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INCREASING AMERICAN JOBS THROUGH GREATER EXPORTS TO AFRICA ACT OF 2012

NOVEMBER 13, 2012.—Ordered to be printed

Mr. KERRY, from the Committee on Foreign Relations, submitted the following

R E P O R T

[To accompany S. 2215]

The Committee on Foreign Relations, having had under consideration the bill (S. 2215) to create jobs in the United States by increasing United States exports to Africa by at least 200 percent in real dollar value within 10 years, and for other purposes, reports favorably thereon and recommends that the bill, as amended, pass.

CONTENTS

I. PURPOSE

The purpose of S. 2215 is to "to create jobs in the United States by expanding programs that will result in increasing United States exports to Africa by 200 percent in real dollar value within 10 years." To achieve this objective, the bill directs the administration to submit to Congress an interagency strategy, to improve United States Government staffing for U.S.-Africa trade, to expand the Export-Import Bank of the United States financing for projects in Africa, and to ensure adequate EXIM funding to counter foreign export credit finance that is noncompliant with agreements of the Organisation for Economic Co-Operation and Development (OECD).

II. COMMITTEE ACTION

S. 2215 was introduced on March 21, 2012, by Senators Durbin, Boozman, and Coons. It was discussed at a committee hearing on July 25, 2012. On September 19, 2012, the committee ordered S.

29–010

2215, with an amendment in the nature of a substitute, reported favorably by voice vote.

III. Discussion

With a population of approximately 1 billion people, the African Continent[1] offers tremendous opportunities to U.S. companies and investors who are willing and able to overcome initial obstacles. According to the Office of the United States Trade Representative, between 2000 and 2010, six of the ten fastest-growing economies in the world were in sub-Saharan Africa. In addition, recent reports by the McKinsey Global Institute[2] indicate that:

- Africa has been the second-fastest-growing region in the world over the past decade (after Emerging Asia), with gross domestic product (GDP) expected to expand by 4.8 percent in 2012.
- Poverty is declining and the number of African households that joined the consuming classes rose roughly 50 percent in the past decade (to approximately 90 million).
- African economies will profit from rising global demand for oil, natural gas, minerals, food, arable land, and other natural resources. However, less than one-quarter of Africa's GDP growth from 2000 to 2008 came from natural resources, with the bulk of growth coming from wholesale and retail trade, transportation, telecommunications, and manufacturing. Thus there are opportunities in a number of sectors.
- The African Continent is estimated to need $72 billion in infrastructure investment per year, presenting American businesses with significant openings for investment.

There are, however, a number of challenges that U.S. businesses face when considering investing or exporting to the region. The most recent available data suggest that U.S. exports and investment in Africa account for just 2 percent and 1 percent of the U.S. totals in these areas of activity. Lack of existing infrastructure, corruption, and capacity shortfalls can also inhibit investment. Increased assistance from the U.S. Government to help reduce barriers to American investment and facilitate entry into markets by U.S. businesses of all sizes would help companies navigate this process and create American jobs in the process.

The United States has nine key agencies involved in promoting U.S. exports and investments in foreign countries,[3] however, coordination of the activities of these agencies could be enhanced. This legislation (S. 2215) aims to create jobs in the United States by expanding programs that will result in increasing United States exports to Africa by 200 percent in real dollar value within 10

[1] In some trade and U.S. foreign policy contexts, the term "Africa" refers to sub-Saharan Africa (SSA), while North African countries are considered together with countries in the Middle East. AGOA preferences, for example, only apply to SSA countries. S. 2215/H.R. 4221, however, defines Africa as consisting of 54 countries (see Table A–1 in appendix). These 54 countries include 48 countries in sub-Saharan Africa, as well as South Sudan, and the North African countries of Algeria, Egypt, Libya, Morocco, and Tunisia. Within this memo, the term "Africa" refers to all 54 countries in the region, while SSA refers to all except those in North Africa.

[2] McKinsey Global Institute, "Africa at work: Job creation and inclusive growth" (August 2012); "Lions on the move: The progress and potential of African economies" (June 2010).

