African imports to the United States to 3.5 billion. In this case, the decline in U.S. apparel shipments is about six-tenths of 1 percent, or $767 million worth.

So although the quantitative analysis conducted by staff is not an explicit analysis of investment and/or potential transshipment through, it does shed light on the potential effects of significant foreign direct investment into and transshipment through those countries.

Is it likely that Sub-Saharan Africa will achieve this level of export growth in the foreseeable future? The general economic conditions suggest that it will be difficult to reach those levels. Let me stop here, and say I would be happy to answer any questions.

[The prepared statement follows:]

Statement of Robert A. Rogowsky, Director of Operations, U.S. International Trade Commission

On January 14, 1997, the U.S. International Trade Commission (Commission) received a request from the Committee on Ways and Means of the U. S. House of Representatives for an investigation under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) regarding the likely impact of granting quota-free and duty-free entry to textiles and apparel from 48 countries of Sub-Saharan Africa (SSA). Specifically, the Committee requested that the Commission provide—

(1) a review of any relevant literature on this issue prepared by governmental and nongovernmental organizations;

(2) an assessment of the competitiveness of the textile and apparel industries in SSA countries, to the extent possible;

(3) a qualitative and quantitative assessment of the economic impact on U.S. producers, workers, and consumers of quota-free entry for imports of textiles and apparel from SSA. The Committee also asked that the Commission address the potential shifting of global textile and apparel production facilities to SSA that might occur as a result of the changes contained in proposed legislation. (The Committee specifically referenced H.R. 4198, African Growth and Opportunity: The End of Dependency Act of 1996, introduced in the 104th Congress, and stated that a similar bill would be introduced in the 105th Congress); and

(4) a qualitative and quantitative assessment of the economic impact on U.S. producers, workers, and consumers of eliminating the exclusion of textiles and apparel from SSA countries from coverage under the Generalized System of Preferences (GSP), in addition to quota-free entry for imports from these countries.

The Committee also requested that the Commission identify the specific types of textile and apparel articles which are most likely to be produced in SSA and which would have the most significant impact on U.S. producers, workers, and consumers.

The following sections delineate the major findings of the Commission's report and address these concerns.

PRODUCT COVERAGE

The articles covered by the Commission's investigation are those subject to textile agreements, namely textiles and apparel of cotton, other vegetable fibers, wool, manmade fibers, and silk blends. U.S. imports of textiles and apparel from SSA grew by an annual average of 18.8 percent from 1991–96, to $383 million, or less than 1 percent of total U.S. sector imports. In 1997, U.S. imports of these goods reached $454.9 million. Most textiles and apparel imports from SSA consisted of apparel (93 percent of the 1996 total), particularly basic cotton pants, shirts, and blouses. These goods are especially suited to production in countries at the initial stages of industrialization because manufacturing involves standardized runs, simple tasks, and few styling changes.

Approximately 80 percent of textile and apparel imports from SSA in 1996 came from three countries—Mauritius (43 percent), South Africa (20 percent), and Lesotho (17 percent). Kenya followed with 7 percent of the total. Textile and apparel imports from most of the remaining SSA countries were very small; 24 of the countries each shipped less than $100,000 in 1996. Although textiles and apparel accounted for slightly less than 3 percent of total U.S. merchandise imports from SSA in 1996, they represented a significant share of the shipments from several SSA countries. For example, textiles and apparel accounted for 99 percent of total U.S. imports from Lesotho, 76 percent for Mauritius, and 38 percent for Swaziland.

ECONOMIC OVERVIEW OF SUB-SAHARAN AFRICA

SSA is made up of a diverse set of countries. In 1995, South Africa had the largest economy, with a gross national product (GNP) of $131 billion; Nigeria was second, with $28 billion. The smallest, based on available information, was Sao Tome and Principe, with GNP amounting to $45 million. Most countries in the region rank among the poorest in the world. The World Bank classified 38 of the 48 SSA countries in the lowest income group (GNP per capita of $765 or less in 1995) and 6 in the lower middle income group ($766 to $3,035); the remaining 4 countries are in the upper middle income group ($3,036 to $9,385). The average annual growth rate of the region's gross domestic product (GDP), fell from 1.7 percent during 1980–90 to 1.4 percent during 1990–95. The region's growth was much lower than that of most other lower and middle-income country groups during 1990–95.

Although many SSA countries rely heavily on agriculture, the services sector accounts for the largest share of SSA GDP. From 1980 to 1995, services' share of SSA GDP rose from 38 to 48 percent, while industry's share fell from 36 to 30 percent, and agriculture's share declined from 24 to 20 percent. The latest available data show that agriculture accounted for 68 percent of SSA employment in 1990. Manufacturing value added accounted for more than 20 percent of GDP in only six SSA countries—between 20 and 25 percent for Burkina Faso, Mauritius, and South Africa, 30 percent for Zambia and Zimbabwe, and 36 percent for Swaziland.

Overall SSA exports decreased by 24 percent during 1980–93, to $62 billion. A major portion of the decline was accounted for by the drop in exports of Nigeria (55 percent) and the Democratic Republic of the Congo (36 percent). The share of SSA exports accounted for by fuels, minerals, and metals fell from 61 to 40 percent during the period; "other manufactures" rose from 16 to 36 percent. On a geographic basis, SSA exports to the European Union (EU) declined by 31 percent during the period, to $18.9 billion, and exports to the United States fell by 21 percent, to $13.0 billion. Exports to the rest of the world dropped by 21 percent to $30.1 billion. The decline in SSA exports to the EU occurred despite trade preferences afforded SSA under the Lome Convention.

During the past decade, many SSA countries began the process of economic reform. To varying degrees, these countries initiated reforms that were designed to stabilize foreign exchange rates, liberalize trade and investment, and promote foreign direct investment (FDI) and free enterprise. Nevertheless, SSA still lags behind other developing countries in terms of net private capital flows, including FDI. Although the levels of net FDI and portfolio equity have increased during the 1990's

for the region as a whole, in 1997 total foreign investment in SSA accounted for only 3.3 percent of total foreign investment in all developing countries.[1] A small number of SSA countries have attracted most of the net private capital and FDI flows into the region. For example, Nigeria, Angola, and Ghana accounted for approximately 58 percent of net FDI in 1995.

Such low levels of FDI and foreign exchange earnings have not been sufficient to meet the developmental needs of the regions. SSA countries, as a group, have had to borrow from international institutions, leading to a significant debt burden for the region. The World Bank classifies 31 of the 48 SSA countries as "severely indebted." The ratio of total external debt to either GNP or exports of goods and services for SSA is higher than the respective ratios for other regions, such as South Asia, Latin America and the Caribbean, and the Middle East and North Africa. Such high debt burdens can have a detrimental effect on economic growth both by acting as a disincentive to investment and by potentially increasing uncertainty.

The size of the domestic markets in most of the countries in the region may also serve as a disincentive to both domestic and foreign investment. Extreme poverty hinders the growth of a consumer market in many of the region's countries. Moreover, in recent years, SSA textile and apparel producers have had to contend with growing competition from U.S. exports of used clothing and other used textile items. At $92 million in 1996, these products were the eighth largest U.S. export to the region. Several SSA countries have expressed concern about the adverse impact that shipments of used apparel and textile articles have had on their domestic textile and apparel sectors, as such goods depress demand for locally made goods. The growth in U.S. exports of these goods has served as a disincentive to investment in new production capacity or to upgrading existing plants and equipment.

Finally, although the level of infrastructure varies among SSA countries, the region as a whole lags behind other low- to middle-income regions. SSA's infrastructure deficiencies contribute to the region's difficulty in attracting FDI and additional domestic investment.

Competitive Position of the Textile and Apparel Sector in SSA Countries

Recent data on the value added for the textile and apparel sector are limited. Of the SSA countries currently competing in the global market, South Africa has the largest textile and apparel sector ($2.0 billion in 1993), followed by Mauritius ($288 million in 1992), and Zimbabwe ($236 million in 1993). Mauritius stands out since the sector accounts for 45 percent of its manufacturing value added.

SSA is a very small exporter of textiles and apparel to the global market, accounting for less than 1 percent of world exports of such goods in 1995. SSA textile and apparel exports grew by an annual average of 5.4 percent during 1990–95 to $1.7 billion, two-thirds of which consisted of apparel. Textile and apparel exports accounted for about 2 percent of the region's total exports in 1995. Mauritius and South Africa together generated three-fourths of SSA's sector exports in 1995. The EU, with its colonial ties to SSA, was the primary market for the region's exports of textiles and apparel, accounting for just over one-half of the total in 1994. The United States followed with just under one-fourth of the total. Other SSA countries accounted for 13 percent of exports.

If SSA countries are granted free access into U.S. textile and apparel market, transportation costs are an important factor that will determine the level of exports. Because SSA textile and apparel exports, and African exports as a whole, are relatively small, SSA exporters cannot enjoy the cost advantages from the economies of scale in shipping afforded to exporters in larger markets, such as in East Asia. A recent quick survey of freight forwarders offers some insight. Port-to-port costs for apparel shipped from Hong Kong to New York is $2,620 per 40 foot container and takes 20 days. In the same mode, Mauritius faces $4,300 and 42 days. South Africa faces $3,800 and 40 days; Uganda, $8,270 (with inland freight) and 42 days. Most of the shipping lines go to SSA via such European ports as Antwerp or Rotterdam. After stopping in Europe, containers shipped to Kenya or Zimbabwe may go via Durban, South Africa, where the container must be transferred to a feeder carrier that may service Durban only every 15 days. Most shippers service South Africa and east Africa weekly, and sail to west Africa every 21 days.

Long delivery times, high transportation costs, and uncertainties involved in shipping finished products from SSA are important disincentives to developing production there. In addition to high quality, the highly competitive U.S. apparel retail market demands low-inventory and quick response supply. SSA countries, therefore,

[1] Based on preliminary estimates. Source: World Bank, *Global Development Finance 1998, Country Tables*, pp. 14–38.

must overcome substantial hurdles beyond gaining free access to the U.S. textile and apparel market to meet these requirements.

In the Commission's report, the 48 SSA countries are divided into three groups. The first group comprises the seven countries that are established textiles and apparel industries that have been able to compete in developed country markets such as the United States and the EU. The second group consists of nine countries that are considered to have the potential to expand exports of textiles and apparel to the United States based, in part, on past production and export performance. The third group includes the 32 remaining SSA countries, which are less likely to compete in the U.S. market for such goods.

- The seven countries in the first group are Mauritius, South Africa, Lesotho, Kenya, Swaziland, Madagascar, and Zimbabwe. Mauritius has the most developed, export-oriented apparel industry in SSA, exporting quality apparel all over the world. U.S. textile and apparel imports from Mauritius peaked at $191 million in 1995, and then fell to $165 million in 1996. The price competitiveness of Mauritian textiles and apparel has declined recently because of rising labor costs brought on by a tight labor market. As a result, some Mauritian sector trade has shifted to neighboring Madagascar. U.S. textile and apparel imports from Madagascar, which has a low-cost, relatively skilled workforce, rose from less than $1 million a year in the early 1990s to $11 million in 1996.
- U.S. textile and apparel imports from South Africa have grown rapidly since 1991, when the United States lifted the trade embargo imposed against South Africa under the Comprehensive Anti-Apartheid Act of 1986. Imports rose from $1.5 million in 1991 to $77 million in 1996; the pre-embargo peak was $55 million in 1985. South Africa is the largest producer of textiles and apparel in SSA, but it exports only a small share of its production. Factors such as low productivity and the limitations initially imposed during the period of international sanctions hamper its ability to compete globally, especially with Asian firms. In addition, South Africa has relatively high labor costs, so South African firms tend to focus on the production of higher quality or niche products for export. Nonetheless, South Africa has a developed infrastructure and an established textile and apparel sector upon which to expand production. Both Lesotho and Swaziland, which have close trading relationships with South Africa, have long-term potential to develop globally competitive textile and apparel sectors.
- The trade sanctions imposed on South Africa encouraged firms there to shift production of textiles and apparel for export to neighboring Lesotho and Swaziland. The resulting increase in U.S. textile and apparel imports from Lesotho from negligible levels in the mid-1980s to $27 million in 1991 and to $52 million in 1992, led to the establishment of U.S. quotas. However, reflecting the imposition of the quotas and the lifting of the U.S. trade embargo on South Africa, textile and apparel imports from Lesotho leveled off at slightly more than $60 million during 1994 and 1995, and then rose to a high of $65 million in 1996. Since 1995 Lesotho's exports of textiles and apparel to the United States have not been covered by quotas. Textile and apparel imports from Swaziland more than doubled between 1991 and 1994 to $15 million, and then fell to about $11 million in 1995 and 1996. Both Lesotho and Swaziland, which have close trading relationships with South Africa, have long-term potential to develop globally competitive textile and apparel sectors.
- Zimbabwe's textile and apparel sector has shown the capability to export to developed country markets, which account for most of its exports of textiles and apparel. The 50-percent growth in Zimbabwe's sector exports during 1990–95 partly reflected efforts by apparel exporters to shift their product mix to more fashionable and higher valued goods. Zimbabwe's textile industry mainly exports low-valued cotton goods, such as yarn and unfinished fabric. For the most part, the industry is unable to competitively produce quality finished fabrics or other textiles for export to developed country markets. Moreover, the country's textile and apparel manufacturers are at a disadvantage relative to other major SSA supplier countries such as Kenya and South Africa, given both the distance of these firms from major ports and the fact that it is a land-locked economy.
- U.S. textile and apparel imports from Kenya rose about sixfold during 1991–94, to a high of $37 million, before decreasing to just under $28 million in 1996. These imports fell following the establishment of U.S. quotas on Kenya's shipments of certain shirts and pillowcases in 1994. However, in 1996, none of the quotas applied to Kenya's exports to the United States were filled. Kenya's textile and apparel sector appears to have both the capacity and capability to regain a share of the U.S. market.
- The nine countries in the second group that are considered to have the potential to expand exports of textiles and apparel to the United States are Botswana, Cameroon, Cote d'Ivoire, Ghana, Malawi, Mozambique, Nigeria, Tanzania, and Zambia.

The preference margins provided by the proposed legislation could afford these countries a chance to develop textile and apparel sectors capable of competing in the U.S. market under the right circumstances. These circumstances include (i) being able to attract sufficient foreign investment and know-how and (ii) the WTO's Agreement on Textiles and Clothing (ATC) eliminating quotas on all members is does not eliminate any advantage the proposed legislation might offer.

- The 32 remaining countries (group 3), which are considered less likely to compete in the U.S. textile and apparel market, are among the poorest in the world. Some of these countries have no formal textile or apparel industry. Moreover, although various disincentives to investment that have been discussed above affect the region as a whole, the countries in this third group are particularly hampered by small internal markets for these products, inadequate infrastructure, political instability, and/or limited natural resources.

QUANTITATIVE RESULTS

The quantitative analysis undertaken by Commission staff addresses the following question: What would have been the effect on the two U.S. industry sectors (textiles and apparel) if, ceteris paribus, the tariffs and quotas applied to U.S. imports of these products from SSA had been eliminated in 1996? By assuming that all other U.S. policies (monetary, fiscal, and trade) remain the same, the analysis focuses on the effect from changes in the specific policies under question, in isolation from the rest of the U.S. economy. The analysis is not a forecast; it does not tell what will happen if tariffs and quotas are actually removed. It provides an assessment of the effects of the proposed policy change.

The quantitative analysis is based on the value of U.S. domestic shipments in 1996, the respective 1996 values of U.S. imports from SSA and from the rest of the world, the average imported weighted tariffs applied to these goods in 1996 and staff estimates of the tax equivalents of the quotas applied to the U.S. imports of apparel from Mauritius, which were the only ones that were actually binding. Because only these two quotas imposed constraints, it is not surprising that removal of the quotas had little impact. The analysis also relies on several behavioral parameters that reflect the degree to which U.S. consumers, U.S. producers, SSA suppliers, and other foreign suppliers respond to price changes in the U.S. market.

The information on these market behavior parameters was taken from previous research on textiles and apparel and is documented in the Commission's report. Supply responses from SSA are of particular concern. Short term responses may come from existing inventories, shifting supply from existing customers, and increasing hours of operation of existing manufacturing facilities. Long term responses involve adding new manufacturing capacity and employing and training new workers. Given the limited empirical research in this area, however, and to provide a more complete picture of the possible effects of elimination of quotas and the reduction of tariffs, staff used lower and upper-bound ranges rather than relying on a given estimate for each of the parameters.

I want to highlight the upper-bound scenario, the worst-case from the U.S. industry perspective. This is the circumstance that leads to the largest reduction in U.S. shipments and employment. This situation occurs with: (i) moderate price responsiveness of U.S. consumers in terms of their aggregate purchases, (ii) high price responsiveness on the part of U.S. producers, (iii) a high price responsiveness of SSA and other foreign producers, and (iv) a willingness on the part of consumers to shift purchases between goods produced in the United States, SSA, and the rest of the world in response to changes in the respective prices for these products. In this exercise, staff stretched each of these parameters to its highest reasonable level to estimate a maximal effect on the U.S.

Under the "upper-bound" scenario, eliminating both tariffs and quotas, U.S. imports of apparel increase by 46 percent (to $557.3 million). Net U.S. welfare increases by approximately $96 million. Imports from the rest of the world decline by 0.2 percent. Domestic shipments decline by 0.1 percent. Assuming that a decline in employment tracks a decline in production, around 676 jobs (or, more precisely, full time job equivalents) are eliminated.

Subsequent to the release of the study, arguments have been made that the study did not deal adequately with transshipment and foreign investment in SSA as means of increasing SSA exports to the U.S. market.[2] These issues, in fact, have

[2] The transshipment of textiles and apparel through third countries to avoid quotas, as well as other types of textile fraud, is by no means a trivial concern. It is a priority of the U.S. Customs Service, which has expanded efforts to combat such illegal transshipments. Although offi-

Continued

been incorporated implicitly into staff's quantitative analysis by including scenarios in which SSA suppliers are able to respond very aggressively to changes in price. Transshipment and increased foreign investment mean SSA countries can increase their supply to the United States. These factors are accounted for in the analysis by expanding SSA's supply capability.

> First, staff compared the results of the "upper-bound" scenario (same assumptions regarding the price responsiveness of U.S. consumers, U.S. producers, and other foreign suppliers), but completely eliminates any supply constraint on apparel from SSA (an infinite supply elasticity). Under this scenario, tariff and quota removal results in a 61 percent increase in U.S. imports from the region ($616.2 million). However, the changes in U.S. imports from other suppliers and U.S. production do not differ significantly from the initial "upper-bound" scenario. In other words, our quantitative analysis in both cases suggests a decline in U.S. apparel production of around one-tenth of 1 percent.
>
> Second, at the request of the staff of the Ways & Means Committee, ITC staff also analyzed what would happen if U.S. imports from SSA were to increase ten-fold, reaching $3.5 billion (i.e., roughly $2.9 billion greater than the results generated by the quantitative analysis outlined above). Even in this case, the decline in U.S. apparel shipments is relatively small (i.e., by six-tenths of one percent, or $767.1 million). Although the quantitative analysis conducted by staff is not an explicit analysis of strategic investment in the region or potential transshipments through the region, the sensitivity analysis does shed light on the potential effects of significant FDI into and transshipment through SSA on the U.S. economy.

It is unlikely that SSA will achieve this level of export growth in the near term because of the general economic climate prevailing in the region. Although several SSA countries have developed successful textile and apparel industries, the industries in most of the countries within the region face a wide variety of constraints. Government ownership of lucrative or critical sectors of the economy precludes much foreign investment. In many Sub-Saharan countries, banking, insurance, petroleum, utilities, telecommunications, mining, and in some cases, manufacturing sectors are government-owned monopolies. Regulatory impediments—such as slow and insufficiently transparent licensing, outdated business laws, and unreliable judicial systems that do not provide effective dispute settlement—also deter foreign investment. Many countries still impose price controls and restrictions on foreign-exchange transactions, profit remittance, and foreign ownership of land and assets. Tax administration is poor in some instances and tax rates are often high.

Infrastructure development in the region lags behind other low- to middle-income regions and contributes to the region's difficulty in attracting FDI. These problems, significantly greater than the average experience in either East Asia or in Latin America and the Caribbean, include inadequate roads and port facilities, poor communications (average waiting time for a telephone line in 1995 was 15 years versus one year in East Asia), unreliable public power, and poor access to necessities such as water. The high debt burden makes exchange rates uncertain and deters foreign investment. Political stability remains problematic. Some of the more successful economies, such as Mauritius, face a serious labor shortage and relatively high labor costs.

I hope that this clarifies the scope and findings of the Commission's study. I would be pleased to address any questions that remain.

Chairman CRANE. Thank you very kindly.

Our next witness, Mr. Moore.

---

cial data are not available on the extent of these transshipments, the Customs Service has documented a number of instances where SSA countries have been used as illegal points of transshipment. Under textile agreements negotiated with exporting countries, the United States may send "jump teams" to foreign countries to verify production capacity of a factory. In addition, the United States may apply transshipments to the quota of the true country of origin and charge up to three times the amount of the transshipment against quotas in the event of repeated circumvention by a country.

STATEMENT OF CARLOS MOORE, EXECUTIVE VICE PRESIDENT, AMERICAN TEXTILE MANUFACTURERS INSTITUTE

Mr. MOORE. Thank you, Mr. Chairman. I am representing the American Textile Manufacturers Institute. We are the national trade association of the textile mill products industry. Let me emphasize that our members make fabrics, yarns, thread, and home furnishings that we supply to apparel makers and other customers around the world.

Mr. Chairman, no one quarrels with the objective of the Sub-Saharan trade legislation, to help promote economic growth and improved well being of the people of Sub-Saharan Africa. However, we understand that the bill to be introduced in the House will be virtually identical to the badly flawed version of the African Growth and Opportunity Act that was narrowly approved last year by the House.

If this is the case, it is truly unfortunate, because that bill will not achieve its objective of helping Africa. It will imperil the livelihoods of thousands of U.S. textile workers. The textile and apparel provisions of this bill will not promote jobs and economic growth in Africa. They will promote instead massive illegal transshipments of Asian apparel through Sub-Saharan Africa to gain duty-free access to the U.S. market. China will be the winner, and Africa and the U.S. will be the losers. For these reasons, our board of directors unanimously agreed to oppose that version of the legislation. ATMI will focus its efforts to convince our supporters in the House and Senate to amend the bill or prevent its passage.

Let me turn for a minute now to how the bill creates a transshipment super highway. As U.S. Customs has testified on many occasions, illegal transshipments of apparel and textiles are already a major problem. In 1993, acting deputy commissioner of Customs, Sam Banks, testifying before a House Committee said, "you could take a pretty conservative estimate that the problem is a $2 billion problem."

So you can see, we already have a severe transshipment problem, even without this bill. It is a problem that stretches around the globe, encompassing almost 40 countries that U.S. Customs have identified as major transshipment routes. We have included in our written statement a map from the U.S. Customs Service showing this.

Africa remains a transshipment route. Recently, a Hong Kong national, Peter Yeung, was charged in New York by the U.S. Attorney with massive quota fraud. U.S. Customs identified two of his transshipment routes to be through Sub-Saharan countries of Zimbabwe and Mozambique.

Because this legislation also removes duties, the incentive to cheat will become even more enticing. Mr. Chairman, by putting in U.S. yarn and fabric and thread provisions, transshipments will be stopped cold in their tracks. U.S. Customs would be in charge of the administration of the bill, and it can effectively administer exports of cut pieces, as it does now under the so-called 807A program with other countries.

I would like now to turn to the ITC report. Just how bad is it? You have heard a defense of it. But keep in mind one thing. Supporters of the House bill make two arguments that seem to be in

direct conflict. First, they argue that the House bill and its textile provisions will be a vitally important tool for significant economic development and growth for sub-Sahara. Then in nearly the next breath they State that U.S. textile workers and manufacturers have no need to worry because the ITC study shows that imported apparel will grow only slightly.

Both these arguments can not be true. If the House bill would actually succeed in promoting significant development through more apparel exports to the United States, there would be a bigger impact. Otherwise, if this bill will not produce the development, the Committee and the Congress are wasting their time with those provisions.

Regarding the transshipment issue, the ITC simply assume there would be none. They did take it into account, but then they assumed it away. They also chose to ignore the historical record. They say that there will be only $179 million annual increased imports. They ignored Mexico. They ignored the growth of trade under NAFTA. They ignored the Northern Marianas, if you want to cite a more comparable example, where imports have grown by over $700 million over the last few years.

But the biggest factor that they ignored is, and you heard it today, they said that other things being equal. Other things are not equal when you remove duties. There is an enormous incentive to invest. They did not include that enormous incentive to invest. That is why you get such a small amount of trade. Now they did examine some upward bound, but again, that's an assumption.

Finally, Senator Gramm, Mr. Chairman, said that it was not feasible to use U.S. yarns and fabric. I would like to point out that it takes less than a month, 17 days to be precise, for a cargo ship to go from Charleston to Cape Town. This is based on Lykes Line's own data. The cost of shipping is not prohibitive. It's relatively small compared to the duty savings of the apparel.

I would like to also point out the U.S. textile industry already ships nearly $1 billion worth of rolled fabric to Asia each year. Much of that comes back to the United States in garment form. If it was non-competitive, why would Asia be buying this fabric? We also ship half a billion dollars worth of cut pieces to many countries around the world. Look at Sri Lanka, an Asian country thousands of miles farther away from the United States than Africa. It buys $26 million worth of rolled fabric a year, which it sends back in garment form. It gets no duty break.

Mr. Chairman, if Sri Lanka can make money using U.S. fabric, why couldn't Sub-Saharan countries, with lower wage rates, lower transportation costs, faster transit times, and zero duties?

In conclusion, we would urge the Committee to change this bill in today's markup to put in the provisions we suggest that will create a true partnership in all of the efforts to develop jobs in Africa. How successful would such a partnership be? I would like to just cite the apparel investment opportunities. For example, a $50 million investment would build a single integrated textile mill of modest size. It would create jobs of around 150 workers. A $50 million investment in apparel manufacturing could build 10 world scale apparel plants and create jobs for over 5,000 workers.

Mr. Chairman, we urge you to take into account the change in provisions that we suggest for textiles and apparel. Thank you.

[The prepared statement follows:]

Statement of Carlos Moore, Executive Vice President, American Textile Manufacturers Institute

This statement is submitted by the American Textile Manufacturers Institute (ATMI), the national association of the textile mill products industry. ATMI's members collectively account for approximately three quarters of the textile fibers processed in the United States and are engaged in the manufacture and marketing of nearly every kind of textile product.

Our testimony is divided into three segments: (1) a short section regarding the history of Sub-Saharan Africa legislation in the last Congress and the political ramifications of proceeding down the same path as last year; (2) our analysis of the bill's flaws and potential impact on our industry and workers; and (3) a discussion on the merits and feasibility of the Senate Finance Committee bill from the last Congress, which required the use of U.S. yarn and fabric for imported garments assembled in Sub-Saharan Africa to qualify for duty-free, quota-free treatment, and which we believe turns the bill into a win-win situation for both American and African workers.

BACKGROUND/ATMI POSITION

No one quarrels with the objective of the Sub-Saharan Africa legislation -to help promote economic growth and improve the well-being of the people of Sub-Saharan Africa. However, ATMI understands that the bill to be introduced in the House of Representatives will be virtually identical to the badly flawed version of the African Growth and Opportunity Act that was narrowly approved last year by the House.

This legislation as currently written will not achieve its objective and will imperil the livelihoods of thousands of U.S. textile workers. The textile and apparel provisions of this bill will not promote jobs and economic growth in Africa; they will promote instead massive illegal transshipments of Asian apparel through Sub-Saharan Africa to gain duty-free access to the U.S. market. China will be the winner and Africa and the U.S. will be the losers. For these reasons, ATMI's Board of Directors unanimously agreed to oppose this legislation and ATMI will focus efforts to convince our supporters in the House and Senate to amend it or to prevent its passage.

