

Private Sector Session of the
Third U.S.-Sub-Saharan Africa Trade and Economic
Cooperation Forum

December 8-9, 2003
Washington, D.C.

**A Summary of Proceedings and
Recommendations**

The Corporate Council on Africa and the AGOA Steering Committee gratefully acknowledge the generosity demonstrated by the sponsors of the 2003 AGOA Forum Private Sector Session: 57 Main Street Wine Company; American Soybean Association; Botswana Export Development and Investment Authority; Cargill Inc.; Monsanto Company; Smithsonian National Museum of African Art; The Boeing Company; The Government of Kenya; the United States Agency for International Development; and the World Cocoa Foundation.

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The Private Sector Session of the Third U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum was held on December 8 and 9, 2003, at the J.W. Marriott Hotel and Smithsonian National Museum of African Art in Washington, D.C., and was organized by the Corporate Council on Africa and the AGOA Steering Committee.

The Private Sector Session focused on three key sectors: Agribusiness; Apparel and Textiles; and Handicrafts. The event attracted more than 600 attendees representing U.S. and African business and public sector interests.

The following is a synthesis of proceedings, major themes and recommendations of the Private Sector Session:

- AGOA has scored impressive successes in several key sectors, namely textiles and apparel; automotive; and some processed foods. In addition, AGOA has encouraged positive political reform and increased foreign investment in some countries.
- AGOA's full potential cannot be realized unless Africans take control of their own development. Handicaps that must be overcome include insufficient infrastructure; too few incentives for investment; lack of capital; weak macroeconomic policies; low levels of technical know-how; and poor governance.
- AGOA traders are still utilizing too few product categories. Countries benefiting most from AGOA are clustered in East and Southern Africa; West African countries appear to lag behind in the non-energy sectors.
- Open trade, in conjunction with well-crafted assistance policies, is essential to realizing AGOA goals and incorporating Africa into the global trading system.
- Capacity building is an essential area for improvement under AGOA; AGOA preferences are meaningless if African traders are unable to take advantage of them. With respect to handicrafts, capacity building should be directed towards the creation of a network of African handicraft vendors, U.S. buyers, and support organizations, all supported regionally by the USAID trade hubs. The primary function of these networks is to provide market-oriented information.
- New U.S. security measures affect AGOA traders. Port security and increased regulations by U.S. Customs and Border Protection can hinder trade. U.S. regulation of fresh agriculture products is a notable indirect barrier to U.S. -Africa trade. On the positive side, new U.S. security regulations may result in increased international trade transparency and heightened port security.
- China's full entrance into the WTO and the sunset of the Multifibre Agreement cause great concern for African apparel exporters. However, some believe AGOA producers will continue to supply mid-tier buyers and niche markets. This belief stems in part from the fact that U.S. importers may value diverse sourcing, reserving a place for African production.

- Price alone does not determine sourcing decisions. Increasingly, sourcing decisions are based primarily on speed, i.e., time from concept to market and the shortening of lead times. Quality and product diversity are also factors.
- Transshipment is proving a significant problem for AGOA traders. Non-AGOA countries are shipping through Africa to both avoid quotas and tariffs and skirt security requirements.
- The prospect of U.S.-Africa Free Trade Agreements evoked some debate. Supporters view FTAs as more stable and permanent arrangements allowing Africans to export to the U.S. Critics fear that Africa is not ready for FTAs with the U.S. because African markets would be overwhelmed by U.S. goods, potentially ruining local industry. Asymmetrical FTAs, whereby measures are not entirely reciprocal, are a suggested intermediate solution.
- Trade under AGOA is still limited to only a few product categories.
- The African handicraft sector must move up on the economic agendas of African governments and the donor community. The IFC Small and Medium Scale Unit and Micro-financing Division should examine financial instruments for artisans.
- Several participants commented on AGOA III, and participants agree that the act should be extended. Additional suggestions included:
 1. Improving upon capacity building in all trade-related areas including:
 - o Finance
 - o Transportation
 - o Information and Communications Technology
 - o Human resources development
 - o Sanitary and phyto-sanitary issues
 2. Providing more technical assistance in agriculture
 3. Improving Category 9 benefits, specifically:
 - o Improving product definitions to assist Category 9 traders
 - o Extending preferences to imitate the third country provisions that are available to textile and apparel traders
 - o Including both hand-loomed and hand-knitted items
 - o Allowing for the transformation of hand-loomed or hand-knitted goods into decorative accessories, textiles and apparel, that include machine finishing on seams and closures
 - o Expanding product definitions to include hand-embroidered textiles (bed, bath, or table) that use country fabric but include at least 35% of value from local handwork
 4. Extending third country apparel benefits was a topic of debate. The majority of participants supported some length of extension as well as quota phase-out.

Participants called for continued dialogue on all issues.