[3] These are the U.S. Departments of Agriculture (USDA), Commerce, State, and the Treasury, as well as the Export-Import Bank (EXIM), the Overseas Private Investment Corporation (OPIC), the U.S. Trade and Development Agency (TDA), the Small Business Administration (SBA), and the U.S. Trade Representative (USTR). Export promotion activities include providing export financing and advocacy assistance to U.S. companies to overcome information and market entry barriers.

years. To achieve this objective, the bill directs the administration to submit to Congress a coordinated, interagency strategy, to improve U.S. Government staffing for U.S.-Africa trade, to expand EXIM financing for projects in Africa, and to seek to ensure adequate EXIM funding to counter foreign export credit finance that is noncompliant with OECD agreements. The bill is consistent with President Barack Obama's Presidential Policy Directive, "U.S. Strategy Toward Sub-Saharan Africa," which encourages U.S. companies to trade with and invest in Africa.

A section-by-section discussion of the legislation follows.

Section 2

Section 2 includes the findings, noting the importance of exports to U.S. businesses and workers, the need for improved coordination among government agencies involved in export promotion, the support that competitors to U.S. firms receive from their governments, and the rapidly expanding opportunities in Africa available to foreign investors and exporters.

Section 3

Section 3 defines the terms used in the bill.

Section 4

Section 4 requires the administration to submit to Congress a coordinated, interagency strategy, not later than 180 days after the date of the enactment of this Act, to expand U.S. exports to Africa by 200 percent in real dollars over the next decade. A progress report is also required after 3 years to assess the success of the strategy.

The administration is directed to focus the strategy on: (i) increasing exports of United States goods and services to Africa by 200 percent in real dollar value within 10 years; (ii) promoting the alignment of United States commercial interests with development priorities in Africa; (iii) developing relationships between governments in Africa and U.S. businesses that possess expertise in such issues as infrastructure development, technology, telecommunications, energy, and agriculture; (iv) improving the competitiveness of U.S. businesses in Africa, including the role the African diaspora can play in enhancing such competitiveness; (v) exploring ways that African diaspora remittances can help communities in Africa tackle economic, development, and infrastructure financing needs; (vi) promoting economic integration in Africa; (vii) encouraging a greater understanding among U.S. business and financial communities of the opportunities Africa holds for U.S. exports; and (viii) monitoring the financing terms available to U.S. businesses relative to the terms made available to foreign firms by their governments.

In developing the strategy, the President is required to consult with Congress, each U.S. agency that is involved in trade promotion or development, the World Bank Group and the African Development Bank, businesses, nongovernmental organizations, and African diaspora groups.

Section 5

To improve the coordination of the U.S. agencies involved in the promotion of U.S. exports and investment abroad, section 5 creates a Special Africa Export Strategy Coordinator (i) to oversee the development and implementation of the strategy required by section 4; and (ii) to coordinate with the trade promotion and development agencies with respect to developing and implementing the strategy.

Section 6

Section 6 states the sense of Congress that, not later than 1 year after the date of the enactment of this Act, the Secretary of Commerce and other high-level officials of the U.S. Government with responsibility for export promotion, financing, and development should conduct a joint trade mission to Africa.

Section 7

To offset the impact of past under-resourcing of commercial programs focused on Africa, and to help U.S. companies more effectively to seize new opportunities on the African Continent, section 7 directs several agencies to allocate adequate personnel and to ensure adequate information technology systems to implement the strategy.

The Secretary of Commerce is directed to ensure that not less than 12 Commercial Service officers are assigned to U.S. embassies in Africa for each of the 5 fiscal years beginning after enactment of this Act. The Secretary of Commerce is also directed, as soon as practicable after enactment of this Act, to assign not less than one full-time Commercial Service officer to the Office of the U.S. Executive Director at the World Bank and the African Development Bank.

The Export-Import Bank of the United States ("EXIM") is directed (i) to increase the number of staff who spend the majority of the year based in Africa and increase the number of business development trips it conducts in Africa; (ii) to increase, to not less than 30, the number of employees assigned to U.S. field offices to work in coordination with the related export efforts undertaken by the Small Business Administration regional field offices; and (iii) to upgrade its equipment and software to process and track applications for financing more expeditiously, effectively, and efficiently.

The Overseas Private Investment Corporation ("OPIC") is directed to increase, by not more than five, the staff needed to promote stable and sustainable economic growth and development in Africa, to strengthen and expand the private sector in Africa, and to facilitate the general economic development of Africa, with a particular focus on helping United States businesses expand into African markets. OPIC shall also report to Congress on whether recent technology upgrades have resulted in more effective and efficient processing and tracking of applications for OPIC financing.