When the House considered this proposal last year, we pointed out its significant flaws and urged the House to permit an amendment that would have addressed our industry's concerns and created a true economic partnership between the United States textile industry and a newly energized apparel sector in Sub-Saharan Africa. This amended legislation would have provided a "win-win" situation for workers in the United States and in Africa. Regrettably, a separate vote did not occur.

However, the Senate Finance Committee replaced the House textile and apparel section with new U.S. yarn and fabric provisions. We urge the Subcommittee in its mark-up scheduled for later today to substitute the same provisions into the version that will be considered by the House. If last year's flawed House bill can be changed so that both African and U.S. workers benefit, ultimate passage becomes virtually assured.

HOW IS THE BILL FLAWED?

Turning now to the specifics of the legislation, ATMI is opposed to the African Growth and Opportunity Act in the form that the House voted on last year. Our primary concern remains:

- The bill is an open invitation to massive customs fraud that will turn Sub-Saharan Africa into a *48-nation transshipment superhighway.* The result will be that billions of dollars of illegal Asian transshipments will enter the U.S. at zero duty, resulting in job losses for thousands of workers, many of whom are African-Americans, in the U.S. textile/apparel/fiber industry complex.
- In addition, the bill will deprive workers in Sub-Saharan Africa of the much-needed investment which a fraud-free bill might otherwise encourage.

The bill has other flaws:

- It is bad trade policy in that it unilaterally opens up the U.S. market without providing any benefits to U.S. workers. Indeed, many Sub-Saharan countries ban the importation of U.S. textile and apparel products and will be able to continue to ban their importation under this bill even though this violates their WTO commitments.

• It relies on an International Trade Commission study [1] that contains three major flaws and which dramatically underestimates the number of U.S. jobs which could be lost as a result of this legislation.

• It will permit Asian manufacturers to legally exploit an ineffective rule of origin to gain the benefits of the bill by doing very little actual manufacturing in Sub-Saharan Africa. As a result, the bill will chiefly benefit Asian manufacturers, not African workers. We also have concerns that highly skilled, low-wage Asian workers may be imported into Sub-Saharan Africa, displacing job opportunities for African workers. We note that this phenomenon is already occurring in Mauritius, the Northern Marianas, Oman, Qatar and Bahrain.

• Asian transshipments through Sub-Saharan Africa will cause additional economic hardship and large-scale job losses in the Caribbean by threatening billions of dollars of textile and apparel trade that has developed on the basis of export sales of apparel to the U.S. market. Thousands of workers in Mexico face a similar threat.

• The bill violates the rules of the World Trade Organization (WTO) and thus will require a waiver from that body. This will almost surely lead to demands for equivalent treatment by other WTO members which could, if granted, amount to billions of dollars of quota giveaways to Asian textile and apparel exporters. Ironically, Asian exporters could thus "win" in two ways: by sending billions of dollars of illegal transshipments through Africa and also by demanding and receiving increases in quota levels or other concessions.

• It contravenes commitments made to the U.S. textile industry and Congress by the Administration during the Uruguay Round to maintain the balance of concessions whereby quota phaseouts and tariff reductions will follow the WTO agreement.

Each of these points is further elaborated on in Attachment I.

We would state to the committee at the outset that our opposition to the legislation in its present form is not because we oppose trade agreements. On the contrary, we support trade agreements that create meaningful economic partnerships between the United States and its trading partners. Consequently, ATMI supported the U.S.-Canada Free Trade Agreement and we supported and worked hard for the passage of NAFTA. ATMI also supports the thus far unsuccessful attempt to bring Chile into NAFTA and we work for the passage of Caribbean Basin parity legislation. Our industry is *not* opposed to trade liberalization that is balanced, reciprocal, enforceable and beneficial to the parties concerned. The African Growth and Opportunity Act, however, is none of that; it is bad trade policy and ill-conceived legislation.

The simple truth is the textile and apparel provisions of this legislation, as currently written, will fail to assist Sub-Saharan Africa and will hurt U.S. workers and productions by creating new incentives for massive illegal transshipments of textiles and apparel products from Asia through Africa. Instead of creating an economic partnership between the United States and Sub-Saharan Africa, it will create an economic partnership between Africa and Asia to the detriment of African and U.S. workers.

HOW THE BILL CREATES A TRANSSHIPMENT SUPERHIGHWAY?

As U.S. Customs has testified on many occasions, illegal transshipment of textile and apparel products is already a major problem. This bill, however, does not merely make that problem worse—it creates a whole new and immensely lucrative reason to cheat. Today, the sole reason that countries illegally transship through third countries is to avoid quotas imposed on their own exports. The countries that most often fill their quotas—China and Pakistan—are the biggest transshippers and they do so in a big, big way. In 1993 Acting Deputy Commissioner of Customs Sam Banks, testifying before a House committee, said, "you could take a pretty conservative estimate that the problem is a $2 billion problem" (see Exhibit A).

So you can see that we already have a severe transshipment problem even without this bill. It is a problem that stretches across the globe, encompassing almost 40 countries that U.S. Customs has identified as "major transshipment routes" (see Exhibit B). Who else is involved is an open question. According to testimony before Congress, U.S. Customs has found evidence of transshipment activity in virtually every country that it has visited, including Canada, Mexico, France, Chile, Mongolia and Syria and Yugoslavia. Recently a Hong Kong national, Peter Yeung, was charged in New York by the U.S. Attorney with massive quota fraud. U.S. Customs identified two of his transshipment routes to be through the Sub-Saharan countries of Zimbabwe and Mozambique.

[1] *Likely Impact of Providing Quota-Free and Duty-Free Entry to Textiles and Apparel From Sub-Saharan Africa*; Investigation No. 332–379; September; 1997.

Because this legislation also removes duties, the incentive to cheat will become immeasurably more enticing. Today, importers of Asian apparel pay more than $4 billion a year in duties to the U.S. Treasury regardless of whether they illegally transship those goods or not. If this bill passes, Asian manufacturers could reduce their costs by enormous amounts each year by transshipping those goods through Sub-Saharan Africa and thus avoiding duties—money which would then not be received by the U.S. Treasury.

As it is written now, this bill creates an incentive for anyone already tempted to avoid quotas to transship through Sub-Saharan Africa and avoid duties. In addition, this bill expands the universe of potential transshippers from those whose quotas fill—a relatively small number of countries—to anyone who pays duties. In the highly competitive world of international textile and apparel trade where pennies saved in the production of a garment are regarded as significant, this bill represents an invitation for unscrupulous importers and exporters to cheat on a massive scale.

Who will stop this potential flood of new transshipments? The proposed legislation entrusts enforcement of this agreement to Customs agencies in Sub-Saharan Africa. These are the same agencies that the U.S. Government (among others, including some of the African governments in question) has described as being characterized by "systemic corruption" (see Attachment I:1.5). So the argument of some African nations that they will be able to police themselves is highly questionable. Many have not been able to do so now—why should anyone think they will be able to when those willing to cheat are attracted by duty-free access to the U.S.? We would ask the Committee to consider whether they would trust their own jobs to Customs officers in countries with a reputation for corruption? We respectively suggest they should not ask U.S. textile workers to do the same.

Unfortunately, even if we could guarantee that Customs agents in Sub-Saharan Africa had the manpower, the training and the ability to monitor this trade, this legislation still does not include a single truly effective anti-transshipment measure to prevent transshipments. The visa system this bill proposes is smoke and mirrors. This system, which would be administered by Customs officers in Sub-Saharan Africa, requires no verification of where the goods are made, no inspections of facilities, and was, in fact, never designed to stop transshipments. China, Hong Kong, and Pakistan have operated under an identical visa system for more than fifteen years—and transshipments from and through these countries continues to be rampant.

Other proposed anti-transshipment measures—such as triple charging or banning companies who are caught transshipping—presupposes that either Customs officials in Sub-Saharan Africa can and will catch transshippers and turn them over to U.S. Customs or that U.S. Customs will do it on its own. These are, by the way, the same anti-fraud measures currently in place with every major Asian exporting nation. We will let you judge the results by their success thus far: triple-charging last year amounted to around $10 million (out of billions of dollars in suspected transshipments). While a number of Hong Kong and Macau companies that have been put on suspected transshipper lists, the evidence is that many have reincorporated under new names and begun transshipping again.

Questions were raised last year about our statement concerning transshipments and Customs enforcement. In fact, we understand that your Subcommittee asked U.S. Customs to review our statement and that U.S. Customs addressed several points that we made. Let me state categorically that Customs did not challenge any of our arguments about massive transshipment that would result from the bill and the serious problem of Customs dealing with Asian goods moving through 48 Sub-Saharan African countries. Instead, Customs commented on several minor technical points such as how large a presence it has overseas (note: we amended our statement to note that it has a single office in the Sub-Saharan African region).

The U.S. yarn and fabric provisions will transshipment cold in its tracks. The bill puts U.S. Customs in charge of the trade that will occur with Sub-Saharan Africa by requiring exports from the region to use U.S. fabrics and yarns in order to gain duty-free and quota-free benefits. U.S. Customs can effectively administer the exports of U.S. cut pieces of fabric as it does now under the so-called 807A program with other countries. U.S. Customs can also keep track of uncut fabric sent to Sub-Saharan Africa for cutting and sewing. It can then grant duty-free access to the apparel sent back to the U.S. that corresponds to the fabrics sent from the U.S. This approach requires no significant increase in Customs resources and does not rely on other countries' customs services.

JUST HOW BAD IS THE ITC REPORT?

Supporters of the House bill make two arguments that seem to be in direct conflict. First, they argue that the House bill will be a vitally important tool for signifi-

cant economic development and growth for Sub-Saharan Africa. Then, in nearly the next breath, they state that U.S. textile workers and manufacturers have no need to worry because the ITC study shows that imported apparel from Sub-Saharan Africa will grow only slightly—by a maximum of $179 million annually. Both these arguments cannot be true.

If the House bill were to actually succeed in promoting significant economic development through growth in apparel exports to the U.S., these exports will, obviously, have to be more than the small increase in trade predicted by the ITC. Otherwise, the Committee and the Congress are wasting their time with the legislation.

So what is wrong with these two arguments? Let us assume that nothing is wrong with the first one: the House bill results in major growth in Sub-Saharan apparel exports to the U.S. (We believe for reasons already stated that most of this trade would be Asian transshipments.) Could the ITC report be wrong?

Mr. Chairman, the Committee may be wondering why ATMI doesn't also join the chorus and quote the ITC report? After all, the ITC says very little trade (and hence very little damage to U.S. workers and output) will result. We can only wish this conclusion was correct, but it is not and its flaws must be disclosed to prevent its use from clouding the real damage that the proposed House bill would produce.

As we pointed out last year, the ITC study has three major flaws: (1) it dismisses the transshipment issue out of hand; (2) it ignores real-life examples where duty-free, quota-free access for textiles and apparel has been granted; and (3) it uses a fatally flawed econometric model whose basic assumptions deny common sense and make the entire study worthless.

Regarding the transshipment issue, the ITC simply assumed there would be none. It ignored the reality of Asian manufacturers who already illegally transship several billions of dollars a year to the U.S. and the fact that these same manufacturers have already used Sub-Saharan Africa as transshipment routes. The ITC then went on to assume that dropping duties from 18% to 0% would not constitute an incentive for Asian manufacturers to transship through Sub-Saharan Africa. We ask the Committee to consider whether this makes any sense. As you can see by the attached map prepared by the U.S. Customs Service, Asian manufacturers already illegally transship goods through almost 40 countries just to avoid quotas while continuing to pay full duties. Consider Mr. Peter Yeung from Hong Kong who is currently charged with transshipping through two Sub-Saharan countries. If Asian manufacturers could also save 18% of their costs by transshipping through Sub-Saharan Africa rather than other countries, why wouldn't they?

Unfortunately, the ITC also chose to ignore the historical record as well. The ITC claims that as a result of this bill, imports of apparel from Sub-Saharan Africa will increase by at most only $179 million over a ten-year time period. It got this number from an econometric model that it evidently trusted more than the facts at hand.

The basic fact is that when you grant duty-free access for textiles or apparel to ANYONE, imports increase dramatically. In the five short years that NAFTA has been in effect (1994–1998), imports of textiles and apparel from Mexico have grown 261 percent in physical terms and 288 percent in dollar terms. This is what happens when textile and apparel imports are made quota-free and duty-free. This is not economic theory; this is real life.

Now, you may wonder whether Mexico is a relevant example, being a close neighbor with long-standing trade ties. Let us look then at the Northern Marianas, a tiny island enclave in the western Pacific, halfway around the world and thousands of miles farther away than Africa. The Northern Marianas, which is smaller in size than the city of Jacksonville Florida, has received duty-free, quota-free status as a result of being a U.S. territory. And, over the last five years, exports of apparel from the Northern Marianas have increased by over $700 million or over 300%. Today, the Northern Marianas constitutes the fastest growing source of imported apparel in the world. These islands have no other "comparative" advantage than having duty-free and quota-free access to the United States. In fact, the labor is even imported from China and other low wage Asian countries.

How then did the ITC come by its figure of $179 million and the loss of only 676 U.S. jobs? You may be surprised to learn that the ITC created this number by assuming that NO ONE would invest in Sub-Saharan Africa. According to the ITC, the correct figure for new investment in Sub-Saharan Africa if this bill passes is ZERO. If the ITC is correct, then the Congress should drop this bill and move on to other business.

The Subcommittee doesn't have to take ATMI's word regarding the flaws in the ITC report. A study conducted last year by the Economic Strategy Institute (ESI) confirmed that the ITC's econometric study assumed that the bill would lead to no

new investment. We ask that the Committee review the ESI study (Attachment II) carefully before they cite the ITC's "numerology" on this issue.

HOW FEASIBLE IS IT TO USE U.S. YARN AND FABRIC?

Last year, the Senate Finance Committee reported a bill which sought to make this a mutually beneficial trade bill, and would help both Africa and the United States by creating a new economic partnership between the U.S. textile and Sub-Saharan apparel industries. This approach is comparable to the effort made on the House floor last year to improve the bill, and it is worthy of the committee's support this year.

We urge the Subcommittee to make a change to the proposed bill that would both ensure that goods are actually made in Sub-Saharan Africa—not in Asia—and would not displace U.S. textile jobs. That change would be to require apparel made in Sub-Saharan Africa to use U.S. fabrics made of U.S. yarns if the apparel is to enter the U.S. duty-free and quota-free. These are the same provisions made in the Senate Finance Committee's bill last year.

With such an approach, Asian manufacturers would be denied the use of Sub-Saharan Africa as a transshipment platform—any garment entering the U.S. from Sub-Saharan Africa without documented proof that it had been assembled in a specific plant in Sub-Saharan Africa from fabric sent to that plant from the U.S. would have to pay full duty. These manufacturers would use Sub-Saharan Africa as a legitimate assembly platform—they would invest and create real jobs in Sub-Saharan Africa because the heretofore cheaper alternative of transshipping had been denied to them.

Such a system would be a win-win both for workers in Sub-Saharan Africa and for workers in the United States. Apparel investment and jobs would flow to Africa as it became a new legitimate assembly platform for the U.S. market while textile workers in the U.S. would benefit from increased orders of U.S. manufactured fabrics and yarns (see Exhibit C).

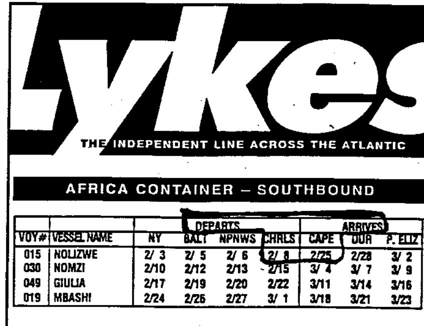
How successful would such a partnership be? As one of the primary purposes of the bill is to create jobs in Sub-Saharan Africa, apparel investment should be targeted rather than textile investment, which is much more capital intensive and creates far fewer jobs per dollar invested. For example, a $50 million dollar investment would build a single integrated weaving mill and create jobs for around 150 workers. Compare this to a $50 million investment in apparel manufacturing, which would build ten apparel plants and create jobs for over 5,000 workers[2]. With apparel investment, it is much easier to target to meet your development needs.

Many Asian countries fill their apparel quotas each year—and every year importers must look outside of Asia to fill orders. Sub-Saharan Africa already offers importers lower wages and better proximity. What this bill adds is the kind of duty break that propelled Mexico in four years time to become the premier supplier of apparel for the U.S. market. Running at an average savings of 18% per garment, such savings offer enormous advantages in the extremely competitive world of textile and apparel garment production.

However, supporters of the House bill have raised questions about such an approach. Some have said that it would not be cost-effective if U.S. fabric had to be used. They say that transportation takes too long; one person testified it would take 80 days to ship from the U.S. to Africa. Another said the fabric would add enormous and prohibitive costs to a garment. Where such bizarre notions come from we cannot say—only that the people who stated them are ignoring the realities of international trade in textiles and apparel.

The truth is that it takes less than a month—17 days to be precise—for a cargo ship to go from Charleston, South Carolina to Cape Town, South Africa. This is according to Lykes Lines, an international shipping company, which ships to South Africa from the United States. (If 17 days sounds like a long time, keep in mind that orders for garments are typically made six to nine months in advance of actual production.)

[2] Source: Werner International



Lykes

THE INDEPENDENT LINE ACROSS THE ATLANTIC

AFRICA CONTAINER – SOUTHBOUND

		DEPARTS				ARRIVES		
VOY#	VESSEL NAME	NY	BALT	NPNWS	CHRLS	CAPE	DUR	P. ELIZ
015	NOLIZWE	2/ 3	2/ 5	2/ 6	2/ 8	2/25	2/28	3/ 2
030	NOMZI	2/10	2/12	2/13	2/15	3/ 4	3/ 7	3/ 9
049	GIULIA	2/17	2/19	2/20	2/22	3/11	3/14	3/16
019	MBASHI	2/24	2/26	2/27	3/ 1	3/18	3/21	3/23

Regarding the cost of shipping, according to Lykes Lines and ATMI member companies who already export fabric to Sub-Saharan Africa, the shipping cost for U.S. apparel fabric sent to South Africa ranges from $.09 to $.14 per garment. This accounts for approximately 1.3 percent of the total cost of a finished garment. Duty savings, on the other hand, ranges from $1.25 to $1.66 per garment (see below). We should note as well that transportation costs from the U.S. to Kenya, Senegal, the Ivory Coast and Ethiopia were also analyzed and they were all slightly less than South Africa's costs.

Cost of Shipping Fabric Is Small Compared to Duty Savings

Garment	Ocean Freight Cost to Ship Fabric For One Garment To Capetown, SA	Duty Savings if Garment Enters U.S. Duty-Free
Man's Cotton Twill Trouser	$.09	$1.53
Man's Cotton Oxford Dress Shirt	.07	1.66
Man's Cotton Golf Shirt	.14	1.25

Sources: Lykes Lines, ATMI member companies.

Regarding the relative cost of U.S. fabric, an argument has been made that this cost will be prohibitive. Of the many false statements uttered about this proposal, this is the most astounding. While an attached analysis by Werner International (see Attachment III) shows that this is not so—in fact, it shows that garments sourced in Sub-Saharan Africa with U.S. fabric are cheaper, by almost 10 percent, than identical garments made in the Far East, we ask the Committee to consider the following facts:

1. The U.S. textile industry already ships nearly one billion dollars worth of rolled fabric to Asia each year—much of which comes back to U.S. in garment form. If the U.S. fabric were non-competitive, then why would Asia—thousands of miles further away from the U.S. than Africa—be buying so much U.S. fabric[3]? (See Exhibits D & F)

2. Over one-half billion dollars worth of apparel is shipped from Asia to the United States each year made of U.S. textile components under the 807 program.[4] If the U.S. textile products were non-competitive, we wonder why would Asia be doing so much shopping for products in the U.S.? Keep in mind that Sub-Saharan Africa manufacturers would pay ZERO duty while Asian manufacturers must still pay around 12% under the 807 program (see Exhibit E).

[3] According the WTO, the United States is the 6th largest exporter of textile products in the world.

[4] This figure does not even include rolled uncut fabric from the U.S. which is not eligible for duty savings under the 807 program.

Exhibit A

US Customs Reports on Transshipment Activity

1983 - Customs estimates textile transshipments at $450 million.[i]
- Customs launches "Operation Blitz" regarding widespread use of counterfeit visas in Taiwan.
- "Operation Tripwire" report on transshipment activity states "Substantial evidence indicates that much of the (textile and wearing apparel) merchandise is entering the United States through fraudulent schemes" and that "conspiracies to circumvent import requirements have now reached epidemic proportions."[ii]

1985 Visa system covers 20 foreign countries.

1992 - Customs reports that of 694 overseas factories inspected during the "Q-Tip" investigation, 553 (80%) were found to be transshipping.[iii]
- Commissioner Hallet states that Chinese transshipments are estimated at "at least $2 billion."[iv]

1993 - Sam Banks, Acting Deputy Commissioner: "We have gone into . . . 32 countries and in 27 we have found huge (transshipment) problems . . .we can say straight-faced that the $2 billion (transshipment) figure is probably a conservative estimate."[v]
- US Customs in Hong Kong estimates that actual transshipment figure may be as high as $4 billion.[vi]

1994 Customs reports that China cannot account for up to $10.8 billion in worldwide apparel exports.[vii]

1996 Custom establishes single bond entry requirements on ten apparel categories representing $400 million being exported from Hong Kong after it determines that true origin of the products cannot be verified.

1997 Customs reports that jump teams in Macau & Hong Kong find transshipment rates of 20-25% or higher in all targeted apparel categories. Some categories in Macau are reported to contain 90% transshipments.[viii]

1998 Hong Kong Customs, after a review of 2,200 apparel factories (one-third of total), finds transshipment rate of 20-25%.[ix]

---

[i] "Federal Enforcement of Textile and Apparel Import Quotas", Committee on Government Operations, House Report 99-305, p. 11.
[ii] Operation Tripwire Report, US Customs, 9/30/83, p. 6-7.
[iii] Speech by Peter Nunez, Ast. Secretary of Enforcement, Dept. of Treasury, 5/28/92.
[iv] Commissioner Hallet, press briefing, Operation Q-tip, 5/6/92.
[v] Oversight of US Customs Service and Textile Transshipment", Committee on Government Operations, House of Representatives, Oct. 5, 1993, p. 115-6.
[vi] Ibid. p. 115.
[vii] "Unraveling the Mystery, Following the Thread of PRC Apparel Exports", US Customs, 12/94
[viii] Briefing to ATMI Officers by US Customs, November 1996.
[ix] Briefing to ATMI Officers by US Customs, February 1998. Using Hong Kong apparel exports in 1997 of approx. $9.6 billion, worldwide Hong Kong transshipments could total as much as $2.4 billion (ATMI analysis).

MAJOR TRANSSHIPMENT ROUTES TO U.S.

Exhibit B

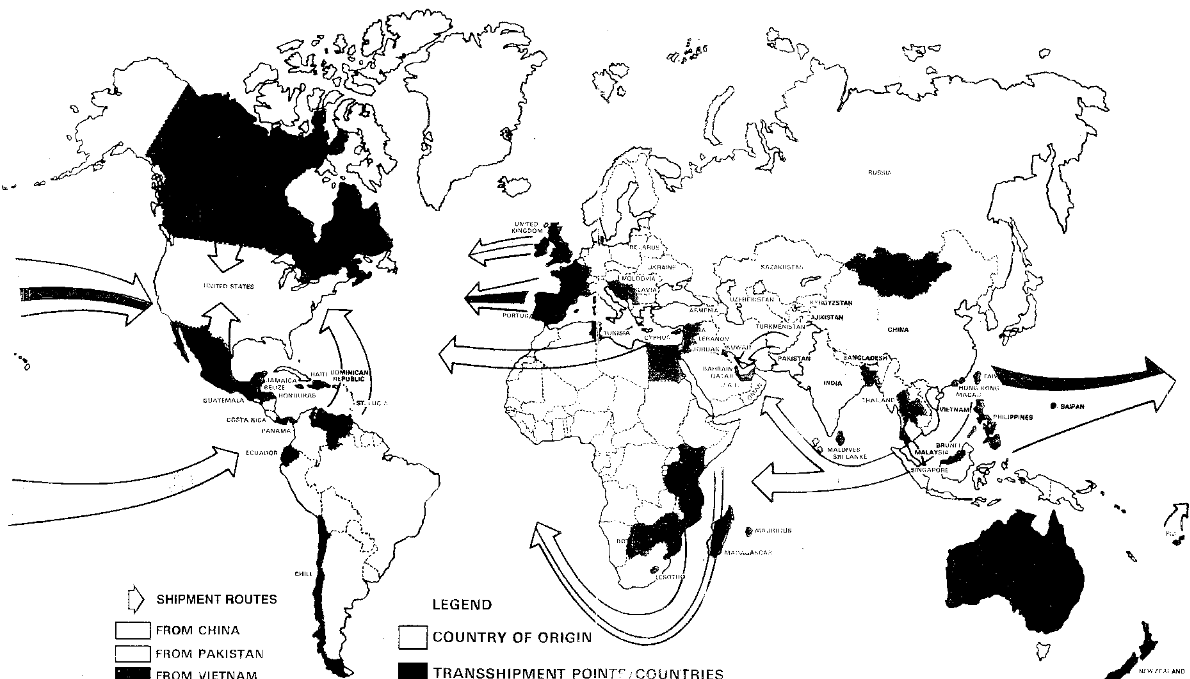
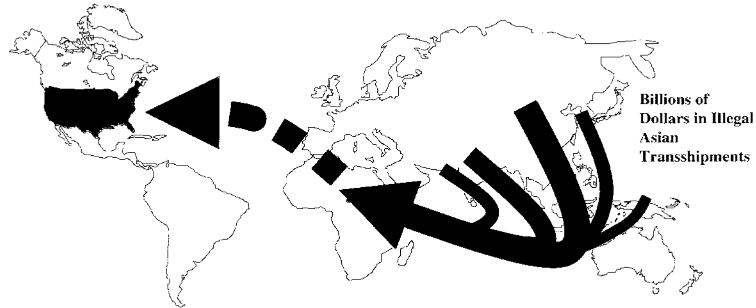


Exhibit C

Under Current Bill, Asian Transshippers Win . . . While African & U.S. Workers Lose



Effective Anti-Transshipment Measures In Bill:	*None*
Reasons For Asians To Transship:	*Billions in duty savings and no quotas*
Likelihood of Massive Transshipments:	*With Virtually NO chance of getting caught, likelihood of massive transshipments is HIGH.*

With U.S. Fabrics Required, Illegal Asian Transshippers Are Foiled . . . U.S. and African Workers Win

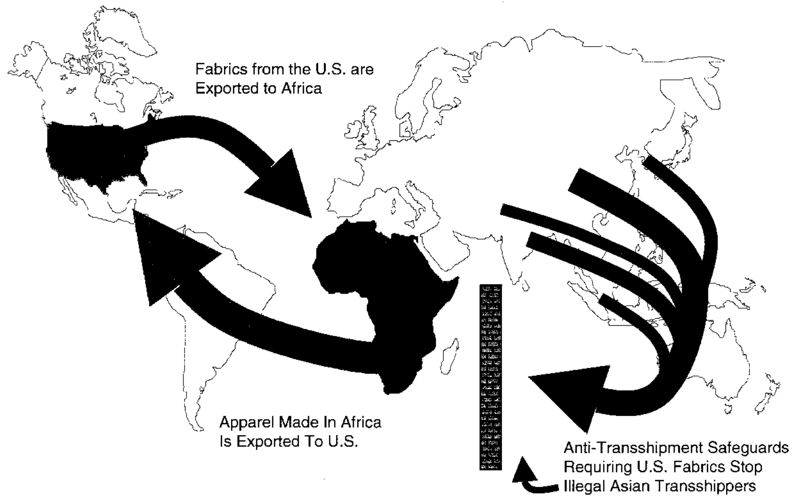
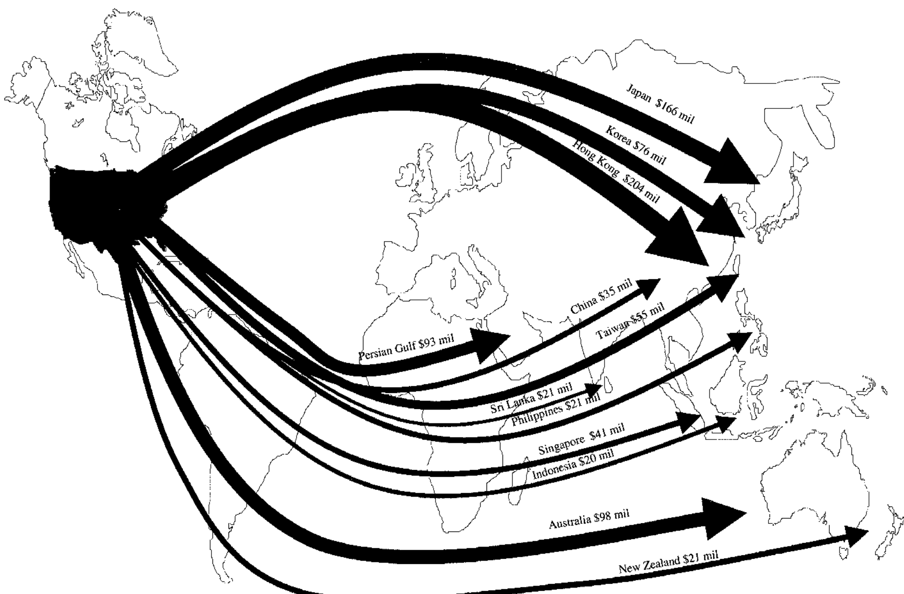


Exhibit D

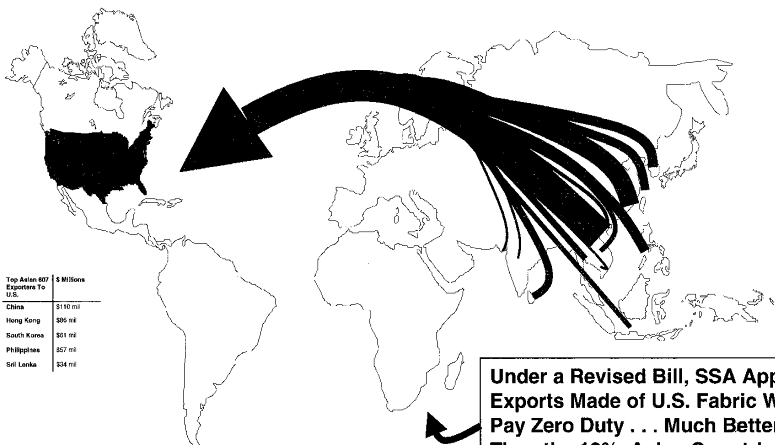
Almost $1 billion in U.S. Fabrics Are Exported To Countries Farther Away Than Africa Each Year



Source: U.S. Dept. of Commerce

Exhibit E

16 Asian Countries Ship Half A Billion Dollars In Apparel To The U.S. Made With U.S. Textile Products (807)



Top Asian 807 Exporters To U.S.	$ Millions
China	$110 mil
Hong Kong	$86 mil
South Korea	$61 mil
Philippines	$57 mil
Sril Lanka	$34 mil

Under a Revised Bill, SSA Apparel Exports Made of U.S. Fabric Would Pay Zero Duty . . . Much Better Than the 12% Asian Countries Have to Pay Under the Current 807 Program.

