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February 12, 2004

The Honorable William Thomas  
Chairman, Ways and Means Committee  
U.S. House of Representatives  
2208 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Thomas:

On behalf of the AGOA 3 Action Committee – a coalition of industry, non-governmental organizations and faith-based groups – we urge that the extension and expansion of the African Growth and Opportunity Act (AGOA) be taken up without delay. Many lives, quite literally, depend on it.

We support legislation to update AGOA so that it will continue to promote our interest in seeing the nations of sub-Saharan Africa achieve prosperity, stability and democracy, and become vibrant markets for American goods and services.

Of particular concern is the looming expiration of the “third country” fabric rule, which gives least developed African countries duty-free access to our market with garments sewn from the most competitively priced yarn and fabric regardless of origin. The rule must be extended. It is also imperative that AGOA rules of origin be clarified definitively. Uncertainty over what constitutes an AGOA-eligible garment is killing orders and investment.

From October 1, 2004, as you know, all AGOA beneficiaries must start using local or US fabric, or fabric sourced from other AGOA-qualified countries. Efforts are being made to ramp up regional textile production, but it is unlikely that fabric of the right quality, quantity, selection, and price will be available in time. Evidence shows that orders are already being cancelled and firms are starting to disinvest. This has serious consequences to business trust and future investments.

Complicating the situation, the expiration of the WTO’s Agreement on Textiles and Clothing (ATC) means that the US will have to lift quantitative restrictions on imports from all WTO members starting on January 1, 2005, although duties will remain in effect. Even if duty-free AGOA garments retain some margin of preference, once global quotas are lifted, the effective

margin will be sharply reduced. The IMF reckons the value of Africa's clothing exports may fall by a third.

So far, AGOA's results have been impressive. Africa's clothing exports to the US grew 46 per cent in the first two years of AGOA, reaching \$1.1 billion in 2002, a mark easily topped in the first nine months of 2003. In both volume and value, Africa's share of US imports has more than doubled since AGOA's enactment. In order for African economies and employment to grow, it is imperative that Congress acts now to ensure that these positive trends can continue.

These imports represent a negligible fraction of US consumption and pose no threat to US workers, competing rather with Asian products. But they are of tremendous significance to Africa's small economies. Namibia alone has received around \$100 million in direct investment thanks to AGOA's apparel provisions, according to the US International Trade Commission.

The AGOA 3 Action Committee has endorsed current legislation in the House (H.R. 3572) and Senate (S. 1900) introduced by Senator Richard Lugar in the Senate and Congressman Jim McDermott in the House with co-sponsors Reps. Rangel, Royce, Payne, Jefferson and Neal. We support extending the benefits of AGOA to Africa's agriculture – a sector that provides livelihood to three out of every four Africans – by increasing technical assistance to enhance agricultural trade; strengthening transport, communication and infrastructure to lower trading costs; capacity building for meeting US sanitary and phyto-sanitary requirements and accessing US agricultural technologies; and enhancing business skills among US and African producers. Such investments will greatly improve Africa's long-term economic growth and help reduce hunger and poverty, especially in rural areas.

We also look forward to discussing with you the legislation you are preparing to expand and to extend AGOA. Whatever course of action you decide on with respect to this initiative, we hope that the legislative package will be comprehensive, that it will meet the objectives we have outlined, and that you will push for swift action in the Ways and Means Committee and the full House in a way that will continue and build on the legacy of bipartisan cooperation and support of AGOA.

Under President Bush's leadership, the United States has made an unprecedented commitment to help Africans build a brighter future, as evidenced by the Millennium Challenge Account and the President's AIDS initiative. However, the effectiveness of every dollar we provide through these initiatives will be severely diminished if the promise of AGOA is abandoned. Aid without trade does not work. President Yoweri Museveni of Uganda refers to AGOA as the western world's greatest contribution to Africa. It is literally beginning to change the economic landscape in this blighted region of the world.

The opportunity costs to the US of jobs and wealth not created because Africa remains too poor to be a serious market for our goods and services are surely intolerable.

Sincerely,

Members of the AGOA 3 Action Committee:

**Africa America Institute (AAI)**

**Africa Global**

**Africare**

**African Coalition for Trade, Inc.**

**Bread for the World**

**Constituency for Africa**

**Corporate Council on Africa**

**Education Africa USA**

**Manchester Trade**

**Modern Africa Fund Managers**

**National Retail Federation**

**The Africa Society of the National Summit on Africa**

**The Whitaker Group**