Section 7 also includes a rule of construction making clear that nothing in the section shall be construed as permitting the reduction of Department of Commerce, Department of State, EXIM, or OPIC personnel or the alteration of planned personnel increases in other regions, except where a personnel decrease was previously anticipated or where decreased export opportunities justify personnel reductions.

Section 8

Section 8 directs the President to develop a plan (i) to standardize the training received by Commercial Service officers, economic officers of the Department of State, and economic officers of the U.S. Agency for International Development with respect to the programs and procedures of EXIM, OPIC, the Small Business Administration, and the U.S. Trade and Development Agency; and (ii) to ensure that, not later than 1 year after enactment of this Act all Commercial Service officers that are stationed overseas receive the training and, in foreign posts to which no Commercial Service officer is assigned, any economic officer of the Department of State stationed in that country receive that training.

Section 9

Section 9 provides more specific guidance to EXIM on the financing that it makes available to U.S. firms by expressing the sense of Congress that foreign export credit agencies are providing non-OECD arrangement compliant financing in Africa, and that in order to counter such actions and ensure U.S. jobs, EXIM should provide timely financing to meet such terms, as appropriate.

Section 9 amends section 6(a) of the Export-Import Bank Act of 1945 (12 U.S. C. 635e(a)) by requiring EXIM (i) to increase the amount it finances to Africa over the prior year's financing for each of the first 5 fiscal years beginning after enactment of this Act; and (ii) not later than 1 year after enactment of this Act, and annually thereafter for 5 years, to report to Congress if EXIM has not used at least 10 percent of its lending capabilities for projects in Africa.

Section 9 also directs EXIM to make available annually such amounts as are necessary for loans that counter trade distorting non-OECD arrangement compliant financing or preferential, tied aid, or other related nonmarket loans offered by other nations to their firms for projects in which U.S. companies are competing or interested in competing.

Finally, section 9 requires, not later than 1 year after enactment of this Act, and annually thereafter for 5 years, EXIM to report to Congress if the Bank has not used at least $250,000,000 annually for loans that counter non-OECD arrangement compliant financing offered by other nations to their firms.

Section 10

Section 10 makes technical and conforming amendments to section 22(b) of the Small Business Act (15 U.S.C. 649(b)).

Section 11

Section 11 states that, where applicable, the President shall explore opportunities to negotiate bilateral, subregional, and regional agreements that encourage trade and eliminate nontariff barriers to trade between countries. It also states that with respect existing agreements between the United States and countries in Africa, the President shall ensure that the agreements are being implemented in a manner that maximizes the positive effects for U.S. trade, export, and labor interests as well as the economic development of the countries in Africa.

IV. Cost Estimate

In accordance with Rule XXVI, paragraph 11(a) of the Standing Rules of the Senate, the committee provides this estimate of the costs of this legislation prepared by the Congressional Budget Office.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, October 26, 2012.

Hon. JOHN F. KERRY,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 2215, the Increasing American Jobs Through Greater Exports to Africa Act of 2012.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Sunita D'Monte.

Sincerely,

DOUGLAS W. ELMENDORF,
Director.

Enclosure.

S. 2215—Increasing American Jobs Through Greater Exports to Africa Act of 2012

Summary: S. 2215 would expand federal programs and initiatives to promote exports to Africa. CBO estimates that implementing the bill would have discretionary costs of $24 million over the 2013–2017 period, assuming appropriation of the necessary amounts.

Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

S. 2215 contains no intergovernmental or private sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of S. 2215 is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs) and 370 (commerce and housing credit).

	By fiscal year, in millions of dollars					
	2013	2014	2015	2016	2017	2013-2017
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Trade Financing Agencies:						
Estimated Authorization Level	2	2	3	3	3	13
Estimated Outlays	2	2	3	3	3	11
International Trade Administration:						
Estimated Authorization Level	3	2	2	2	2	12
Estimated Outlays	2	2	2	2	2	11
Trade Promotion Strategy:						
Estimated Authorization Level	*	*	*	*	*	2
Estimated Outlays	*	*	*	*	*	2
Total Changes:						
Estimated Authorization Level	5	4	5	5	5	27
Estimated Outlays	4	4	5	5	5	24

Notes: Components may not sum to totals because of rounding.
* = less than $500,000.