Source: Dept. of Commerce

Exhibit F

U.S. Fabric Has Markets Around The World – Sub-Saharan Africa Can Be The Next One

Destination	1997 Fabric Exports Million $	Miles from Los Angeles, CA
Hong Kong	204	6,380
Japan	166	4,839
Australia	98	6,511
South Korea	76	5,229
Taiwan	55	6,037
Philippines	40	6,588
Thailand	29	7,775
Bangladesh	17	9,384
Sri Lanka	21	9,448
Singapore	41	7,867
		Miles from Charleston, SC
Italy	62	4,614
Saudi Arabia	54	5,410
South Africa	24	6,830
Ghana	Great	5,653
Nigeria	Potential	5,065

Let us cite several specific cases. Morocco currently sends the U.S. $36 million a year worth of apparel made from U.S. textile components. Morocco has nearly the same shipping times, U.S. fabric costs and transportation costs as any Sub-Saharan Africa country. And under the 807 program, Morocco still pays a duty on the value added in that country—while Sub-Saharan Africa would pay ZERO duties.

Look also at Sri Lanka, an Asian country thousands of miles farther away from the U.S. than Africa, which buys $26 million worth of U.S. rolled fabric a year. Sri Lanka sends all of this fabric back to the U.S. in garment form . . . and it gets no duty break at all! If Sri Lanka can make money using U.S. fabric, why couldn't a Sub-Saharan Africa country, with lower wage rates, lower transportation costs, faster transit times and a duty break averaging 18 percent? The same question might be posed with respect to the $40 million worth of fabric which the U.S. exported to the Philippines in 1997.

As for those importers that say they would never source goods out of Sub-Saharan Africa under such a plan, we point out that these same importers claimed that the rules of origin under NAFTA were so restrictive that they would not be able to do business. And yet Mexico and Canada have shipped billions of dollars worth of additional textile and apparel products since NAFTA has passed. In fact, these same importers have made Mexico the largest supplier of apparel to the United States.

These are also the same importers who said that rule of origin changes made during the Uruguay Round would cripple their ability to import from the Far East—and yet the Far East has increased its apparel exports to the U.S. by billions of dollars since the agreement was signed. Their arguments must be taken with a grain of salt.

CONCLUSION

In conclusion, the African Growth and Opportunity Act as expected to be considered by this Subcommittee needs to be changed. We support its aims and objectives, but conclude that the evidence is overwhelming that the bill's own objectives will not be realized. Instead, we are convinced that African workers will lose out, Asian manufactures will win, fraud and corruption will increase. And, further, contrary to what its supporters contend, grave harm will be inflicted on the livelihoods of thousands of American workers, including many African American workers, in the textile/apparel/fiber complex.

Therefore, we urge the Committee to change this bill in today's markup by substituting the textile and apparel provisions of the bill with new language that requires U.S. yarns and fabrics. Such a change would create a new and meaningful economic partnership between the U.S. textile industry and a newly energized Sub-Saharan apparel sector. It would benefit both Sub-Saharan Africa and the United States and therefore would gain broad support and stand the best chance of being enacted.

[The attachments are being retained in the Committee Files.]

Chairman CRANE. Ms. Fedorko.

STATEMENT OF KAREN FEDORKO, EXECUTIVE VICE PRESIDENT, AND GENERAL MANAGER, MAST INDUSTRIES, INC., ANDOVER, MASSACHUSETTS

Ms. FEDORKO. Mr. Chairman, I want you to know how much MAST Industries and The Limited, Inc. appreciate your efforts along with Mr. Rangel, Mr. McDermott, Mr. Jefferson and others to persevere in this important legislative initiative. We also appreciate the Administration's ongoing support and especially the tireless efforts of Assistant U.S. Trade Representative Rosa Whitaker. Thank you.

Last September I visited Zimbabwe, Ghana, Madagascar, and several other African countries with my boss, Marty Trust, and other colleagues. I met scores of African entrepreneurs. Mr. Chairman, every single one of the businesspeople I met had the same question. When will the African Growth and Opportunity Act become law? Make no mistake, the dynamic businesspeople of Africa do want more trade with the United States. They are intensely focused on this Congress's effort to make that happen.

I would like to offer a perspective on why this bill and the incentives it offers are necessary. The enormous economic promise of Africa is clear. But as a businessperson, I also know that Africa can still be a challenging place. If any of you doubt the difficulties of doing business in Africa, I invite you to try to have Federal Express deliver an urgent shipment of clothing samples to a factory in Madagascar in less than 5 days, or try to book yourself on a nonstop flight to any port in Africa. It's not possible from Washington. It's still not possible to find a local access dial in for American Online in Madagascar and many other countries. AT&T USA-Direct dial service is likewise unavailable. Direct shipping and air cargo

service for most African ports to the United States east coast can't be done.

I raise these difficulties not as a criticism of Africa, but in order to demonstrate how much those of us in the American business community need a push toward Africa. Last year's Africa bill caused people like me to reconsider the view that Africa is just too hard. We need to continue to fight against that impulse. I ask you to help us by making another run at this legislation.

Mr. Chairman, Africa deserves a chance to compete for a share of the U.S. clothing market. I am convinced that the elements the House approved last year would make that happen. But there has been a fundamental misunderstanding about this question of just who Africa would be competing with. I would like to clear that up.

If the bill you passed last year is enacted, African garment producers won't be competing against American textile and apparel workers, but Africa will be competing with Korea, China, Taiwan, Hong Kong, and other large-scale Asian garment exporters. The chance to compete with these Asian producers is exactly what Africa needs in order to grow.

Speaking for our company, I cannot think of a single instance in which orders we might place with African suppliers would displace any production which we are currently contracting with U.S.-based clothing manufacturers. We are looking to Africa for simpler products and for products that just aren't produced in the United States, like hand-linked sweaters that Madagascar is starting to make. That is a product that competes directly with China, not Virginia or North Carolina or Georgia. Under the incentives scheme contained in last year's bill, 100 percent of the new orders we would consider placing in Africa are currently placed in East Asia.

Another concern raised about the textile provisions of the African Growth and Opportunity Act is that this would lead to massive illegal transshipment of apparel through an African quota-free zone. I find the notion advanced by lobbyists from the textile industry who oppose trade with Africa, that Africa will automatically become, in their words, a transshipment superhighway, somewhat offensive and insulting to African countries. The notion that democratically-elected governments would cheat their own people out of opportunities for some manufacturer in another continent is absurd. A country like Madagascar wants every job possible for its own people.

I know the prime ministers of the two biggest apparel exporters in Sub-Saharan Africa. They are committed to policing their borders and enforcing a standard of zero tolerance with respect to illegal transhipment. I also know that U.S. Customs will have unrestricted access to any factory producing goods for our company.

I hasten to add, however, that the goal of expanded trade will not be achieved if the textile provisions are watered down with restrictive origin rules for fabric and other components. The House did the right thing last year by rejecting a proposal which would have provided quota-free benefits only to garments assembled in Africa using 100 percent U.S.-formed and cut fabric. I am not aware of a single major retail company that would move to expand trade with Africa under a U.S. fabric only rule.

Mr. Chairman, I have built my career on developing partnerships with garment makers around the world. We are ready to partner with dynamic entrepreneurs in Sub-Saharan Africa to develop solid business relationships, convey our technical and marketing expertise, and promote African prosperity that will benefit U.S. exporters in all sectors of our economy. A hand up, rather than a handout. Trade, not aid. The African Growth and Opportunity Act is the right thing to do, and it will lead to partnerships that this Committee, this Congress, Democrats and Republicans, and especially the American people can be proud of.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Statement of Karen Fedorko, Executive Vice President, and General Manager, MAST Industries, Inc., Andover, Massachusetts

Mr. Chairman, I appreciate the opportunity to comment on the Africa Growth and Opportunity Act. My comments today reflect the views of Mast Industries, Inc. on behalf of itself and The Limited, Inc. MAST Industries, a global contract manufacturer of casual clothing, is a subsidiary of The Limited, Inc., the world's largest specialty retailer of apparel, operating over 5,600 stores nationwide and with over $9 billion in U.S. sales. The Limited, Inc. is the 18th largest private sector employer in the United States.

Our companies were disappointed that the Africa trade legislation passed by the House last year failed to be considered by the full Senate. And so I want to extend our gratitude to this Committee for persevering in the effort to advance this important bill. I especially want to single out Chairman Crane, Mr. Rangel, Mr. McDermott, Mr. Royce, and Mr. Jefferson for their vigorous support. I also want to acknowledge the efforts of the Clinton Administration to keep this initiative moving forward, including President Clinton's endorsement during his State of the Union address. We particularly appreciate the hard work of Assistant U.S. Trade Representative Rosa Whitaker.

Until I became involved in this issue in the middle of last year, I had had little exposure to the legislative process here in Washington. But I have been enormously impressed by the broad bipartisan support that exists for the Africa Growth and Opportunity Act, and by the remarkably diverse coalition of U.S. businesses that are clearly so interested in helping Africa reach its economic potential. I hope we can take advantage of these factors in 1999 to win enactment of this bill.

I have also been struck by the tremendous interest in this legislation among African business people. Last September, I visited a number of African countries along with colleagues from MAST Industries, including our President, Martin Trust. Our itinerary included Zimbabwe, Ghana, and Madagascar, and our aim was to evaluate clothing production capacity in those and other countries. During our visit, I met scores of African entrepreneurs. And Mr. Chairman, every single one of the business people I met in Africa had the same question for me: "when will the Africa Growth and Opportunity Act become law?" Make no mistake. The dynamic business people of Africa do want expanded trade with the United States, and they are intensely focussed on this Congress's efforts to help bring that about.

U.S. BUSINESS NEEDS A PUSH TOWARDS AFRICA

Since I started focussing more on Africa a year or so ago, it has also become clear to me that the challenges of doing business there remain considerable. I am talking here about very practical things that really matter for a business like the one I'm in. If any of you doubt the difficulties of doing business in Africa, I invite you to try to have Federal Express deliver an urgent shipment of clothing samples to a factory in Madagascar in less than five days. Or try to book yourself on a direct airplane flight to any point in Africa (it can't be done from Washington!). It's still not possible to find a local access dial-in for America Online in Madagascar and many other African countries, and AT&T's USA-Direct service is likewise unavailable. Direct shipping and air cargo service from Antananarivo to the U.S. East Coast can't be done.

I raise these practical difficulties not as a criticism of Africa, but in order to demonstrate how much those of us in the American business community need the special "push" towards Africa represented by the Africa Growth and Opportunity Act. The bill that this Committee approved last year, and which met with success on the

House floor, will go a long way to reversing the belief among many in the business community that it is simply not worth the time and effort to try and develop real and lasting relationships with African entrepreneurs. On behalf of both American and African business people, I urge you to fight to make this legislation a reality.

AFRICA DESERVES A CHANCE TO COMPETE

The refreshing thing about the Africa Growth and Opportunity Act is that it recognizes that facilitating trade between the United States and Africa is one of the best ways to promote stable economic and political development and vigorous markets for American exports. And it recognizes that this can absolutely be done without harming American companies and their workers. This proposal is not about threats to U.S. jobs. It's about giving African countries an opportunity to compete—I repeat, "to compete"—for their fair share of American trade and American investment.

The establishment of a quota-free zone for qualifying Sub-Saharan countries, and the possibility of duty-free GSP treatment for some textile and clothing products made in Africa, simply makes good sense. These provisions, which were included in the bill passed by the House last March, will help African countries begin to rely on trade instead of aid. They are the elements of the legislation that will have the most direct impact in strengthening trade and investment ties between the U.S. and Africa. And they will not have a negative impact on textile and clothing workers in this country—despite what others have tried to argue. I urge the Committee to ensure that these provisions from last year's bill are preserved in any legislation that moves forward in 1999.

I should also note that the tariff reductions envisioned in this legislation represent more than a benefit for Africa. They also represent a very real "tax cut" for every American family that buys clothes. When you consider that man-made fiber T-shirts can be taxed at 29% when they come into this country, you get a sense of how heavily taxed this country's clothing consumers are—taxes which fall, disproportionately, on those least able to afford them. By eliminating taxes on some imports of clothing from Africa, your legislation makes at least a start in addressing that problem.

BUT COMPETE AGAINST WHOM?

You've just heard me say that Africa deserves a chance to compete for a share of the clothing market in this country, and I'm convinced that the bill you approved last year would make that happen. But outside this Committee, there has been a fundamental misunderstanding about this question of just who Africa would be competing against, and I'd like to try to clear that up.

Contrary to what some have argued, if the bill you passed last year is enacted, African garment producers will not be competing against American textile and apparel workers. African manufacturers would be competing with Korea, China, Taiwan, Hong Kong and other large-scale Asian garment exporters. The chance to compete with these longtime Asian producers is exactly what Africa needs in order to grow.

The argument that the quota-free and GSP provisions of the bill will lead to a flood of imports, displacing American garment workers are just not realistic. The production capacity on the continent is extremely low, and the range of products we could expect to source in Africa would probably be quite narrow for the foreseeable future. Let's not lose sight of the fact that, in 1997, imports from Sub-Saharan Africa accounted for only about one percent of global U.S. clothing imports, a level that has remained constant for at least the past five years.

Speaking for my own company, I cannot personally think of a single instance in which orders we might place with African suppliers would displace any production which we are currently contracting with U.S.-based clothing manufacturers. We depend on our American suppliers to provide us with the kind of specialized, technology-intensive textile production that American workers do better than anyone else. We would be looking to Africa for simpler products, and for products that just aren't produced here in the United States, like the fully-fashioned hand-linked sweaters that Madagascar is starting to export. That's a product that competes with China, not with Virginia or North Carolina or Georgia.

The bottom line is that, under the incentive scheme contained in last year's bill, Africa would suddenly become significantly more competitive with producers we currently work with in East Asia, and I do foresee that we would shift orders away from Asian vendors and towards some of our new contacts in Africa. In that case, obviously, the effect in terms of total imports to the U.S. would be a "wash," with no impact at all in terms of employment in the U.S. industry. In fact, when I do

the numbers for our company under a scenario of the bill passed last year by the House, 100 percent of the new orders we would consider placing in Africa are currently placed in East Asia. Once again—the bill the House passed last year makes Africa more competitive vis-a-vis Asia, and does not pose a threat to the U.S. industry.

ENSURING THAT IMPORTS FROM AFRICA ARE LEGITIMATE

Let me address another concern that has been raised about the textile provisions of the Africa Growth and Opportunity Act, namely the fear that this would lead to massive illegal transshipment of apparel through an African "quota-free zone," or other efforts to circumvent rules of origin.

As a general matter, these concerns have been overblown. The anti-circumvention safeguards which the House included in last year's bill were reasonable and effective. Moreover, we should ask ourselves, why would African countries want to shortchange themselves of the opportunity for the growth provided by new manufacturing opportunities? The government officials and garment producers I've met throughout Africa know very well that it is completely in their own interest to guard vigorously against transshipment. As apparel production in some parts of Africa increases, our company is actively encouraging African factory managers to establish an "open-door policy" with U.S. Customs and the Governments that I talk with in the region clearly intend to have "zero-tolerance" toward illegal transshipment.

I would also like to comment on the proposal that would limit the duty free and quota free benefits of the Africa legislation to apparel that is "wholly assembled" in Sub-Saharan Africa. None of the merchandise that I have purchased from the region is assembled anywhere except within the Sub-Saharan region. The idea here is to ensure that only garments that are completely assembled in African factories benefit from the preferences extended under the legislation, and to eliminate the possibility for manipulation of origin rules. From my perspective, the "wholly assembled" concept is a very workable proposal. It would be relatively easy to verify. And, ultimately, it advances the goal of developing a strong garment production capacity that will enable African countries to compete effectively against producers in Asia. Our company would support such an addition to the Africa legislation.

A "U.S. FABRIC ONLY" RULE WON'T ACHIEVE THE BILL'S OBJECTIVES

I hasten to add, however, that the goal of expanded trade will not be achieved if the textile provisions are watered down with restrictive origin rules for fabric and other components. The House did the right thing last year by rejecting a proposal which would have provided quota-free benefits only to garments which are sewn together in Africa from fabric which is both formed and cut in the United States. In our business, this sort of offshore assembly of U.S.-made pieces is known as "807A" trade.

From the perspective of retailers and importers, the addition of a "U.S. fabric only" restriction to the Africa bill would eliminate the commercial significance of these provisions and would gut the objective of building stronger commercial ties between companies like mine and garment producers in Africa.

"807A" works in the Caribbean, since distances are short and turnaround times can be quick. But shipping individual U.S.-cut garment pieces to Africa for assembly and subsequent reshipment back to the United States is too costly and much too slow, particularly in a business like ours, where fashion trends require us to move in hours or days rather than weeks or months. I am not aware of a single major retail company that would move to expand trade with Africa under a "U.S. fabric only" rule.

To those who hold up so-called studies claiming that a "U.S. fabric only" rule is feasible—I would issue this challenge: name one single U.S. company that has pledged to utilize this regime. Putting a bunch of numbers on piece of paper is one thing. Finding a company that will commit to new investments in Africa under these restrictive rules is quite another. To those companies lobbying to restrict this bill to "U.S. fabric only" rule, I would pose this question: "if we adopt this rule will your company place new orders in Africa?" I am pretty sure I know what their answer will be to that question. My company is already doing tens of millions of dollars of new business in Africa. We understand the art of the possible. And under the bill passed by the House last year, we will significantly expand what we do in Africa.

However, if the bill is passed with a "U.S. fabric only" rule, that new business won't follow. At the end of the day, proponents of a U.S.-only rule really do not want to expand trade with Africa—despite their efforts to mask their opposition with com-

plicated policy “alternatives” that would do nothing to actually encourage greater trade and investment in Africa.

IT’S TIME FOR A PARTNERSHIP WITH AFRICA

As someone who has developed partnerships with garment makers around the world, I am convinced that the time has come for producers in Africa to have a piece of the action. My company, MAST Industries, is committed to the concept of partnership with our global manufacturing partners. We want very much to partner with dynamic entrepreneurs in Sub-Saharan Africa—to develop solid business relationships, to convey our technical and marketing expertise, and to promote African prosperity that will benefit U.S. exporters in all sectors of our economy.

I want to make a prediction today. If the Congress passes this bill and the President signs this legislation (as he has promised to), millions of dollars of new orders will placed in African countries almost overnight. US businessmen and women start traveling to Africa in large numbers and as the standard of living in African countries rises, you can bet that US exporters and US jobs will also benefit—from farm products to pharmaceuticals, from airlines to online services, from jet engines and aircraft to financial services, from software to hardware. Make no mistake about it—this bill will mean good jobs and good wages for Americans and a desperately needed opportunity to alleviate poverty and strengthen young democracies in Africa.

A hand up rather than a handout—trade, not just aid. It is the right thing to do. This will be a partnership that this Committee, this Congress, Democrats and Republicans and especially the American people, will be proud of.

Mr. Chairman, thank you again for the opportunity to appear, and for this Committee’s efforts to advance this important legislation.

Chairman CRANE. Thank you, Ms. Fedorko.

We are going to have to go into recess now until 1 o’clock sharp. If there are conflicts with any of you as far as flight connections, things like that, feel free to make your exit. But otherwise, if you are going to be here, if you could as many of you as possible, be back here at 1 p.m., we’re in your debt.

The Committee now stands in recess until 1 p.m.

[Recess.]

Chairman CRANE. The Committee will reconvene. Any of our witnesses who are still—oh, very good. All right, I think next in line is Mr. Apley.

STATEMENT OF DALE J. APLEY, JR., DIVISIONAL VICE PRESIDENT, PUBLIC POLICY, KMART CORPORATION, TROY, MICHIGAN

Mr. APLEY. Thank you, Mr. Chairman, and Members of the Committee, for the opportunity to comment on the African Growth and Opportunity Act. Today my comments reflect the views of Kmart Corp., the Nation’s third largest retailer. Kmart Corp. was founded 100 years ago in Detroit, Michigan as the S.S. Kresge Co. Since our beginning, the consuming public has looked to our stores for the every day necessities of life at prices their family budgets can afford.

Kmart operates more than 2,100 traditional discount and Super Kmart centers in the United States. On average, there is a Kmart store located within 15 miles of every home in the United States. With more than 250,000 employees, we are the seventh largest employer in the United States, offering jobs and benefits to a broad cross section of our Nation’s work force. Kmart has a reputation as a discount retailer that provides a wide selection of products from clothing and beauty, healthcare, to sporting goods and small appli-

ances at low prices that hardworking, average Americans can afford. This is and always has been our business.

We want to provide the widest choice at the best price. With our roots strongly established in the United States, we prefer to directly source the products we sell from U.S. manufacturers to meet the standards our shoppers expect. However, as a member of the greater economy, we also recognize the competitive importance of international trade to our company, our customers, and the Nation's economy. Insisting on adherence to high standards for the production and manufacture of all goods, we import products from facilities worldwide.

That is why I am honored to be able to add Kmart's support for the African Growth and Opportunity Act. The fact that Secretary Daley and Secretary Kemp, Ambassador Young, Senator Gramm were here today to express their support for this legislation is a testimony to the strong bipartisan consensus behind expanding U.S. trade and investment relations with Africa.

The benefits of increased trade with Sub-Saharan Africa are clear. With any emerging economy, the development of the employment base and the national infrastructure ultimately give underdeveloped countries the basic ability to do business with other nations. The elimination of quotas for qualifying Sub-Saharan countries and the duty-free GSP treatment for some textile and clothing products made in Africa will expand export opportunities from these areas and allow the people of these countries to compete seriously in the global marketplace.

While Kmart Corp. has been sourcing a variety of products from various outlets in Africa, the enactment of this bill would encourage us to increase our orders with African suppliers. We are confident that we can expand our activities in Africa without any reduction in the work contracted with U.S.-based manufacturers. We foresee that any increase in orders with African producers would simply represent a shift away from production in Asia. This bill would simply allow Sub-Saharan Africa to compete with China, Pakistan, India, and the countries of S.E. Asia, and does not pose a threat to the U.S. industry.

The International Trade Commission's recent analysis has confirmed this by stating that Africa's ability to produce textiles over the next decade is still very limited, and that they will likely increase their exports in the next decade by at least 3 percent. Currently Sub-Saharan Africa accounts for less than 1 percent of total U.S. imports on textiles and apparel. The commission's final analysis concluded this bill would create a small shift from Far Eastern suppliers than U.S. manufacturers.

Kmart has a long reputation of working in partnership with reputable suppliers who share a commitment to human rights and the ethical standards of conduct. To maintain our commitment to these principles, we have established a workplace code of conduct, which requires all Kmart suppliers and their subcontractors to provide a clean, safe, and healthy work environment, and to engage in fair and ethical employment practices. This code of conduct is enforced through a global independent monitoring firm and requires all suppliers and subcontractors to make their facilities available for inspections at any time. We work closely with our suppliers to main-

tain our standards, and reserve the right to terminate relationships and cancel orders with suppliers that don't comply with these strict standards.

We understand that our customers depend on the quality and value of our products and the underlying integrity of the work-places which produce them. Kmart is on the forefront of the fight against child labor, forced labor, unfair wages, and discrimination. The African Growth and Opportunity Act will help forward this endeavor, and force other facilities to raise their standards because of the duty-free provisions of the bill, which are built upon the very successful GSP program.

While the African Growth and Opportunity Act is good for retailers, it is also good for America as a whole. Africa is an untapped emerging market in the world, and it has potential for expansive growth. This legislation would provide a launching pad for the American exports to Africa, by enabling us to expand our imports from Africa. The United States can not increase imports to a country that does not have the means to buy our goods. By buying goods from African countries, we would be exchanging capital, which in turn could be used to purchase American products. Importing Sub-Saharan African goods will create a great export opportunity for the United States, and increased exports to Africa will create not only capital, but also jobs in the United States.

The African Growth and Opportunity Act is a win-win prospect for everybody. The legislation would help us to ensure that companies such as Kmart are able to provide the best quality goods to our customers at the lowest possible prices. On a larger scale, as the African economy emerges, this bill offers a great opportunity for U.S. businesses to maximize trade and investment opportunities in Africa.

The African Growth and Opportunity Act will stimulate private investment in Africa, and will shift the U.S. policy toward Africa from aid to trade for the Sub-Saharan countries that have committed to economic and political reform. I hope that each member will recognize Africa's tremendous potential and the importance of this legislation to all parties involved, and in doing so, will support the African Growth and Opportunity Act. Thank you.

[The prepared statement follows:]

Statement of Dale J. Apley, Jr. Divisional Vice President, Public Policy, Kmart Corporation, Troy, Michigan

Mr. Chairman and members of the Committee, thank you for the opportunity to comment on the Africa Growth and Opportunity Act.

I am Dale Apley, Divisional Vice President, Public Policy of Kmart Corporation, the nation's third largest retailer.

