

2006 TRADE RELATED LEGISLATIVE INITIATIVES

“Assistance for Small and Medium Enterprises in Sub-Saharan African Countries Act of 2005” (H.R. 4319)

Sponsored by Rep. Tom Lantos [CA-12] and Rep. Christopher Smith [NJ-4].

HR 4319 would provide assistance for private sector development in sub-Saharan African countries. Under the bill, the U.S. government would make available professional, technical, and other resources for capacity building for small- and medium-sized enterprises (SMEs) to promote entrepreneurship, expand the formal sector, and increase trade under the African Growth and Opportunity Act (AGOA).

SECTION 4. Activities of Overseas Private Investment Corporation to Strengthen Financial Institutions in Sub-Saharan African Countries

The Act authorizes the Overseas Private Investment Corporation (OPIC) to focus on creating and supporting effective credit risk management tools in sub-Saharan Africa.

OPIC would be encouraged to exercise its authority to promote US investments in financial institutions that are duly incorporated in sub-Saharan African countries.

In supporting these projects, OPIC may provide technical assistance to African financial institutions: (a) to improve the quality of their management; (b) to create credit risk management systems; (c) to develop internal credit rating systems; and (d) to establish comprehensive collateral management programs.

SECTION 5. Assistance to Small- and Medium-Sized Enterprises in Sub-Saharan African Countries

Assistance is to be carried out in six main ways:

- The Act authorizes the President through USAID to provide technical assistance relating to tax policy, government debt issuance, policies and regulations of financial institutions, prevention and prosecution of financial crimes, regulatory systems, innovative services and specialized institutions to serve small and medium enterprises, and compliance with international financial standards.
- It also authorizes the same technical assistance outlined in Sec. 4 to financial institutions that are not investment partners with U.S. firms.
- It supports small- and medium-sized enterprises in rural and peri-urban areas by:
 - Developing entrepreneurship programs modeled after the Business Opportunity Centers in Zimbabwe;
 - Providing training in basic business management, accounting, computer skills, etc.;
 - Providing assistance to meet international quality control standards;
 - Providing business services on a fee-for-fee service basis;
 - Carrying out capacity building activities for microenterprise business associations and microfinance networks; and
 - Providing training in internationally recognized labor rights and standards.

- It provides agricultural assistance particularly in post-conflict states through:
 - Providing rural agricultural entrepreneurship training;
 - Promoting the adoption of more productive and profitable production systems;
 - Providing assistance to add commercial value to agricultural goods; and
 - Encouraging agricultural entrepreneurship through cooperatives and marketing associations and providing such associations with assistance.
- It establishes a Youth Entrepreneurship Program.
- It addresses intellectual property rights protection for African farming innovation, entertainment, and against counterfeit drugs.
- It includes a provision to support anti-corruption efforts.

SECTION 6. Actions to Improve Trade Between Sub-Saharan African Countries and the United States

The Act requires USTR, USAID, and USDA to develop a comprehensive plan for the expansion and diversification of agricultural trade between Sub-Saharan Africa and the United States. It specifically authorizes USDA to provide additional training, through the Animal and Plant Health Inspection Services and the Foreign Agricultural Service, to help African countries meet US food safety standards, and strengthen agricultural research.

The Act requires USAID to continue working with African countries to meet and maintain eligibility requirements related to political and economic reform. It also requires USAID to provide technical assistance to small- and medium-sized enterprises. Lastly, it requires USAID to facilitate and promote public-private partnerships between US and other international partners and African countries to improve transportation and communications infrastructure.

SECTION 8. Authorization of Appropriations

No specific authorizations yet, but will authorize for the fiscal years 2007 through 2009.

ACTION TAKEN:

The bill was introduced in the House of Representatives on November 15, 2005. It was referred to the Committee on International Relations, and in addition, to the Committee on Ways and Means.

UPCOMING ACTION:

Hearing scheduled in the House International Relations Committee- Africa Subcommittee for June 8, 2006.

