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ECONOMIC STATECRAFT: EMBRACING AFRICA'S MARKET POTENTIAL

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BEFORE THE

SUBCOMMITTEE ON AFRICAN AFFAIRS

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ECONOMIC STATECRAFT: EMBRACING AFRICA'S MARKET POTENTIAL

THURSDAY, JUNE 28, 2012

U.S. SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:35 p.m., in room SD–419, Dirksen Senate Office Building, Hon. Christopher A. Coons (chairman of the subcommittee) presiding.

Present: Senators Coons, Udall, and Isakson.

OPENING STATEMENT OF HON. CHRISTOPHER A. COONS, U.S. SENATOR FROM DELAWARE

Senator COONS. I am pleased to convene today's hearing of the African Affairs Subcommittee, entitled "Economic Statecraft: Embracing Africa's Market Potential."

I would like to welcome my friend and partner on the subcommittee, Senator Johnny Isakson of Georgia, and thank our distinguished panel of three witnesses for sharing their expertise with us.

We will hear today from Assistant Secretary Carson, USAID Assistant Administrator Gast, and Assistant USTR for Africa, Florie Liser. We will also convene a second hearing on this topic in July, and I very much look forward to testimony from the U.S. Department of Commerce at that hearing, as well as other Government agencies critical to our developing trade relationship with Africa and the private sector.

Today, we will explore Africa's vast economic potential, both for U.S. businesses and investors and as a means of sustainable development, as well as steps our Government could take to increase bilateral investment and trade. Over the past decade, Africa has been home to 6 of the 10 fastest-growing economies in the world, which is projected soon to reach 7. And the first of several visuals here shows those rapidly growing economies.

According to the IMF, the region is on track to grow by 6 percent this year, roughly the same as Asia, and is on the brink of an economic takeoff. Trade between Africa and the rest of the world has tripled in the last 10 years, with an increase in exports of more than 200 percent and an increase in imports of 250 percent, as shown in this graphic.

Increased trade between the United States and Africa is mutually beneficial. It fosters economic growth in Africa and creates jobs here at home. That is why Senators Durbin, Isakson, Boozman, and I have introduced S. 2215, the Increasing American Jobs Through Greater Exports to Africa Act, which requires the administration to develop a strategy for increasing U.S. exports by 200 percent in the next 10 years.

There is more that could be done to fully capitalize in Africa's vast economic potential and, in my view, to compete more aggressively with countries such as China, which has recently surpassed the United States as Africa's largest trading partner.

Today, the United States foreign assistance budget for Africa focuses on responding to health, food security, and humanitarian crises. But as we look to the future, it is imperative to better align our investments with the reality of modern-day Africa, focusing more on economic statecraft and transitioning from aid to trade.

When it comes to the private sector, Africa is the destination of a mere 1 percent of a total of the United States foreign direct investment, and more than half of United States foreign direct investment in Africa is concentrated in extractive industries. This lack of diversification is clear in our trade relationships as well, with 82 percent of U.S. imports from Africa being concentrated in oil.

Further diversification of our trade and investment relationships is important as we consider the reauthorization of the African Growth and Opportunity Act, hopefully well in advance of the expiration of the full act in 2015.

As we all know, another critically important aspect of AGOA is the Third-Country Fabric Provision, set to expire in September. This provision, which maintains AGOA eligibility for apparel regardless of the fabric's country of origin, has been successful and has helped American companies reduce costs and diversify supply chains and has created tens of thousands of jobs, predominantly for women, in Lesotho, Swaziland, Kenya, Mauritius, and several other countries across the continent.

Given the lead time required for orders, our delay in reauthorizing this provision has reduced new apparel orders by more than 30 percent. Senator Isakson and I have been working tirelessly with our colleagues in the Senate and House to ensure this passes as soon as possible, and we will not rest until this Third-Country Fabric Provision is renewed.

I recently had the opportunity to travel to East Africa, where I experienced the impact of AGOA firsthand in Kenya. I visited a locally owned company called Ecosandals, which makes footwear from recycled materials in Mathare Valley, one of the poorest parts of Nairobi. Ecosandals and companies like it are able to export their products to customers in the United States because of the opportunities AGOA provides.

At the same time, we have to work in partnership with African countries to expand United States trade to Africa and must continue to urge African countries to strengthen institutions and lift barriers of trade, such as poor infrastructure and transportation, as well as occasional bans on products such as poultry, which both Senator Isakson and I are well familiar with and quite fond of.

Lifting tariff and nontariff barriers will not only benefit Africa's global trading partners, but it will also increase intraregional trade, which accounts for only 11 percent of total trade on the continent and must be improved.

In conclusion, I welcome the administration's recently released U.S. Strategy Toward Sub-Saharan Africa. It defines a key goal of U.S. policy, the acceleration of economic growth, including through trade and investment; outlines goals, including promoting and enabling environment for trade and investment; improving economic governance; promoting regional integration; expanding African capacity to access global markets; and encouraging United States companies to trade with and invest in Africa. This next visual is those highlighted points.

As we look beyond words toward implementation of this strategy, I look forward to hearing from our witnesses about how these goals can be accomplished. Specifically, how coordination can be improved among the 10 key U.S. Government agencies highlighted here, each with a role in improving and developing our relations with Africa in economics and trade.

I also hope our strategy aims to eliminate policy inconsistencies, such as plans by the Department of Commerce to reduce the Foreign Commercial Service presence on the continent just as it is poised for significant growth.

I want to thank our panel for appearing today and now turn to Senator Isakson for his opening statement.

OPENING STATEMENT OF HON. JOHNNY ISAKSON, U.S. SENATOR FROM GEORGIA

Senator ISAKSON. Well, thank you, Chairman Coons.

And I welcome Secretary Carson, Mr. Gast, Ms. Liser. Thank you for being here today.

This is a very appropriate topic for us to talk about. Trade with Africa is important for Africa, but it is equally important for the United States of America. I think our country has done a tremendous job in opening the door to develop more opportunity in terms of trade and has focused on things like Millennium Challenge compacts to really open up the opportunity for more investment and more interaction between our country and the countries in Africa.

As I might note, with some of the changes that it has fostered, there has been less corruption, more democratic institutions, and more discipline in terms of dealing with them in trade issues. I was very proud to see that the Millennium Challenge extended their compact with Malawi here recently because of the change in leadership there. It put back some of the institutions that were so important to have a movement toward free and fair trade.

My concern about Africa and trade is the following: I think the continent has a tremendous opportunity and, with its discovery of petroleum and natural gas, has the money coming in to do remarkable things. But it also could end up going the way of the Middle East and suffer from the Dutch disease, where it has a singular source of great wealth, being a natural resource, but doesn't invest it in its people, in businesses, and in employment and, therefore, becomes a prisoner of its own wealth.

Africa, I hope, will go the other direction, and I think the United States, more so than any other country on the face of this earth, has the opportunity to be their partner in becoming a diversified economic continent for the people of Africa.

So, Mr. Chairman, I commend you on calling this forward today. I commend Secretary Carson on his many initiatives and his efforts that he has made, what USAID has done to develop relationships on the continent of Africa, and the Millennium Challenge Corporation for the work that they are doing. Those are the steps that we need to do to accomplish an expansion of trade and economic development between our two countries.

And I will look forward to the testimony of our witnesses.

Senator COONS. Thank you, Senator.

We now turn to our panel. If you would, Assistant Secretary Carson.

STATEMENT OF HON. JOHNNIE CARSON, ASSISTANT SECRETARY FOR AFRICAN AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Ambassador CARSON. Mr. Chairman, thank you very, very much.

Ranking Member Isakson, thank you as well for your strong commitment and support that you show toward our policy toward Africa and also for this hearing.

Thank you for providing me with an opportunity to address the committee on what I feel is an important and timely topic.

The United States Government is committed to expanding trade and investment in sub-Saharan Africa, and the numbers show our commitment. It is my firm belief that Africa represents the next global economic frontier. Sub-Saharan Africa continues to weather the global economic crisis more successfully than other regions.

In addition to hosting 6 of the 10 fastest-growing economies in the world, a recent McKinsey study documented that Africa offers the highest rate of return on foreign investment of any developing region and has for some years. Consumer spending continues to rise, and 43 percent of Africans currently have discretionary income or could be considered middle-class consumers.

Africa's economic growth story goes deeper than just a boom in the exports of natural resources. Over the past decade, Africa's growth was widespread across sectors including wholesale and retail trade, transportation, telecommunications, and including manufacturing. Foreign direct investment, or FDI, in Africa has also seen tremendous growth. FDI projects into Africa have more than doubled from 339 in 2003 to 857 in 2011.

Intra-African investment has grown sharply, increasing from 27 projects in 2003 to 145 in 2011. And natural resources will continue to generate significant revenues as well.

At current prices, the total value of American resource production could grow to $540 billion by 2020. In short, Africa is a trade and investment destination that cannot be ignored, and we are determined to do more in this area.

The second pillar of President Obama's recently announced U.S. Strategy Toward Sub-Saharan Africa directs the administration to spur economic growth, trade, and investment in sub-Saharan Africa. This new approach recognizes that it is in the interests of both United States and our African partners to improve the region's trade competitiveness, to encourage the diversification of exports beyond natural resources, and to ensure sustained economic growth, which benefits all sectors of society.

This new strategy elevates economic growth, trade, and investment issues by calling for increased U.S. focus on promoting and enabling environment for trade and investment, improving economic governance, promoting regional integration, expanding African capacity to effectively access and benefit global markets, and also to encourage U.S. companies to trade with, and invest in, Africa.

I would like to highlight a few of the programs that we in the Bureau of African Affairs and the Department of State are supporting and promoting. The African Growth and Opportunity Act continues to be the centerpiece of our trade policy with sub-Saharan Africa. It is Africa's most important vehicle for market access, and its unilateral trade preferences have created enormous goodwill for the United States across the continent.

We hope the Congress will pass the AGOA Third-Country Fabric Provision, which expires in September, and we appreciate enormously the commitment shown by the members of this committee in support of that legislation. It is greatly appreciated. This legislation has brought bipartisan support and has been a key to the revitalization and growth of Africa's textile industry.

The uncertainty about the renewal of the third-country provision has also been felt. In our globally linked world, American buyers place orders 6 to 9 to 12 months ahead. Ninety-five percent of AGOA apparel and textile exports enter under the Third-Country Fabric Provision, and the AGOA Third-Country Fabric Provision is the only way that African textiles and apparel companies can remain competitive with the larger overseas producers.

Without this key legislation, jobs will continue to disappear in some of Africa's most vulnerable economies, affecting primarily women and families that they support.

In addition to AGOA, we continue to actively educate, inform, and encourage United States companies to be more active in the African marketplace. This is a continent on the move, and there are enormous opportunities for United States companies to enter the market, make money, and create jobs for Americans here at home, as well as to expand our trade with Africa.

In February of this year, I had the opportunity to lead a trade mission to Mozambique, Tanzania, Nigeria, and Ghana with some 10 U.S. energy companies ready to do business. A lack of reasonably priced and reliable power remains one of the most binding constraints to economic growth throughout Africa.

Governments across the continent are working to attract new trade and foreign investment that will sustain their rapid economic growth and build their middle classes. The goal of this mission was to highlight opportunities for United States companies and help address a glaring need for increased power and electricity in the infrastructure sector in Africa.

The mission was a success, and a number of these United States companies concluded partnership agreements with African companies to jointly develop power projects. Ex-Im Bank and USTDA representatives also participated in this mission to ensure that both the United States participants and our African partners were fully aware of United States financing options.

We are in the process of putting together a trade mission to accompany Secretary of State Clinton when she travels to South Africa later this year. In addition, I plan to lead a similar trade mission in the future.

In our continuing efforts to educate and encourage U.S. companies to pursue commercial opportunities on the continent, last week, the State Department, in collaboration with the Department of Commerce's U.S. Export Assistance Center in Cincinnati, the Department of Transportation, the Export-Import Bank, USTDA, USAID, USTR, and several other U.S. Government agencies, hosted a United States-Africa business conference in Cincinnati, OH.