Kmart Corporation was founded 100 years ago in Detroit, Michigan as the S.S. Kresge company. Since our beginnings, the consuming public has looked to our stores—first their local Kresge "five and dime" stores and now their hometown Kmart, Big Kmart or Super Kmart Center—for the everyday necessities of life at prices their family budgets can afford.

Today, Kmart operates more than 2,100 traditional discount and Super Kmart Centers in the United States. On average, there is a Kmart store located within 15 miles of every home in the United States.

With more than 250,000 employees, we are the 7th largest employer in the United States, offering jobs and benefits to a broad cross-section of our nation's workforce.

Kmart has a reputation as a discount retailer that provides a wide selection of products—from clothing to health and beauty care, to sporting goods and small ap-

pliances—at low prices that hard-working, average Americans can afford. This is and always has been our business.

We want to provide the widest choice at the best price. With our roots strongly established in the U.S., we prefer to directly source the products we sell from U.S. manufacturers that meet the standards our shoppers expect. As a member of the greater economy, we also recognize the competitive importance of international trade to our Company, our customers, and the nation's economy. Insisting on adherence to high standards for the production and manufacture of all goods, we also import products from facilities worldwide.

That is why I am honored to be able to add Kmart's support for the Africa Growth and Opportunity Act. The fact that Secretary Daley and Secretary Kemp are here today to express their support for this legislation is a testimony to the strong bipartisan consensus behind expanding U.S. trade and investment relations with Africa.

The benefits of increased trade with Sub-Saharan Africa are clear. With any emerging economy, the development of an employment base and a national infrastructure ultimately give underdeveloped countries the basic ability to do business with other nations. The elimination of quotas for qualifying Sub-Saharan countries, and the duty-free Generalized Systems of Preferences treatment for some textile and clothing products made in Africa will expand export opportunities for these areas and allow the people of these countries to compete seriously in the global marketplace.

While Kmart Corporation has been sourcing a variety of products from various outlets in Africa, the enactment of this bill would encourage us to increase our orders with African suppliers. We are confident that we can expand our activities in Africa, without any reductions in work contracted U.S.-based manufacturers.

We foresee that any increase in orders with African producers would represent a shift away from production in Asia. This bill would simply allow Sub-Saharan Africa to compete with China, Pakistan, India, and the countries of Southeast Asia and does not pose a threat to the U.S. Industry.

The International Trade Commission's recent analysis has confirmed this by stating that Africa's ability to produce textile over the next decade is still very limited, and that they will likely increase their exports in the next decade at best by about 3 percent. Currently, Sub-Saharan Africa accounts for less than 1 percent of total U.S. imports of textiles and apparel. The Commission's final analysis concluded that this bill would create a small shift from Far Eastern suppliers than U.S. manufacturers.

Kmart has a long tradition of working in partnership with reputable suppliers who share our commitment to human rights and ethical standards of conduct. To maintain our commitment to these principles, Kmart has established a Workplace Code of Conduct, which requires all Kmart suppliers and their subcontractors to provide a clean, safe and healthy work environment and to engage in fair and ethical employment practices. This Code of Conduct is enforced through a global independent monitoring firm and requires all suppliers and subcontractors to make their facilities available for inspections at any time. We work closely with our suppliers to maintain our standards and reserve the right to terminate any relationship and cancel all orders with any supplier that doesn't comply with these strict standards.

We understand that our customers depend on the quality and value of our products and the underlying integrity of the workplaces which produce them, and Kmart is on the forefront of the fight against child labor, forced labor, unfair wages and discrimination. The African Growth and Opportunity Act will help forward this endeavor and force other facilities to raise their standards because the duty-free provisions of the bill are built upon the very successful Generalized System of Preferences (GSP) program, which links worker's rights and workplace conditions to trade concessions.

While the African Growth and Opportunity Act is good for retailers, it is also good for America as a whole. Africa is an untapped emerging market in the world and it has the potential for expansive growth. This legislation would provide a launching pad for American exports to Africa by enabling us to expand our imports from Africa. The United States cannot increase exports to a country that does not have the means to buy our goods. By buying goods from African countries, we would be exchanging capital which can in turn be used to purchase American exports. Importing Sub-Sahara African goods will create a great export opportunity for the U.S., and increased exports to Africa will create not only capital, but also jobs in the United States.

While many legislators, companies and consumers already recognize the advantages of increased trade with Africa, some have expressed concern. I have already explained that the United States will prosper economically from the African Growth and Opportunity Act, but some are afraid that the provisions that eliminate quotas

will encourage quota fraud and transshipment of clothing produced in Asia. This is absolutely untrue. U.S. Customs officials have reported that Africa is not currently a platform for transshipment. In addition, because production of apparel in the African countries is extremely limited, a dramatic increase in apparel exports would be quickly noticed and easily tracked by the U.S. Customs Service. Nevertheless, as an extra precaution, the House-passed version of the African Growth and Opportunity Act addresses the potential for transshipment problems by requiring the importers of textiles and apparel to obtain import visas for all products shipped from Sub-Saharan Africa. It also imposes a "one strike and you're out" penalty for Sub-Saharan exporters who commit quota fraud.

The African Growth and Opportunity Act is a win-win prospect for everyone. This legislation will help to ensure that companies, such as Kmart, are able to provide the best quality goods to our customers at the lowest possible prices. On a larger scale, as the African economy emerges, this bill offers a great opportunity for U.S. businesses to maximize trade and investment opportunities in Africa. The African Growth and Opportunity Act will stimulate private investment in Africa and will transfer the U.S. policy toward Africa from aid to trade for Sub-Saharan countries committed to economic and political reform.

I hope that each member will recognize Africa's tremendous potential and the importance of this legislation to all parties involved and in doing so, will support the African Growth and Opportunity Act.]

Chairman CRANE. Thank you.

Mr. Levinson.

STATEMENT OF MARK LEVINSON, CHIEF ECONOMIST, UNION OF NEEDLETRADES, INDUSTRIAL AND TEXTILE EMPLOYEES, AFL–CIO

Mr. LEVINSON. Thank you, Mr. Chairman. My name is Mark Levinson. I am the chief economist of UNITE, which represents 250,000 workers in textile, apparel, and other related industries. I appreciate the opportunity to testify at this hearing.

The bill's most glaring omission is its failure to include labor rights as a pre-condition for countries to gain eligibility for expanded trade. In the absence of core labor rights as defined by the International Labor Organization, there is nothing to ensure that the wealth generated by increased trade is shared by the workers in Africa. If we have learned anything from the debate on and defeat of fast track, it is that the American people believe that trade and investment agreements should protect workers, as well as investors.

There are many in Africa who agree with us. Representatives of trade unions in the African regional organization of the International Confederation of Free Trade Unions met last June to consider the African Growth and Opportunity Act. One of their conclusions was that "without a guarantee that workers rights will be respected, violations of their rights will worsen." The South African Clothing and Textile Workers Union has informed UNITE that they "are strongly opposed to the conditionalities in the bill." They see the bill as "an attempt to protect and advance the interests of corporations and will not advance the interests of Africa's poor." Consider the situation of South Africa and Lesotho and Swaziland. Lesotho and Swaziland each lie entirely within South Africa's borders. They are small countries, and each is considerably poorer than South Africa. In each country, worker's rights are not respected. In each country, according to the U.S. International Trade Commission, there is a significant chance that a competitive ex-

porting industry will emerge. In Lesotho, many companies pay below the minimum wage and have very long working hours, often locking workers in until an order is finished. The U.S. State Department has noted in its annual Human Rights Report that no legally sanctioned strike has occurred in Lesotho since independence in 1966, and that employees are often threatened with expulsion from the country and loss of employment if they join unions.

Observance of workers' rights, of workers' human rights in Swaziland is even more rare than in Lesotho. There, an official of a trade union federation recalls a strike can be punished by a fine or a maximum of 5 years imprisonment, or both. Subsequently, can be banned for 5 years from holding trade union office. Police intimidation and violence against trade union demonstrations and strikes are ruthless.

Lesotho and Swaziland have one-half of 1 percent of the population of Sub-Saharan Africa, but account for almost 20 percent of the region's apparel exports to the United States. While these countries have 7 percent of the population of South Africa, their apparel exports to the United States are 42 percent greater than South Africa's. The current bill before the Subcommittee would create a situation in which South African apparel workers face the reality of investment shifting to those countries where labor costs are lower because of human rights abuses.

Another example. In Uganda, the Uganda Textile Garment Leather and Allied Workers Union is the sole union organizing in the apparel sector. It has a membership of over 2,400 workers in 16 factories. In 13 of these factories, the union represents well over 50 percent of the workers. Following privatization, which this bill encourages, all but one former state-run company withdrew recognition of the union. The one company that hasn't is threatening to follow the others in withdrawing its recognition of the union. The African Growth and Opportunity Act does nothing to prevent this kind of attack on workers.

Are these not examples of the race to the bottom? By failing to link trade and investment with worker rights, the African Growth and Opportunity Act does nothing to prevent such a destructive race.

There are other provisions in the bill which lead me to question whether it is in the interest of most Africans. The bill requires countries to adopt market-oriented policy changes analogous to those imposed under the structural adjustment programs of the World Bank and the IMF, government spending cuts, reduced corporate taxes, wholesale privatization, removal of trade barriers, and diminished protection for national industries.

As Harvard economist Danny Roderick put it in a paper on Africa, the fundamentals for long-term growth are human resources, physical infrastructure, macro economic stability, and the rule of law. Governments that undertake investments in these areas will be rewarded with increased rates of growth. Too much focus on outward orientation and openness can even be counter-productive if it diverts policymakers' attention away from the fundamentals listed above and treats trade rather than per capita income as a yardstick of success.

I agree with what ATMI said on transshipments, so I won't repeat that. I also agree with what they said about the ITC study. I would like to point out to the Committee what the ITC in its own testimony said about their study, "The analysis is not a forecast. It does not tell what will happen if tariffs and quotas are actually removed." Some of the bill's supporters I think should understand that limitation of the ITC study.

Let me just end with the following thought. U.S. policy toward Africa should be judged by its effect on the lives of ordinary people. Broad-based development requires that workers enjoy internationally recognized human rights and that policies produce improvements in physical infrastructure, production of basic commodities for national, regional, and international markets, promotion of locally-owned enterprises, and sufficient government control to balance private capital needs with broader social needs. This bill falls short in all of these areas. Thank you.

[The prepared statement follows:]

Statement of Mark Levinson, Chief Economist, Union of Needletrades, Industrial and Textile Employees, AFL–CIO

My name is Mark Levinson. I am Chief Economist of UNITE which represents 250,000 workers in textile, apparel and other related industries. I appreciate the opportunity to testify at this hearing. UNITE supports the goal of the African Growth and Opportunity Act: "to promote stable and sustainable economic growth and development in Sub-Saharan Africa." We believe, however, that many provisions of the bill work directly counter to that goal.

TRADE, INVESTMENT AND LABOR RIGHTS

In a speech at the World Trade Organization (WTO) last year, President Clinton stated:

> In order to build a trading system for the 21st century that honors our values and expands opportunity, we must do more to ensure that spirited economic competition among nations never becomes a race to the bottom—in environmental protections, consumer protections, or labor standards. We should be leveling up, not leveling down. Without such a strategy, we cannot build the necessary public support for continued expansion of trade. Working people will only assume the risks of a free international market if they have confidence that the system will work for them.

I agree with President Clinton. But the African Growth and Opportunity Act does not embody these principles. The bill's most glaring omission is its failure to include labor rights as a precondition for countries to gain eligibility for expanded trade. In the absence of core labor rights, as defined by the International Labor Organization, there is nothing to ensure that the wealth generated by increased trade is shared by the workers in Africa. That leads to an economic race to the bottom. If we have learned anything from the debate on and defeat of fast track, it is that the American people believe that trade and investment agreements should protect workers as well as investors.

There are many in Africa who agree with us. During President Clinton's trip to Africa a year ago, South African President Nelson Mandela announced that the South African government has serious reservations about the African Growth and Opportunity Act. "To us, it is not acceptable," he said.

Representatives of trade unions in the African Regional Organization (AFRO) of the International Confederation of Free Trade Unions (ICFTU) met last June to consider the African Growth and Opportunity Act. One of their conclusions was that: "Without a guarantee that workers' rights will be respected, violations of their rights will worsen." The South African Clothing and Textile Workers Union (SACTWU) has informed UNITE that they are "strongly opposed to the conditionalities" in the bill. They see the bill as "an attempt to protect and advance the interest of corporationsand will not advance the interest of Africa's poor."

African workers who have struggled to gain recognition for fundamental human rights confront the threat of having their gains undermined by competition from

within Africa as well as from without. Andrew Kailembo, General Secretary of ICFTU–AFRO, put it this way:

> How can those using unfair or even oppressive labor practices and denying their own citizens freedom of association have access to international markets? Why should goods produced in slave like conditions be allowed to compete with those produced in relatively free conditions? It is in this context that the link between the core labor standards and international trade becomes inevitable. It is not a push for any global minimum wage; neither is it a protectionist ploy against competition.

Consider the situation of South Africa and Lesotho and Swaziland. Lesotho and Swaziland each lie entirely within South Africa's borders. They are small countries and each is considerably poorer than South Africa. And in each country, workers' rights are not respected.

In the opinion of the U.S. International Trade Commission (ITC), "there is a significant chance that a competitive exporting industry will emerge" in Lesotho. And in Swaziland, according to the ITC, "[g]iven proper investment and some degree of government coordination to encourage the development of this sector, Swaziland could become a significant exporter of textile and apparel goods to the United States if Sub-Saharan African countries were granted preferential access to the U.S. market."

Most of the investment in the Lesotho textile and apparel sectors comes from South Africa and Taiwan. According to the International Confederation of Free Trade Unions (ICFTU), this investment has taken place on the basis of a guarantee that the companies would be able to disregard labor legislation. Many companies pay below the minimum wage, and have very long working hours—often locking workers in until an order is finished. Employers refuse sick-pay leave and engage in almost constant unfair dismissal practices. In many factories, deductions are made from wages for workers found talking, or using the toilet more than once a day. On several occasions police have addressed workers at factory floor level advising them to leave the union, or elect new leaders, or allow the police to form a union for them.

Lesotho maintains several export-oriented industrial zones where 70 percent of employment is in the textiles, garment and leather sectors. Lesotho's labor law is supposed to apply in the country's industrial zones, but police stations at the entrances to the zones stop union organizers from getting in. The U.S. State Department has noted in its annual human rights report that no legally sanctioned strike has occurred in Lesotho since independence in 1966, and that employees are often threatened with expulsion from the country and loss of employment once they join unions. There is credible evidence, the State Department found, that some employers in the textile and garment sector use blacklists to deny employment to workers who have been fired by another employer within that sector.

Among the incidents that have occurred in Lesotho:

- Last February, workers and management at one of the largest clothing manufacturers in Lesotho had been involved in a wage dispute for one week. Following a court eviction order, armed police stormed the building, shooting at random, reportedly injuring more than 40 workers and killing one woman.
- In 1995, police opened fire on striking workers at Maseru Clothing and Mustang Shoes, injuring 18 workers, one of them seriously.
- In 1993, three textile and apparel sector companies dismissed their entire work forces, amounting to over 1,500 workers, when workers there formed unions.

Observance of workers' human rights in Swaziland is even more rare than in Lesotho. There, an official of a trade union federation who calls a strike can be punished by a fine or a maximum of five years' imprisonment, or both, and subsequently can be banned for five years from holding trade union office. Police can attend union meetings. Police intimidation and violence against trade union demonstrations and strikes are ruthless. In August 1994 police killed one worker and seriously wounded others during a month-long strike at a sugar company. Government agents attempted to murder the Swaziland Federation of Trade Unions' General Secretary in 1995. The ICFTU concluded in a recent report to the World Trade Organization that violations of freedom of association and the right to collective bargaining in Swaziland are so serious and widespread that they have a negative impact on wages and working conditions in every sector, including the traded sector.

Lesotho and Swaziland have 0.5% of the population of Sub-Saharan Africa but account for fully 23% of the region's apparel exports to the U.S. And while these countries have 7% of the population of South Africa, their apparel exports to the U.S. are 42% greater than South Africa's. The current bill before the Subcommittee would create a situation in which South African apparel workers face the reality of

investment shifting to those countries where labor costs are lower because of human rights abuses.

In Uganda, the Uganda Textile, Garment, Leather and Allied Workers' Union is the sole union organizing in the apparel sector. It has a membership of 2,420 workers in 16 factories. In 13 of these factories the union represents well over 50% of the workers. Following privatization, all but one former state-run company withdrew recognition of the union. This one company is threatening to follow the others in withdrawing its recognition of the union. The African Growth and Opportunity Act does nothing to prevent this kind of attack on workers.

Are these not examples of the "race to the bottom" that President Clinton warned against? By failing to link trade and investment with worker rights, the African Growth and Opportunity Act does nothing to prevent such a destructive race.

Rigid Eligibility Requirements

There are other provisions in the bill that lead me to question whether it is in the interest of most Africans. The bill requires countries to adopt market-oriented policy changes analogous to those imposed under the structural adjustment programs of the World Bank and the International Monetary Fund: government spending cuts, reduced corporate taxes, wholesale privatization, removal of trade barriers and diminished protection for national industries.

The African Growth and Opportunity Act would even threaten current GSP beneficiaries in Africa with a loss of preferential tariffs if they fail to meet these market-oriented eligibility requirements. And while the bill also lists poverty reduction, social investment and human rights as factors to be considered in assessing eligibility, without clear enforcement mechanisms these criteria are eclipsed by the bill's central concern with market liberalization.

Achieving economic development through exports and foreign investment is problematic in much of Africa, where infrastructure and social services have deteriorated following IMF/World Bank-mandated government spending cuts. Market liberalization does not address that problem or promote development of local industries. In fact it may undermine the very sectors which would allow African economies to develop the capacity to supply the U.S. market.

In a paper on Africa, Harvard University economist Dani Rodrik put it this way:

> The fundamentals for long-term growth are human resources, physical infrastructure, macroeconomic stability, and the rule of law. Governments that undertake investments in these areas will be rewarded with increased rates of growth.Too much focus on "outward orientation" and "openness" can even be counterproductive if it diverts policy makers' attention away from the fundamentals listed above and treats trade rather than per-capita income as a yardstick of success.

Trade and investment initiatives should not take the place of development assistance. Debt relief is crucial for many countries to be able to take advantage of new programs. Currently, debt service payments claim 80% of Africa's foreign exchange earnings and total four times the amount spent on health care throughout the region.

The African Growth bill acknowledges the importance of continued development assistance programs and the urgent need for substantial debt relief but makes no additional funding available for these programs.

The problem with this bill is summarized well by the distinguished African political scientist Mahmood Mamdani:

> After a decade of liberalization, the issues for Africa are those that expand the boundaries of meaningful choice in the era of globalization. The U.S. African Growth and Opportunity Act, tilt[s] the balance of reform away from choice to an external imposition. Rather than a helping hand, it read like a set of terms that every African country must meet before getting ease of access to the American market. Many people here wonder whether the United States is opting for regimes that are willing to impose economic reforms designed in Washington, even if the same regimes deny the opposition the right to organize If the era of single-party politics taught us one thing, it is that monopoly is as corrupting in politics as in the economy.

Transshipment is a Problem

The U.S. Customs Service has already identified eight Sub-Saharan African countries as transshipment routes. By creating a large region of quota-free and duty-free textile and apparel imports, the bill will exacerbate the transshipment problem.

The bill attempts to deal with transshipment by setting up a visa system. Every significant textile and apparel exporter to the U.S. currently is required to have a visa system to certify the country of origin of their exports. There is a little evidence that it works. Transshipment remains a major problem and this legislation creates a new financial incentive to transship. Thousands of American jobs have been lost due to violations of our international agreements. Thousands more could be lost because of this legislation. In addition, the duty-free status for goods shipped through Africa will cost the Treasury hundreds of millions of dollars in lost revenue.

We are also concerned about "legal" transshipment. Section 503(a)(2) of the Trade Act of 1974 requires that the direct costs of processing operations performed in the beneficiary country be at least 35% of the value of the product. The African Growth and Opportunity Act amends that by allowing 15% percent of the value to be met by inputs from the United States. Thus only 20% of the value of a garment needs to be of African origin in order to qualify for duty-and quota-free treatment. This means that an American importer can ship plastic bags, hangers, thread, buttons, shoulder pads, etc., valued at 15% of the finished item to the African factory. A Chinese manufacturer, for example, could cut Chinese fabric, sew it into a garment and ship it to Africa. The African factory could sew in a "Made in Africa" label, inspect the garment, trim loose threads, do any necessary repairs, press the garment, package it (all valued at 20% of the finished item) and ship it to the U.S. duty-free and quota-free. Is this the best way to encourage a legitimate apparel industry in Africa; or is it a way for importers to get around quotas and duties in other countries?

Another problem is that the bill does not require that African workers be actually employed making the goods that are shipped duty-free and quota-free to the U.S. market. Some companies have found it advantageous to import workers, who are forced to work under conditions amounting to indentured servitude, into African countries. For example, there are several thousand guest workers in Mauritius working in that country's growing apparel industry. Without a requirement that a high percentage of indigenous workers be used in industries shipping goods to the U.S. under the pending bill, there is no guarantee that Africans will benefit.

SIGNIFICANT DAMAGE COULD BE DONE TO U.S. INDUSTRY

The bill states that "it will be very difficult" for textile and apparel exports to the United States from Sub-Saharan Africa to increase from less than 1 percent share of total U.S. imports to three percent of total imports. In fact a study by the ITC claims that the African Growth and Opportunity Act will cause a minor increase of imports and negligible job loss.

Can these predictions be taken seriously?

In 1986, after the passage of the Caribbean Basin Initiative, the U.S. International Trade Commission reassuringly claimed that "Caribbean countries play a relatively minor role in U.S. imports of textiles and apparel," supplying $500 million or 3 percent of the total in 1984. In 1997, imports of textile and apparel products from CBI countries were valued at $7.8 billion. Imports from CBI countries currently constitute almost 14 percent of all U.S. textile and apparel imports.

In 1993, prior to NAFTA, Mexico supplied only $1.1 billion of apparel to the United States—under 4 percent of total U.S. apparel imports. In its 1993 report the ITC said that "even if U.S. apparel imports from Mexico grow by as much as 200 percent in the long run the U.S. industry's labor force will likely decline by about three percent." According to the 1997 ITC report on the effect of NAFTA, total employment in the apparel industry declined by 138,000, a 14% decline. (Of course, not all of this can be attributed to Mexico). The ITC also predicted that removal of U.S. quotas and tariffs would likely result in an increase in U.S. apparel imports from Mexico of roughly 45 percent in the short term and 57 percent in the long term. In fact, between 1993 and 1997 imports of apparel from Mexico increased by 350%. Mexico now accounts for over 13% of U.S. apparel imports.

Perhaps the Committee will understand if UNITE has little confidence in studies by the ITC which predict little harm to the domestic industry.

CONCLUSION

There is nothing wrong with African countries having access to U.S. markets. But this should not be done at the expense of workers in America or in Africa. Market access should be linked to adherence to internationally recognized labor rights. As an incentive to promote labor rights, apparel and textile quota should be transferred from countries that do not respect labor rights to those that do.

U.S. policy toward Africa should be judged by its effect on the lives of ordinary people. Broad-based development requires that workers enjoy internationally recognized human rights, and that policies produce improvements in physical infrastruc-

ture; production of basic commodities for national, regional and international markets; promotion of locally owned enterprises; and sufficient government control to balance private capital needs with broader societal needs. This bill falls short in all these areas.

The essential point was expressed well in a letter to the Senate last year circulated by Randall Robinson of TransAfrica and signed by many prominent African Americans:

> Under the cover of an appealing name . . . the Lugar-Crane bill contains numerous provisions mainly aimed at benefiting large foreign private investors and multi-national corporations at the expense of true and equitable African development.

Chairman CRANE. Thank you.

Mr. Rogowsky, Mr. Moore says that your commission's study of our bill contains three major flaws which dramatically underestimate the number of U.S. jobs that could be lost as a result of the bill. Are you aware of that?

Mr. ROGOWSKY. Yes, Sir.

Chairman CRANE. Could you respond?

Mr. ROGOWSKY. Yes. I can. They, for the most part, argue that we do not take account of transshipment and foreign investment into Africa. I think they make their case a little too strongly to say that we say it is zero or that we ignore it. We don't ignore it.

I think partly it is because they misunderstand the kind of analysis that we performed. They are looking at a statistical kind of analysis in which one creates a forecast of the future, in which case you would look at our examination of past investment and past transshipment, by which you would then project into the future of what that investment and transhipment might be.

That is not the kind of analysis that we did. I think they misunderstand it. If you'll excuse my economic jargon for just a second, what we did was a comparative static nonlinear partial-equilibrium analysis, which is basically an assessment that looks at the world as it exists today and it takes a policy change, puts that policy change into the world as we know it today, and tries to understand what that change would be, how that would affect other policies, how it would affect production, how it would affect employment, how it would affect imports. That was the analysis we performed.

So instead of having an historical look at transshipment and investment in Africa, what we did was incorporate those in the amount of imports that would come in from Africa. That was the variable that we changed. So there assumed in the analysis, by virtue of the increase in imports. We took it beyond that which we would think would happen in Africa by doing a near tenfold increase. That tenfold increase would incorporate quite a bit of investment, successful investment, and quite a bit of transshipment. I will also say that the data that we used included transshipment data that was already in, because that's counted in as Africa trade.

So I think our analysis actually does a good job of projecting what a pretty optimistic view of African production would be and its effect on the United States.

Chairman CRANE. I would like to just add that this bill contains the strongest language ever proposed to enforce against illegal

transshipment of textile and apparel products. That's not to say it's perfect, but it's tougher than anything before.

Let me ask, and I'll address this to Ms. Fedorko, the textile and apparel provisions of the bill, according to Mr. Moore, would promote instead massive illegal transshipments of Asian apparel through Sub-Saharan Africa to gain duty-free access to our market. What is your assessment of that?

Ms. FEDORKO. I would say that in a very time-sensitive business that we're in, to be transshipping garments through different regions of the world just doesn't make any sense. I think that if we are going to manufacture and produce a product in a particular region of the world, we want to be able to produce that product wholly in that particular area, and get it to the United States as quickly as possible and into our retail companies.

Chairman CRANE. Is it realistic to contemplate a U.S. fabric rule that would require shipment to Sub-Saharan Africa and then shipment back here, I mean economically?

Ms. FEDORKO. A U.S. fabric clause would absolutely mean nothing. For us to ship fabric or components from the United States to Africa, manufacture the products in Africa, ship the products back to the United States, just doesn't make any sense. I mean it's just too long, too time consuming, and it just doesn't work for our business.

Chairman CRANE. Too expensive too.

Ms. FEDORKO. Yes.

Chairman CRANE. Thank you.

Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman. This has been an excellent panel. You know, looking or hearing your disagreement one might get discouraged, but actually I am encouraged because at least we're talking about an issue that I think is relevant, and some have suggested it isn't. But here we are, Trade Subcommittee, and we are talking as we should be about the potential impact of a bill on businesses and jobs in the United States, pluses and minuses. So the notion that it doesn't matter, it's irrelevant, just pass the bill, I think we're learning that we have to take on the set of issues that the five of you have been talking about, and about which you disagree.

I think it is encouraging the President, we're talking about developing economies and the impact of trade with them and competition with them with their different structures than the United States on American businesses and workers. The President, in his economic club speech in Detroit talked very much about the need to consider these factors, and there must not be a race to the bottom, the same language that you said, Mr. Levinson, though he favors the bill and you don't. But there is agreement on that, and that we need to work to level up and not level down. So we're making progress here. We're at least now incorporating in our consideration a broader view of what trade issues are.

So let me just say a word and ask a question. It is being said though in this case, we're talking about a very small impact. It isn't like some of the larger trade issues. Whatever is said about the study from the ITC, we're talking about at this point a relatively small impact, that we have to look at all of them.

Second, that it would displace, what would be displaced would not be American sourcing, but sourcing from other nations. I think we need to go into both of those. But I want to concentrate for 1 second on whether the labor market, I don't like labor rights so much as a phrase, but the labor market, labor standards, core labor rights issues aren't involved.