FOR MORE INFORMATION, CONTACT:

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Jayme White	Rep. McDermott	202-225-3106	Jayme.White@mail.house.gov

“AFRICAN ENTREPRENEURSHIP ACT OF 2006” (H.R. 5480)

Sponsored by Rep. Jim McDermott [WA-7]

The African Entrepreneurship Act (AEA) is designed to facilitate private sector growth and diversify economies in sub-Saharan Africa by providing U.S. business and technical expertise to small- and medium-sized businesses (SMEs) located in sub-Saharan Africa.

SECTION 5. African Economic Diversification Fund

The African Enterprise Act (AEA) would establish a trust fund at the US Department of Treasury (The African Economic Diversification Fund) to finance assistance to small- and medium-size enterprises. This fund would be paid for by utilizing customs fees applied to petroleum imports from sub-Saharan Africa, estimated at \$50 million annually.

The AEA would utilize the collective experience of the U.S. Departments of Agriculture and Commerce to provide technical assistance to improve trade capacity.

The AEA instructs the Secretary of Agriculture to provide personnel and technical assistance for the purpose of:

- Developing value-added agricultural processing activities;
- Developing a comprehensive plan for the expansion and diversification of agricultural trade between qualifying African countries and the U.S. under AGOA and among African countries;
- Arranging trade and investment missions to sub-Saharan Africa to generate joint venture investment and marketing agreements; and
- Improving market access for U.S. agricultural products and equipment by:
 - Strengthening capacity of agriculture producer organizations;
 - Working with U.S. financial institutions to increase use of the Supplier Credit Guarantee Program;
 - Working with financial institutions in sub-Saharan African countries to remove obstacles related to export guarantee programs; and
 - Facilitating access to ports of entry and warehouse facilities, in part by using the Facilities Guarantee Program;

The AEA instructs the Secretary of Commerce to provide personnel and technical assistance for the purpose of:

- Promoting business partnerships between U.S. and African entrepreneurs in part by hosting conferences and initiating 2-way trade missions;
- Helping U.S. firms understand the risks and benefits of doing business in sub-Saharan Africa;
- Facilitating the transfer of commercial and manufacturing technology from the US to SSA;
- Promoting the establishment of lending programs for small- and medium-sized African enterprises by establishing effective credit risk management systems; and
- Promoting the development of qualified small- and medium-sized African enterprises that are located in rural and peri-urban areas by carrying out capacity building activities;

SECTION 6. 21ST Century African Entrepreneurs Program

The AEA instructs the Small Business Administration to seek to establish the “21st Century African Entrepreneurs Program.” This program would, over time, establish 15 African Entrepreneurs Program Centers in sub-Saharan Africa to:

- Provide training, counseling, and access to financial resources to enable small- and medium-sized enterprises (SMEs) to present well-developed business plans to lenders for the purpose of accessing capital;
- Provide counseling, training, and technical assistance in all aspects of small business management, including marketing and production;
- Provide management assistance to SMEs;
- Partner with other institutions in order to provide loan guarantees to financial institutions in sub-Saharan Africa that make loans to SMEs;
- Develop programs to help SMEs understand export opportunities that may exist; and
- Reach out particularly to women entrepreneurs and provide them with assistance

These centers would be modeled after the Small Business Development Centers (SBDCs) in the United States. The SBDC model has been used in many countries, including the Czech Republic, Hungary, Poland, and Mexico.

Additionally, the 21st Century African Entrepreneurs Program would establish two Small Business Roundtables to promote cooperation between banks and entrepreneurs in the United States and Africa and to seek ways to overcome identified challenges.

The AEA would also create the “SME Congress of Sub-Saharan Africa,” a network of micro-, small-, and medium-sized enterprise service providers that would collaborate and work toward reducing the costs associated with starting and growing an SME in sub-Saharan Africa.