This conference attracted over 400 participants, including African Government officials and representatives from the United States and African private sectors and civil society. The United States-Africa business conference expanded on the AGOA Forum infrastructure theme by focusing on infrastructure development, including energy, transportation, water, and sanitation. It showcased United States business expertise to potential African clients and highlighted trade and investment opportunities in Africa to United States exporters and investors through structured networking opportunities with African Government officials and business leaders.

We also organized site visits to United States companies and research facilities in the Cincinnati, OH, area to highlight potential new technologies, products, and services that could be useful for African Governments and businesses in growing their economies.

We also have developed two very popular programs which develop business capacity in Africa, the African Women's Entrepreneurship Program and the President's Young African Leaders Initiative. This year, delegates from both of those programs participated in both our African Growth and Opportunity Forum and the U.S. business conference events in Cincinnati.

However, there are still many barriers that stand in the way of American companies that hope to do business across the continent. In many places, corruption is too common. The cost of finance, including investment finance, remains too high. Infrastructure, including the absence of reliable power, is inadequate or nonexistent, and regulatory systems are often inconsistent and inefficient.

Many United States businesses also see African markets as too risky. We, on our part, must work to break the stereotype of Africa as being a single country filled with conflict, misery, and humanitarian disaster. We have to focus on Africa's enormous economic potential and promise, and we must encourage American investors to take advantage of this potential.

We work closely with African Governments so that they will continue to enact the kinds of reforms to support improved investment climates, which will attract both domestic and foreign investment. In addition, we continue to highlight opportunities for trade and investment in the region for U.S. companies and to work with them to conclude deals.

Our work with General Electric Transportation in Ghana on the locomotive tender where GE was ultimately able to win a $200 million deal in U.S. content is but one example of the things that we are doing in the African Bureau and at the Department of State to support and encourage American business activities overseas.

We believe increased trade between the United States and Africa is in the interest of Africa and also in the interest of the United States, and we are determined to do our best to grow that investment and to strengthen the economic links that exist between the United States and sub-Saharan Africa.

We are confident that the United States can compete effectively in Africa, but we have to continue to encourage American companies to go to the continent, and we have to encourage African countries to continue to make their regulatory and business environments more conducive for American companies. Greater United States-Africa trade is in the interest of both America and Africa, and we are determined to work to strengthen it.

Mr. Chairman and members of the committee, I want to thank you for the opportunity to appear before you today. I think this is, indeed, a very important topic and worthy of our efforts.

Thank you.

[The prepared statement of Ambassador Carson follows:]

PREPARED STATEMENT OF AMBASSADOR JOHNNIE CARSON

Mr. Chairman and members of the committee, thank you for providing me with the opportunity to address the committee on what I feel is an important and timely topic. The U.S. Government is committed to expanding trade and investment in sub-Saharan Africa and the numbers show our commitment. U.S. trade to and from Africa has grown significantly in the past 10 years. U.S. exports to sub-Saharan Africa tripled from just under $7 billion U.S. dollars in 2001 to over $21 billion dollars in 2011.

As Secretary of State Clinton said at the annual AGOA Forum 2 weeks ago: "12 years ago, the United States passed the Africa Growth and Opportunity Act because we believed that the countries of Africa had tremendous untapped economic potential that could and should be developed. We shared a vision with many of you of a future in which economic growth in Africa would fuel growth and prosperity worldwide . . . trade and investment would multiply . . . and people across the continent would have new opportunities to start their own businesses, earn higher salaries, improve their lives, and lift the fortunes of their families and communities."

In large part, this vision is becoming reality. It is my firm belief that Africa represents the next global economic frontier. Sub-Saharan Africa continues to weather the global economic crisis more successfully than other regions, and is home to 6—and soon to be 7—of the 10 fastest growing economies in the world. A recent McKinsey study documented that Africa offers the highest rate of return on foreign investment of any developing region and has for some years now. Consumer spending continues to rise, and 43 percent of Africans currently have discretionary income or could be considered middle-class consumers.And a growing middle class is a market for American products—from ipads to Pampers to Caterpillar tractors which increase crop yields to GE turbines which create additional hours of on-grid electricity to Boeing airliners which facilitate African countries' growing links with each other and with other continents.

However, we can do more. Africa's recent economic growth is impressive but the region still only accounts for approximately 2 percent of global trade. The second pillar of President Obama's recently announced U.S. Strategy Toward Sub-Saharan Africa directs the administration to "spur economic growth, trade, and investment in sub-Saharan Africa." This new approach recognizes that it is in the interest of both the United States and our African partners to improve the region's trade competitiveness, encourage the diversification of exports beyond natural resources, and ensure sustained economic growth which benefits all sectors of society.

This new strategy elevates economic growth, trade, and investment issues by calling for increased U.S. focus to (1) promote an enabling environment for trade and investment ; (2) improve economic governance; (3) promote regional integration; (4) expand African capacity to effectively access and benefit from global markets; and (5) encourage U.S. companies to trade with and invest in Africa.

In addition to the President's new U.S. Strategy Toward Sub-Saharan Africa, our efforts to increase our commercial engagement in Africa are firmly in line with Secretary Clinton's global focus on Economic Statecraft. The State Department's economic statecraft policy harnesses the forces of global economics to advance our diplomatic agenda and puts the tools of our diplomacy to work to meet our economic goals. We are committed to using every opportunity available to advance not only diplomatic and political priorities but our economic and commercial goals as well. I would like to highlight a few of the programs that the Bureau of African Affairs has been working on as we shift our economic orientation toward Africa from focusing almost exclusively on development assistance to promoting sustained economic growth through private sector, commercial, trade and investment activities.

The African Growth and Opportunity Act continues to be the centerpiece of our trade policy with sub-Saharan Africa. It is Africa's most important vehicle for market access and its unilateral trade preferences have created enormous goodwill for the United States on the continent. As you know, many African countries are not taking full advantage of the benefits of AGOA. However, some AGOA beneficiary countries take good advantage of the provisions for fabric and apparel product lines. The Third-Country Fabric Provision component of AGOA was designed to provide an opportunity for AGOA-qualified countries to be more competitive in labor intensive textile processes such as sewing, stitching, and cutting fabric.

It was widely recognized that most African countries were not able to compete in the more capital intensive process of producing fabric from raw cotton. African manufacturers have successfully used the AGOA Third-Country Fabric Provision to create jobs, not just in the manufacturing countries but have used this provision to create cross-border pan-African supply chains. These supply chains also encourage regional integration—one of our key goals for the continent. Fabric and apparel exports are the second-largest AGOA export after extractive industry products. However, these imports still account for less than 2 percent of U.S. imports.

I'd like to say a few words about what is likely to happen if third-country fabric legislation is not renewed. In our globally linked world, American buyers place orders 6 to 9 to 12 months ahead. Ninety-five percent of AGOA apparel and textile exports enter under the third-country provision. And the AGOA Third-Country Fabric Provision is the only way that African textile and apparel companies can remain competitive with larger producers such as China, Vietnam, and Bangladesh.

Without our help, jobs will continue to disappear in some of Africa's most vulnerable economies, affecting primarily women and the families they support. Eighty-five percent of these imports come from just four countries: Lesotho, Kenya, Mauritius, and Swaziland. I know that diplomats from these countries have come to see you to emphasize the disproportionate effect that lack of renewal of this provision will have on their economies.

The effects of the loss of orders are troubling. At the AGOA Forum, the Swazi Minister for Trade told AGOA delegates that the loss of the provision will "shut the country down." The textile and apparel sector is the largest formal sector employer with over 15, 000 jobs and employment is already 41 percent in this small, landlocked country. Loss of just one of these jobs means that 10 people lose their livelihood, since Swazi officials calculate that each textile job directly supports 10 people. Lack of orders have already led to plants closures in Namibia, robbing people of their legitimate livelihoods and governments of much-needed tax revenues. The Mauritians report that their orders are down 30 percent since January due to the uncertainty whether this provision will be renewed in a timely fashion.

Madagascar's loss of AGOA eligibility in 2009 is a possible model of what could happen if this provision were to expire. Prior to its loss of AGOA eligibility, Madagascar was one of the top textile producing countries in Africa, exporting over $2050 million in textiles in 2007. Due to 2009 coup, the Government of Madagascar lost all AGOA benefits, including the textile provision. Apparel exports plummeted by $150 million in 2010. This more than $150 million drop in textile exports resulted in the loss of 50,000 jobs which will more than likely never return.

We continue to actively educate, inform, and encourage U.S. companies to be more active in Africa. This is a continent on the move and there are enormous opportunities for U.S. companies to enter the market, make money, and create jobs for Americans here at home.

In February, I led a trade mission to Mozambique, Tanzania, Nigeria, and Ghana with 10 U.S. energy companies ready to do business. A lack of reasonably priced reliable power remains one of the most binding constraints to economic growth throughout Africa. Governments across the continent are working to attract new trade and foreign investment that will sustain their rapid economic growth and build their middle class. The goal of this mission was to highlight opportunities for U.S. companies and help address a glaring need for increased power sector infrastructure in Africa. The mission was a success and a number of these U.S. companies concluded partnership agreements with African companies to jointly develop power projects. Ex-Im Bank and USTDA representatives also participated in the mission to ensure that both the U.S. participants and our Africa partners are fully aware of U.S. financing options. We are in the process of putting together a trade mission to accompany the Secretary to South Africa for the U.S.-South Africa Strategic Dialogue. In addition, I plan to lead similar trade missions in the future and continue to help and encourage U.S. companies to be a part of the growing economic dynamism of Africa.

In our continuing efforts to inform, educate, and encourage U.S. companies to pursue commercial opportunities on the continent, just last week, the State Department, in collaboration with the Department of Commerce's U.S. Export Assistance Center in Cincinnati, the Department of Transportion, the Ex-Im Bank, USTDA, USAID USTR, and several other U.S. Government agencies, hosted a U.S.-Africa Business Conference in Cincinnati, OH. This conference attracted well over 400 participants, including African government officials, and representatives from the U.S. and African private sectors and civil society.The U.S.-Africa Business Conference expanded on the AGOA Forum infrastructure theme by focusing on infrastructure development, including energy, transportation, and water and sanitation. It showcased U.S. business expertise to potential African clients and highlighted trade and investment opportunities in Africa to U.S. exporters and investors through structured networking opportunities for African government officials and business leaders with U.S. state and local government officials and business leaders; informational sessions on U.S. Government opportunities and services from various federal agencies; and site visits to companies and research facilities highlighting potential technologies for Africa.

Cincinnati was selected as the conference location for its potential to increase commercial partnerships with Africa at local, state, and regional levels given its concentration of Fortune 500 and 1000 companies. I am pleased that the Cincinnati conference built on the successes of the 2010 Kansas City, MO, business conference. Bringing African government officials and private sector representatives outside of the beltway allows us to more effectively focus on business to business linkages.

We also have two very popular programs which develop business capacity in Africa, the African Women's Entrepreneurship Program (AWEP) and the President's Young African Leaders Initiative. This year delegates from both programs participated in both our AGOA Forum and U.S.—Africa Business Conference events. AWEP is an outreach, education, and engagement initiative that targets African women entrepreneurs to promote business growth, increase trade both regionally and to the United States using AGOA, create better business environments, and empower African women entrepreneurs to become voices of change in their communities. The State Department organizes an annual AWEP professional exchange program for these women to improve their skills and has created a series of public-private partnerships with ExxonMobil, Intel, Vital Voices and the Cherie Blair Foundation for Women.

This year's President's Young African Leaders Initiative included the Innovation Youth Summit and Mentoring Partnership with Young African Leaders and brought more than 60 participants to the United States for 3 weeks of professional exchange and entrepreneurial hands-on training. This initiative encourages U.S.-Africa collaboration to promote business innovation, investment and corporate social responsibility activities in Africa.