Now, Mr. Levinson, as I understand the way this is structured, the trade provisions tie into GSP. With GSP, as I said in my opening statement, you have provisions that are very explicit in terms of core labor standards. As I understand, I'll just read to you from the GSP, it says, "The President shall not designate any such countries not taking or is not taking steps to afford internationally recognized worker rights to workers in that country." The Committee report, and I find this a positive step forward, because you know we have been arguing whether we should consider labor market issues as well as others. The Committee report pointed out that the GSP program has within it a clear set of references to these issues.

So enlighten me. It seems to me to be there in a meaningful sense.

Mr. LEVINSON. Well, that is an important point. The way I read this bill, it even threatens current GSP beneficiaries in Africa with the loss of preferential tariffs if they don't meet a whole set of criteria listed in this bill, the conditionalities in this bill. Now I think that I think is a problem with this bill, and that labor rights aren't in those conditionalities.

Mr. LEVIN. But they are in the GSP.

Mr. LEVINSON. They are.

Mr. LEVIN. And so it seems to me that there is agreement here that there are conditionalities, that we are not assuming that regardless of how they go or what the impact is on the United States, more trade is automatically better. We are saying there are conditionalities. It seems to me that the conditionality regarding core labor rights is built in through the GSP mechanism.

We ought to talk about this further because we are going to mark this bill up. I am going to support it, and I think it is a good step forward, but I think we need to look at that issue. We also need to look at the transshipment issue. If we don't have time today, before the next markup. It's been said these are the strongest transshipment provisions, Mr. Chairman, that have been incorporated into law. I think that is one of the issues we need to work out now and then with the Senate.

So maybe because the red light is on, we should be in further touch, all of us, after this meeting to see if what you say may not be there isn't really there. Thank you, Mr. Chairman.

Chairman CRANE. Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman. I wanted to thank all of the panel for being here. I am sorry I wasn't here for your verbal testimony. We had a meeting with the Speaker. But I did want to thank Mr. Apley. I have read his written comments, and particularly for setting out in a very clear way what the benefits of increased Sub-Saharan trade would be. I appreciate all of you coming. Thank you.

Chairman CRANE. Mr. Jefferson.

Mr. JEFFERSON. Thank you, Mr. Chairman. I suppose I want to make a statement, and perhaps it will work itself into a question. Let's see if it does. I was on a trip with the President, the trip that he made to Africa in March of last year. This issue of transshipment and corruption came up in a meeting in Uganda, where there were six African heads of state, the president of Uganda, of the Democratic Republic of Congo, of Kenya, of Tanzania, of Eritrea, and of Ethiopia. I'm sorry, Eritrea wasn't there. It was represented by someone, but the Ethiopian president, Meles, was there.

When the issue came up as to whether this bill was going to permit the sort of transshipment activities being discussed by Mr. Moore, that Chinese products would be substituted for African products and simply labeled as if they were coming from Africa, each one of them stood to take strong exception to that whole line of thinking. They made the point I think very, very strongly that they wanted to create jobs in their own countries, they wanted to have their people working, they wanted to create the industry and manufacturing there, on their own soil. They would have no interest whatsoever in having a system that permitted transshipment as the order of the day with respect to this sort of manufacturing.

So they were perplexed, it seemed, as to how we could think that this is what the Africans had in mind. They pledged to us every effort they could make to make sure it didn't happen, because if it did, the bill would mean very little to their own people.

So I think you ought to take into account not the reports that are being made by someone who suggests that there is systemic corruption as your report says here in Africa. Perhaps there is, but this bill in some respects, or this bill would not make any sense at all were it not for the new spirit of the leadership in Africa that is saying today this is the old Africa. This is not what we want to do in the future. This is not what is going to happen under this bill. They made their pledge quite strongly to us. I think is the spirit in which I believe we ought to pursue this legislation, that the African governments are depending upon this as a way to strengthen their own economies, and not the other way around. There's also, as has been pointed out by the Chair and others, very strong provisions in here that make that difficult to be done in any event.

I want to know if this issue of "you can't have it both ways," Mr. Moore, that you said a minute ago about the ITC thing, that it will have very little impact on our jobs in this country, and at the same time, be beneficial to Africa. I think, although and I maybe should ask both of you that question, I think that it means that in the large sense of all the textiles, the billions of dollars, the $49 billion or something like that in textiles coming to this country from various places around the world, the impact if Africa expands another 2 percentage points or whatever, will be minimal compared to what's already going on here. But on the other hand, in their own countries, on their own soil, there will be tremendous activity around the production. Therefore, many more jobs created, I think some figure in the hundreds of thousands or something like that, of jobs in Africa, but very little job loss here.

Why do you think that one can't exist with the other, that they are inconsistent? Why is the ITC report wrong in that regard?

Mr. MOORE. Was this for me, Mr. Jefferson?

Mr. JEFFERSON. For both of you really, but I hope you'll give it a shot. Then maybe I can be responded to.

Mr. MOORE. Well, the evidence of what's happened in the past whenever we have gone to a duty-free, quota-free arrangement with a country would show quite different outcomes from the ITC report. The ITC reported that gains from Mexico would be rather modest with NAFTA. The gains from Mexico, because of duty-free, quota-free textiles and apparel have been enormous, with 300-percent increases in an already substantial amount of trade. In fact, Mexico passed China in 1998 as our largest supplier of imported apparel. So it does grow.

The more relevant example may be the Northern Mariana Islands. They have no comparative advantage. The only comparative advantage is that they are a territory of the United States and they have quota-free, duty-free access to our market. This year they will ship us well over $1 billion of apparel, up from practically nothing a few years ago. They don't even have the labor. The labor is imported Chinese labor or Bangladeshi. So the incentives are there. That is what was ignored in the ITC report, much less the major mistake that with the ITC report they assume that there was not going to be any significant new development, any new investment, excuse me. So they assumed away the problem.

Mr. Jefferson, if I might make just a comment about transshipment, because you made a statement there and several others, including the chairman, about transshipments. Today China, by whatever estimate, transships illegally somewhere between $2 and $4 billion. We have spent a lot of money with investigators in the Far East. We found evidence, clear evidence of transshipment, which we have shared with our government. But most of that transshipment today goes through two places, Hong Kong and Macau.

Now they have a rule of law, a transparent system. They are not as big as the District of Columbia maybe. I may have my geography a little wrong, but I know they are pretty small. I have been there many times. Yet we can not seem to curb effectively that transshipment. It's not a question of the African countries not wanting to curb transshipment. I think the Hong Kong authorities want to curb it. It's just very difficult to do, very difficult to trace where that product was produced. I think that by expanding it through Africa, they will take away jobs from African production. They will take away jobs from U.S. textile workers.

Chairman CRANE. Let me interrupt here. I am sorry, Mr. Jefferson and witnesses, but we have 5 minutes left to mark up. So I have got to thank you all for your participation. Sorry for the extenuating circumstances. I look forward to hearing from you again too. Thank you.

[Whereupon, at 1:35 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

Statement of Paul Ryberg, Jr., President, African Coalition for Trade, Inc.

This statement is submitted by the African Coalition for Trade, Inc. (ACT) for the record of the Committee of Ways and Means' February 3, 1999 hearing on the Afri-

can Growth and Opportunity Act (the Africa Bill). On behalf of the private sector in Sub-Saharan Africa (SSA), ACT encourages the Committee on Ways and Means to give favorable and prompt consideration to the Africa Bill, which would establish a long-overdue comprehensive U.S. policy in support of economic development in SSA.

ACT is a non-profit, member supported trade association dedicated to enhancing the opportunities for mutually beneficial trade and investment between the private sectors in the United States and SSA. ACT's membership consists of private sector organizations from Madagascar, Mauritius, Mozambique and South Africa. Most of ACT's members are themselves chambers of commerce and trade associations, each with numerous companies as their members. ACT, therefore, indirectly represents the views hundreds of private sector companies in SSA. In addition, the Common Market of Eastern and Southern Africa (COMESA), a regional trade promotion and integration body consisting of 21 African nations, is an associate member of ACT.

Experience has shown that the foundation necessary for sustained economic development can best be established through direct private sector participation. The Africa Bill puts this experience into action by encouraging private sector participation in the economic development of SSA through incentives for investment and expanded opportunities for mutually beneficial trade. While the Africa Bill will definitely assist in the further economic development of Africa, it will simultaneously benefit the United States by creating new opportunities to export U.S. products, which will in turn create new jobs in the United States. In short, the Africa Bill makes good sense for both Africa and the United States.

While all provisions of the Africa Bill are important, Sections 8 and 9 of the bill are critical to the successful economic development of SSA. Sections 8 and 9 would: (1) lift U.S. quotas on apparel imported from countries in SSA that adopt satisfactory measures to prevent transshipment and (2) eliminate U.S. import duties on "non-sensitive" apparel products from these countries. Of all the provisions of the Africa Bill, only Sections 8 and 9 would create new jobs in the short term and create an opportunity for an immediate expansion of trade necessary to fuel economic development in this region.

While providing quota-free/duty-free access for textiles and apparel from SSA would provide an immediate boost to the economic development of those countries, implementing Sections 8 and 9 would have at most only a marginal impact on the U.S. apparel and textile industry and on U.S. employment. Because of the safeguards already built into Sections 8 and 9, there is virtually no risk to the U.S. textile/apparel industry, and the U.S. International Trade Commission (ITC) has confirmed that the impact on the U.S. industry would be negligible.

I. Establishing Successful Apparel Industries Is An Important First Step In The Economic Development of Sub-Saharan Africa.

In a common pattern that has been repeated around the world, one of the first steps taken by countries to develop their economies is to establish an apparel industry. Because the start-up capital costs are relatively low and the technological requirements are not usually great, apparel manufacturing is one of the few viable options available to developing countries trying to establish a manufacturing base. Apparel manufacturing creates immediate employment opportunities in developing countries, which typically have high unemployment. Creating a successful apparel industry has typically served as a building block for developing countries to expand into other areas of manufacturing.

This pattern has begun to be followed in SSA. Prior to the early 1980s, almost no apparel manufacturing existed in SSA. In 1983, only two SSA countries—South Africa and Mauritius—exported apparel to the United States, and their combined exports totaled only 26.608 million square meters (sm), or 0.3 percent of total U.S. apparel and textile imports.[1] By 1998, 10 SSA countries were exporting apparel and textiles to the United States, totaling to 143.473 million sm or 0.55 percent of total U.S. imports.[2]

To place this in perspective, no SSA country ranks among the top 40 apparel and textile exporters to the United States, while every other region of the world is represented in the top 40. As a further point of reference, in 1998 Mexico—by itself—exported to the United States 25 times the total volume of apparel and textile products supplied by all of SSA.

[1] December 1983 Major Shippers Report, U.S. Department of Commerce, International Trade Administration, Office of Textiles and Apparel (Major Shippers Report).
[2] November 1998 Major Shippers Report.

Even more telling, when the Africa Bill was first introduced in 1996, SSA accounted for 0.68 percent of total U.S. textile/apparel imports. By 1998, SSA textile/apparel exports had dropped to a 0.55 percent share of total U.S. imports. By comparison, during this same period, imports from Mexico grew by 60 percent, and imports from the Caribbean Basin Initiative (CBI) increased by 35 percent.[3] In short, apparel and textile imports from SSA are declining as a share of total U.S. imports and remain literally a drop in the bucket of the total U.S. market.

In light of the elimination of import quotas on major textile and apparel exporters in 2005 pursuant to the Uruguay Round Agreement on Textiles and Clothing (ATC), coupled with the tremendous advantages already enjoyed by Mexico under NAFTA, SSA will never achieve meaningful access to the U.S. market unless something is done immediately to assist in the development of apparel manufacturing in SSA. The Africa Bill will provide the necessary impetus for developing a successful apparel industry in SSA, which in turn will provide the foundation for further economic development in the region.

II. The Uruguay Round ATC and NAFTA Create New Risks For Sub-Saharan African Apparel Exports.

The gradual phasing out of country quotas under the Multifiber Arrangement (MFA) by 2005, as required by the Uruguay Round ATC, will result in intense competition for access to the U.S. market. Without the Africa Bill, it is doubtful whether small and relatively new producers like the SSA countries can even maintain their existing small market share, once the quotas are lifted on large, low-cost producers like China, Pakistan, India, Hong Kong and Indonesia. SSA exporters, therefore, face a very limited window of opportunity to establish meaningful apparel trade with the United States.

Even before the Uruguay Round was completed, however, U.S. trade policy had begun to shift in favor of Western Hemisphere regionalism, as exemplified by NAFTA, the negotiations to create a Free Trade Area of the Americas (FTAA), and proposals to expand the trade preferences accorded to the CBI countries. There is a real risk that further expansion of Western Hemisphere trade preferences may curtail commerce between the United States and SSA unless steps are taken to provide new trade opportunities for SSA. This risk can be seen most clearly in the case of NAFTA.

Under the Uruguay Round ATC, U.S. quotas on apparel imports will be phased out over ten years. Under NAFTA, however, U.S. quotas on Mexican apparel products that meet NAFTA's rule of origin were eliminated January 1, 1994, and U.S. quotas on non-originating Mexican apparel products will be phased out more quickly than under the ATC, with most such quotas to be eliminated by 2001.

Equally important, Mexican apparel products have a permanent duty advantage as a result of NAFTA. Under the ATC, U.S. tariffs on SSA apparel exports will be reduced—but not eliminated—over ten years. In contrast, under NAFTA, U.S. tariffs on qualifying Mexican apparel products were reduced effective January 1, 1994, to lower than MFN levels and will be eliminated completely by 1999–2003. Moreover, non-originating Mexican apparel products are subject to preferential duty rates under tariff rate quotas. As illustrated by the following table, SSA apparel products are already at a substantial duty disadvantage compared to the same products imported from Mexico.

HTS No. (Category)	Product	Imported From Africa Under GATT		Imported From Mexico Under NAFTA	
		1998 Duty [In percent]	Reduced Duty by 2004 [In percent]	1998 Duty [In percent]	Reduced Duty [In percent]
6205.20.20 (340) ..	Men's/boys' cotton shirts.	20.5%	19.7%	3.3%	0% (1999)
6203.42.40 (347) ..	Men's/boys' cotton trousers.	17.3	16.6	2.9	0 (1999)
6204.62.40 (348) ..	Women's/girls' cotton trousers.	17.3	16.6	2.9	0 (1999)
6110.20.20 (345) ..	Knit cotton sweaters.	19.0	16.5	10.3	0 (2003)
6206.30.30 (341) ..	Women's/girls' cotton blouses.	16.0	15.4	0	0

[3] November 1998 Major Shippers Report.

Thus, NAFTA grants Mexico preferential access—in terms of both quotas and duties—for its apparel and textile exports to the United States. Of course, these NAFTA preferences for Mexico have affected imports from all other regions, not just SSA. For instance, there has been much discussion of the negative impact of NAFTA on textile/apparel imports from the CBI countries, and legislation has been proposed to provide "NAFTA parity" for the CBI. By comparison, however, SSA textile/apparel exports to the United States have suffered far worse than have CBI exports since NAFTA took effect:

U.S. Textile/Apparel Imports from CBI vs. SSA, 1995–1998[1]

Imports from CBI			Imports from SSA	
	Million sm	% of Total Imports	Million sm	% of Total Imports
1995	2,171.972	11.8	140.458	0.76
1996	2,389.444	12.5	130.128	0.68
1997	2,978.703	13.0	141.016	0.61
1998	3,223.413	12.4	143.473	0.55
% Change	48.4%	5.1%	2.2%	27.6%

[1] Major Shippers Reports, 1995–November 1998. Data for 1998 represents imports during 12 months ending November 1998.

Thus, despite the disadvantages suffered by the CBI countries due to the NAFTA preferences enjoyed by Mexico, the CBI countries have nevertheless managed to expand their textile/apparel exports to the U.S. market by nearly 50 percent since NAFTA took effect, and their share of the total U.S. import market has actually increased by 5.1 percent. By contrast, U.S. textile/apparel imports from SSA have grown by a mere 2.2 percent in absolute volume during the same period, while SSA's share of total U.S. imports has fallen a dramatic 27.6 percent since NAFTA took effect. It is clear, therefore, that the need for "NAFTA parity" is far greater for SSA than for the CBI countries.

While no one expects that enactment of the Africa Bill would make SSA fully competitive with Mexico, providing quota-free/duty-free access for SSA products will make SSA competitive with other regions and enable SSA to obtain reasonable access to the U.S. market in the face of the challenges presented by the Uruguay Round ATC and NAFTA.

III. Textile/Apparel Imports From SSA Pose No Threat To The U.S. Industry.

The U.S. ITC has concluded that granting quota-free/duty-free access to apparel and textiles from SSA, under the terms proposed by the Africa Bill, would lead to an increase in apparel imports from SSA of between 26.4–45.9 percent, and an increase in textile imports of 10.5–16.8 percent.[4] In other words, under the Africa Bill apparel/textile imports from SSA would still be less than 1.0 percent of total U.S. textile/apparel imports.

Even with this assumed growth, SSA would remain far and away the smallest regional supplier of textiles and apparel to the United States. There is no risk of the U.S. market being swamped with apparel imports from SSA.

Moreover, the types of products SSA would be likely to export confirm that there would be little, if any, harm to the U.S. apparel/textile industry as a result of the Africa Bill. Start-up apparel manufacturing operations, like those that would be established in SSA, almost always produce low-end products such as cotton T-shirts and underwear. The U.S. apparel industry, however, manufactures primarily more sophisticated and more value-added products, and very little of the entry-level type products is currently produced in the United States. As a result, increased imports from SSA would displace imports from other countries, primarily in Asia, rather than U.S. production.

In addition, the Africa Bill has built-in safeguards to prevent injury to the U.S. apparel/ textile industry. Section 9 of the Africa Bill provides that duty-free treatment will be accorded only to products that are found not to be "import-sensitive." In other words, if imports from SSA of a particular type of apparel product are considered likely to cause harm to the domestic industry, such products will not be eli-

[4] Likely Impact of Providing Quota-Free and Duty-Free Entry to Textiles and Apparel From Sub-Saharan Africa, U.S. International Trade Commission, Investigation No. 332–379, Publication No. 3056 (September 1997) (hereinafter referred to as ITC Report).

gible for duty-free treatment, thereby eliminating most of the incentive to export such products.

IV. There Is Little Risk of Transshipment Through SSA

It has been suggested that massive illegal transshipment of Asian apparel through SSA will occur if SSA is granted quota-free/duty-free access to the U.S. market. The facts, however, prove the contrary.

The assertion that massive transshipment would occur simply ignores the viable anti-transshipment measures already contained in the Africa Bill. Thus, Section 8 requires the adoption of "functioning and efficient" visa systems in each of the SSA countries as a precondition of quota-free access to the U.S. market. In close cooperation with the U.S. Customs Service, Mauritius implemented such a visa system in 1995, and it has proven to be highly effective in preventing transshipment.

Similarly, the Africa Bill continues the standard rules of origin for apparel—the "Breaux-Cardin" rules of origin—which require that 35 percent of the value of the product must be added in SSA in order for the product to be eligible for duty-free access. The cost of the fabric used in making a garment typically constitutes approximately 60 percent of the total value of the garment. With only 40 percent of the value remaining to be accounted for by cutting, sewing and finishing, it is readily apparent that all of the assembly and finishing has to occur in SSA for the Africa Bill's value-added requirement to be met. It will not be possible, therefore, for partially assembled garments from Asia to qualify for quota-free/duty-free access as a result of minor processing in SSA.

Moreover, the Custom Service has developed aggressive new tactics to prevent transshipment, including "jump teams" to conduct on-site inspections, requiring import documentation to prove the productive facilities and the number of employees at the factory, etc. If there were a sudden surge in apparel imports from a country in SSA that had not previously been an exporter to the United States, we are confident that the Customs Service would immediately and effectively investigate whether the imports were legitimate or transshipped.

Most importantly, transshipment through SSA has not been a problem in Europe, where SSA apparel has had access for years similar to that proposed by the Africa Bill. Moreover, 46 of the 48 SSA countries already have quota-free access to the U.S. market. If SSA were an attractive opportunity for transshipment, one would suspect that the absence of quotas on these countries would already have led to significant transshipment. The U.S. Customs Service has recently confirmed, however, that transshipment is not a significant problem in SSA.[5] Indeed, the Customs Service's most recent list of transshippers identifies nearly 100 companies known to have illegally transshipped apparel to the United States, but not one of the companies on the list is located in SSA. 63 Fed. Reg. S3493 (Oct. 5, 1998). In short, illegal transshipment through SSA will not be a problem under the Africa Bill.

V. The 807A/809 Programs Are Not Viable Alternatives For SSA

It has been suggested that the limited quota-free/duty-free apparel trade provisions of the Africa Bill should be replaced with the 807A or 809 programs.[6] The proponents of the 807A/809 alternative suggest that this approach should work in SSA because of the success of the 807 program in the CBI region.[7] The 807 program has indeed been a success in the CBI, making the CBI countries, taken together, the number one supplier of apparel to the United States. The 807 program has worked in the CBI for three reasons: (1) direct involvement by U.S. apparel or textile companies—usually to the point of full or partial ownership of the operations in the CBI; (2) low transportation costs due to proximity to the United States; and (3) "quick response," i.e., the ability to complete and deliver orders in the shortest possible time, again due to short transport times. None of these factors is present in the case of SSA.

---

[5] See May 15, 1998 edition of *Inside U.S. Trade* and reprinted letter from Janet L. Labuda, Director of International Trade Manager of the Customs Service. In her letter, Ms. Labuda chastised ATMI for distorting the facts in its submissions in opposition to the Africa Bill and stated: "While it is true that we have found some transshipment from Sub-Saharan countries, we would not consider these significant or part of an organized pattern. The most recent transshipment findings were isolated instances generally occurring prior to 1996."

[6] Under the 807A program only apparel assembled in SSA from fabric that was made and cut in the United States would qualify for quota-free/duty-free treatment. Under the 809 program only apparel made in SSA from uncut U.S.-origin fabric would be eligible.

[7] Under the 807 program, preferential access and reduced duty treatment apply to apparel assembled abroad from U.S.-origin components.

First, the 807 program is theoretically available to SSA today, but U.S. apparel and textile companies have shown no interest in establishing operations in SSA under 807. Indeed, in testimony before the ITC in Investigation No. 332–379, Mr. Larry Martin, President of the American Apparel Manufacturers Association, admitted that, even under the quota-free/duty-free terms of the Africa Bill, U.S. companies were unlikely to establish operations in SSA, primarily due to the great distance from the United States and resulting long transport time.

Second, SSA exports are generally at a competitive disadvantage, compared to similar products exported from other regions, because of the considerably higher freight costs involved in shipping products from SSA to the United States.[8]

> Overall, the countries of Sub-Saharan Africa generally are at an important transport cost disadvantage relative to competitors . . . [I]nternational transport cost have a significant adverse impact on the level of African exports.[9]

In its investigation of the textile provisions of the Africa Bill, the ITC likewise concluded that the African transportation cost disadvantage affects the apparel industry, with the cost of shipping apparel from SSA to the United States exceeding the cost of transporting like products from either Asia or the Caribbean by a significant margin.[10]

The proposed 807A/809 program for SSA would compound this existing freight disadvantage by adding the requirement that the fabric must first be transported from the United States to SSA. As a result of this additional freight cost, the 807A/809 proposal would increase the total cost of finished garments made in SSA by at least 10 percent, as compared to the total cost of the same garment made from African-origin fabric.

Even with duty-free treatment under the 807A/809 program, the additional 10 percent freight disadvantage transport cost makes the benefit of duty-free access illusory. After the duty reductions required by the Uruguay Round ATC, the average U.S. duty on SSA apparel will be approximately 14.1 percent.[11]The 10 percent additional transportation costs required by the 807A/809 proposal virtually wipe out the benefit of duty-free access.

Third, the 807A/809 proposal would add considerably to the time required to produce apparel in SSA and deliver the finished product to buyers in the United States. It takes approximately 50 days to receive delivery of fabric from the United States to the 11 SSA countries located on the east coast of Africa, and transport time is even longer for the 14 land-locked countries of SSA. Significantly, most of the SSA countries with existing apparel industries are either on the east coast of Africa or are land-locked.

In the modern apparel industry, the time required between placing an order and receiving delivery of finished garments is critical and can make the difference between the buyer's choice of one supplier over another, all other factors being equal. Adding 50 days to the turn-around time for SSA apparel will place SSA exporters at another serious competitive disadvantage vis-a-vis Asian and Western Hemisphere producers.

In summary, none of the factors necessary for the 807A/809 program to succeed—involvement by U.S. companies, low transportation costs, and quick turn-around—would be present in SSA. The 807A/809 program, therefore, would be doomed to failure in SSA.

VI. The Africa Bill Will Benefit African Workers

Certain opponents of the Africa Bill have made the incredible assertion that passing the bill will lead to a flood of non-African workers (allegedly from Asia) being imported to SSA to work in the apparel factories. These critics assert that African workers will not benefit from the Africa Bill.

This contention has no basis in fact. The countries of SSA have a huge supply of available labor. In some SSA countries, the unemployment rate is as high as 50 percent. Moreover, labor costs in most SSA countries are fully competitive with Asian wages. It makes no economic sense, therefore, for SSA apparel manufacturers

[8] ITC Investigation No. 332–379, Transcript of May 1, 1997 hearing at 47.

[9] Alexander Yeats, Azita Amjadi, Ulrich Reinche, Francis Ng, *Did External Barriers Cause the Marginalization of Sub-Saharan Africa in World Trade*, World Bank (1996). The authors also observed that transportation costs are up to 25 percent higher for the 14 land-locked countries of SSA than for the coastal countries.

[10] ITC Report at 3–18—3–19.

[11] Peter Harrold, *The Impact of the Uruguay Round on Africa*, The World Bank, Report No. 311 (1995).

to import foreign labor instead of utilizing the abundant and competitively priced local labor.

It has been pointed out that foreign labor is currently used in Mauritius. This is due to unique and temporary circumstances in Mauritius that are not duplicated elsewhere in SSA and that are currently being phased out in Mauritius. Mauritius is a small island off the east coast of Africa. It has a total population of only 1.1 million. Mauritius has a long history of stable and open democracy and respect for human rights, including strict protection of labor rights. Labor in Mauritius is unionized, the right to collective bargaining is guaranteed by law, the unions are quite active in protecting the rights of their members, and working standards and conditions are regulated by the government.

Because of growth in employment in both the apparel industry and other sectors, coupled with its limited labor pool, Mauritius has experienced a tight labor market in its apparel industry. By contrast, most other countries in SSA have high unemployment.

As a result of these unique conditions in Mauritius, its apparel manufacturers were forced to employ a limited number of foreign nationals. Foreign workers have been used on a temporary basis while (1) the apparel industry has been making the transition from low-cost, labor-intensive manufacturing to higher value-added products that are more capital-intensive and (2) Mauritian companies develop apparel manufacturing facilitates in neighboring countries with abundant labor. Consistent with the regional integration objectives of the Africa Bill, Mauritian companies have opened or are currently investing in production facilities in high-unemployment countries like Madagascar, Lesotho, and Mozambique. These new plants employ workers from the depressed local labor markets, providing thousands of jobs. In Madagascar, for example, Mauritian companies have created 25,000 new jobs over the past five years.

The Government of Mauritius authorized the use of foreign workers on a temporary basis only, and it is planning to phase out their use altogether. Foreign workers constitute only 8.6 percent of the apparel industry work force. Moreover, these workers receive standard Mauritian wages and are fully covered by the Mauritian labor laws.

There is no basis for the contention that local workers in SSA will not benefit from passage of the apparel trade provisions of the Africa Bill. On the contrary, the Africa Bill will provide tens of thousands of new job opportunities in SSA, and the benefits of these new jobs will go to the local workers, not to imported foreign labor.[12]

CONCLUSION

The apparel trade provisions of the Africa Bill present a unique opportunity to assist SSA apparel to become competitive in the U.S. market. The bill would lead to a modest increase in apparel imports from SSA, and it would create tens of thousands of new jobs in SSA. The development of a healthy apparel industry in SSA would, in turn, serve as a catalyst for economic development in other sectors in the region, thereby making SSA a significant trading partner with the United States and, ultimately, a substantial and reliable market for exports of U.S. products.

