



2013 AGOA Forum

August 12, 2013

Addis Ababa, Concurrent Session IV

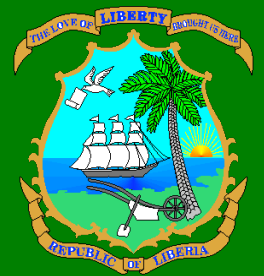
Remarks

Axel M. Addy

MINISTER

MINISTRY OF COMMERCE & INDUSTRY

REPUBLIC OF LIBERIA



Introductory Remarks

‘Inclusive Economic Growth and Sustainable Development Strategies:
Labor Perspectives & Best Practices’

**“Market access is a necessary but not sufficient condition for inclusive growth
and equitable employment: Liberia’s experience of
“growth without development””**

Honorable Axel M. Addy

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2013 United States-Sub-Saharan Africa Trade and Economic Cooperation Forum

(AGOA Forum)

Concurrent Session IV

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Addis Ababa, Ethiopia

Deputy Under Secretary, Karen Hanrahan,

Trade Policy and Negotiations Division Chief, Dr. Anne Zollner,

ILO Country Office Director for Ethiopia and Somalia, Mr. George Okutho,

Other officials of governments present,

Members of the Diplomatic Corp,

Members of Civil Society,

Distinguished guests,

Ladies and Gentlemen.

Good afternoon.

Overview – Inclusive Growth, Labor Practices and AGOA

I bring you warm greetings on behalf of her Excellency, Madam Ellen Johnson Sirleaf, president of the republic of Liberia.

Let me begin by briefly thanking the organizers of this event. I am greatly honored to be a part of this eminent panel of experts in trade, economics and labor rights. We have already heard several compelling stories, from Deputy Under Secretary Karen Hanrahan, on tried and tested policies to encourage inclusive growth. I am sure that as the session progresses we will have the opportunity to debate many more interesting aspects of this important topic.

For my brief remarks, I would like to focus on the African perspective on inclusive growth and labor rights, and what these abstract topics mean for the ordinary citizens of our continent. As we have already heard, inclusive growth is about ensuring that the benefits from economic growth are accrued to all segments of society. We, as policy makers and government officials, must focus on more than just the headline-grabbing figure of GDP growth. Instead, we must focus our time on ensuring that all members of society have **equality of opportunity** in accessing the resources required to make and sustain a successful business.

Inclusive growth also means that we protect those who help make development a reality. This demands that workers are not exploited in a “race to the bottom” for the lowest wage and the highest profit.

These topics are not some hypothetical concern; these issues affect the lives of millions of Africans, and when not addressed sufficiently, as we learnt in Liberia, can result in devastating civil conflict. I hope, in these short remarks, I can press upon you that governments around the world can and should consider inclusive growth and labor practices as primary areas for well-targeted government interventions, and that the consequences of ignoring these issues are grave.

The authors of the African Growth and Opportunities Act (AGOA) offered the African private sector a channel to carve their own path to inclusive growth through trade. Since AGOA’s inception in 2000, bilateral trade between Sub-Saharan Africa and the United States has grown from \$29.4 billion to \$94.3 billion in 2011. It is estimated that AGOA has generated 350,000 direct jobs and 1,000,000 indirect jobs in Sub-Saharan Africa since its inception. The successes

of countries such as Kenya, Lesotho and Madagascar in establishing value-addition sectors in textiles is particularly pleasing, as I still believe Africa must move away from natural resource extraction and more so towards industrialization. I am also pleased to hear that in many cases, the strict provisions outlined under AGOA have ensured that many of our people working in farms and factories around the continent have improved working conditions.

Thirteen years after AGOA's inception the continent of Africa now represents a success story with thriving businesses, communities and vastly improved working conditions.

However, while I am happy to hear case studies of African successes under AGOA , we in Africa think that there is more work to be done.

I, like many other African leaders, am concerned about the upcoming deadline in 2015. I wish to re-emphasize the point made by a working group of African Ambassadors that in order to inspire investor confidence the timeline for AGOA must be clarified. I strongly agree with the Ambassadors that if all countries are to benefit from AGOA then it must be ring-fenced for at least another 15 years.

I also hope that greater flexibility can be found in AGOA's stringent rules of origin. A relaxation of these provisions would vastly increase the number of firms able to qualify for AGOA.

Finally, I hope that the good work conducted by the African Trade Hub can be extended to ensure that we address firm level capacity to export. In Liberia, we have been blessed by the good work conducted by the African Women's Entrepreneurship Program. However, we need many more similar schemes to assist firms in essential activities like creating production strategies, addressing compliance with quality standards, and conducting market research.

Working together, I believe we can ensure that the AGOA benefits are brought across essential sectors with the greatest potential to impact our most vulnerable population, particularly women and our youth.