However, there are still many barriers that stand in the way of companies that hope to do business there. In many places, corruption is too common. The cost of finance, including investment finance, is too high. Infrastructure is lacking or inadequate. Regulatory systems are often inconsistent and inefficient. Also, many U.S. businesses see African markets as too risky. The perception of Africa as poverty filled and strife ridden persists. We work closely with African governments so that they will continue to enact the kinds of reforms to support improved investment climates which will attract both domestic and foreign investment. In addition, we continue to highlight opportunities for trade and investment in the region for U.S. companies and to work with them to conclude deals. Our work with GE Transportation in Ghana on a locomotive tender where GE was ultimately able to win a deal worth $200 million in U.S. content is but one example. We are confident that the United States can compete effectively in Africa, but we have to continue to encourage American companies to go to Africa and we have to encourage African countries to continue to make their regulatory and business environment more conducive for American business. Greater U.S.-Africa trade is in the interest of both America and Africa.

Senator COONS. Thank you, Assistant Secretary.
The Assistant Administrator, Mr. Gast.

STATEMENT OF HON. EARL GAST, ASSISTANT ADMINISTRATOR FOR AFRICA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Mr. GAST. Good afternoon, Chairman Coons, Ranking Member Isakson, and Senator Udall. It is my pleasure to appear before this subcommittee again.

Sub-Saharan Africa is one of the fastest-growing regions in the world. It is home to 6 of the world's 10 fastest-growing economies. Foreign direct investment is approaching $80 billion a year, and trade has tripled over the last decade.

This fortune is not the result of good luck. It is the result of years of hard work and better management, governance, capital inflows, and business climate. Yet Africa's growth has not translated into transformational development and poverty reduction, which is why two of the pillars of President Obama's recently unveiled strategy toward Africa are promoting opportunity and development and spurring economic growth, trade, and investment.

The African Growth and Opportunity Act, AGOA, has been the cornerstone of our efforts to foster the next generation of emerging markets, and it is working. Since 2001, exports under AGOA have increased more than 500 percent, and the African Coalition on Trade estimates that as many as 1.3 million jobs have been created indirectly by AGOA, supporting upward of 10 million persons throughout the continent.

Many of these jobs are held by women, a vital building block for development, given that African women are more likely to invest job-related income into food security, health, and education of their families. In addition, there is a significant relationship between trade and development. Every dollar that we invest in trade competitiveness—aid for trade—is associated with a $42 increase in the value of developing country exports within 2 years.

At the AGOA Forum earlier this month, USAID and the U.S. Geothermal Energy Association publicly announced their partnership to help develop East Africa's geothermal resources. The extensive geothermal resources found along the Rift Valley not only have the potential to provide clean power for African economies, but also a significant spur for investment and cooperation between United States and African energy companies.

USAID's newest trade and investment initiative, the African Competitiveness and Trade Expansion Initiative, ACTE, is furthering the progress and partnerships of AGOA. Through USAID's three trade hubs, ACTE focuses on the role that African Governments, business, and civil society play in advancing regional and international trade.

USAID's trade hubs have been successful in developing best practices in customs procedures, processes, and technology. Combined, these initiatives have reduced the time, cost, and redtape long associated with trading in Africa.

Working in tandem with ACTE, the U.S. Government's Partnership for Growth aligns broader U.S. priorities for trade and investment with countries that have a proven positive track record in policy and development, while our Private Capital Group for Africa is helping to deploy agency resources and tools to leverage private investment.

One early success under the Private Capital Group for Africa was the launch of the Partners Forum, a group of U.S. industry leaders who advise on how to best engage for the private sector and align business and development goals. They provide invaluable insight into how to operate, and the process is cementing our commitment to continuous engagement with the private sector to identify where priorities align and partnerships are possible.

The New Alliance for Food Security and Nutrition, launched by President Obama last month at the G8 summit, is an important piece of this effort that seeks to boost responsible private sector investment and facilitate greater partnership among African governments, donors, and the private sector. So far, 48 companies have pledged to invest over $3 billion across the agricultural value chain, a commitment that has the potential to improve the lives of millions of small farmers.

This kind of inclusive economic growth, trade, and investment is imperative to achieving lasting, durable development. USAID will bring to bear all of its strengths, catalyzing growth through public-private partnerships, leveraging private capital and investment, harnessing on-the-ground and industry knowledge, and leveling the playing field for domestic and international entry to implement the administration's strategy toward Africa.

Thank you for inviting me to speak with you today on this critical issue, and I welcome any questions you might have.

[The prepared statement of Mr. Gast follows:]

PREPARED STATEMENT OF EARL W. GAST

Good morning Chairman Coons, Ranking Member Isakson, and members of the subcommittee. It is my pleasure to appear before you again.

Sub-Saharan Africa is one of the fastest growing regions in the world. In 2011, it was home to 6 of the world's 10 fastest-growing economies. Foreign direct investment is approaching $80 billion a year, and trade has tripled over the last decade. Consumer spending is set to rise 80 percent by 2020 and Africa now has a fast-growing middle class, expected to increase from 60 million to 100 million people by 2015.

The continent's fortune is not the outcome of good luck. It is the result of years of hard work and better macroeconomic management; improved economic and political governance; a reduction in armed conflicts; increasing foreign capital inflows, particularly direct investment; and improvements in the business climate.

The President's strategy toward sub-Saharan Africa, released June 14 to coincide with the African Growth and Opportunity Act (AGOA) Forum, renews our emphasis on spurring economic growth, trade, and investment in Africa, including promoting an enabling environment for trade and investment, regional integration, improved economic governance and expanded African capacity to trade. As America supports the development of Africa's economic growth, it can generate new export markets and tap into a common market that could one day outpace India or China.

Yet the commodity boom in resource-rich countries has not yet succeeded in generating strong, positive, economywide spill-over effects to other sectors or neighboring countries. And resource-poor states remain on the sidelines, constrained by their inability to mobilize domestic resources as well as attract external resources—apart from official aid flows that sustain a minimum level of investment that prevents the development process from stalling altogether. Their small, expensive markets keep them isolated from the dynamic changes occurring from globalized markets. Domestic firms often miss out on technical expertise, technology transfer, and productivity gains from foreign direct investment. Market informality and a limited tax base limit many countries' domestic resource base.

Nor has Africa's growth translated into meaningful development and poverty reduction. Basic infrastructure lags far behind that of other developing regions; the African Development Bank estimates that inadequate infrastructure suppresses Africa's per capita growth rate by as much a 2 percentage points a year. Political fragility, ethnic conflict, and food insecurity plague even the most stable economies such as Kenya and South Africa.

Trade openness has been instrumental in the remarkable economic growth in East and Southeast Asia. But Africa has not seen these same benefits; the continent's share in world trade has declined from around 6 percent 25 years ago to approximately 2 percent today. Intra-African trade is not faring much better. More than 80 percent of Africa's exports are destined for markets outside of Africa; as a contrast, 40 percent of North American trade occurs with other North American countries and 63 percent of Western European trade is among other Western European nations.

A recent World Bank report concluded that the continent is losing billions of dollars in potential trade earnings every year because of high trade barriers with neighboring countries. Procedures and regulations vary by country, which, coupled with a lack of infrastructure, significantly increases the time and cost required to ship goods across borders. In some cases, it is less expensive to ship a container of goods to Nairobi from Europe than from Lagos. The implications are far-reaching: huge opportunities are lost for specialization and value addition. Production and export structures oriented to primary commodities—minerals, timber, coffee, cocoa, oil, gas—often come at the cost of high-value products that would provide broad-based benefits and create jobs.

Many African governments recognize the detrimental impact of high trade barriers. Throughout the continent, they are working to build bridges across geographical boundaries to create important economic trade regions. Although regional agreements vary, and often overlap, all have the goal of reducing complicated trade barriers among member countries. African regional economic communities have launched various trade liberalization initiatives to stabilize and remove barriers to trade, harmonize customs duties and internal taxes, facilitate trade through information and promotional services and abolish restrictions to the movement of people, goods, services, and investments across borders.

AGOA is the cornerstone of the U.S.-Africa commercial relationship, and is the most generous bilateral trade legislation the United States has ever enacted. AGOA is a key tool in U.S. efforts to foster development of the next generation of emerging markets, which includes building effective trading partnerships between the United States and the countries of sub-Saharan Africa. It provides substantial trade preferences that, along with those under the Generalized System of Preferences and Most-Favored Nation tariff treatment, allow almost all goods produced in the AGOA-eligible countries to enter the U.S. market duty-free. AGOA offers tangible incentives for African countries to continue their efforts to open their economies and build free markets. Promoting prosperity, open markets, and good governance in Africa through programs like AGOA, has improved the trade environment for both U.S. and African businesses and spurred economic growth.

It has worked. Since 2001, exports under AGOA have increased more than 500 percent, from $8.15 billion in 2001 to $53.8 billion in 2011. About 90 percent of these exports have been oil, which underscores Africa's growing strategic importance to the United States. At the same time, under AGOA, the volume of nonenergy exports to the United States—that critical engine for growth in jobs and economic development in Africa—has increased 275 percent, from $1.2 billion to $4.5 billion between 2001 and 2011. Paul Ryberg, the president of the African Coalition on Trade, which has companies and trade organizations in 19 African countries, estimates that as many as 1.3 million jobs have been created indirectly by AGOA, supporting up to 10 million people. Many of these jobs are held by women—a vital building block for development given that African women are more likely to invest job-related income in the food security, health, and education of their families.

In May 2011, the U.N. Economic Commission for Africa conducted a survey in Africa of AGOA's benefits. Three-quarters of the responding companies viewed AGOA as "very important" (58 percent) or "important" (17 percent). Seventy-five percent of the companies indicated that AGOA had contributed to job creation and capacity-building, and a majority of the respondents emphasized the importance of business support services, such as greater technical assistance for conforming with Sanitary and Phytosanitary Standards, and promoting African products in the U.S. market.

Trade capacity-building has been central to USAID's work to achieve our development objectives on the continent, particularly the realization of the Millennium Development Goals (MDGs). MDG 1, to eradicate extreme hunger and poverty, is furthered by achieving full, productive, decent employment for all, especially women and young people. Trade and trade agreements increase productive, value added employment opportunities beyond what a self-contained, subsistence economy can provide. It also reduces the proportion of people who suffer from hunger, because free trade, in the context of sound agricultural policy and global integration, balances the differences in natural endowments and labor productivity. Trade also contributes to MDG 8, to develop a global partnership for development, by nurturing an open, rule-based, predictable, nondiscriminatory trading and financial system.

Additionally, there is an unavoidable link between the international trading regime and the enjoyment of human rights. The U.N. Office of the High Commissioner for Human Rights has found that economic growth through free trade increases the resources available for the realization of human rights. Countries do not qualify for AGOA unless they are determined to have established, or made continual progress toward establishing the rule of law and political pluralism; combating corruption; enacting policies to reduce poverty and increase the availability of health care and educational opportunities; protecting human rights and worker rights; and eliminating certain child labor practices.

An extensive study—"From Aid to Trade: Delivering Results"—conducted in November 2010 found a statistically significant relationship between USAID trade capacity-building obligations and developing country export. Specifically it found that an additional $1 of USAID trade competitiveness assistance is associated with a $42 increase in the value of developing county exports within 2 years. In addition, USAID support for trade and investment in Africa provides a significant contribution to trade negotiations conducted by the U.S. Trade Representative.

Over the past 10 years, USAID programs have improved the enabling environment for U.S. trade with sub-Saharan Africa; empowered African small and medium-sized enterprises to increase their exports to U.S., regional, and international markets; and facilitated regional economic integration. Between 2006 and 2010, USAID's African Global Competitiveness Initiative supported over $5 billion in nonpetroleum exports; leveraged $2.8 billion for energy, information and communication technologies, and transportation infrastructure, resulting in over 1.35 million Africans gaining access to the Internet.