There is a limited window of opportunity for SSA apparel exports to establish themselves in the U.S. market, however, as the quotas on larger, lower-cost producers are being phased out by 2005 pursuant to the Uruguay Round ATC. If SSA apparel exports have not managed to obtain a meaningful share of the U.S. market prior to 2005, SSA apparel exports to the United States probably never will become anything more than a drop in the bucket. In that event, SSA will have lost one of the few proven foundations for sustainable economic development.

Statement of The Boeing Company, Arlington, VA

Boeing appreciates this opportunity to comment on its trade relationship with Africa and affirm its support for the Africa Growth and Opportunity Act. The company congratulates the Congress and the Administration for its efforts to focus government institutions and policy on African trade issues. Efforts within U.S. export-enhancement agencies—Export Import Bank, Overseas Private Investment Corpora-

[12] For example, the South African apparel industry has estimated that enactment of the African Bill would lead to the creation of 30,000 new apparel jobs in South Africa alone. See March 26, 1998 edition of *The Cape Argus*.

tion, and Trade and Development Agency—are particularly beneficial. Boeing also applauds the Congress, Department of Transportation Secretary Rodney Slater, and the Administration for their leadership in promoting Africa's air safety and security—necessary precursors to growth—through the Safe Skies for Africa initiative.

Taking the next step of passing the Africa Growth and Opportunity Act through both houses of Congress will strengthen the efforts already underway, and initiate sorely-needed reforms and enhancements for deepening our commitment to trade with our African partners.

Boeing has a long history of providing commercial jet airplanes to African carriers. From the first model 707–320 delivered to a South African carrier in 1960, to the delivery of one of the most popular airplanes in the world, the twin-aisle 767–300ER, to an Ethiopian carrier last month, we value our partnership with African airlines. In fact, 66 percent of today's African fleet is Boeing-built, 367 of 559 jet airplanes valued at $18 billion (1998 dollars) in U.S. exports. These exports mean jobs, not just for Boeing employees in 27 states, but also for its extended supplier chain of approximately 6000 small, medium, and large U.S. companies across the nation.

The Boeing Company is planning for continued growth on the African continent. Despite the challenges engulfing certain African countries, the company estimates Africa will require nearly 750 additional new and used airplanes in the next 20 years, totaling approximately $30 billion in high-tech, high-value potential U.S. exports. This export total for airplane equipment excludes the substantial potential U.S. exports that accompany airplane sales—exports generated by the need to support the equipment, cargo handling, security and safety, and passenger handling components of a complete air transportation infrastructure and system.

And the jobs benefits are not limited to our shores. Demand for Africa-based services and manufacturing to support increased travel and tourism industries is growing, increasing wealth and opportunity.

A robust transportation system is one of the basic building blocks needed for economic growth, and air transport systems are a major piece of the puzzle. As cultural and regulatory engagement and economic investments grow, so do the demands for safe, reliable, and efficient passenger, package and cargo delivery. In Africa's case it is particularly vital because of the continent's vast geographic spread and the fact that surface transportation links between points are less developed.

As African nations continue to develop they will require substantial new investments, straining existing trade and investment regimes, including the U.S. export-support agencies ExIm, OPIC, and TDA. We must broaden bilateral and multilateral relations to support growing U.S. exports and investments, and aid in increasing the purchasing power of African countries so they can participate fully in the rapidly integrating global economy. The African Growth and Opportunity Act will help relieve pressures by increasing dialogue between nations and support for ExIm, OPIC, and TDA. This will strengthen the economic position of African trade partners and clear away some of the barriers that bog down and harm trade relations. Boeing urges all Members of the House and Senate to support this legislation.

Africa will progress down the path of development with or without heightened U.S. involvement. Our government can, however, influence the rate and direction of the continent's development and grow the bilateral relationships.

We have a choice as a nation to engage Africa more meaningfully as it develops or accept the status quo. Boeing urges the Congress to support the African Growth and Opportunity Act and similar efforts to deepen our commercial, institutional, and cultural links, benefiting countries on both sides of the Atlantic.

Statement of The Ferroalloys Association

On behalf of The Ferroalloy Association (TFA) and its members, we write to express our concerns over two provisions which were included in last year's African Growth and Opportunity Act and hereby request that our comments be included as part of the written record. The Ferroalloys Association supported the goal of the act "to facilitate the social and economic development of the countries of Sub-Saharan Africa in a manner which strengthens and expands market-led economic growth consistent with equitable and efficient development and which reduces poverty and increases employment among the poor." However, as mentioned, there are two specific provisions within the Generalized System of Preferences (GSP) section of the bill that TFA opposed and will continue to oppose in any new proposal put forward in the 106th Congress.

Background on The Ferroalloys Association

The Ferroalloys Association is an industry advocacy group made up of the producers of chromium, manganese, silicon, vanadium ferroalloys and related basic alloys/metals in the United States. Founded in 1971, TFA represents over 20 companies with facilities in 25 different states.

Approximately 100 years ago, the U.S. ferroalloy industry emerged with the introduction of the electric arc furnace. Soon thereafter, it expanded rapidly to meet the needs of the United States for projectiles and armor plates during the Spanish American War.

Ferroalloys are high strength metals created by submerged electric arc smelting, induction melting, alumino/silicothermic reduction processes, and vacuum reduction furnaces, as well as by electrolytic processes. More than fifty different alloys and metals in hundreds of compositions and sizes are produced by the ferroalloy industry for use in the manufacturing of batteries, stainless steel, iron, and aluminum. The industry also produces vital materials used in the production of chemicals, semi-conductors, solar cells, coatings, and catalysts.

In the 1970's and 80's, the U.S. ferroalloy industry declined sharply, largely due to foreign import penetration and rising environmental standards. From 1970 to 1990, the annual domestic production of alloys dramatically decreased from 2,340,000 to 645,000 net tons per year, while imports increased from 350,000 to 1,490,000 net tons per year. Foreign competitors flooded the U.S. market at significantly lower prices, resulting from foreign government subsidization of electricity costs, capital investments, transportation, and taxes. As a result, U.S. producers faced high operating costs and declining prices which forced them to reluctantly lay off workers and shut down plants at an alarming rate. These closings resulted in plants abandoning vital research and development programs in order to remain in business. Simultaneously, the U.S. government imposed strict environmental standards on metals producers, forcing companies to direct large amounts of capital to environmental control equipment.

Although American ferroalloy producers still suffer from high levels of import penetration, they are recovering and more able to compete in the global market. Improved federal government support, coupled with the industry's renewed commitment to quality and performance, will enable the domestic ferroalloy industry to reclaim its place in the world economy. The U.S. ferroalloy industry has resurfaced as a core of producers who are attempting to gather the resources and public policy support necessary to effectively compete in the fierce global market. Increased technological quality, along with stronger U.S. trade laws designed to challenge import penetration, enabled domestic producers to become more globally competitive, resulting in greater industry success.

Rule of Origin Change Could Lead to Duty Circumvention

First, TFA is concerned with the change in the rule of origin calculation for countries in Sub-Saharan Africa. Decreasing the percentage value of an article from "processing operations performed" in the eligible countries may ultimately lead to a situation of duty circumvention. Other countries will run their products through Sub-Saharan African nations, having only minor packaging changes actually take place there, in order to "originate" in those countries. This does a disservice both to the U.S. Treasury which will collect lower duties, and more importantly to the Sub-Saharan African nations who do not get the advantage of increased higher paying jobs associated with more substantial processing. The only entity which benefits from this provision are the third-party countries which undertake duty circumvention.

Waiver of Competitive Need Limit Violates the Purpose of the GSP Program

Second, TFA opposes the designation of all Sub-Saharan Africa nations on par with Least Developed Beneficiary Developing Countries (LDBDCs) with the automatic waiver of the competitive need limit. Specifically, TFA opposes the inclusion of this language which violates two of the founding purposes of the GSP program. The GSP program was initially proposed to "promote the development of developing countries which often need temporary preferential advantage to compete effectively with industrialized countries." A permanent waiver of the competitive need limit violates the "temporary preferential advantage" purpose, and does not permit any inquiry into whether or not the nation can "compete effectively with industrialized countries" in that industry. TFA is not necessarily opposed to the idea of waivers of the competitive need limit. However, the GSP program already effectively deals with this issue by only allowing the waiver for properly designated LDBDCs. Thus,

the decision as to whether or not a country is an LDBDC should decide whether or not a country can waive the limit. In fact, several Sub-Saharan Africa nations are already considered LDBDCs. There is no need to give a blanket waiver to all Sub-Saharan Africa nations.

CONCLUSION

In closing, TFA would like to make it clear that domestic industries other than ferroalloys will be harmed if these provisions are included in the 106th Congress. Unfortunately, this bill has been portrayed as only a concern of the textile industry. Clearly, this is not the case. If the issues TFA outlined above are not addressed, this bill will have detrimental effects on the ferroalloy industry and many others. TFA strongly urges the Trade Subcommittee to look closely at the language contained in last year's version of the bill and oppose its inclusion.

Statement of the Footwear Industries of America, Inc.

I. INTRODUCTION AND STATEMENT OF POSITION

This statement is submitted on behalf of Footwear Industries of America, Inc. (FIA), a trade association representing domestic manufacturers and distributors of nonrubber footwear, and a substantial portion of their suppliers. The domestic nonrubber footwear industry encompasses men's, women's, children's, athletic, work, slippers, and other footwear. The industry is located in 34 states where it operates in over 300 footwear manufacturing establishments.

This statement responds to the Subcommittee on Trade's request for input from interested parties regarding trade with Sub-Saharan Africa.

The domestic nonrubber footwear industry is opposed to the elimination of the exclusion of nonrubber footwear from coverage under the GSP for Sub-Saharan African countries. Tremendous import growth over the years has devastated this domestic industry and left it a shell of what it once was. Duty-free treatment for nonrubber footwear will stimulate rapid growth in imports from Sub-Saharan African countries, which will erode further the fragile health of the remaining domestic producers. More factories will close and more workers will lose their jobs. Economic development in Africa should not come at the expense of U.S. industry, particularly one that has already suffered so much from imports.

II. THE NONRUBBER FOOTWEAR INDUSTRY IS EXTREMELY IMPORT-SENSITIVE

U.S. imports of nonrubber footwear have increased so rapidly over the past years as to capture almost the entire U.S. market. Imports of nonrubber footwear rose from 726 million pairs in 1984 to 1.24 billion pairs in 1997. In 1997, imports had almost 93 percent of the U.S. market. Job losses in this industry due to imports have been staggering.

The huge growth in imports has displaced domestic production and caused plant closings and layoffs. In the last three years alone 30 factories have shut their doors. Most of these factories were located in small towns with limited employment opportunities for laid off shoe workers. The toll in lost jobs has been staggering as employment in the nonrubber footwear industry fell by 65 percent between 1984 and 1997, from 114,700 workers to only 40,500.

The U.S. Government has long recognized the products of the nonrubber footwear industry as import-sensitive:

- they are statutorily excluded from duty-free treatment under certain trade preference programs, including the Caribbean Basin Initiative, the Andean Trade Preference Act, and the Generalized System of Preference;
- most categories of nonrubber footwear were exempted from duty cuts in the Tokyo and Uruguay Trade Rounds because injury due to imports had been found to exist; and
- they were deemed to be among the most sensitive U.S. products in the NAFTA tariff negotiations with Mexico, designated for stage C (i.e., ten-year phase out).

Further evidence of the injury suffered by the domestic industry is found in the numerous trade actions it has been forced to take over the years, including four Section 201 cases, a 301 case, and several countervailing duty cases.

The Government understood that less developed countries, eager to industrialize and with low paid work forces, posed a real threat to domestic producers. Today the

plight of the domestic industry is even more precarious and the vulnerability to imports that much greater.

III. Sub-Saharan African Countries Have the Potential to Become Major Suppliers to the United States

Less developed countries regard the development of a footwear industry as an important first step along the road of industrialization. As shoe-making technology has spread throughout the world, these countries have built footwear factories and directed much of the production to the United States. New suppliers have emerged rapidly to compete with existing suppliers.

U.S. imports of nonrubber footwear illustrates this development. In 1984 Taiwan and Korea were the two largest suppliers of nonrubber footwear to the United States accounting for 59 percent of total imports. Imports from China of 12.7 million pairs accounted for less than 2 percent of imports. By 1996 China had become the largest supplier of nonrubber footwear to the United States (750.9 million pairs) accounting for 68 percent of total imports. Although Taiwan's and Korea's share of total imports in 1996 fell to less than 3 percent, imports from the two countries were still large (27.9 million pairs valued at $341 million).

Sub-Saharan Africa has not yet become a major player in worldwide nonrubber footwear trade. But the building blocks of a formidable footwear industry—cheap labor, a desire to industrialize, and a rapidly developing leather industry—are in place. FIA notes in particular a major effort by international development organizations to help in the development of the African leather industry. These organizations, the International Trade Centre UNCTAD/WTO, the Food and Agricultural Organization of the United Nations, and the United Nations Industrial Development Organization, are undertaking major efforts to not only grow the African leather industry but also to help it expand into the production and exportation of leather-related goods including footwear.

Duty-free entry of nonrubber footwear from Sub-Saharan African countries will be a powerful stimulant to the production of nonrubber footwear in African countries. And much of this production will make its way to the United States as African producers will enjoy a significant competitive advantage in the U.S. market over other foreign producers, who must pay U.S. duties on these products. The transshipment of nonrubber footwear through Sub-Saharan African countries by non-African producers to avoid U.S. duties will lead to even greater levels of imports from the region

IV. Conclusion

The domestic nonrubber footwear industry has been wracked by imports. Footwear was excluded from coverage under the GSP in order to provide some protection for domestic producers. Eliminate this exclusion now and soon the domestic industry will have to contend with increased imports from yet another region of the world. Africa needs to grow and prosper. But this must not come at the expense of closed shoe factories and unemployed shoe workers. FIA requests that other means be found to stimulate development in Africa.

Statement of the International Mass Retail Association, Arlington, VA

This statement is submitted on behalf of the International Mass Retail Association, which represents the mass retail industry—consumers' first choice for price, value and convenience. Its membership includes the fastest growing retailers in the world—discount department stores, home centers, category dominant specialty discounters, catalogue showrooms, dollar stores, warehouse clubs, deep discount drugstores, and off-price stores—and the manufacturers who supply them. IMRA retail members operate more than 77,000 American stores and employ millions of workers. One in every ten Americans works in the mass retail industry, and IMRA retail members represent over $411 billion in annual sales.

IMRA fully supports initiatives to liberalize trade between the United States and the countries of Sub-Saharan Africa (SSA). Recent trends in the U.S. retail market offer SSA apparel, home furnishings, and footwear producers opportunities to develop their exports in a way that will foster job growth and development in the region—to the immediate benefit of American consumers, and the long-range benefit of U.S. exports and investment. We believe it will do this without harm to U.S. textile and apparel producers. In addition to Afrocentric products, opportunities abound

for the export from SSA producers of basic apparel in the low- to mid-priced ranges—the consumer markets of key importance to IMRA members.

In some SSA countries, sufficient domestic and foreign investment has already produced factories capable of competing with those in Asia; in others, however, much needs to be done to remove significant constraints to competitiveness. The United States could do much to encourage development in these economies by removing its textile and apparel barriers to their exports, and by expanding and making permanent GSP benefits in the region.

For this reason IMRA fully supports the provisions of the Africa Growth and Opportunity Act, as passed by the U.S. House of Representatives in 1998.

The Sub-Saharan Region Offers Sourcing Opportunities

SSA suppliers offer U.S. retailers opportunities to source two very different types of products: ethnic Afrocentric home furnishings and clothing, and low- to moderately priced basic apparel products.

The American market is unique among developed country apparel markets in that a relatively large and a growing market exists for ethnic apparel and home furnishing products, and in particular for Afrocentric apparel and home furnishings. Just under 34 million consumers—almost 13 percent of the U.S. population—describe themselves as African-American. School curricula are increasingly emphasizing ethnic heritage, fueling a future generation of demand for consumer products tailored to an appreciation of that heritage. A market for Afrocentric products, from woodcarvings and books to home furnishings (throw pillows and sheets, for example) to apparel, has been growing. Some estimate the total spending power of African American consumers at $300 billion.

Retailers are responding to this growing demand for "Afrocentric" products. Many IMRA members have initiated product lines directed at African-American customers, which incorporate goods—apparel as well as handicrafts—with African-inspired themes. Indeed, an entire handicraft export industry developed in Ghana to supply major U.S. retailers.

Demand for ethnic, handcrafted merchandise is particularly strong in the growing home products sector, and to a much smaller extent in apparel. So far U.S. manufacturers have supplied most of this demand. U.S. suppliers have taken African designs and modified them to American tastes. Nevertheless, authenticity is important for some consumers. Consequently, retailers are keen to source such products from Africa.

In apparel, SSA countries are most competitive today in exporting basic garments, such as shirts, T-shirts and trousers. The U.S. market for these products is highly competitive, and price is a major factor in a consumer's decision to purchase a given product. These items are "bread and butter" items for IMRA member stores.

Apparel and home furnishings sourcing from SSA is complicated by a host of factors that are in most cases the consequence of underdevelopment. With time and opportunity, many of them can be eliminated and the region can compete.

Importers require particularly large volumes in the U.S. market, which is dominated by mass retailers such as those represented by IMRA. To meet these orders, African exporters must either coordinate the production of many independent, small, traditional producers or invest in a factory where the items can be manufactured or assembled in-house. There has yet to be much investment in facilities in Africa to manufacture crafts in large quantities, and achieving volume production in handicrafts continues to revolve around the coordination of many small producers in most cases. One of Africa's greatest impediments to handicraft exports today is lack of experienced export intermediaries to play this coordinating role.

Poor sea freight infrastructure in Africa often delays shipments. Ships routinely arrive in port late and leave late. Ocean freight rates in SSA are expensive compared to Asia. Arrival and departure dates of ships are subject to change at a moment's notice and security at the port is often a problem for exporters who do not load and seal their own containers. Many exporters are thus forced to send goods via airfreight, which costs at least three times more than sea cargo. Exporters in landlocked nations like Zimbabwe rely almost exclusively on airfreight because customs duties and other "fees" on intra-African trade are generally extraordinarily expensive.

Poor internal infrastructure creates hurdles for on-time delivery. During the rainy seasons dirt roads can become impassable. Lack of electricity keeps workers from being able to work longer hours to meet a deadline and limits production to a single shift.

Because of significant delivery problems throughout SSA, handicraft intermediaries in Africa as well as foreign wholesalers who have specialized in African

craft imports state that they have to keep rather significant levels of inventory in order to ensure on-time delivery. This adds another cost to the product since inventories must be financed and stored.

Using letters of credit (LCs) for imports of handicrafts from Africa is virtually impossible unless there is an experienced intermediary handling the order because many artisans are ill prepared for dealing with international financial documents. But even if there is a qualified intermediary, using a letter of credit poses problems in Africa. Delivery delays, which are commonplace, can invalidate an LC. Delays and extra costs ensue to open a new LC. In addition, African banks are reluctant to extend credit based on LCs, particularly to first-time exporters, because there is a significant risk of non-shipment. Until African exporters develop a track record of success, banks will be reticent to lend.

Providing Duty-Free Treatment Through GSP Can Make A Difference

SSA suppliers face so many difficulties that it's a wonder that anyone is really interested in doing business there. But there is interest, and the textile examples provided below show how reducing duties can make a big difference in sourcing decisions. Table 1 shows the average per-dozen values for total U.S. imports of men's cotton blue denim trousers in 1995. It shows that two of the three leading SSA suppliers of this product to the United States were quite competitive in basic cost compared to Mexico and China, and higher than CBI producers, with per-dozen values of $86 (South Africa and Lesotho). However, import duties of 17.4 percent ad valorem and freight charges boost these SSA producers' costs considerably, putting them well out of the range of Mexico and CBI producers, but still below China. Mauritius remains a relatively expensive source even if duties are eliminated. If duties were eliminated on U.S. imports of these SSA products, some SSA suppliers clearly would become quite strong alternative suppliers to China and other similarly priced Asian suppliers.

It is important to note, however, that duty-free status would not jeopardize suppliers in Mexico or the CBI. These areas enjoy proximity advantages that SSA suppliers can never achieve. For this reason, efforts that would tie SSA textile benefits to the use of U.S. inputs such as yarn or fabric simply will not work. No IMRA member would be interested in doing business in Africa—even duty free—if the program requires the movement of raw materials and intermediary inputs from the United States, 10,000 miles to Africa and then a return trip with finished product. Those who would attempt to create a trade program that parallels the program in the Caribbean Basin have missed the essential point: Africa is much farther away, and much less well developed than Mexico or the CBI.

For these reasons IMRA supports The Africa Growth and Opportunity Act which would extend the GSP program for nine years and remove the statutory exclusions for products like textiles and apparel. This approach, which does not limit inputs to production will attract more investment in the region, stimulate the production of regional fabrics and yarns, and give the countries of SSA a real tangible benefit with which to compete against the large Asian suppliers.

For Textile Products, Duty Free is Not Enough

Obviously, the elimination of duties reduces the usual costs of doing business and can make the countries of Sub-Saharan Africa more competitive with other, far more developed suppliers, particularly those in Asia. Reducing tariffs is very important to spurring development in the region, because, by-and-large, the countries of Sub-Saharan Africa are not governed by import quotas.

But reducing tariffs alone is not sufficient.

IMRA's members say that intangible "uncertainty costs" also limit their ability and desire to do business in the region. These costs include such intangibles as the child labor situation, intellectual property rights protection, and of course the most important intangible of all—the chance that the United States will impose quotas on products from the source country in the near-or mid-term. In the past, it has not taken a large level of exports for the United States to invoke its safeguard rights under the Agreement on Textiles and Clothing (ATC) to impose new quotas on so-called "sensitive" categories like cotton shirts and pants.

Table 2 provides a textbook example of the chilling affect this safeguard has on development. Kenya had begun to develop a promising textile and apparel export industry when in 1994 the United States effectively shut it down by imposing quotas on "sensitive" categories like cotton shirts and trousers. The quotas not only limited Kenya's export potential, but they scared off retailers and importers. The fact that today Kenya does not fill its quotas does not mean that the quotas have no impact, it simply means that the potential for development has been shut down.

History tells us that quotas on categories such as cotton shirts and trousers are almost inevitable. This fear or uncertainty cannot be minimized, but it is also extremely difficult to quantify. IMRA strongly believes that Congress should establish an explicit "no-quota policy" so that investors can have some assurance that quotas or the threat of quotas will not shut down investment.

For this reason IMRA supports the Africa Growth and Opportunity Act, which would maintain an explicit no-quota policy for the SSA region.

Domestic Impact

Trade liberalization does not just provide benefits to the nations of SSA. U.S. consumers benefit as well. In 1997, IMRA conducted an economic analysis of providing duty free treatment for textile and apparel exports from the Sub-Saharan region. Using the International Trade Commission's COMPAS model we determined that a no-tariff policy would lower consumer costs, without significant damage to domestic producers. Tariff elimination applied to exports from the Sub-Saharan region would lower the cost of all apparel sold in the United States, including U.S.-made apparel. Such a policy would also direct economic resources into sectors of the U.S. economy where they would be used more efficiently. We estimate that the value of lower prices and greater economic efficiency will total between $72.2 million to $93.1 million each year at wholesale. The retail value of these cost benefits would be higher.

Offsetting these gains would be extremely modest losses by U.S. producers of $5.6 million to $7.2 million—a far cry from the enormous loss of jobs that some producers have suggested, should we expand trade opportunities with the SSA region. Indeed, our analysis is based on providing duty-free treatment to all products from the SSA region. The Africa Growth and Opportunity Act would apply duty-free treatment only to those products, which the President determined were not import sensitive. While this provision will reduce somewhat the benefits to consumers, it should eliminate any worry that the bill will harm American workers.

For this reason, IMRA strongly opposes recent suggestions that the trade benefits accorded SSA be limited only to products, which contain U.S. fabric and/or yarn. This proposal is simply unworkable. No IMRA member would be interested in doing business in Africa if it first had to purchase U.S. fabric and/or yarn, then ship it to Africa tens of thousands of miles round-trip for assembly.

Such a proposal will not encourage investment in Africa. Transportation costs are too high, and distances between the United States and Africa are too vast. Even if transportation costs were lower, U.S. retailers would have no incentive to make such investments, since similar programs exist for Caribbean and Mexican suppliers. North American suppliers have one overriding advantage—their proximity to U.S. markets which makes turn-around times shorter and allows retailers to place orders much closer to the intended selling seasons.

If Congress is serious about encouraging investment in Africa, it must develop a program that works for Africa. The idea of tying African production to U.S. inputs simply will not accomplish the goals intended in the Africa Growth and Opportunity Act. Moreover it perpetuates a colonial-style approach to fostering development in the region that the Act, as initially drafted, is intended to end.

Table 1.—Men's Cotton Blue Denim Jeans, 1995 (HTS No. 6203.42.4010)

[Dollars per Dozen]

Source	Customs Value	Import Duties	Int'l. Freight, Insurance Charges*	Total	SSA Supplier Total if Duty-Free
Mauritius	$108.59	$19.11	$11.99	$139.69	$120.58
South Africa	86.75	15.26	3.18	105.17	89.93
Lesotho	86.23	15.18	3.05	104.46	89.28
Mexico	89.72	0.57	0.77	91.06	n.a.
CBI Countries	76.83	4.76	1.84	83.43	n.a.
China	88.22	15.51	4.35	108.08	n.a.

*Freight from the port of export to the first port of entry to The United States.

Source: The Trade Partnership from U.S. Census data.

Table 2.—U.S. Apparel Imports from Kenya, 1994–96

	1994	1995	1996
Cotton Apparel:			
334 MB Other Coats (doz.)	3,348	16,160	16,992
336 Dresses (doz.)	503	2,525	19,087
340 MB Woven Shirts (doz.)	395,039	388,247	230,591
347 MB Trousers (doz.)	249,236	184,795	197,041
MMF Apparel:			
636 Dresses (doz.)	0	12	16,257
Silk Blend and Veg. Fiber Apparel:			
847 MB Trousers (doz.)	72	1,547	16,215
Home Furnishings:			
360 Cotton Pillowcases (Nos.)	1,973,160	598,656	426,576
361 Sheets (Nos.)	158,424	510,864	67,560

Source: U.S. Department of Commerce, Office of Textiles and Apparel, *Major Shippers 1996.*

Statement of the Luggage and Leather Goods Manufacturers of America, Inc., New York, NY

I. Introduction and Statement of Position

This statement is submitted on behalf of the Luggage and Leather Goods Manufacturers of America, Inc. (LLGMA), a trade association representing the U.S. luggage, flat goods, and handbag industries, in connection with the House Ways and Means Trade Subcommittee's request for input from interested parties on legislative proposals to expand trade with Sub-Saharan Africa.

Last year, the Committee passed legislation, H.R. 1432, the African Growth and Opportunity Act, which would eliminate the statutory exclusion of textile and non-textile luggage, handbags, and flat goods from the Generalized System of Preferences (GSP) for Sub-Saharan African countries. The U.S. travel goods industry is opposed to the elimination of the exclusion of its products from the GSP program. The industry is similarly opposed to quota-free treatment for textile products.

Textile luggage of all types is subject to quotas when imported from China, Taiwan, and Korea. Textile handbags and flat goods are also subject to various textile restraints. Tremendous import growth over the years has ravaged the domestic travel goods industry. Duty-free and quota-free treatment for luggage, flat goods, and handbags will stimulate rapid growth in imports from Sub-Saharan African countries, which will erode further the fragile health of domestic producers. More factories will close and more workers will lose their jobs. Economic development in Africa should not come at the expense of the U.S. travel goods industry.

II. The Luggage, Flat Goods, and Handbag Industries are Extremely Import-Sensitive

The increase in U.S. imports of luggage, flat goods, and handbags over the past years has been remarkable. To provide some measure of protection for the travel goods industry, its products were excluded by statute from GSP eligibility 15 years ago. Since that time, U.S. imports of luggage have quadrupled, reaching over $2.3 billion; imports of flat goods have tripled to $500 million; and imports of handbags have almost doubled to $1 billion. Over 80 percent of luggage imports and 70 percent of flat goods and handbag imports originate in less-developed countries.