2. Liberia's experience under AGOA

Ladies and gentlemen, sadly, one example of a country that is yet to realize its full potential with regards to the benefits of AGOA is my own.

Figure 1. Number of Liberian firms registered to export under AGOA, 2006-2013

Liberia's export under AGOA seems comparatively negligible to the countries mentioned before. Liberian businesses lack the capacity to meet international standards and this remains a primary challenge in accessing the US market. Liberia firms face challenges in meeting export standards, include lack of efficient SPS institutions, certification boards, research institutes, laboratories, and export boards.

3. Liberia experience: a unique story worth telling. So, having established that Liberia is yet to benefit from AGOA, I wondered, 'what story could I tell of my country that reflects the impact of inclusive growth?? I think that Liberia's story is a unique one worth telling.

Figure 2: Evolution of Real Per Capita GDP, 1960-2011 (Constant 2000 US\$)

The Liberian economy in the 50's and 60's was averaging double-digit growth rates. At one point, we had the second fastest growing economy in the world, after Japan. However, the majority of our people did not experience the benefits of this success story.

Instead, during this period, it was claimed that Liberia experienced 'growth without development'; economic activities from large-scale foreign concessions in iron ore, rubber, oil palm, and timber did not improve the lives of most Liberians.

Inevitably, this led to civil conflict and a complete socio-economic breakdown. As you can see from the chart, what followed was 15 years of rapid economic decline. Liberia went from the verge of middle-income status, to one of the poorest countries in the world. Today we are at a cross roads, faced with huge infrastructural challenges, enormous human capital deficit, limited market access, and a recovering industrial sector. Today, although we are experiencing high economic growths of over 7%, our people are paying over 50 cents per kilowatt-hour for energy, one of the highest in the world. These costs are restricting the growth of our micro-small and medium sized enterprises and limiting the opportunities for job creation. This is especially damaging as some 80 percent of the Liberian labor force is employed in the informal sector, where they are unprotected by Liberia's labor laws.

A 2008 government survey showed that over 60 percent of Liberians believe they are poor. Clearly, lack of good roads, lack of market access, lack of land security and lack of marketable skills amongst our youth, continues to undermine Liberia's recovery.

How is Liberia addressing these constraints?

In order to address these issues, in 2012 we launched our Agenda for Transformation, which is our medium term poverty reduction strategy. We recognize that for inclusive growth to be achieved, we must focus on reducing the costs faced by small and medium sized firms – our greatest job creators. We are targeting our limited resources on investing in roads, ports and energy to reduce our infrastructure deficit.

We are facilitating market access by exploring opportunities under AGOA in order to make sure that when our SMEs are ready, they have the ability to export.

We recognize the potential of our small business sector and the niche market opportunities that AGOA presents. Today, I am proud to have the owner of one such SME, Mr. Fabio Lavelanet of Fabrar rice, who produces high quality red Liberian rice. Fabio please stand. Fabio and his company are working with several small growers, mostly women, to deliver this special rice to the market. Thanks Fabio.

Ladies and gentlemen, colleagues, friends, the story of AGOA is one to be proud of. Through AGOA, many opportunities have been created which are ensuring the dignity of our people through legal employment in the formal sector where their rights are protected. Today, entrepreneurs, many of them, motivated by their desire to access US markets are contributing immensely to the diversification of the African economic landscape.

Many more of our entrepreneurs, despite our constraints, are blazing the trails of transformation and innovation that will lead to more inclusive growth across our continent. The necessity of an extension of AGOA cannot be overemphasized at this important point in our history. Our growing youth population poses our greatest challenge to poverty reduction, but also represents our greatest asset to increase local production through manufacturing.

Conclusions

In summarizing Liberian experience, I think we can learn three important lessons.

First, ignoring labor rights and inclusive growth pose a tremendous threat to the security of any democracy.

Second, market access is not enough to accomplish growth without a parallel rise in firms' capacity and the creation of an enabling environment through responsible government policies to ensure inclusive growth and equitable employment.

Third, let me re-emphasize that fifteen years of AGOA is not enough for many countries like mine. Our nations, many underdeveloped, can benefit from accessing niche market opportunities under AGOA. This may be small, but in a nation of 3.5 million people, where formal employment is a privilege, providing livable wages is a choice of an extra meal, access to health care for a mother, the opportunity for an education of a girl child, and tremendous possibilities for our children to dream and dream big.

Let me extend a warm thank you to our dynamic entrepreneurs for your willingness to strive to achieve higher standards of employment for our people. As we invest in reducing our infrastructure deficit, we see you, the private sector, as our greatest partner with the greatest potential to help us realize a truly transformed Africa.

To the framers and champions of AGOA, I urge you to continue your commitment to this transformation as it is in the interest of us all. May your work continue to pave the way for brighter beginnings for our people.

Thank you.