At the regional level, USAID efforts for an improved enabling environment have helped to advance cross-border integration and boost intra- and extra-regional trade—work primarily carried out by USAID's three Trade Hubs located in Botswana, Ghana, and Kenya. These Hubs have implemented innovative and important initiatives to reduce both legal and illicit bottlenecks along major trade corridors, establish single border posts, and computerized customs procedures.

An analysis by the Organization for Economic Cooperation and Development and the World Trade Organization in 2011 concluded that USAID's Trade Hubs had been largely successful in developing best practices in customs procedures, processes, and technology. They have helped speed up customs clearances in Mozambique, improved customs procedures in Southern Africa, and established a model for regional economic commissions to harmonize standards, monitor compliance with trade protocols, and facilitate the analysis of technical trade issues. Combined, these initiatives have reduced the time, cost, and redtape long associated with trading in Africa.

USAID's Trade Hubs count many successes. The Southern Africa Trade Hub's efforts to extend border operating hours along the Trans Kalahari Corridor, introduce a single customs declaration, and implement a corridor performance management system, contributed to an increase in a twelvefold usage of the corridor and a reduction in travel time from 72 to 48 hours. In East Africa, USAID support for customs reform in 2010 resulted in the implementation of a common customs software platform that allows customs officials to communicate virtually across borders. This reduced the time it takes to transport goods along the Mombasa-Kigali trade corridor by 5 days and reduced the cost of trading goods in the East Africa region by 2 percent, despite a 19.2-percent increase in fuel cost in 2010.

At the Sleek Garments factory in Accra, Ghana, a sign overlooks a bustling assembly line of 300 workers: "Quality First, Quantity Second." Sleek's founder and CEO, Nora Bannerman, has held to that philosophy since she began her career as a fashion designer 30 years ago. And she is determined to maintain it as Sleek shifts into mass production, stitching casual shirts and work uniforms for some of the largest retail chains in the United States. Sleek is part of Ghana's blossoming apparel manufacturing cluster, which has been encouraged by the government to relocate and build several clothing factories. Many of these factories export to the United States under AGOA's Third Country Fabric Provision, which has provided hundreds of thousands of jobs across sub-Saharan Africa. USAID's West Africa Trade Hub helped to put Ghana on the radar as an exporter of high-quality garments by connecting Bannerman with international buyers, providing financial planning services, and advising her on pre-export financing to purchase fabric for her orders.

The Presitex garment company in Lesotho was growing and looking for ways to keep expanding its operations and was especially interested in taking advantage of AGOA so it could begin exporting to the United States. At the same time, clothing manufacturers in South Africa were looking for regional suppliers of textiles and other clothing inputs, like yarn. Presitex used to source from Asia, but, needing to reduce transport costs, it turned to USAID's Southern Africa Trade Hub for help. The Hub put Presitex in touch with a knitting mill in South Africa and helped them to negotiate a $1.2 million annual deal. Lesotho's apparel industry has grown to become especially successful under AGOA—at one time supporting 50,000 jobs. And regional integration is considered critical for the survival of Lesotho's apparel industry, both to maintain job opportunities in Lesotho and as a platform for future economic growth.

When 24 private sector stakeholders and the USAID West Africa Trade Hub cofounded the African Cashew Alliance (ACA) 5 years ago, its mandate was simple and clear: to increase cashew processing in West Africa in order to create jobs and reduce poverty. The opening of six new major processing facilities over the last 6 months—which will employ as many as 5,000 people—is yet more evidence that the alliance is a success. The ACA today includes over 135 members from 23 countries, including every African cashew-producing country and buyers and retailers from every major international market. In a recent ACA survey of its members found that more than 80 percent had used the alliance's services to grow their business.

Bringing together every aspect of the industry has allowed international buyers to quickly assess the opportunities—and act. "None of our business in Africa would have been possible without the ACA," said Shalin Behal of IRACEMA, a leading processor from Brazil that has purchased millions of dollars of African cashews. "The ACA has introduced us to all the key players in the region, facilitated field trips and all our first steps in doing business here." The impacts in the communities where the processing facilities are located are significant. Residents of a town in Cóte d'Ivoire said prostitution, once a problem in the community, had all but disappeared once the factory opened. This was attributed to the hundreds of jobs that were created for young women—some of the almost 10,000 cashew processing jobs ACA has created in West Africa.

Under the President's new Strategy toward sub-Saharan Africa, USAID's work will capitalize on Africa's steadily rising middle class and burgeoning opportunities, particularly in finance and infrastructure, to promote U.S. trade and investment in the region. USAID is uniquely positioned to take a major role in the implementation of the President's strategy, particularly spurring economic growth, trade and investment. Staff in both Washington and the field have a deep knowledge of the African economic scene, both in terms of macroeconomic conditions and in terms of what businesses need to be successful in Africa. USAID has supported macro and micro policy reform, key to accelerating growth; built the capacity for policy analysis in both government and the private sector; and strengthened various institutions of economic governance such as bank supervision, tax collection, and commercial courts.

Many of USAID's programs have focused on analyzing the constraints to private sector development and to helping remove existing obstacles, both directly and through empowering businesses and business associations to bring the obstacles they face to the attention of their governments. USAID also has strong relationships with both the U.S. and African business communities; USAID implements a number of programs that provide information and link U.S. investors to opportunities in Africa, including the Africa Infrastructure Program. It provides specialized advisors to African governments to address legal, financial, regulatory, and other constraints preventing private sector investment in energy infrastructure. In the past 3 years alone, these efforts have leveraged over $700 million in private sector investment in the energy sector, with an emphasis on clean energy.

USAID's newest trade and investment initiative—the African Competitiveness and Trade Expansion (ACTE) Initiative, announced in 2011—is furthering the progress USAID has made, and supports the President's new U.S. Strategy toward sub-Saharan Africa. Through USAID's three Trade Hubs, ACTE focuses on the role African governments, businesses, and civil society play in advancing regional and international trade, increasing the international competitiveness of key value chains, and promoting trade and investment between the United States and Africa and within Africa.

USAID established the Private Capital Group for Africa (PCGA) in 2011 to help deploy Agency resources and tools to leverage private investment. For every U.S.

assistance dollar, PCGA activities are anticipated to leverage $30 in private capital to support key development goals. For example, in West Africa we are supporting the formation of a lending company to be coowned by U.S. companies to support supply chains in the region. We are also working to link a U.S. investment company with Kenyan pension funds to coinvest in small and medium-sized enterprises in Africa. With just an $18 million investment from USAID, this partnership has the potential to catalyze over $500 million in private funds that will support the expansion of over 500 enterprises, provide sustainable livelihoods to over 100,000 smallholder farmers, and support 42,000 jobs in sub-Saharan Africa. One of PCGA's early successes was the launch of the Partners Forum, a group of U.S. leaders of industry (in particular those from the investment sector) who provide advice on how to best engage with the private sector and align business and development goals. The forum represents our commitment to continuous engagement with the private sector to identify where priorities align and partnerships are possible.

At the same time, USAID's Partnership for Growth aligns with these broader U.S. priorities for trade and investment among countries that have a proven, positive track record in policy and development. Our alliances with Ghana and Tanzania are generating investment and trade opportunities for U.S. energy companies, increasing the availability and consistent supply of energy for U.S. companies operating in those countries, supporting regional integration to develop economically attractive markets, and facilitating increased trade opportunities in Ghana.

Looking forward, green technologies offer another promising opportunity to expand U.S.-Africa trade. A 2011 report by Frost & Sullivan—"Mega Trends in Africa: A Bright Vision for the Growing Continent"—suggests that investment in renewable energy in the continent will rise to $57 billion by 2020 as interest in wind, solar, and geothermal power soars. Consequently, at this year's AGOA Forum, USAID and the U.S. Geothermal Energy Association publicly announced their partnership to help develop East Africa's geothermal resources. The extensive geothermal sources found along the East Africa Rift Valley not only has the potential to provide clean power for African economies, but also a significant spur for investment and cooperation between U.S. and African energy companies. USAID plans to continue to make innovative public-private partnerships like this one to support development while also opening new markets for the U.S. investment.

Spurring economic growth, trade, and investment, along with promoting opportunity and development, are two pillars of the President's strategy toward sub-Saharan Africa, and they are inextricably linked. Inclusive economic growth, trade, and investment are imperative to achieving lasting, durable development. USAID will bring to bear all of its strengths catalyzing growth through public-private partnerships, leveraging private capital and investment, harnessing on-the-ground and industry knowledge, and leveling the playing field for domestic and international entry to implement the new Presidential Policy Directive on Sub-Saharan Africa.

Senator COONS. Thank you, Mr. Gast.

Ms. Liser.

STATEMENT OF FLORIZELLE LISER, ASSISTANT U.S. TRADE REPRESENTATIVE FOR AFRICA, OFFICE OF THE U.S. TRADE REPRESENTATIVE, WASHINGTON, DC

Ms. LISER. Chairman Coons, Ranking Member Isakson, Senator Udall, thank you for the opportunity to speak with you today about the Obama administration's strategy to encourage economic growth, trade, and investment in Africa. We welcome your interest and your active support for advancing the United States trade and investment relationship with sub-Saharan Africa.

On June 14, 2012, President Obama approved a new Presidential policy directive for sub-Saharan Africa. This new strategy commits the United States to be proactive in the face of the numerous challenges and opportunities facing sub-Saharan Africa. In particular, it directs the United States to expand our efforts to increase economic growth, trade, and investment with sub-Saharan Africa.

USTR is part of an interagency effort building on the successes we have had to date and fostering sustained economic growth and promoting U.S. trade and investment with the countries of the region. AGOA, as was said, is the cornerstone of America's trade policy with Africa. The administration is committed to working with Congress toward a seamless renewal of AGOA beyond 2015 to provide the predictability needed for United States and African businesses to continue to reap the benefits of AGOA.

The administration is consulting with Africa trade stakeholders, including Congress, African Government officials, United States and African private sector and civil society, on modifications needed to make AGOA even more effective and mutually beneficial. AGOA's performance and effectiveness are closely tied to its Third-Country Fabric Provision, which, as you know, is set to expire in September 2012.

The Third-Country Fabric Provision is crucial to the continued survival of Africa's textile and apparel industry. It has generated, as was said previously, hundreds of thousands of jobs in sub-Saharan Africa and has helped American retailers reduce their costs, diversify their supply chains, and provide greater low-cost apparel options for U.S. consumers.

Swift passage of legislation extending AGOA's Third-Country Fabric Provision is, as you know, urgently needed to ensure AGOA's continued success and the stability, development, and economic growth of sub-Saharan African countries. We applaud Congress' recent agreement to advance extension of AGOA's Third-Country Fabric Provision and appreciate the work that you and other members of this committee have undertaken to move this important provision forward.

The annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, also known as the AGOA Forum, institutionalizes a high-level dialogue on ways to foster stronger economic ties between the United States and sub-Saharan Africa. The 11th AGOA Forum was held in Washington on June 14–15 with the theme "Enhancing Africa's Infrastructure for Trade," and other AGO private sector and civil society events were held in Washington, DC, and Cincinnati.

Secretary Clinton, Ambassador Kirk, Secretary LaHood, and other senior U.S. Government officials, Members of Congress, African trade, finance, and foreign affairs ministers, African ambassadors, and our private sectors and civil societies participated in this year's forum to advance the United States-Africa trade and investment relationship.

Thanks to you, Chairman Coons, and to you, Senator Isakson, in particular for attending the forum and meeting with the ministers to discuss AGOA impending legislation. It was truly appreciated by them.

USTR also coordinates and leads the interagency engagement with our sub-Saharan African partners on trade and investment issues under our trade and investment framework agreements, our TIFAs. The United States has 11 TIFA partners in sub-Saharan Africa, and we also have a trade, investment, and development cooperative agreement with the five countries of the Southern African Customs Union.