SECTION 7. U.S.-African Private Sector Advisory Council

The AEA would establish a council made up of an equal number of African and American business leaders. This council would provide guidance to Americans interested in doing business in sub-Saharan Africa and facilitate the development of partnerships. This council would also assist in the coordination of the annual AGOA meetings and advise the U.S. President on providing assistance to African SMEs.

SECTION 9. Activities to Strengthen Fundamental Labor Rights

The AEA would direct the Secretary of State to undertake activities to strengthen internationally recognized labor rights by 1) ensuring that governments and businesses are aware of their obligations, 2) monitoring the enforcement of labor laws in sub-Saharan African countries, and 3) providing technical assistance to enhance enforcement of labor laws in qualified countries.

SECTION 10. Assistance for Qualified Small and Medium Businesses

Through USAID, the AEA would support youth entrepreneurship and anti-corruption initiatives.

ACTION TAKEN:

The bill was introduced on May 25, 2006. It was referred to the Committee on International Relations, and in addition to the Ways and Means, Small Business, and Financial Services Committees. The bill has 20 cosponsors.

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Greg Simpkins	Africa Subcommittee	202-226-6684	Gregory.Simpkins@mail.house.gov

“Trade Preference Extension and Expansion Act” (H.R. 5070)

Sponsored by Rep. Charles Rangel [NY-15]

The Trade Preferences Extension and Expansion Act aims to promote sustainable development and economic growth in sub-Saharan Africa in three ways: by extending the Generalized System of Preferences (GSP) for one year, by amending the African Growth and Opportunity Act (AGOA) in order to expand benefits to sub-Saharan African countries, and by expanding duty-free access for agricultural products and assistance to sub-Saharan African agribusiness.

TITLE 1. GENERALIZED SYSTEM OF PREFERENCES (“GSP”)

SECTION 102. Extension of GSP Program

Extends the GSP program one year, so that the program will expire on December 31, 2007, rather than December 31, 2006.

TITLE 3. AFRICAN GROWTH AND OPPORTUNITY ACT (“AGOA”)

SECTION 302. Designation of Eligible Countries

Amends AGOA to allow Congress to prohibit the President from terminating the eligibility of an AGOA beneficiary country.

SECTION 303. U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum

The Act authorizes the U.S. Trade Representative to provide grants to non-governmental organizations and the private sector to continue hosting twin parallel AGOA Forums. These meetings are held in conjunction with the annual forums held between government officials from the United States and AGOA countries.

SECTION 304. Treatment of Certain Textiles and Apparel

Value-added Rule of Origin- The Act would replace the current AGOA rule of origin for apparel made from regional yarn or fabric with a simple value-added rule of origin.

The new rule of origin would require that 20% of the value of a finished garment be added in one or more AGOA beneficiaries. Ten years after enactment, this percentage would increase to 35% (the norm under GSP) in order to promote the use of African yarns, fabrics and other inputs. Apparel imports from AGOA beneficiary countries under this new rule of origin would remain subject to current limits and safeguards.

Extension of Current Benefits for Least Developed Countries- The Act extends for one year the current level of third country fabric benefits available for least developed countries. This Act also extends a temporary provision that provides third-country fabric benefits to Mauritius.

Revision of Benefits for Certain Textiles and Apparel- The Act revises the designation for preferential treatment of apparel articles wholly assembled in one or more beneficiary sub-Saharan African countries from certain regional fabric or yarns. It will also provide duty-free benefits for apparel articles that are both cut (or knit-to-shape) and sewn or otherwise assembled in one or more countries of Sub-Saharan Africa.

SECTION 305. Executive Branch Initiative on Agriculture

The Act directs the President to target technical assistance in Africa towards addressing critical constraints limiting economic diversification, particularly in the agricultural sector.

SECTION 306. Other Agricultural Provisions

Enhanced Trade in Agriculture- Provides additional duty-free access to countries in sub-Saharan Africa for agricultural products governed by tariff-rate quotas.

Assistance to Agribusiness- Authorizes USAID to provide grants to governmental and non-governmental entities in sub-Saharan African that can provide assistance, consultation and equipment to small- and medium-sized, locally owned agricultural businesses in sub-Saharan Africa, so as to enable such businesses to meet U.S. import requirements for agricultural products.