The growth of imports has displaced domestic production and caused plant closings and layoffs. Many companies have exited the business altogether or have been forced to import some or all of their product lines in order to compete. Employment in the luggage industry fell by more than 20 percent between 1984 and 1997. The loss of jobs in the flat goods and handbag industries was even more severe as the number of employees plunged by 58 percent between 1984 and 1997. These imports' low prices have exerted powerful downward pressures on domestic prices further hindering the viability of domestic producers.

The U.S. Congress and Executive Branch have long recognized the luggage, flat goods, and handbags industries as import-sensitive:

- they are statutorily excluded from duty-free treatment under certain trade preference programs, including the Caribbean Basin Initiative (CBI), the Andean Trade Preference Act (ATPA), and the GSP;

• their tariffs were cut only slightly or not at all in the Uruguay Trade Round negotiations; and

• they were deemed to be among the most sensitive U.S. products in the NAFTA tariff negotiations with Mexico, designated for stage "C" (i.e., ten-year phase out).

Congress took affirmative action in 1984 to add a statutory exclusion to the GSP program for luggage, flat goods, and handbags of non-textile[1] materials on the basis of extreme import sensitivity. At the time Congress granted the exemption, it was understood that less-developed countries, eager to industrialize and with low paid work forces, posed a real threat to domestic producers. Today the plight of the domestic industry is even more precarious, as imports in this sector have tripled since 1984, and the vulnerability to imports that much greater.

III.SUB-SAHARAN AFRICAN COUNTRIES HAVE THE POTENTIAL TO BECOME MAJOR SUPPLIERS TO THE UNITED STATES

One of the defining characteristics of the world economy today is the mobility of the factors of production to those regions and countries with the lowest labor costs. This is particularly true in the case of labor-intensive industries such as luggage, flat goods, and handbags, factories for which can be built quickly and production expanded rapidly. Foreign producers of these products scour the globe for low-wage countries and then quickly establish production facilities to make goods for export to the United States. When labor costs increase, these producers often shut down their facilities and move their operations to other low-wage countries.

Trends in U.S. imports of luggage illustrate the changing composition of supplier countries as producers have shifted production to take advantage of lower wage rates. In 1984 Taiwan and Korea were the two largest suppliers of luggage to the United States accounting for 78 percent of total imports. In 1998, China, the Philippines, and Thailand were the predominant suppliers of luggage to the U.S. market. Although there has been a major and rapid shift of luggage production to lower cost countries, Taiwan and Korea continue to be major suppliers of luggage to the U.S. market.

Duty-free entry of luggage, flat goods, and handbags from Sub-Saharan African countries will create powerful incentives for foreign producers of these goods to establish new or additional operations there. First, prospective foreign producers will enjoy wage rates among the lowest in the world. Second, they will greatly benefit from a burgeoning leather industry that is being developed via monetary as well as "hands-on" assistance by international development banks and organizations. Third, they will enjoy a major competitive advantage over producers in other developing countries, which are required to pay the significant U.S. duties on these goods.

The domestic industry will also be vulnerable to transshipment of luggage, flat goods, and handbags through Sub-Saharan African countries to avoid U.S. duties and quotas. In recent years, many foreign producers have resorted to the illegal transshipment of their goods through third countries to evade U.S. quotas. The U.S. Customs Service has undertaken strenuous efforts to combat this problem, but the magnitude of the task is immense. Forty-eight Sub-Saharan African countries with duty-free access to the United States will impose on Customs a near impossible enforcement burden. This illegal movement of goods will exacerbate further the import problem faced by the domestic industry.

IV. CONCLUSION

The domestic luggage, flat goods, and handbag industries have been battered by imports, particularly from less-developed countries. To provide some measure of protection for the leather-related industries, Congress excluded their products from coverage under GSP. Eliminating this exclusion and the potent threat of quota restraints now will lead to an influx of imports from Sub-Saharan African countries and will inflict more harm upon these domestic industries. Economic development in Africa is a worthy goal, but the preservation of American industry and American jobs is important, too. LLGMA urges the Subcommittee to remove luggage, flat goods, and handbags from preferential tariff and quota provisions of legislative proposals to enhance U.S. preferential trade benefits for Sub-Saharan African countries.

[1] Textile luggage, flat goods, and handbags are subject to the GSP statutory exclusion for textiles and apparel since they are considered to be "textile and apparel products which are subject to textile agreements."

NATIONAL COTTON COUNCIL OF AMERICA
WASHINGTON, DC 20036
February 1, 1999

The Honorable Philip M. Crane
Chairman, Subcommittee on Trade
Ways and Means Committee
U.S. House of Representatives
Washington, DC 20515

Re: Sub-Saharan Africa Trade Preferences

Dear Mr. Chairman:

The National Cotton Council of America would like to go on record again concerning proposals to grant significant textile trade preferences to Sub-Saharan Africa. The National Cotton Council is the central organization of the United States cotton industry. Its members include producers, ginners, oilseed crushers, merchants, cooperatives, warehousemen, and textile manufacturers. While a majority of the industry is concentrated in 17 cotton producing states, stretching from the Carolinas to California, the downstream manufacturers of cotton apparel and homefurnishings are located in virtually every state.

In attempting to grant trade preferences to the Sub-Saharan region, the legislation in fact opens doors for Asian textile and apparel manufacturers to use Africa merely as an export platform for sending their own textile and apparel products to the United States. If our competitors follow their past practice, they will produce apparel articles in Asia (using Asian yarns and fabrics), send them to the Sub-Saharan region for labeling and packaging and then export those items to the U.S. labeled as being produced in the Sub-Saharan region. Labeling and packaging work obviously does not lead to long-term manufacturing capabilities.

The significant duty break contained in the legislation creates a huge incentive for Asian countries to transship their products. Even without a special duty break, transshipments are already a $2–4 billion problem which U.S. Customs has had little success in bringing under control. Further, the textile provisions contain an ineffective overall rule of origin and lack any rule of origin at all for the component products (the textile fabrics and yarns). The bill contains no effective enforcement mechanisms against fraud.

Experience in this hemisphere shows that preferential textile trading arrangements can be drafted in such a way as to benefit the countries involved and the United States as well. Such an arrangement would provide duty-free and quota-free access to the U.S. textile market for apparel articles that had been manufactured in the region using U.S. textile components. By providing duty-free and quota-free access, such an arrangement would give African workers a significant competitive advantage.

This arrangement would also ensure that countries cannot transship their products and would also mean that workers in Africa, not Asia, would do the most valuable and important work.

We have additional concerns that can also be addressed through minor amendments to the legislation. For example, at least two of the countries that could benefit from this legislation (Tanzania and to a lesser extent Kenya) have ignored generally accepted international trading rules, including those designed to settle disputes quickly and easily. We believe applying countries should be determined to adhere generally to internationally accepted trading norms before the President grants beneficiary status.

The National Cotton Council of America, therefore, recommends that the legislation be amended to:

1. Extend duty and quota free access for apparel products from a beneficiary country that have been assembled in those countries from U.S. textiles. Specifically, we recommend the legislation provide benefits to apparel articles assembled in the country from U.S. fabrics made from U.S. yarn and to apparel articles cut and assembled in the country from U.S. fabric made from U.S. yarn and sewn in the African region with U.S. thread. These benefits are similar to those commonly referred to as 807(a) and 809 textile benefits. Handloomed, handmade and folklore articles originating in the participating country would also be given preferential treatment.
2. Include provisions (as part of an 807a/809 type program) designed to prevent illegal transshipment of textile articles through appropriate penalties and even suspension of benefits if the problem is not corrected.

3. Allow public comment on the Presidential determination of eligibility and include a requirement that applying countries comply with generally accepted international trading rules.

We are aware of the interest in this legislation and the sincere efforts to promote the economies of the Sub-Saharan region. We look forward to working with you on this matter.

Sincerely,

JACK S. HAMILTON
President

Statement of the National Retail Federation

I. INTRODUCTION

The National Retail Federation (NRF) is the world's largest retail trade association with membership that includes the leading department, specialty, discount, mass merchandise, and independent stores, as well as 32 national and 50 state associations. NRF members represent an industry that encompasses more than 1.4 million U.S. retail establishments, employs more than 20 million people—about 1 in 5 American workers—and registered 1998 sales of $2.7 trillion. NRF's international members operate stores in more than 50 nations.

NRF strongly supports the "Africa Growth and Opportunity Act" (H.R. 434), which, with minor modifications is identical to H.R. 1432 as passed by the House of Representatives in 1998. Unlike the weaker version of the Africa trade initiative reported last year by the Senate Finance Committee, H.R. 434 will provide much-needed incentives for American companies to work with producers in Sub-Saharan Africa in ways that will promote economic development in the region. Increased economic development and expanded trade opportunities in Sub-Saharan Africa will benefit not only Africans, but also U.S. consumers, exporters (including those in the U.S. textile and apparel industries), and importers (including U.S. retailers). As a result, H.R. 434 will enhance the competitiveness of countries in Sub-Saharan Africa as suppliers, and help attract much-needed foreign investment in the region.

II. SUB-SAHARAN AFRICA FACES SIGNIFICANT HURDLES TO INTERNATIONAL COMPETITIVENESS WHICH WILL ONLY WORSEN WITH TIME

It should come as no surprise that the obstacles to economic development in Sub-Saharan Africa are daunting. Due to a variety of factors, including political and economic instability and poor infrastructure, many international investors and product buyers have historically shunned the region. While there have been improvements recently, many producers in Sub-Saharan Africa have poor business skills, are relatively inexperienced with letters of credit, and fail to appreciate the importance of meeting delivery deadlines. Many cannot produce to U.S. order, size, and quality requirements. Distances to ports can be long and complicated by cumbersome customs controls that delay shipments unnecessarily, forcing many exporters to rely on more expensive air freight to ship product to the United States.

All these hurdles have one overriding effect—they raise the cost of doing business in Sub-Saharan Africa. A buyer in time-sensitive businesses, such as apparel retail, risks delays that result in shortages during peak selling seasons. Special letters of credit and air freight costs raise product costs relative to competitors in Asia and Latin America. The need to ensure quality, guard against illegal transshipments, and a host of other pitfalls virtually compels a U.S. retailer to maintain a full-time presence in the region, adding to the cost of doing business in Sub-Saharan Africa.

Given these obstacles, it is no surprise that when U.S. retailers face a choice of where to conduct business, whether sourcing products or investing, Africa is often the last choice behind Latin America and Asia, both of which have a number of key advantages. Latin America enjoys the advantage of proximity to U.S. markets and a network of existing preferential trade arrangements. Asia has good infrastructure, extended business relationships, and, as shown in the table below, much lower costs and shorter timeframes in shipping to the United States than Africa.

From	To	Rate/40' container	Best Transit Time
Durban	New York	$3635	21 days
Durban	Los Angeles	$3935	30 days
Capetown	New York	$3635	18 days
Capetown	Los Angeles	$3935	27 days

From	To	Rate/40' container	Best Transit Time
Shanghai	Los Angeles	$2738	15 days
Hong Kong	Los Angeles	$1750	12 days

Source: J.C. Penney Company, Inc.

Without some major change in the current situation, Sub-Saharan Africa will become even less competitive vis-a-vis other developing countries in Latin America and Asia, particularly after December 31, 2004. After that point, all textile and apparel quotas disappear as a result of full implementation of the WTO Agreement on Textiles and Clothing (ATC). Without quotas to impede their trade, Asia and Latin America's advantages as suppliers of textile and apparel products, with their large populations and developed industries, are enhanced substantially. Meanwhile, what few advantages Sub-Saharan Africa currently has (comparatively few quotas and low labor costs) will be largely negated. If we do not provide the means for Sub-Saharan Africa to develop their own textile and apparel industry before the 2005 quota phaseout is completed, their competitive disadvantage will forever hold them off the playing field.

Indeed, the serious competitive handicaps facing Sub-Saharan Africa and the short time frame in which to address the problem, argue for a trade initiative that goes well beyond those contemplated for other regions, such as the enhanced trade benefits proposal for the Caribbean Basin Initiative countries. All things being equal, Sub-Saharan Africa will continue to lose out to Latin America and Asia.

III. The United States Can Do Much To Offset Some Of Those Hurdles

Although there is relatively little the United States can do directly, at least in the near term, to eliminate political instability in Sub-Saharan Africa, or even to build or repair the transportation system or educate entire work forces, the United States can do much to lower costs of doing business in Sub-Saharan Africa in ways that would at least begin the process of economic development in the region. This includes providing duty-free and quota-free access to exports of products exported from the region to the United States—including basic apparel, footwear, and home furnishings. These products in particular, have proven to be critical to the establishment of manufacturing capability in developing countries, which, in turn, gives these countries a basis for economic growth.

Indeed, there is something fundamentally flawed with current policy, which, with one hand distributes financial aid for development, but with the other, limits exports to the United States with quotas and some of the highest tariff rates in the U.S. schedule. For example, when a Sub-Saharan producer begins to establish itself as a competitive producer of a given basic apparel product, as have Mauritius and Kenya, the U.S. response is to limit those countries' exports with quotas. The quotas—even the prospect of new quotas—have a chilling effect on much-needed foreign investment in the region, as the case of Kenya demonstrates. As soon as the United States began to impose quotas on U.S. imports of men's and boys' cotton woven shirts and cotton pillowcases, U.S. retail interest in sourcing from Kenya virtually evaporated. The risks are simply too great that new orders will be restricted by quota.

IV. H.R. 434 Is A Critical Step In Helping the Economic Development of Sub-Saharan Africa

Sub-Saharan African producers have the potential to be good, reliable suppliers to the U.S. market for such products as basic apparel, footwear, and home furnishings. These are products generally in short supply because (a) U.S. manufacturers cannot meet all of U.S. demand for low-cost apparel and (b) other foreign suppliers are limited by quotas that fill regularly.

While most large U.S. retailers have explored the region's potential, particularly as a possible alternative to Asia suppliers of these products, many have backed away from committing large orders to Sub-Saharan African producers. Indeed, many have left the region altogether, in part, due to the problems mentioned above. While duty-free and quota-free benefits available under H.R. 434 will not necessarily bring them back in droves, these incentives in the legislation will help to rekindle interest in sourcing from Sub-Saharan Africa, particularly for several large U.S. retailers. These benefits could also be just the incentive to spark additional foreign investment in the region, and thereby provide much-needed jobs and training to the work force and allow them to become good, reliable, and quality suppliers to the United States.

V. H.R. 434 PROVIDES IMPORTANT TRADE BENEFITS TO SUB-SAHARAN AFRICA

Among the most important benefits in H.R. 434 for Sub-Saharan Africa are the provisions liberalizing trade in textile and apparel products, which are intended to stimulate business activity between the United States and countries in the Sub-Saharan region. Thus, the bill is of great interest to the U.S. retail industry, which sells the majority of apparel imported into the United States. The following provisions offer the greatest incentives for the U.S. retail industry to expand business activity in the region and are of greatest value to beneficiary countries in Sub-Saharan Africa:

- Elimination of existing quotas on textile and apparel exports to the United States from Kenya and Mauritius after those countries establish visa systems adequate to guard against transshipment;
- A requirement that the President continue the existing no-quota policy with respect to textile and apparel imports from other Sub-Saharan African countries; and
- Authorization for duty-free treatment under the Generalized System of Preferences (GSP) to products from Sub-Saharan Africa that are currently excluded from the GSP program if the U.S. International Trade Commission (ITC) finds that those products are not sensitive to imports from Sub-Saharan African countries.

Some argue that, like the 1998 Senate Finance Committee version of the Africa trade bill, H.R. 434 should include a U.S.-yarn and fabric only rule (so called 807A/809 provisions) in order for textile and apparel products from Sub-Saharan Africa to be eligible for trade preferences under the program. They argue that such a restrictive rule of origin is necessary to minimize the adverse impact of increased trade on U.S. workers and to diminish the possibility of illegal transshipment from countries outside the region. The NRF views such a provision not only as unwarranted, but as negating the very benefits this legislation would provide Sub-Saharan African countries.

Given the many obstacles to doing business in Sub-Saharan Africa—distance, lack of infrastructure, undeveloped business culture—addition of a U.S. fabric-only rule would merely add one more hurdle making it harder, not easier, for American retailers to begin or expand business operations in the region. Retailers today no longer have the luxury of excessively long lead times. In fact, the development cycle for clothing is shortening. A requirement that fabric be shipped from the United States to Africa for sewing and then returned to the United States presents unacceptably long lead times and imposes substantially higher costs.

Thus, If such a restrictive rule of origin were included in H.R. 434, American retailers would have *no* incentive to increase their business activities in Sub-Saharan Africa compared to other, closer and more advanced regions, such as Asia and Latin America. Thus, the very advantages that the legislation seeks to provide to Sub-Saharan Africa would be negated by inclusion of such a rule.

In addition, NRF would argue that such a restrictive rule of origin that mandates the use of only U.S. yarn and fabric, essentially creates a government-sanctioned monopoly market for the U.S. textile industry. Such a requirement is not an example of greater reciprocity in trade as some would claim. Rather, it is a particularly egregious example of managed trade, that also smacks of neo-colonialism. However, in the end a U.S. yarn and fabric-only rule applied to Africa will do little to help the U.S. textile industry, if, as a result, the U.S. retail industry is unable to do business there.

Finally, as discussed in greater detail below, NRF would argue that a restrictive U.S. yarn and fabric only rule is uncalled for if the sole premise for including it is ostensibly to protect U.S. jobs and safeguard against transshipment.

VI. THE AFRICA GROWTH AND OPPORTUNITY ACT WILL NOT RESULT IN TEXTILE AND APPAREL TRANSSHIPMENT OR ANY SIGNIFICANT LOSS OF U.S. JOBS

The textile interests and other critics of the Africa trade bill cite two reasons for opposing the initiative—(1) the potential for Sub-Saharan Africa to become a transshipment point for Asian textile and apparel products; and (2) job loses in the United States as a result of competition from imports of African textile and apparel products. Closer scrutiny of both claims shows them to be unsupported by any credible evidence and reveals them to be mere bogus scare tactics promoted by special interests that want to kill the Africa bill.

A. The Transshipment Issue

Opposition to the Africa trade bill based on concerns about massive transshipment from Asia through Africa to avoid U.S. textile and apparel quotas is misplaced for the following reasons:

• The high shipping costs to and from Africa (noted in the chart above) and the extremely long distances involved, would make transshipping goods from Asia to the United States through Africa prohibitively expensive and time consuming.

• Although the Lome Agreement already provides African textile and apparel products duty-free and quota-free access to Europe, there has been *no* appreciable transshipment from Asia through Africa to the European Union, to avoid European quotas on Asian products.

• H.R. 434 already contains strong protections against transshipment, including a visa system and authority for the President to deny trade benefits under the program to otherwise eligible beneficiary countries if they do not provide sufficient protection against transshipment.

• The U.S. Customs Service has effective procedures in place to counteract transshipment, as U.S. Customs jump teams have proven in both Hong Kong and Macau.

• With a very small, infant textile and apparel industry, it would be a fairly straightforward exercise for U.S. Customs to guard against transshipment by matching the production capacity of factories in Sub-Saharan Africa with shipments to the United States.

• The problems of transshipment is created mainly by our textile and apparel quota system, and should, therefore, largely disappear once those quotas are eliminated over the next six years as required by the WTO Agreement on Textiles and Clothing.

If there is legitimate concern about a potential transshipment problem, it is not a reason to oppose the bill. Rather, those concerns should be addressed through measures that will enhance customs enforcement without undermining the trade benefits of the legislation.

B. The Jobs Issue

The job-loss claims by opponents of the Africa trade initiative are also not credible. The U.S. International Trade Commission (ITC) and the World Bank have conducted the only objective and thorough studies on the potential effects in the United States as a result of the Africa initiative. Both confirm that the House Africa trade bill will *not* harm U.S. jobs or industry. The ITC study in particular calculates that less than 700 jobs, at most, would be adversely affected by increased apparel imports from Africa. This *possible* negative impact on a comparative handful of jobs in one of the most protected industries in the United States is simply not a persuasive reason to oppose the Africa trade initiative for several reasons;

• Although the only adverse impact of the initiative would be on apparel jobs, many U.S. apparel manufacturers support the House Africa trade bill.

• Although the U.S. textile industry opposes the Africa trade bill, it will be unaffected by trade with Sub-Saharan Africa, which has no internationally competitive textile industry, and is unlikely to have one for some time.

• While the overall economic impact of the Africa trade initiative on the United States will be relatively modest, increased trade with Africa will provide net benefits to the entire country, including American consumers, through a broader selection of reasonably-priced products.

• Expanded trade with Africa will give competitive U.S. industries, such as the retail sector, new business opportunities and the ability to create new and better jobs in both the United States and Africa.

• The United States has an essentially full-employment economy, in which any jobs lost from trade with Africa would be more than offset by the overall increase in jobs as a result of healthy economic growth in the United States, brought about, in no small measure, by increased trade—both exports *and* imports.

• Trade adjustment assistance is available to the few workers who may be displaced as a result of increased imports from Africa.

While expanded trade between Africa and the United States will be of substantial benefit to the Sub-Saharan Africa region, both the World Bank and ITC studies demonstrate that increased imports from Africa will have a negligible impact on the U.S. textile and apparel industries. Currently, the countries of Sub-Saharan Africa account for less than 1 percent of total U.S. textile and apparel imports. Even if one is optimistic and assumes that trade in these products triples as a result of the Africa trade initiative, the region would still be a comparatively tiny supplier to the U.S. market. Indeed, even if Sub-Saharan Africa were to export its *entire* textile and apparel production to the United States, it would account for less than 10 percent of U.S. imports.[1]

---

[1] There are no solid data for Sub-Saharan Africa (SSA) textile and apparel production. As an estimate of regional production, the International Trade Commission (ITC) used value-added data from World Bank sources for 1993 (the most recent year available) for the seven largest

These conclusions are also supported by European statistics. As noted above, the Lome; Agreement already provides Sub-Saharan Africa virtually unrestricted duty and quota-free access to the E.U. market for their textile and clothing exports. Nonetheless, Sub-Saharan Africa still accounts for just over 2 percent of textile and clothing imports into the E.U., with Asian countries, which are still largely subject to quotas, accounting for the majority of E.U. imports.

When one seriously examines the evidence, it is clear that the arguments raised by textile interests as reasons to oppose the Africa bill are merely disingenuous attempts to undermine this important trade-expanding initiative and preserve a self-serving system that limits imports at the expense of the American consumer and broader U.S. policy interests.

VII. Conclusion

In conclusion, America's retailers strongly support H.R. 434. The retail industry urges both the House and the Senate to pass this important legislation without adding unwise and unnecessary provisions, such as a U.S. yarn and fabric-only rule, which would only serve to defeat the positive goals of the legislation and hurt the very people it seeks to help. Let us not continue in this legislation the current, short-sighted development policy for Africa that gives with one hand while taking away with the other.

Statement of the Neckwear Association of America, Inc., New York, NY

Introduction

This statement is submitted on behalf of the Neckwear Association of America (NAA), a trade association representing domestic necktie producers and their suppliers. NAA's member companies account for the vast majority of neckties produced in the United States. This statement responds to the Subcommittee's request for public comment on providing preferential trade access to the U.S. market for countries in Sub-Saharan Africa.

Last year the House passed H.R. 1432, the African Growth and Opportunity Act, which would have eliminated the exclusion of apparel from coverage under the Generalized System of Preferences (GSP) and liberalized quota access to the U.S. market for textile products that originate in Sub-Saharan African countries. The neckwear industry is opposed to these provisions. Rapid growth in imports, particularly from less developed Asian countries, has harmed the domestic necktie industry. Duty-free and quota-free treatment for apparel from Sub-Saharan African countries will subject domestic apparel producers to increased imports from a whole new area of the developing world.

The U.S. Necktie Industry is Extremely Import-Sensitive

U.S. imports of neckties have grown steadily in the 90's, from 1.7 million dozen in 1990 to 3.0 million dozen in 1997. Much of the growth in imports came from new Asian suppliers. For example, necktie imports from Korea jumped from 225,687 dozen in 1990 to 1.2 million dozen in 1997, a more than five-fold increase.

The increase in imports has come at the expense of the domestic industry. Sales and production have remained stagnant during this period. Many companies have simply been unable to stay afloat in the face of low-price imports from developing countries. Those that remain in business must deal with greatly reduced profit margins, which creates an uncertain future for their companies and the men and women they employ. U.S. necktie producers can ill afford further increases in imports from low-wage countries.

---

textile and apparel producing SSA countries. Using this figure, total production comes to just under $3 billion. Of this, the SSA exported just over half ($1.55 billion) in 1994, of which approximately $360 million went to the United States and much of the remainder to Europe. Total U.S. textile and apparel imports in 1994 were $40 billion. Therefore, if SSA had exported all its 1993 production to the United States, it would represent 7 percent of total U.S. textile and apparel imports.

Source: Laura Baughman, The Trade Partnership

III. SUB-SAHARAN AFRICAN COUNTRIES HAVE THE POTENTIAL TO BECOME MAJOR SUPPLIERS TO THE UNITED STATES

Sub-Saharan African countries are poised to start down the path of industrialization. All of the ingredients are in place for this to happen—a very low-wage work force, abundant raw materials, and a developed world eager to assist in the task. An apparel industry will be one of the first industries to develop by virtue of its labor intensity and the relative ease with which sewing and assembly operations can be established. Sub-Saharan African countries will be no different than the many other less developed countries that have developed apparel industries virtually overnight. Duty-free and quota-free access to the United States for apparel will only hasten this development.

IV. CONCLUSION

Neckties and other articles of apparel were excluded by statute from duty-free treatment under the Generalized System of Preferences in 1974 when the program was first implemented. The exclusion was an important recognition by Congress and the Executive Branch that the apparel industry was extremely susceptible to damage from low-cost import competition. Necktie imports today play a much more substantial role in the domestic market than they did back then. The NAA understands and appreciates the importance of helping Africa to develop economically but this help should not result in lost jobs and lost output in the U.S. necktie industry.

Statement of Mac Cheek, President, Nilit America Corporation, Greensboro, NC

Chairman Crane and distinguished members of the Subcommittee on Trade of the Committee on Ways and Means, I want to thank you for the opportunity to appear before you today to express our desires and concerns on U.S. trade relations with Sub-Saharan Africa and any legislation that may affect such trade. Specifically, we encourage the U.S. Congress to abstain from placing U.S. country of origin requirements on yarns and fabric used to make apparel in Sub-Saharan countries in order for the apparel imports to the U.S. to remain quota-free. We encourage the U.S. House of Representatives to demonstrate leadership on this important legislation and maintain the provisions on textiles and apparel as originally written in Section 8 of H.R. 1432 passed by the House in the 105th Congress.

The provisions of Section 8 provide for "eliminating trade barriers and encouraging exports." Part of the provisions describe the minimal impact the export of apparel made in Sub-Saharan countries (with no restrictions) is having and will have on the U.S. domestic industry. The provision to "lay the groundwork for sustained growth in textile and apparel exports and trade under agreed rules and disciplines" can only be managed if special origin requirements are not placed on goods allowed to be traded freely into the United States.

Before elaborating on our position, I would like to acquaint you with Nilit America Corporation. We supply fine denier, high-quality nylon 66 to U.S. hosiery manufacturers and texturerizers. We have been located in Greensboro, North Carolina since 1991 but were working in the United States through agents for many years prior to that date. We directly employ only 7 people in Greensboro but 70 U.S. manufacturers rely on our supply of fine denier, high-quality nylon 66 thus we indirectly impact tens of thousands U.S. workers.