In addition, the Obama administration is pursuing a new trade and investment partnership with the five countries of the East

African community, which is one of the most cohesive and ambitious regional economic groupings in sub-Saharan Africa.

At a recent meeting which Ambassador Kirk and senior administration officials held with the EAC Secretary General and trade ministers, the United States and the EAC agreed to explore under the partnership a regional investment treaty—this would be new—a trade facilitation agreement, and continued U.S. trade capacity-building assistance, as well as a commercial dialogue.

These agreements and other activities under this partnership will help to promote EAC regional integration and economic growth and to expand and diversify U.S.-EAC trade and investment.

Also in our toolbox in terms of improving the attractiveness of an economy's investment climate, perhaps none is more powerful than an investment treaty. These agreements establish a framework of reciprocal protections that include nondiscriminatory treatment; free transfer of investment-related funds; prompt, adequate, and effective compensation in the event of an expropriation; and transparency in government.

Our most recently concluded BIT was with Rwanda, and we hope that our most recently launched BIT negotiation with Mauritius will conclude soon. And we are actively pursuing BIT discussions with other countries in the region, including Ghana.

Africa presents many opportunities for United States businesses. It is a market not yet fully tapped and one that is viewed as a last frontier for many global actors, such as China, Brazil, India, and the European Union. No other region has rates of return on investment as high as Africa, and it is proving to be a growing investment destination, including for United States businesses.

And with Africa's growing middle class, youth bulge, and undercapitalized entrepreneurs, including many women-owned SMEs, we are focused on increasing United States exports to and investment in Africa and fostering joint ventures that can benefit United States businesses, including our own SMEs. Our efforts growing out of the new U.S. Strategy Toward Sub-Saharan Africa, including a Doing Business in Africa campaign, will build on existing programs and initiatives, such as the National Export Initiative.

In conclusion, the administration is working to strengthen the United States-sub-Saharan Africa trade and investment relationship through a range of trade and investment initiatives. The new U.S. Strategy Toward Sub-Saharan Africa builds on this strong foundation and ensures that our trade policy will continue to encourage economic growth, enhance trade and investment, support more jobs in the United States and Africa, and help realize the full potential of the United States-sub-Saharan African economic partnership.

Thank you.

[The prepared statement of Ms. Liser follows:]

Prepared Statement of Florizelle Liser

INTRODUCTION

Chairman Coons, Ranking Member Isakson, and other distinguished members of the subcommittee, thank you for the opportunity to speak with you today about the Obama administration's strategy to encourage economic growth, trade, and investment in Africa. We welcome your interest in, and support for, advancing the U.S. trade and investment relationship with sub-Saharan Africa.

THE ADMINISTRATION'S STRATEGY FOR SUB-SAHARAN AFRICA

On June 14, 2012, President Obama approved a new Presidential Policy Directive (PPD) for sub-Saharan Africa. To advance U.S. interests in Africa, the strategy sets forth four strategic objectives: (1) strengthen democratic institutions; (2) spur economic growth, trade, and investment; (3) advance peace and security; and (4) promote opportunity and development.

The new strategy commits the United States to be proactive in the face of the numerous challenges and opportunities facing sub-Saharan Africa. In particular, it directs the United States to expand our efforts to increase economic growth, trade, and investment. USTR is part of an interagency effort—building on the successes of the partnerships we have built in previous years—to foster sustained economic growth and to promote U.S. trade and investment with sub-Saharan Africa.

SPURRING ECONOMIC GROWTH, TRADE, AND INVESTMENT

Sub-Saharan Africa is expected to grow by more than 5 percent this year, and between 2000 and 2010, 6 of the 10 fastest-growing countries in the world were in sub-Saharan Africa. Sustained economic growth has the potential to lift millions out of poverty and foster long-term stability. Today's challenge is to ensure that these gains continue and are spread across the continent. The administration's new strategy addresses these challenges by calling for increased U.S. focus to spur economic growth through expanded trade and investment by (1) promoting an enabling environment for trade and investment; (2) improving economic governance; (3) promoting regional integration; (4) expanding African capacity to effectively access and benefit from global markets; and (5) encouraging U.S. companies to trade with and invest in Africa.

This approach recognizes that it is in the interest of the United States and our African partners to promote regional integration, create new trade and investment opportunities for African and U.S. firms, encourage the diversification of African exports beyond natural resources, and ensure that the benefits from growth are broad-based.

AGOA AND THE THIRD-COUNTRY FABRIC PROVISION

AGOA is the cornerstone of America's trade and investment policy with sub-Saharan Africa. AGOA's performance and effectiveness are closely tied to its Third-Country Fabric (TCF) Provision, which is set to expire in September 2012. The TCF provision is crucial to the continued survival of Africa's textile and apparel industry—it has generated hundreds of thousands of jobs in sub-Saharan Africa, including in least developed countries, and has helped American retailers reduce their costs, diversify their supply chains, and provide greater low-cost apparel options for U.S. consumers. Swift passage of legislation extending AGOA's TCF provision is necessary and its extension urgently needed to ensure AGOA's continued success—and the stability, development, and economic growth of sub-Saharan African countries. We applaud Congress' recent agreement to advance AGOA's Third-Country Fabric Provision, and appreciate the work that members of this committee have undertaken to move this important provision forward.

Beyond apparel, AGOA is a measurable success. Total two-way trade between the United States and sub-Saharan Africa has increased by over 300 percent since AGOA was enacted in 2000. U.S. imports under AGOA have increased by over 500 percent from 2001 (the first full-year of AGOA trade). Petroleum imports dominate this trade, but nonpetroleum AGOA trade has tripled to nearly $5 billion in 2011, spurred by significant growth of nontraditional, value-added products such as apparel, cut flowers, fruits and nuts, wines, cocoa, and footwear. AGOA apparel imports have doubled, and today about twice the number of eligible countries are shipping noncommodity goods under AGOA than they were a decade ago. Additionally, U.S. exports to sub-Saharan Africa have more than tripled since 2001. These exports support thousands of U.S. jobs and help African countries to modernize their economies.

The Obama administration is committed to working with Congress toward a seamless renewal of AGOA beyond 2015 to provide the predictability needed for U.S. and African businesses, entrepreneurs, buyers, and investors to continue to reap the benefits of AGOA. The administration is consulting with Africa trade stakeholders, including Congress, African Government officials, U.S. and African private sector, and civil society representatives on modifications needed to make AGOA more effective and mutually beneficial.

PROMOTING UNITED STATES-SUB-SAHARAN AFRICA TRADE AND INVESTMENT

As an office within the Executive Office of the President, USTR is responsible for coordinating and leading the interagency engagement with our sub-Saharan partners on trade and investment issues, including under our Trade and Investment Framework Agreements (TIFAs) with individual countries and regional organizations. U.S. TIFAs provide a formal mechanism for a high-level engagement to address bilateral issues and to help enhance United States-sub-Saharan Africa trade and investment relations. The United States has 11 TIFA partners in sub-Saharan Africa: Angola, Ghana, Liberia, Mauritius, Mozambique, Nigeria, Rwanda, South Africa, the East African Community (EAC), the Common Market for East and Southern Africa (COMESA), and the West African Economic and Monetary Union (UEMOA). The United States also has a Trade, Investment, and Development Cooperative Agreement with the five countries of the Southern African Customs' Union (SACU).

In addition, the Obama administration is pursuing a new trade and investment partnership with the EAC, which is one of the most cohesive and ambitious regional economic groupings in sub-Saharan Africa. At a recent meeting which Ambassador Kirk and senior administration officials held with the EAC Secretary General and Trade Ministers, the United States and the EAC agreed to explore under the partnership, a regional investment treaty, a trade facilitation agreement, continued U.S. trade capacity-building assistance, and a commercial dialogue. We are working closely with the Commerce Department to move forward on the commercial dialogue, which would create practical ways in which U.S. and EAC governments can work together and with our respective business communities. These agreements and other activities under the partnership will help to promote EAC regional integration and economic growth, and to expand and diversify U.S.-EAC trade and investment. They could also serve as building blocks toward a more comprehensive trade agreement over the long term.

In the toolbox of U.S. Government initiatives to improve the attractiveness of an economy's investment climate, perhaps none is more powerful than an investment treaty. Bilateral investment treaties (BITs) help protect U.S. investment and help promote economic growth by encouraging market-based economic reform and the policies that make doing business in Africa more attractive for U.S. businesses. These agreements establish a framework of reciprocal protections that include nondiscriminatory treatment; free transfer of investment-related funds; prompt, adequate, and effective compensation in the event of an expropriation; and transparency in governance. U.S. BITs also give investors the right to bring investment disputes to neutral, international arbitration panels.

The United States has BITs in force with six countries in sub-Saharan Africa, and the region has become a locus for recent U.S. BIT activity. Our most recently concluded BIT was with Rwanda—an agreement that entered into force on January 1 of this year. We hope that our most recently launched BIT negotiation with Mauritius will soon conclude, and we are actively pursuing BIT discussions with other countries in the region, including with the members of the East African Community in the context of our EAC Partnership, and with Ghana.

The administration recognizes the importance of African regional integration and intra-African trade. Facilitating intra-African trade, reducing barriers to such trade, and harmonizing investment and trade rules will build economies of scale, improve African competitiveness, and attract investment to the region. Thus, we are supporting African regional integration through a number of initiatives designed to build trade capacity and promote trade and investment within sub-Saharan Africa, strengthening regional economic communities, forging closer ties with the African Union, and supporting African efforts to establish free trade areas such as the Tripartite initiative (covering COMESA, the EAC, and SADC) and the recently announced Continental Free Trade Area (which is scheduled to be enacted by 2017).

The annual United States-Sub-Saharan Africa Trade and Economic Cooperation Forum (also known as "the AGOA Forum") institutionalizes a high-level dialogue between senior officials of the United States and AGOA beneficiary countries, the private sector and civil society on ways to foster stronger economic ties between the United States and sub-Saharan Africa. The 11th AGOA Forum was held in Washington, DC, on June 14–15, 2012, with the theme, "Enhancing Africa's Infrastructure for Trade," and other AGOA private sector and civil society events were held in Washington, DC, and Cincinnati. As always, the forum was an important opportunity to discuss the challenges in expanding the U.S.-African trade and investment relationship. Thanks to you Chairman Coons and to Senator Isakson for attending the forum and meeting with the Ministers to discuss AGOA and pending legislation.

This year's focus on infrastructure was timely. According to the World Bank, the annual requirement for infrastructure expenditure and maintenance in sub-Saharan Africa is about $93 billion a year. However, only about $45 billion is being mobilized, leaving a gap of close to $50 billion annually. This significant funding gap cannot be met by current official sources of funding alone. Private investment could help close the funding gap for Africa's infrastructure. Currently, intra-African trade stands at less than 10 percent of African gross domestic product and Africa's share of world trade is only 3 percent. The United States is working with the international community, African governments and the private sector to improve Africa's hard infrastructure—including the roads, ports, power pools, and telecom networks, and Africa's soft infrastructure—such as the laws, regulations, and business environment that impact trade and investment decisions. This collaboration is critical because improvements in Africa's infrastructure could significantly advance our efforts to support regional integration, create larger markets for U.S. exports and promote economic growth in Africa.

AFRICA AS A MARKET FOR U.S. BUSINESS

With the continent-wide growth mentioned earlier, Africa presents many opportunities for U.S. businesses. It is a market not yet fully tapped and one that is viewed as a "last frontier" for many global actors such as China, Brazil, India, and the European Union. No other region has rates of return on investment as high as Africa, and it is proving to be a growing investment destination, including for U.S. businesses. And with Africa's growing middle class, youth bulge, and undercapitalized entrepreneurs—including many women-owned SMEs, we are focused on increasing U.S. exports to, and investment in, Africa, and fostering joint ventures that can benefit U.S. businesses—including our own SMEs. Our efforts growing out of the new U.S. Strategy Toward Sub-Saharan Africa—including a "Doing Business in Africa Campaign"—will build on existing programs and initiatives such as the National Export Initiative.