Also, requires the Secretary of Agriculture to direct the Foreign Agricultural Service to work with national African agricultural organizations to identify agricultural equipment and supply needs and implement programs that strengthen the ability of such organizations to meet those needs in conjunction with export credit guarantee programs.

SECTION 307. Use of Resources of the Export-Import Bank of the United States and Overseas Private Investment Corporation (OPIC)

The Act amends the Export-Import Bank Act of 1945 to specify the use of resources of the Export-Import Bank of the United States and OPIC to encourage industrial and agricultural development in beneficiary sub-Saharan African countries.

SECTION 308. Tax Policy with Respect to Sub-Saharan African Countries

Expresses the sense of Congress that USAID should provide technical assistance regarding tax policy, revenue administration, and anti-corruption to countries in sub-Saharan Africa facing a loss in trade-related revenue due to trade liberalization.

SECTION 309. Bilateral Investment Treaties

Encourages USTR to negotiate bilateral investment treaties with AGOA beneficiary countries in order to promote investment by U.S. companies in sub-Saharan Africa.

SECTION 310. Development and Trade Capacity for Sub-Saharan Africa

Expresses the sense of Congress that the United States should play a leadership role in expanding trade benefits to countries of sub-Saharan Africa and providing a substantial increase in development and trade capacity assistance for sub-Saharan Africa.

ACTION TAKEN:

The bill was introduced in the House of Representatives on March 30, 2006. It was referred to the Committee on Ways and Means, and in addition, to the International Relations, and Financial Services Committees.

FOR MORE INFORMATION, CONTACT:

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Creation of “Trade Capacity Enhancement Fund” (TCEF) in the 2007 Foreign Operations Appropriations Bill

The Foreign Operations Subcommittee of the House Appropriations Committee has included the creation of a new account, The Trade Capacity Enhancement Fund (TCEF), in the 2007 Foreign Operations Appropriations Bill. This account is designed to fund a more comprehensive approach to trade capacity building. The TCEF will be managed by a new Director of Trade Capacity Enhancement within the United States Agency for International Development (USAID). The fund will provide a strong incentive for countries to liberalize their trade regimes and enter into new free trade agreements.

The \$522 million fund will not require new money to be appropriated, but will instead consolidate funding from a number of existing foreign aid programs, including \$214 million from the Development Assistance Program, and \$140 million from the Economic Support Fund. Other programs tapped for the fund are the Andean Counter-drug Initiative and Assistance for Eastern Europe and the Baltic States. The spending bill also draws from Assistance for the Independent States of the Former Soviet Union to help capitalize the fund.

In the TCEF, \$40 million will be set aside for CAFTA countries and \$40 million will be set aside for countries implementing other free trade agreements with the United States in 2006 and beyond. This \$522 million fund would represent a large portion of the \$1.3 billion government-wide trade capacity efforts.

Further details are forthcoming.

ACTION TAKEN:

The 2007 Foreign Operations Appropriation Bill passed the House Foreign Operations subcommittee on May 19, 2006. It was approved with no amendments in the House Appropriations committee on May 25, 2006.

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HOUSE RESOLUTION 461

Sponsored by Rep. Christopher Smith [NJ-4]

The Resolution expresses the sense of the House of Representatives that the U.S. government and the governments of other industrial countries should:

- (1) Examine ways to accelerate the elimination or phase-out of agricultural subsidies;
- (2) Work with their African counterparts to remove non-tariff barriers to African agricultural imports; and
- (3) Work with the governments of least developed African countries to minimize the economic impact of an opening of African markets to foreign goods.

ACTION TAKEN:

The bill was introduced in the House of Representatives on September 27, 2005. It was referred to the Committee on International Relations.

UPCOMING ACTION:

A dear colleague letter encouraging cosponsorship will go out shortly.

FOR MORE INFORMATION, CONTACT:

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