We strongly support the expansion of trade benefits to Sub-Saharan Africa and believe that through free-trade and not aid, these countries can begin to enter the global marketplace. It is through the elimination of trade barriers that economies can begin to experience the benefits of true competition. Nilit America is the offspring of Nilit Israel. We directly employ over 600 people in Israel, both Arabs and Jews in one of the designated industrial zones. Nilit America is the result of the growth in business experienced under the U.S.-Israel Free Trade Agreement. Our company is an example of the benefits that can be realized through the elimination of trade barriers. We have grown over 500% in just five years. The ability to trade freely products manufactured in Israel with the United States enabled us to build a firm that allows downstream manufacturers, such as the hosiery industry, to maintain domestic production and to compete with imports from low labor cost countries such as China.

The majority of countries in Sub-Saharan Africa are lesser-developed developing countries. After agriculture, one of the historical industries which a developing country can quickly assimilate is the manufacture of textiles and apparel. Given the

sensitivity of allowing unrestricted trade in agricultural products, we should seek to ensure that other manufacturing options for these countries do not become subject to restrictive trade requirements. Specifically, in the last Congress, U.S. interest groups attempted to require that only apparel products made in Sub-Saharan African countries from fabric that had been made in the U.S. from yarns that had been made in the U.S. would be allowed quota free entry. From a practical trade standpoint, the cost of shipping U.S.-made fabric from U.S.-made yarns to Africa for assembly before returning the finished goods to the U.S. is cost and time prohibitive. Such requirements would be so costly as to effectively ban any quota free apparel merchandise from Sub-Saharan countries. Similar requirements are in effect under the NAFTA and for Caribbean countries, however, their close physical proximity to the U.S. makes such a proposition a viable trade practice.

Of course, Nilit America has a vested interest in ensuring that no requirements are imposed on textiles and apparel made in Sub-Saharan Africa since our fine denier high-quality nylon 66 yarns are made in Israel. It was the U.S.-Israel Free Trade Agreement that ignited the manufacturing of specialty nylons in Israel and exporting them to the United States. If we are allowed to ship our fine denier, high-quality nylon 66 yarns to manufacturers in Sub-Saharan Africa, we can increase our work force in Israel and the United States. If made in the U.S. requirements are imposed on apparel made in Sub-Saharan Africa, the manufacturers will not use our nylon nor likely the U.S. made nylons given the cost and time involved in exporting from the U.S. to Africa, thus, the possible benefits of your legislation would be nullified. Additionally, the legislation targeted to benefit Sub-Saharan Africa would have an adverse effect on a Free Trade Agreement negotiated between the U.S. and Israel.

Therefore, we encourage you, Mr. Chairman, and your esteemed colleagues, to hold fast to the principles of free trade. Do not let special interest groups influence your decision to develop a viable open trade relationship with Sub-Saharan Africa. Keep the provisions of Section 8 as originally proposed in H.R. 1432. If origin-specific requirements are placed on the apparel products manufactured in Sub-Saharan the principles contained in Section 8 will be nullified. Your commitment to free trade and the development of free enterprise in Sub-Saharan Africa are to be commended. Thank you for this opportunity to comment and for holding hearings on this important trade issue. Please feel free to contact me if you have any questions on the issues raised in my statement.

Statement of the United States Association of Importers of Textiles and Apparel, New York, NY

SUMMARY

The U.S. Association of Importers of Textiles and Apparel, USA-ITA, supports legislation to ensure the expansion of U.S. trade with Sub-Saharan Africa. Providing quota-free and duty-free entry to textiles and apparel from Sub-Saharan Africa could have a substantial beneficial impact on Sub-Saharan Africa and on American consumers. This policy also has the potential to benefit the U.S. domestic textile industry as well as U.S. retailers and importers.

Given the low levels of development within Sub-Saharan Africa and the small trade from the region, the need for quotas on these countries is questionable. Further, given the fact that the few existing quotas have not been fully utilized, a policy of quota-free treatment alone arguably would be comparable to the status quo, although it would provide potential investors with a sense of certainty they do not have today.

Duty-free treatment is one of the few means available to encourage investment in the region. Duty-free treatment for Sub-Saharan African textile and apparel products may be more significant than quota-free treatment, in terms of a measurable impact on trade.

An express policy of a quota-free, duty-free treatment for textile and apparel products sourced from the Sub-Saharan region also provides a basis for these countries to compete against Asian suppliers. Many traditional suppliers of textiles and apparel are becoming less competitive as a result of rising costs, tighter quotas, and now, the financial crisis. The opportunities available under the African Growth and Opportunity Act will permit the region to better prepare for an era in which all quotas on textile and apparel products will be eliminated. There can be no question that it is producers in Asia who would be most vulnerable to an erosion of trade if the Africa Growth and Opportunity Act of 1999 becomes law, not U.S. firms.

Discussion

I. About USA-ITA

USA-ITA is an association founded in 1989 with more than 200 members involved in the textile and apparel business. USA-ITA members source textile and apparel products both domestically and overseas. Members include manufacturers, distributors, retailers, and related service providers, such as shipping lines and customs brokers. USA-ITA member companies account for over $55 billion in U.S. sales annually and employ more than one million American workers. These are good jobs—in production, design, freight forwarding, distribution, sales and other services—well paying, skilled jobs that Americans want to have.

The ability of USA-ITA members to respond appropriately to consumer demand, and thereby maintain and increase competitiveness in the world marketplace, and to expand the number of good jobs in the United States, is very much dependent upon U.S. textile and apparel trade policy. So long as there is uncertainty, including the threat that quotas will be established on speculative and newly developing opportunities, the ability of importers and retailers to consider these options and offer the benefits to consumers is greatly constrained. Therefore, USA-ITA strongly supports the establishment of an express United States Government policy to provide quota-free and duty-free entry to textiles and apparel from Sub-Saharan Africa.

II. U.S. Textile and Apparel Importers Need An Incentive To Consider Sub-Saharan Africa

The reasons why textile and apparel trade from Sub-Saharan Africa has been so minimal are many.

Distance

Currently, investment in this region is not particularly attractive for the textile and apparel import community largely because the region is extremely distant from the United States. The travel time to reach Sub-Saharan Africa is long. While there are direct air flights from New York to Johannesburg, South Africa that take only about 11 hours, other Sub-Saharan sites are more difficult to reach. By airplane, it takes some 20 hours of flying time over two days to get to either Kenya or Mauritius, both because of the distance and because connections are limited. That is just for personnel, such as buyers, to reach the area. For most of the Sub-Saharan nations, the infrastructure is also highly limited, making movement beyond port areas difficult if not overly time consuming or altogether impossible. That makes landlocked Sub-Saharan nations even less viable options.

For the movement of goods, however, the time involved is even more extreme: it takes at least a month, and typically 40 to 45 days for goods to move by ship from Mauritius to New York. In part this is due to the lack of major container facilities within Sub-Saharan Africa, so the region is reliant upon "feeder" carriers to move goods to ports where they can be consolidated with other shipments before actually heading for the United States. At that point, the distance between Sub-Saharan Africa and the United States accounts for the rest of the excessive time involved. And time is a major consideration in the fashion business. So is cost. The shipping costs involved, particularly when raw materials also must be brought into the region, undermine manufacturing savings that may be achieved through low labor costs. To some extent, the long lead times and high ocean shipping costs have meant that air shipping merchandise is an equivalent option, a strong indicator of the expensiveness of sourcing from Sub-Saharan Africa.

Political instability

Political instability in the region also has no doubt had some impact on new investment in the region, and on the willingness of some companies to maintain investment over the long term. While there is a limit on the extent to which these geographic and political disincentives can be ameliorated, U.S. textile policy also has worked against the region. Unless U.S. policy is revised, there is little that is likely to entice American companies to seriously consider the Sub-Saharan region.

Uncertainty regarding U.S. Textile Policy

Those few American companies that have ventured into new regions of the world have learned the hard way that U.S. textile policy can quickly put their plans in jeopardy. The most recent example comes from those companies that shifted production into Cambodia. Although the United States conferred "normal trade relations" duty treatment on Cambodia in 1997, companies found themselves in 1999 caught

in U.S. Textile Program plans to establish a comprehensive system of quotas that now greatly limit textile trade from that nascent industry.

U.S. companies entering Sub-Saharan African countries have suffered a similar fate. Their forays into the region have not necessarily been rewarded—to the contrary, these companies have been slapped with quotas established under the U.S. Textile Program and with changes in the origin rules that determine whether those products are African. The result has been that although trade from the region has increased slightly, from 100.8 million "square meter equivalents," or SME (the standard measure used in the U.S. Textile Program), in 1992 to 138 million SME for the one year period ending November 1998, its share of total imports of textile and apparel imports into the United States is only 0.58 percent. In recent years, trade from the region has actually fallen as a percent of total U.S. textile and apparel imports, with the largest trade increases from Mexico, Canada and the Caribbean Basin countries.

For example, there are a number of quotas on trade from Mauritius, one of the very few Sub-Saharan countries to actually develop a relatively varied textile and apparel manufacturing business. Mauritius' trade in textile and apparel products in 1997 was slightly less than its trade in those goods in 1992, measured in million SME:

1992	1993	1994	1995	1996	1997	YE11/98
36.3	46.5	50.5	46.5	34.4	34.2	37.3

Source: Trade Monitoring Service, International Development Systems, Inc.

During this period, some two dozen categories of goods produced in Mauritius were subject to U.S. quotas, although throughout this period Mauritius' trade has never accounted for more than 0.29 percent of total imports of textiles and apparel into the United States.

Kenya, the only other Sub-Sahara African country subject to U.S. quotas, has suffered an additional and slightly different fate. First, in 1994, when it was introduced to the U.S. Textile Program as a result of the establishment of two quotas, one on pillowcases (category 360) and the other on cotton and man-made fiber woven men's and boys shirts (categories 340/640), some 10,000 Kenyans lost their jobs and more than 30 companies exited the textile/apparel business.[1] Between 1995 and 1996, Kenya's trade in shirts, categories 340/640, declined by more than 40 percent, from 392,519 dozen to 235,079 dozen. In 1997, Kenya's trade in woven shirts was 214,073 dozen and the most recent U.S. trade statistics show that the trade continues to decline to just 193,671 dozen woven shirts shipped in the last twelve months.

Second, Kenya is also a victim of the change in the U.S. rules of origin for textile products, implemented on July 1, 1996. Kenya's trade in bed sheets, which was not under a U.S. quota, was effectively put out of business as a result of the rules change. Its related trade in pillowcases, which has been under quota, also has been devastated. Under the pre-July 1, 1996 rules, if a fitted sheet, a flat sheet, or a pillowcase, were subjected to sufficient cutting and sewing operations, the country of origin was where those cutting and sewing operations occurred.

Now, however, under the new rules, where the fabric is woven determines origin, regardless of the many and substantial processes that may follow elsewhere. Within the town of Mombassa, Kenya that has meant the shut down of the only manufacturing facilities in the town, because Mombassa produced fitted and embellished flat sheets, and pillowcases, from fabric sourced in Pakistan. Kenya is not a fabric producing country. Thus, Kenya went from shipping 510,864 numbers (pieces) of cotton sheets (category 361) to the United States in 1995 to shipping only 67,560 numbers of cotton sheets in 1996, a decline of 86.78 percent. And, trade in cotton pillowcases (category 360) went down from 598,656 numbers in 1995 to 426,576 numbers in 1996. In 1997 and 1998, there was no trade in these products.

The quota levels established for these Sub-Saharan countries also have been extremely small. These small levels of trade that mean only a few importers can get involved. While it is the nature of the U.S. textile program that those who come latest to the business are going to be permitted an increasingly smaller piece of the quota pie, the knowledge of this basic reality works as a strong disincentive for an importer to enter a location such as Sub-Saharan Africa.

[1] Source: Asian Wall Street Journal, July 16, 1996, Page A–1, by Michael Phillips. According to the article, "Before the move [imposition of U.S. of quotas], Kenya boasted more than 40 textile and apparel companies employing at least 14,700 workers." The article cites as its source "an unofficial study by World Bank Economist Tyler Biggs."

The region is already so far away, thereby greatly increasing costs and time, and making it that much more difficult to manage, that there must be something else to overcome these disincentives. One incentive would be to have an assurance that a sufficient and commercially viable quantity can be obtained. A larger quantity generally means lower per piece costs because items such as shipping costs can be apportioned over that greater quantity. Clearly, a second incentive would be duty free treatment, again to compensate for the increased shipping costs.

III. The U.S. Already May Have a No Quota Policy on Sub-Saharan Africa

As a practical matter, there are two related reasons why the United States may already have a *de facto* no quota policy with regard to Sub-Saharan Africa. First, with most of the nations in Sub-Saharan Africa already members of the World Trade Organization, the likelihood that any of these countries would have their textile trade subjected to new U.S. quota actions appears minimal. Since the WTO went into effect on January 1, 1995, and as a consequence of the rules established by the WTO's Agreement on Textiles and Clothing, it would be extremely difficult for the United States to justify a unilateral quota action on one of these African nations absent an astronomical expansion of trade.

Second, to the extent that there is a reluctance on the part of the United States to place restraints on South Africa, WTO rules serve to limit the ability of the United States to limit other Sub-Saharan countries trading in those same products but shipping smaller quantities than South Africa.

Until recently, South Africa stood out as an example of how one Sub-Saharan country has been able to expand its trade in textile and apparel products, at least in part because no quotas have been imposed on its trade since the trade embargo was lifted. In addition, there is a perception that as part of a U.S. policy to support the South African non-apartheid government, the United States may be more reluctant to impose limits on that country's trade. Unfortunately, like the region as a whole, in recent trade statistics even South Africa's exports of these goods (in million square meter equivalents) have begun to fall:

1994	1995	1996	1997	YE11/98
23.8	34.9	48.7	50.0	40.7

From the perspective of U.S. importers and retailers long accustomed to the U.S. Textile Program, there is still uncertainty. The possibility that quotas could be established if they were to take a chance and begin expanding sourcing from another African nation continues to serve as a disincentive. It is that perceived threat that has kept importers from moving forward in Sub-Saharan African nations.

A *de facto* policy, without an explicit policy statement from the U.S. Government is not enough. U.S. Textile Program officials appear to have recognized this fact, at least with respect to the Caribbean. Late last year, one Administration official, the Chairman of the inter-agency Committee for the Implementation of Textile Agreements, finally stated publicly that it is U.S. policy not to restrict textile trade from the Caribbean with new quotas, thereby explaining why the Committee had decided to seek a restraint on Cambodia when trade from Caribbean suppliers was greater. It was only after that statement was issued that U.S. firms looking toward sourcing in the Caribbean felt secure in that business decision. A similar statement, in the form of this legislation, would go a long way toward providing the assurances necessary for U.S. firms to seriously consider sourcing in the Sub-Saharan region.

IV. Asia Faces a Greater Risk Than U.S. or North American Producers From an Express U.S. Policy on Textile Trade With Sub-Saharan Africa

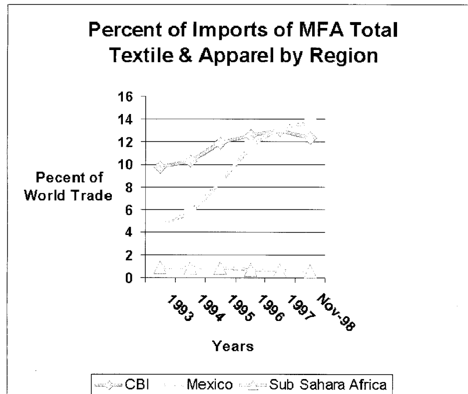
It is only Asia that could lose sales as a result of a change in U.S. policy toward Sub-Saharan Africa, not American manufacturers and not Mexican or Caribbean businesses. The reason is a combination of costs and shipping times.

Currently, Mexico enjoys an advantage unmatched by most other suppliers, as evidenced by skyrocketing expansion of its textile and apparel trade to the United States, catapulting it to the position of Number One supplier of textile and apparel products to the U.S. market (accounting for almost 14 percent of the imports). Besides its close proximity to the U.S. market, including a land border that permits the movement of goods by truck, duties on products which qualify under NAFTA rules are already at or near zero and soon all qualifying products will be at zero

duties. Thus, Mexican made goods can get to the U.S. market faster and cheaper than many products from many other suppliers.

Caribbean-based trade also shares the advantage of close proximity and low labor costs, accounting for 12.5 percent of the textile and apparel imports. Arguably, the Caribbean countries do operate at a disadvantage to Mexico because they do not enjoy NAFTA duty rates and because there may be some additional shipping time and costs involved.

Asian suppliers cannot compete with the shipping costs and time advantages offered by Mexico and the Caribbean. In addition, labor rates in Asian nations have been moving up, making these countries less competitive on that basis as well. Add to that the fact that Asian goods are subject to regular most-favored-nation duty rates, while Mexican made products avoid most of the brunt of high U.S. duty rates, and the Caribbean is able to reduce its duty exposure through "807" type trade, and it is not surprising that Asian suppliers are considered more costly and even high-end. And for more than the last year, the continent has been in the throes of a financial crisis that has led to civil unrest and substantially undermined confidence in traditional Asian suppliers of textile and apparel products. These factors are contributing to the expansion of trade from Mexico and the Caribbean at the expense of Asian suppliers.



Thus, while labor costs in Sub-Saharan Africa generally may be low (although productivity is probably not as great as in more accomplished textile and apparel producing nations), the remote location of Sub-Saharan Africa vis-a-vis the U.S. market causing higher shipping costs, and the application of the high U.S. duty rates places costs for sourcing from this region above, or at best on a par with, Asia. Eliminating the duties on African-made products would most likely make these products more competitive with Asian made goods, but still no where near the price points possible for Mexican and Caribbean made goods.

U.S. producers also would not be threatened by the elimination of duties on Sub-Saharan textile and apparel products. To the extent domestic production has declined in recent years, it is because U.S. producers of apparel have chosen to move assembly jobs and plants to Mexico and the Caribbean while maintaining their ability to meet the "quick response" requirements of their customers. Given the costs and time involved, these producers are not going to move production to Africa. Moreover, U.S. textile producers are not going to lose sales to Sub-Saharan Africa because these countries do not have textile manufacturing facilities. To the contrary, because of the need to provide raw materials to Sub-Saharan nations, increased production of apparel and home furnishings there may offer significant opportunities for U.S. textile mills to sell to those countries.

V. Concerns About Use of Sub-Saharan Africa as an Illegal Transshipment Point Can Be Effectively Addressed

Throughout the debate on the Africa Growth and Opportunity Act, some domestic producers have insisted that if Sub-Saharan Africa is encouraged to expand its textile and apparel trade and is not subject to quota restraints, it could become a point for illegal transshipment, with products labeled as made in Sub-Saharan African countries which are actually produced elsewhere. These concerns are grossly overstated. Logistically, transshipment from Asia to Africa makes little sense. However, USA–ITA recognizes that this concern must be fully addressed—and it can be. The potential for illegal transshipment can be effectively addressed through inter-governmental cooperation, education programs, company compliance programs, and eventually visa systems.

USA–ITA is confident that if these governments and their industries are provided with the necessary training on the U.S. rules of origin for textile and apparel products, the expectations of U.S. importers and retailers with regard to matters such as factory verifications, U.S. Customs entry requirements, and on how a visa, or export licensing, system operates, the potential for illegal transshipment is substantially minimized. A cooperation and exchange program between U.S. and Sub-Saharan customs officials could be particularly effective. Further, under current U.S. Customs Service "reasonable care standards," it is incumbent upon all U.S. firms doing business abroad to establish and enforce effective compliance programs, including the maintenance of acceptable, accurate and reliable recordkeeping systems establishing where production took place. The full cooperation of foreign factories with these requirements is a condition of purchase orders, as is the right of purchasers to observe the production of the merchandise and conduct quality control checks. These systems provide the basis for a strong anti-transshipment compliance program, and the considerable investment U.S. firms have made in these comprehensive programs must be recognized.

In addition, while the establishment of visa systems, under which exporting governments license their exports of textile products to the U.S. market, may not be immediately feasible for a number of these countries, because it would require the creation of a new bureaucracy and a system for controlling documents, ultimately this may be appropriate. USA-ITA stands ready to assist in both education efforts and the development of a workable visa program.

U.S. General Imports of MFA Total Textile & Apparel by Region
Calendar Year 1993-1997 and Year-to-date November 1998
Million SME

	1993	1994	1995	1996	1997	Y-T-D 11/98
	Percent Share of Total					
WORLD	100.00	100.00	100.00	100.00	100.00	100.00
CBI	9.75	10.28	11.86	12.53	13.01	12.29
MEXICO	4.71	5.65	8.46	11.57	13.28	13.63
SUB SAHARA	0.88	0.85	0.79	0.69	0.63	0.58
ANGOLA	0.00	0.00	0.00	0.00	0.00	0.00
BENIN	0.01	0.01	0.01	0.00	0.00	0.00
BOTSWANA	0.00	0.00	0.01	0.02	0.01	0.02
BURKINA FASO	0.00	0.00	0.00	0.00	0.00	0.00
BURUNDI	0.00	0.00	0.00	0.00	0.00	0.00
CAMEROON	0.00	0.00	0.00	0.00	0.00	0.01
CAPE VERDE	0.00	0.00	0.00	0.00	0.00	0.00
CHAD	0.00	0.00	0.00	0.00	0.00	0.00
CNTL AFR REP	0.00	0.00	0.00	0.00	0.00	0.00
COMOROS	0.00	0.00	0.00	0.00	0.00	0.00
CONGO	0.00	0.00	0.00	0.00	0.00	0.00
DJIBOUTI	0.00	0.00	0.00	0.00	0.00	0.00
EQUA GUINEA	0.00	0.00	0.00	0.00	0.00	0.00
ERITREA	0.00	0.00	0.00	0.00	0.00	0.00
ETHIOPIA	0.00	0.00	0.00	0.00	0.00	0.00
GABON	0.00	0.00	0.00	0.00	0.00	0.00
GAMBIA	0.00	0.00	0.00	0.00	0.00	0.00
GHANA	0.00	0.01	0.01	0.00	0.00	0.01
GUINEA	0.00	0.00	0.00	0.00	0.00	0.00
IVORY COAST	0.03	0.00	0.00	0.00	0.00	0.00
KENYA	0.06	0.10	0.09	0.06	0.05	0.04
LESOTHO	0.10	0.10	0.09	0.08	0.09	0.09
LIBERIA	0.00	0.00	0.00	0.00	0.00	0.00
MADAGASCAR	0.01	0.00	0.01	0.01	0.02	0.02
MALAWI	0.03	0.03	0.02	0.01	0.00	0.00
MALI	0.00	0.00	0.00	0.00	0.00	0.00
MAURITANIA	0.00	0.00	0.00	0.00	0.00	0.00
MAURITIUS	0.29	0.29	0.25	0.18	0.15	0.14
MOZAMBIQUE	0.00	0.00	0.00	0.00	0.00	0.00
NAMIBIA	0.00	0.00	0.00	0.00	0.00	0.00
NIGER	0.00	0.00	0.00	0.00	0.00	0.00
NIGERIA	0.02	0.01	0.02	0.02	0.03	0.03
SAO TOME	0.00	0.00	0.00	0.00	0.00	0.00
SENEGAL	0.01	0.00	0.00	0.00	0.00	0.00
SEYCHELLES	0.00	0.00	0.00	0.00	0.00	0.00
SIERRA LEONE	0.00	0.00	0.00	0.00	0.00	0.00
SOMALIA	0.00	0.00	0.00	0.00	0.00	0.00
SOUTH AFRICA	0.20	0.14	0.19	0.26	0.22	0.16
SUDAN	0.00	0.00	0.00	0.00	0.00	0.00
SWAZILAND	0.03	0.04	0.02	0.01	0.02	0.01
TANZANIA	0.01	0.01	0.01	0.01	0.02	0.02
TOGO	0.00	0.01	0.00	0.00	0.00	0.00
UGANDA	0.00	0.00	0.00	0.00	0.00	0.00
ZAIRE	0.00	0.00	0.00	0.00	0.00	0.00
ZAMBIA	0.01	0.02	0.00	0.00	0.00	0.00
ZIMBABWE	0.06	0.06	0.04	0.01	0.01	0.02
OTHERS	83.80	82.38	78.10	74.51	72.45	72.93

U.S. General Imports of MFA Total Textile & Apparel by Region
Calendar Year 1993-1997 and Year-to-date November 1998
Million SME

	1993	1994	1995	1996	1997	Y-T-D 11/98
WORLD	15,847.5	17,277.8	18,307.5	19,063.3	22,894.5	23,946.3
CBI	1,545.3	1,776.0	2,171.8	2,389.4	2,978.7	2,943.7
MEXICO	746.2	976.7	1,549.7	2,206.4	3,041.1	3,263.4
SUB SAHARA	139.2	147.2	145.4	131.9	143.7	138.0
ANGOLA	0.0	0.0	0.0	0.0	0.0	0.0
BENIN	1.4	1.6	2.1	0.4	0.1	0.2
BOTSWANA	0.0	0.6	2.0	3.2	2.8	3.8
BURKINA FASO	0.0	0.0	0.0	0.0	0.0	0.0
BURUNDI	0.0	0.0	0.0	0.0	0.0	0.0
CAMEROON	0.0	0.1	0.2	0.2	0.5	1.5
CAPE VERDE	0.0	0.0	0.0	0.0	0.0	0.0
CHAD	0.0	0.0	0.0	0.0	0.0	0.0
CNTL AFR REP	0.0	0.0	0.0	0.0	0.0	0.0
COMOROS	0.0	0.0	0.0	0.0	0.0	0.0
CONGO	0.0	0.0	0.0	0.0	0.0	0.0
DJIBOUTI	0.0	0.0	0.0	0.0	0.0	0.0
EQUA GUINEA	0.0	0.0	0.0	0.0	0.0	0.1
ERITREA	0.0	0.5	0.3	0.2	0.1	0.0
ETHIOPIA	0.0	0.0	0.0	0.1	0.0	0.0
GABON	0.0	0.0	0.0	0.0	0.0	0.0
GAMBIA	0.2	0.1	0.1	0.0	0.0	0.0
GHANA	0.5	0.9	1.0	0.4	0.4	1.8
GUINEA	0.0	0.2	0.1	0.0	0.0	0.0
IVORY COAST	4.6	0.8	0.5	0.4	0.3	0.3
KENYA	10.1	17.1	16.0	11.4	11.3	9.3
LESOTHO	15.5	17.9	17.0	15.2	21.3	21.8
LIBERIA	0.0	0.0	0.0	0.0	0.0	0.0
MADAGASCAR	1.3	0.7	1.7	2.8	4.6	4.9
MALAWI	4.9	5.9	4.0	2.1	0.1	0.1
MALI	0.3	0.4	0.4	0.4	0.3	0.2
MAURITANIA	0.0	0.0	0.0	0.0	0.0	0.0
MAURITIUS	46.5	50.5	46.5	34.4	34.2	34.6
MOZAMBIQUE	0.8	0.3	0.1	0.1	0.0	0.0
NAMIBIA	0.0	0.1	0.0	0.0	0.0	0.0
NIGER	0.2	0.2	0.2	0.1	0.0	0.0
NIGERIA	2.5	2.1	3.4	4.0	5.8	6.4
SAO TOME	0.0	0.0	0.0	0.0	0.0	0.0
SENEGAL	1.4	0.0	0.5	0.8	0.5	0.5
SEYCHELLES	0.0	0.0	0.0	0.0	0.0	0.0
SIERRA LEONE	0.0	0.0	0.1	0.0	0.1	0.0
SOMALIA	0.0	0.0	0.0	0.0	0.0	0.0
SOUTH AFRICA	31.2	23.8	34.9	48.7	50.0	39.2
SUDAN	0.0	0.0	0.0	0.0	0.0	0.0
SWAZILAND	4.9	6.1	4.3	2.8	3.5	3.5
TANZANIA	1.1	2.2	1.7	2.2	4.4	4.2
TOGO	0.7	0.9	0.3	0.1	0.1	0.1
UGANDA	0.0	0.0	0.0	0.0	0.0	0.0
ZAIRE	0.0	0.0	0.0	0.1	0.1	0.0
ZAMBIA	1.3	3.7	0.0	0.2	0.1	0.0
ZIMBABWE	9.6	10.5	7.6	1.6	3.1	5.3
OTHERS	13,279.8	14,233.1	14,298.3	14,204.7	16,587.9	17,464.0