CONCLUSION

The administration is working to strengthen the United States-sub-Saharan Africa trade and investment relationship through a range of trade and investment-related initiatives. The new U.S. strategy toward sub-Saharan Africa builds on this strong foundation and ensures that our trade policy will continue to encourage economic growth, enhance trade and investment, support more jobs in the United States and Africa, and help realize the full potential of the United States-sub-Saharan Africa economic partnership.

Senator COONS. Thank you, Ms. Liser.

We are now going to begin rounds of 7 minutes—7-minute question rounds, if we could. And let me start with one of the elements of your testimony, Ms. Liser. AGOA, we are committed to reauthorization of the third-party fabric agreement, but as the list that was shown in the content that accompanied my opening statement, there is many countries that have failed to fully utilize AGOA.

We saw it in Uganda, where we recently visited, that they simply are not taking advantage of it. Even though in the last dozen years, exports under AGOA have increased more than 500 percent, they have tended to be fairly narrowly focused, either in textiles or in extractive industries like petroleum.

So how are we working to strengthen participation in AGOA? And then what is the next step? What is the framework for moving forward beyond AGOA? You made some reference to BITs and to the emerging partnership with the EAC. How do we take the trade relationship between the United States and Africa, as it were, to the next level?

Ms. LISER. So, first of all, speaking to the issue of the utilization of AGOA to date, we recognized probably some years after AGOA was launched that many of the products that are covered under AGOA were areas where or sectors where the Africans really had not had much experience in producing those products in the volumes and at the prices that were needed to be competitive in the United States market or, frankly, in any other market.

So one of the things that has happened is that as they have begun to develop their industrial bases, money going into various sectors—not just apparel, but we are also seeing value-added agricultural products that are coming in, footwear, a number of areas, horticulture, et cetera. As they have become more competitive in those sectors, we actually are seeing a diversification of the products that are coming into the United States under AGOA.

And so, we are pleased with that, but we know that there is a lot that is still untapped, a lot of potential that still needs to be realized. In terms of how we take this to the next level, I think there are two sides to this.

First, on the African side, I think as was said earlier, they have to keep doing what they are doing in terms of economic reforms, in terms of improving governance, rule of law, and improving the business and investment environment. United States businesses and other businesses from around the world are simply not going to go to Africa unless they continue to do that, and we are seeing increases in investment into the region not just from the United States, but from others.

On our side, I think it is important that we continue to work to partner with them, both through trade capacity-building support, which AID gives. The hubs have done a fabulous job of helping these countries and entrepreneurs to actually develop products that they can even ship to us. So we need to keep working with them.

And then we also need to keep pushing them to realize that beyond simply taking advantage of one-way preferences, they do, indeed, need to prepare to be more competitive in the global economy. They have to be continuing to push their businesses so that they can compete regionally and be able to trade more with each other and also to be able to trade more in the global economy.

Senator COONS. Thank you, Ms. Liser.

Assistant Administrator Gast, if you would, there are a couple things that you mentioned, and I wanted to pursue them, if I could, about the Private Capital Group. The reference just made to the trade hubs, I certainly was impressed with the West Africa trade hub, when Senator Isakson and I had an opportunity to visit.

You have recently deployed your first-ever, I think, USAID field investment officers to three offices. You have just announced the winner of the second African Diaspora Marketplace Grant Program. How are the resources that USAID is deploying to engage the Africa diaspora community in the United States and how are the strengths and skills of field investment officers and the trade hubs making a contribution to strengthening the capacity for trade?

And what role do you see the Foreign Commercial Service officers play, particularly in places like the West African trade hub, where I was disappointed to recently hear they were going to be withdrawn? So I would be interested in that.

Mr. GAST. If I may, I will start with the question about the field investment officers. Soon we hope to have three on the continent. I know that is not a sufficient number, but it is something that we are building, and we are building that capacity.

And it is really not to take the place of the Foreign Commercial Service officer. They have very distinct roles. But what this is, the purpose of having a field investment officer is really to help facilitate the public-private partnerships related to development and growth that are critical to Africa's success.

And with regard to the trade hubs, as Flor mentioned, they certainly do help improve the regulatory process within governments. But a critical element of their work and, in fact, most of where they spend their attention is helping to strengthen alliances and cooperatives so that companies that are part of those cooperatives can then begin to meet standards, for example, phytosanitary standards that would allow them to export their products to the United States.

One example, and perhaps you saw this, Senators, when you were out in West Africa, was the Cashew Alliance. And that has had tremendous success over the last 4 or 5 years in building an Africawide alliance, 23 countries, organizations in 23 countries, belonging to that with new processing facilities being created on the continent.

Senator COONS. Thank you.

My last—my first round of questions to the panel, if I could, just Assistant Secretary Carson, all three of you have spoken in your testimony about the links between good governance, security, and economic development, the importance of improving rule of law, systems, regional collaboration.

How does U.S. policy actively promote these goals? And in your view, are we dedicating enough resources to these priorities when the vast majority of U.S. foreign assistance is currently dedicated to health and food security?

Ambassador CARSON. Thank you very much, Mr. Chairman, for that question.

Undoubtedly, we believe that good governance is a primary factor not only in the governing of a society, but also in the protection of and promotion of business interests. If we have governments that follow constitutional norms, the rule of law, and have good judicial systems, we believe that those democratic practices that help to protect human rights also help to protect corporate rights, intellectual property rights, investment rights, and the business activities of citizens.

Those judicial norms and procedures protect citizens and individual liberties, but they also protect the sanctity of a contract. They allow for prosecution of individuals who undermine intellectual property rights. They sanction individuals who engage in corruption.

And if there is a problem between a corporate concern in the United States and Africa, we can be assured that an African country that practices democracy, has a good judicial system, that an American company can be assured that it will be able to adjudicate its concerns and interests in a fair and transparent manner in the court of law.

So we believe democracy does play a role both in the protection of individual rights, but in corporate rights and business interests as well. In that regard, we spend a great deal of money trying to strengthen democratic institutions, trying to strengthen judiciaries, helping to train magistrates, helping to streamline court procedures, making adjudication of court processes much more rapid.

We work with legislative branches to ensure that there are fair regulations and good laws that help to improve the economic environment in a country so that it will be favorable toward business interests, both those from the local citizens as well as those on the outside. So we work also with civil society and with regulatory organizations in countries to help strengthen their capacity to serve, both as watchdogs over bad procedures, but also to promote good regulatory environments as well.

With respect to money for different categories of assistance, we are always appreciative of the amounts of assistance that we receive to promote democracy and governance, and we do this by supporting free media, stronger legislatures, stronger judicial branches. But we also recognize that it is unfair to equate what we get for democracy and governance with what we spend in health care and what we spend in areas like Feed the Future and humanitarian and agricultural programs.

Health care, agriculture, humanitarian assistance programs are more costly. In democracy and governance, we are providing people. We are providing advice. We are providing expertise and a lot of intellectual knowledge.

And yes, we do provide some material things that go along with it, books. But if you are running a health care program, especially one dealing with HIV/AIDS, you are providing very expensive medicines as well. You are providing lots of technical equipment that goes into hospitals.

Same thing in the agricultural sector, the inputs are going to be substantially more costly in feed, fertilizer, equipment, and other things. So we would expect that there would be a difference.

As I say, we appreciate enormously the resources that we get for democracy and governance. I think it is key to being able to deliver better services, but they shouldn't be looked at on a one-to-one ratio.

Senator COONS. Thank you.

Senator Isakson.

Senator ISAKSON. The chairman had a graph showing that China had overtaken the United States as the No. 1 trading partner with Africa. And I think, Mr. Gast, you referred to that in your remarks, didn't you? China being a major trading partner, or was that Johnnie?

Mr. GAST. No.

Senator ISAKSON. You didn't? Did either one of you—do any one of the three of you know what it was that caused China to overtake us? What product they are exporting, what—is it energy? Is it rare earth minerals? It is petroleum? What is it that caused that change?

Ambassador CARSON. Senator Isakson, I think it is a combination of things that have resulted in China's expanding commercial activities. In terms of imports, China is, indeed, trying to import as much raw material as it possibly can. It is now an importer of petroleum from Africa. It is an importer of iron ore. It is an importer of other kinds of minerals and metals. It is also importing some rare earth materials as well.

But it is also a major exporter. And it is exporting inexpensive consumer products into the African market. It is also exporting mining machinery and some capital goods as well. So it has not been one single item. It has been a number of items, both on the export and the import side of the ledger.

Senator ISAKSON. I would assume that if we fail to renew the third-party fabric agreement in AGOA, that gap will widen. Is that correct?

Ambassador CARSON. I would think so, that it very well could because we would see a substantial decrease in the amount of fabric and textile coming into the United States from Africa. Ms. Liser probably has the number on the top of her head, but I would think that the largest single item after petroleum coming into the U.S. market is textiles.

And so, the loss of the Third-Country Fabric Provision would result in a sharp decline, as we are seeing, in African textiles coming into the United States. But the impact for us is significant, but for Africa, it is catastrophic because it means that jobs will be lost. It means that factories will also be closed and that the business probably will disappear and not come back.

Senator ISAKSON. Ms. Liser, did you want to comment on that?

Ms. LISER. Yes. I wanted to just add just a few other things. One of the things that has been seen—one of the things that has happened in the trade relationship between the Africans and the United States is that for the first time, they are able to effectively ship value-added products to us and do so competitively.

That is not necessarily the case in terms of the way that their trade pattern is with other countries, including China. And they have told us that part of the reason why AGOA is so important to them, even though they may only constitute a very small portion of our import market in any of the areas that we are importing from them—whether it is toys or sunglasses or wine or fruit juices or apparel—even though that is the case, it is one of the places where they know they can ship those value-added products to us.

And so, we are hoping that, obviously, by the extension of the Third-Country Fabric Provision, that their apparel, which now actually is about a third of all of their nonoil exports to us, and so they are shipping other products, nonoil products to us as well. But we want to keep that growing and increasing, and we don't think that those kinds of products are going to their other partners.

And that is an area where for all countries in the world if all you export are raw commodities at the lowest end of the value chain, you will never be able to really capture a large share of world trade. And so, that is part of why Africa today only has about 2 percent of all world trade. It is because they are exporting largely raw commodities, and other countries are taking those products, processing them, and adding the value and getting a lot more for it once that happens.

Senator ISAKSON. Well, one of the reasons I have worked, I know Senator Coons has as well, for the extension of the third-party fabric agreement is we actually will be ceding our position and making our position on the continent worse and making China's better by just looking the other way in terms of the AGOA extension. So I appreciate both of your answers on that.

Mr. Gast, you made a comment that piqued my recollection of a trip to Uganda and a trip to Ethiopia that I have taken, talking about women in Africa and talking about food security and their tendencies to be better savers and better investors. They also become better presidents.

[Laughter.]

Senator ISAKSON. I know President Banda in Malawi and Liberia's President Ellen Johnson are doing a tremendous job. And a lot of people don't realize how much USAID is doing in terms of development of women in Africa and how they are emerging through many NGO programs like the Village Savings and Loan Associations that CARE promotes on the continent and throughout the developing world.

So the African woman is really a part of this expansion of opportunity and future for the continent of Africa, and I just wanted to commend USAID and you and Dr. Shah for what you are doing in that regard.

Mr. GAST. Thank you, Senator.

Just one comment, and recently, President Banda was here from Malawi. And she spoke at our Frontiers in Development, and we had been supporting her and women's institutions in Malawi for many decades, several decades. And her response to the crowd was, "I am a product of USAID."

Senator ISAKSON. Senator Coons and I met with her in the Foreign Relations hearing room in the Capitol, and we saw exactly that same type of commentary from her. And she has taken some courageous steps in a very short period of time to really turn that country around.

Thank you, Mr. Chairman.

Senator COONS. Thank you.

Senator Udall.

Senator UDALL. Thank you, Chairman Coons.

And let me follow up a little bit on some of the questions that have been asked here, specifically about China's economic and trade engagement with Africa and it surpassing the United States and Africa at least in a dollar amount.

Among the reasons that this can be viewed as troubling is China's poor record with respect to resource management and sustainability. In your opinion, are there opportunities for expanded U.S. engagement on these issues?

Ambassador CARSON. Senator Udall, thank you very much for that question.

We engage China on questions related to Africa, and last November, I traveled to Beijing for 2 days of meetings with Chinese officials. We also talk to African Government leaders about China as well.

We tell our African colleagues that they should hold China and Chinese companies to the same rigorous high standards that they hold American, European, and other Asian countries, including Japan and South Korea, to when they enter into trade agreements.

We see a problem with some Chinese economic engagements in Africa that are very much different from our own. When American and Western European companies generally engage in the continent, we not only make an investment, but we also bring new technology. We transfer skills. We hire local labor. We deal in transparent contractual negotiations. We are subject to the Foreign Corrupt Practices Act of our own country, and we hire locally and follow local labor and environmental standards; standards which are quite high.

Frequently, we see in many investments from China that these same rigorous standards are not followed. China will bring in large number of laborers to undertake and complete contracts in countries where there is large levels of unemployment.

There is not a high degree of skill transfer and not a high degree of new introduction of technology. And in some cases, we see that environmental procedures and labor local laws are not followed.

So to our African partners we say look at what you get. Look at it transparently and openly, and we hope that you will accept what is, in fact, best for you. To the Chinese, we say to them that it is important to carry out your activities in an open and transparent way and one in which you are treating Africans as partners in the process.

So, yes, the engagement is there. There is a set of fundamental differences between them, but we recognize, too, that China does have a right to be an economic competitor in the continent, just as the British and the French and the Japanese are. But we ask them to be a responsible competitor, an open competitor.

I also note that most of what China does across the continent is, in fact, done commercially, is not done as a part of a development assistance program. China does not have an agency or a department that is the equivalent of USAID or MCC. Those don't exist there.

And they certainly don't have the kind of transparency in contractual arrangements that we do, nor do they have a Foreign Corrupt Practices Act that allows for extrajudicial oversight of any contracts that are made.

Senator UDALL. And it is true, isn't it, that many of those Chinese companies are state-run companies and that if they have that oversight, I think they could really make a difference if they had some structure set up within their government which would investigate, if they had a law in place like a Foreign Corrupt Practices Act.

Have you seen—Senator Kerry chaired—or Chairman Kerry chaired a hearing here on ivory and the illegal ivory trade and how what was really happening with the poaching in Africa and the ivory trade in Asia and in China was a result of them not cracking down on this. Did you raise that in your meetings?

When you raise these kinds of issues, do you get assurances that all the issues you mentioned in terms of local labor and environmental standards and all that, do you get a sense from the Chinese they are trying to change, they are trying to do something about it? Are they trying to put laws in place?

Ambassador CARSON. Let me say that I have not discussed the issue of ivory trade or CITES regulations with the Chinese. We are aware of the concerns of the international community about the illegal movement of ivory and rhino tusks from Africa into Asia. We know that the demand for these products helps to feed poaching in Africa, but it has not been something that I have talked about.

I think my colleagues at the State Department do follow CITES issues, just as the Department of Interior does. And so, this is a discussion with many governments. As you are well aware, it is illegal for a U.S. citizen to import any ivory products into the United States under our own law, as well as under the CITES convention and endangered species.

With respect to the second half of your question, we encourage the Chinese to act responsibly in their trade and commercial relations with Africa. But again, as I say, there is a dual responsibility that Africans also ensure that they are getting compliance from the Chinese in following local labor environmental standards and that they are providing value for money and that they are employing locally and that there are skills transfers.

We recognize that many Chinese investments and trading opportunities in Africa are dominated by state-run institutions, and some of those are not nearly as transparent to the international community or, for that matter, to African governments and to African citizens as they should be.

Senator UDALL. Thank you very much, Assistant Secretary Carson.

Senator COONS. Thank you, Senator Udall.

I would be interested in hearing from all three members of the panel, if I could, your view on the President's Strategy Toward Sub-Saharan Africa, in particular the Doing Business with Africa campaign and how you see that being implemented going forward?

Your view on the bill cosponsored by Senators Durbin, Isakson, and myself, I referenced previously about trying to significantly expand U.S. trade relationships. And the last, the initiative to streamline potentially, an administration announced initiative to streamline Government resources related to trade and how your respective agencies currently coordinate what can at times be overlapping responsibilities with relation to trade.

If you would just in series briefly address that question or series of questions? Thank you.

Mr. Assistant Secretary.

Ambassador CARSON. I will start. Let me say that in promoting greater trade with Africa, Secretary of State Clinton has taken a major role by rolling out during the AGOA conference this year her economic statecraft policy. She has made it very clear that every Ambassador is a commercial attaché for American business interests overseas, and that includes Africa.

That every embassy is charged with helping to promote greater trade and investment. This is key for us in Africa as well. In addition, we have undertaken, as I pointed out, this year and will continue to do so in the future, trade missions to Africa, where we will identify a particular sector and bring American business officials to Africa.

Secretary Clinton will be in Africa during the last week of July. And as I mentioned in my testimony, she intends to take a rather large group of American business leaders with her to South Africa to help to promote trade and investment between the United States and South Africa.

We also have expanded AGOA over the last 2 years to not only include the AGOA Forum in Washington, where we have an opportunity for American Government officials to talk with African Government officials and African business leaders, but we have added a U.S. trade and investment component, where we have gone out to Kansas City 2 years ago. In June 14–15 after the AGOA Forum, we were in Cincinnati, OH. We intend to build on each of these tiny initial steps to strengthen what we are doing.

And finally, we are taking the lead in creating organizations like AWEP, the African Women's Entrepreneurial Program, which, again, was an innovation that the Secretary, Secretary Clinton asked us to move forward on. It is also part of our effort to engage young African leaders.

And again, this year for the very first time, we brought some 62 young African leaders to the United States to be here for a 3-week period to help to promote business initiatives with them, to put them in mentorship programs with American companies to help them get ideas on how they could grow their businesses in Africa. All of this will feed into the Grow Africa program.

There are other strategies that are out there, but these are just some of the things that have been done and the last new things that have been done in the last year or two for which we will build on as we strengthen our efforts to reach out to Africa in the business community.

Mr. GAST. We enthusiastically support the President's strategy, especially the pillar on promoting economic growth in Africa. And we support it in many ways.

One is in Washington. This strategy now gives us a common framework for all agencies through which to work, and that helps us sharpen our efforts. It helps us set strategic priorities in Washington for our agencies that are working in Africa. And then it also helps identify overlap and gaps and manage those overlaps and gaps.

As the Assistant Secretary mentioned, the Ambassador in-country is empowered as the CEO of all U.S. Government operations. And so, that is where we get the on-the-ground operational coordination of all agencies in engaging with African partners, as well as U.S. partners. And I can say that all of our Ambassadors are fully engaged on promoting U.S. trade and investment.

And then just let me give you an example of how this coordination is playing out. From the U.S. Government's perspective, there is a focus on the EAC, East African Community. USTR and the State Department certainly doing their part. We are helping the EAC through trade capacity-building.

But also one of the things that we looked into was establishing the partnership with the U.S. Geothermal Association. Why? Because there is significant potential in the Rift Valley. Members of the EAC have great potential to develop their power sector, and power is one of the major impediments to trade and investment and primarily investment in Africa.

And the United States has a tremendous comparative advantage. And so, we think with the tools that we have and the competitive advantages that we have in the private sector and among agencies, we can collectively pool our efforts and really make meaningful impact in a short period of time.

Senator COONS. Thank you.

Ms. Liser.

Ms. LISER. So one of the things, obviously, that the PPD is doing is helping us, as Mr. Gast was saying, within the U.S. Government to be more coordinated, to set our priorities, and to work more effectively together in all the pillars of the PPD, but in the particular one that focuses on trade and investment and economic growth.

But I wanted to touch on here the Doing Business in Africa campaign really is an effort to recognize that the U.S. Government really can only go so far, that we absolutely have to have U.S. businesses actively engaged. And it is not as though United States businesses are not in Africa. We know that there are many of them that are there, many of them that are involved in joint ventures, selling products.

I think just the other day I heard about Rwanda Air is going to be purchasing a Boeing aircraft. So we have businesses there. But I think the point of the Doing Business in Africa campaign will focus on the fact that even for the United States, it is not the Boeings that drive our trade. It is the small, medium-size enterprises, women-owned, minority-owned, diaspora-owned enterprises.

And it is those companies that we want to get out and educate about the opportunities in Africa, which will help them to grow their businesses. The most successful small businesses in the United States are able to do that by expanding out from the U.S. market and identifying foreign markets that they can be competitive in and sell their goods and services to.

So we will be working closely with the Commerce Department and others in this Doing Business in Africa campaign, which, as I said, I think will be very much focused on our medium-size and smaller businesses to make sure that they know that Africa has the highest rate of return on investment, to know that there are partnerships that are being built, working in terms of importing products as well, which can help them in terms of supplying from Africa.

Senator COONS. Well, thank you, Ms. Liser.

You mentioned in your testimony progress toward a bilateral investment treaty with Ghana, and yet at the same time, the Foreign Commercial Service, if I understand correctly, has just withdrawn their representative, their participant in the trade hub. Would you see the absence of a Foreign Commercial Service officer in Ghana, in the regional trade hub, as any impediment to progress in a bilateral investment treaty?

Assistant Administrator Gast referenced how the PPD is helping identify areas of overlap or gaps, and one of the things we are trying to do in the Senate is to identify gaps, overlaps, areas where we could be constructive by either adding more resources or directing more priority. How do you see that playing out in Ghana?

Ms. LISER. Well, you know, clearly it is useful to have Foreign Commercial Service officers in as many places as possible in Africa. We certainly see the value of that, and we are hoping that through this PPD process and identifying our priorities—priority countries, priority issues, areas that have not gotten as much focus as they should—that that will give agencies, including Commerce, an opportunity to perhaps go back and to look at where they need to put those valuable resources because they can't put them in every country.

But if I could just say I have been to a number of countries in sub-Saharan Africa, and I believe that the embassies, their econ officers, political officers, the people in the embassy are doing a great job. People at AID who are posted there, people who are, I think, also very useful in the exercises that we undertake to improve and enhance our trade and investment relationship.

So even as we are planning for TIFA meetings, we are talking to people at the Embassy. They are helping us to set up the right meetings, bring in the right people.

So we are hopeful that notwithstanding the fact that there might not be a Foreign Commercial Service officer in Ghana, we think that just pursuing this agreement signals to people that Ghana certainly is a place that is ready to welcome with all of the protections, et cetera, that are needed, new U.S. investment—they already have quite a bit of U.S. investment—but we are hoping that by negotiating a BIT with them that they will attract even more.

Senator COONS. Thank you.

Senator Isakson.

Senator ISAKSON. Ms. Liser, I think this would probably be for you. When talking about developing more exports from the United States to Africa, for me, the No. 1 problem in Africa in terms of business development and trade expansion is infrastructure—roads, highways, bridges. But most importantly, a reliable electrical system, which everyone that we have met with that has come to talk about it from the Great Lakes region or wherever, they talk about their unreliable power system.

The United States has some great leaders in power. General Electric and the generators that they sell comes to mind. What are we doing to help facilitate expansion of U.S.-manufactured products in the energy field to the African Continent?

Ms. LISER. I think, actually, on that one, Johnnie would be good because he just took a group of people there. But if I could just say this one thing about the opportunities for U.S. businesses there, that we have been working with the Africans to help them recognize that the high cost of energy, transportation, and other infrastructure in Africa, as well as some of the redtape in moving products in and out of ports and airports, is keeping them from being competitive and eating up some of the advantage that they have through things like AGOA.

And so, to some extent, just making sure that they are focused on investing in regional transport infrastructure, regional energy infrastructure that will bring costs down for production, make it more attractive for U.S. businesses to be there, we think that this focus will actually help as well.

Senator ISAKSON. Secretary Carson.

Ambassador CARSON. Senator Isakson, I think your question is absolutely spot on. Nigeria today, a country of approximately 160 to 170 million people and is one of the top 10 exporters of oil in the world and is the fifth-largest exporter of oil to the United States with enormous gas reserves, probably on any given day produces less electrical power than is produced and generated in the city of New York.

This speaks to the need for electricity, reliable electricity in Africa's largest, most populous country, but it also is reflective of the problem across the continent. We see the need. We have tried at the Department of State to respond to it, to do on this side to educate, to inform, and encourage American energy companies to go out to Africa to see for themselves the enormous potential there is for both investment and business.

This is why in February of this year, we in the Africa Bureau, I personally led a trade mission to four African countries—Mozambique, Tanzania, Nigeria, and Ghana—of some 10 companies in the United States who we were trying to interest in generating, distributing, and transmitting electrical power to African countries to strengthen their capacity to do all these things. These four countries that we visited have enormous hydropower, enormous gas, and enormous petroleum resources, as well as natural resources in wind and solar.

So we took these 10 companies out to give them an opportunity to see what the potential in the marketplace was. These were companies, some that have never been to Africa before, but have been active in Latin America. Small companies like Energy International all the way up to GE going out with us as well.

Following up on this theme and using and trying to integrate what we have been doing at one level with what we do in other areas, as a part of this year's AGOA Forum, the focus was on infrastructure with a key aspect being energy. That was a discussion point at the meetings in Washington, but following that, the Corporate Council on Africa held its infrastructure conference here in D.C. They focused on energy.

And then we, again, as a part of the extension of AGOA, took African ministers, business leaders, as well as some of the women from the AWEP, the African Women's Entrepreneurial Program, as well as some of these young African business leaders, we took them to Cincinnati, and again, we revisited the theme of energy there. Two of our most important site visits were with Duke Energy, which is headquartered in Cincinnati, and with GE, which also has a major divisional headquarters here.

The officials, the senior officials at Duke were extraordinarily hospitable in showing us. In both the GE discussions and the Duke discussions, we tried to show African businessmen and women and officials that it is possible to have reliable, inexpensive energy generated from gas or from gasoline or diesel, as well as from wind and solar, that it is possible.

At one of those stops, I can't remember now whether it was Duke or GE, one of the senior engineers told us that in off-peak hours, he was paying approximately 4 to 5 cents a kilowatt hour for electricity, 4 to 5 cents a kilowatt hour. And during the high peak in which—the intense part of the day when summer heat is highest, he was paying 14 to 15 cents a kilowatt hour for electricity.

He also reported—they also reported that Cincinnati had never had a power outage since 1965. The city of Cincinnati had not had a power outage since 1965, that the backup systems were just that good, despite the fact that they were in a weather-prone area that had tornadoes and other things.

Contrast that to what our African Government officials were saying to us and the business people were saying to us where they were paying for electricity, unreliable electricity, they were paying anywhere from 40 cents a kilowatt hour to 80 to 90 cents a kilowatt hour. And most of their electricity was being generated by off grid as a result of the use of imported diesel to drive high-cost electric generators.

Indeed, it is an impediment to manufacturing, keeping manufacturing costs low. And again, our effort to help Africa deal with this problem is twofold. As I say, one, to educate and inform and encourage and to go along with American companies out to Africa to show them the enormous potential that exists. It also is bringing African business leaders and government officials here to show them what exists in this country and what can exist in their own countries as well.

We intend to continue to push this. Secretary Clinton has given us the mandate to go forward and try to encourage this through our economic statecraft. We will do it as our effort in helping to promote Doing Business in Africa as well, but it is a focal point of ours. And it is not just the only focal point that we have on the economic radar, but it is one that we are going to continue to pursue.

Some American companies are doing extraordinarily well out there, and we hope to use them as examples to other American companies about what they can do in the energy field as well.

Senator ISAKSON. Thank you very much.

Did you have something, Mr. Gast?

Mr. GAST. In my opening statement, I mentioned that we established a partnership with the U.S. Geothermal Association, and I talked about it very briefly a few minutes ago. But let me just give you some statistics that may help illuminate the potential that is there.

In the Rift Valley, the engineers estimate that there is 15,000 megawatts worth of potential. This is an area that is growing, greater need for electricity, and where we have a comparative advantage.

And where the United States has probably unparalleled advantage in terms of technical capacity is on low-temperature geothermal projects, and there is an estimate of about another 15,000 megawatts. This is a huge growth area for U.S. investors, as well as driving investment and driving growth in East Africa.

Senator ISAKSON. Thanks to all of you for your testimony.

Senator COONS. Thank you.

If I might, Senator, if you would just indulge me one last question, I suspect it is of interest to both of us.

Ms. Liser, the poultry industry is of great significance to the State of Delaware, as well as the State of Georgia and many other States, and a significant piece of its opportunity for the future here in the United States is in exports to Africa. My view is that we will always do better developing exports in partnership with countries that recognizes their legitimate need to develop their own domestic technology and industries as well.

The University of Delaware is host to the Avian Bioscience Center. I recently spoke to their most recent class of folks who came from around the world from a dozen countries, including four from sub-Saharan Africa, to get skills in how to manage avian flocks.

What are we doing to strengthen opportunities and access for U.S. poultry exports in Nigeria, South Africa, Kenya? There is many markets that have real potential, but where some, I think, not scientifically grounded bans based on misperceptions about avian influenza continue to make it difficult for us to export.

And what more could we be doing to help build this sort of partnership that would make access to those markets both more sustainable and more mutually beneficial?

Ms. LISER. Thank you.

So, first of all, there are a number of African countries that are importing poultry, but then there are those countries where we have had some issues. And the issues range. For example, in South Africa, it is an antidumping rule that has affected the U.S. poultry exports to that country.

Ambassador Kirk, when he sat down with Minister Davies of South Africa during the AGOA Forum, raised this again. And it is one of the areas where we have raised it under the TIFA. But with it having been discussed at that level, there is a commitment to come back and to let us know more about the decision that has been made. It is a sunset decision that has been made where they kept the antidumping duty in place instead of letting it expire.

So we are following up with them. There is a judicial process that is going on there. That is kind of one country and one issue. Nigeria, it is a somewhat different issue. The ban that they have there, which affects some of our poultry exports, has more to do with the philosophy that Nigeria has in general about how one goes about building up your domestic industries in key sectors.

And they view poultry, as do a number of African countries, they view it as a key sector, both to supply protein to their local people, to sell to their neighbors, et cetera. And so, the point you were making about we want to partner with them. We understand that they would like to grow their poultry industries, but we also want to talk to them and work with them so that they are not banning the imports of products where we are competitive in that market.

And I would just say this. We have noticed—it is not true in every country. We have noticed that they may have a preference for certain types of chicken. It might be dark meat. So if we could import—if we could export our dark meat and be able to be competitive in that market, then our view is that there is plenty of room for us to be in the market.

So we are working with them. We have raised it. We have raised the Nigerian import ban, which is not just on poultry, but a range of products, in our TIFA meeting, and we will be raising it again in the fall.

And the last thing I would say is that we have also been in contact with our poultry industry to talk to them and find out more about what they need to do, working with us so that we can address the specific countries and areas where we should be able to advance our poultry exports into particular markets, and it might even be particular products into particular markets. But we are doing that as well.

Senator COONS. Well, thank you.

If I might, I just have a closing question for the whole panel, which is how might we in the Senate, who are particularly concerned about continuing to expand and promote business relationships between the United States and Africa for our mutual benefit, be more constructively supportive of the work of the administration and your three agencies?

Because each of you have described a variety of initiatives and efforts that are compelling, that are positive, and that I, frankly, think deserve more support from the Senate, from us individually and from our offices and from the Senate as a body.

So here is a wide open, softball question to encourage you in brief and in closing to let us know what more we could be doing to support the work that each of you are doing through your agencies.

Mr. Secretary.

Ambassador CARSON. Mr. Chairman, I am going to say again what I said at the very beginning. I appreciate your personal commitment, as well as the personal commitment of the ranking member, Senator Isakson, for meeting with African members who came in from the continent to participate in the AGOA Forum. I think that is important.

I would say things that you can do. Meet periodically with the African ambassadors. Encourage them to continue to put in place the kind of economic reforms and regulatory environments that will attract American business.

Second, I would encourage you to whenever you can to speak to American business groups and encourage them to take advantage of the opportunities that exist to do business in Africa and assure them that we in the U.S. Government have a number of programs that are designed to facilitate and help them get into the African marketplace.

Our own trade promotion efforts, our Doing Business in Africa initiative, whether it is Ex-Im Bank or OPIC or USAID through its trade hubs, we are out there, and we are willing to work with the American business community to move forward.

Third, I would say do what you are doing right now. Bring us here. Ask us what we are doing. Question us about the effectiveness of it. And look to see where we are not doing as much as we could and encourage us to do more.

And I will stop right there.

Senator COONS. Thank you very much.

Administrator Gast.

Mr. GAST. My answers aren't too dissimilar from the Assistant Secretary's. First of all, our agency, the U.S. Government, thank both of you for your personal involvement.

Both of you are frequent travelers to Africa, and both of you are frequent visitors and participants in many of the discussions and events that we have here in Washington and throughout the country on Africa and investment in Africa. So please continue to do that and be active participants.

Second, I would say continue to support the President's Feed the Future initiative. We are seeing tremendous impact in a very short period of time. And just recently at the AGOA conference, we had investment commitments on the part of the private sector, 48 companies of $3 billion, taking place on the continent. That is huge.

Thank you.

Senator COONS. Thank you.

Ms. Liser.

Ms. LISER. And mine builds on what has already been said. We think that it would be really helpful for you to continue to talk to your constituents and educate them not just about trade with Africa, but about trade more generally. I think all of us recognize that the American public has a view about trade that has it as sort of zero sum gain as opposed to win/win. And we think that one of the most important things that needs to happen is for Americans to have a really good understanding of how trading with the rest of the world really supports the global economy, grows jobs here, as well as in other places.

And so, as you go out and talk to people about Africa trade and just letting them know that there are huge opportunities that would be mutually beneficial for Africa as well as for us.

The second thing I would say is, again, you travel to Africa. When you go there and you speak with African leaders and talk to them about the importance of improving their environment for business and for trade, that trade is an engine for economic growth, and that that's the thing that is going to move them from being dependent on aid to being able to really be competitive in the global economy.

And we would just ask that you also speak to their parliamentarians. That that is like really important because sometimes we find that the leaders that we deal with, the officials that we deal with, trade ministers, et cetera, they get it. But we find sometimes that they will mention that their parliamentarians don't.

And so, as a parliamentarian, we think that your engaging in Africa with people in their Parliaments would be very helpful.

And the last thing I will say is please continue to press to move on the AGOA legislation, not just the Third-Country Fabric Provision, but also on the extension of AGOA beyond 2015.

Thank you.

Senator COONS. Thank you very much.

I am grateful to our entire panel for your testimony today, for your hard work on this important topic.

Senator Isakson, did you have a closing statement you would like to make of any kind?

Senator ISAKSON. No, thank you.

Senator COONS. Then let me simply say that both of us come out of the private sector, come from States that are known for their economic dynamism, and are grateful for the opportunity to engage in our home States with the diaspora community, with our private sectors, with those who can take advantage of a trade. And it is possible for us to sustain the sort of engagement we are offering because it connects to American jobs. It connects to opportunity for our own States.

So thank you very much for the opportunity to explore these issues today. We will keep the record open for a week for those members of this committee who might have missed the opportunity.

I look forward to our next hearing on this topic next month.

Thank you very much.

[Whereupon, at 4:10 p.m., the hearing was adjourned.]

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