Basis of estimate: For this estimate, CBO assumes that S. 2215 will be enacted early in fiscal year 2013, that the necessary amounts will be appropriated each year, and that outlays will follow historical spending patterns for existing programs.

Trade Financing Agencies

Section 7 of the bill would require the Export-Import Bank of the United States (Ex-Im) and the Overseas Private Investment Corporation (OPIC) to increase their staffing levels to promote trade and investment in Africa. Based on information from those agencies, CBO estimates that Ex-Im would hire three additional employees to serve overseas at an annual cost of about $350,000 per person and two additional employees to serve in the United States at an annual cost of about $200,000 per person, and that OPIC would require five additional employees at an annual cost of about $200,000 per person. In total, those additional personnel would require annual appropriations of $2 million to $3 million a year, and would cost $11 million over the 2013–2017 period, assuming appropriation of the necessary amounts. Section 9 would require Ex-Im to increase its activity in Africa or to report annually to the Congress if it cannot provide at least 10 percent of its financing to that region. Ex-Im currently provides about 5.5 percent of its financing to Africa. Because the bill would not increase the overall cap on Ex-Im's financing, implementing that provision would require the bank to reduce its financing to other regions of the world. New financing provided to Africa could be more or less risky than financing in other regions and could therefore increase or decrease the appropriations needed to cover Ex-Im's subsidy costs; however, CBO has no basis for estimating the net effect of such changes in the bank's financing.

Finally, section 10 would require Ex-Im to increase its tied aid to Africa or to report annually to the Congress if it cannot provide at least $250 million each year in such loans to Africa. Tied aid is a form of concessional lending that requires the recipient to buy goods or services from the donor. Ex-Im has $178 million in funding for tied aid, but over the last five years Ex-Im has made only one such loan worth $23 million (of which $8 million was concessional financing).

Under long-standing guidelines jointly developed and implemented by Ex-Im and the Department of the Treasury, Ex-Im does not unilaterally initiate such loans; instead, it can counter offers made by other countries. There are evidentiary requirements and other thresholds that have resulted in very few loans being made. The bill does not alter those conditions and based on information from Ex-Im, CBO estimates that Ex-Im is unlikely to increase its tied aid or meet the bill's goal of $250 million each year in tied aid. CBO further estimates that the annual report to the Congress would cost less than $500,000 over the 2013–2017 period, assuming the availability of appropriated funds.

International Trade Administration

Sections 7 and 8 would increase costs to the International Trade Administration (ITA) by raising the number of foreign commercial service officers that are assigned to Africa, requiring additional staff to be placed at the African Development Bank, and requiring the agency to develop a training program for foreign commercial service and economic officers with respect to programs of the Ex-Im, OPIC, the Small Business Administration, and the United States Trade and Development Agency.

Based on information from the ITA, CBO estimates that the agency would open a new post in Africa and hire two additional foreign commercial service officers to serve in Africa at a cost of about $2 million per year, and hire one additional officer to serve at the African Development Bank at a cost of about $400,000 per year for salaries and administrative support. In addition, CBO estimates that providing training for foreign commercial service and economic officers would cost about $400,000 to develop the curriculum and to cover the costs incurred by attendees to travel to a central location to receive the training. Taken together, CBO estimates that implementing those provisions would cost $11 million over the 2013–2017 period, assuming appropriation of the necessary amounts.

Trade Promotion Strategy

Section 4 would require the President to designate a special coordinator to develop a strategy and implement a strategy to promote exports to Africa. Based on information from the ITA, CBO estimates that implementing those provisions would cost less than $500,000 a year over the 2013–2017 period, assuming the availability of appropriated funds.

Pay-as-you-go considerations: None.

Intergovernmental and private sector impact: S. 2215 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Estimate prepared by: Federal Costs: Sunita D'Monte and Susan Willie; Impact on State, Local, and Tribal Governments: J'nell L. Blanco; Impact on the Private Sector: Marin Randall.

Estimate approved by: Peter H. Fontaine, Assistant Director for Budget Analysis.

V. Evaluation of Regulatory Impact

Pursuant to Rule XXVI, paragraph 11(b) of the Standing Rules of the Senate, the committee has determined that there is no regulatory impact as a result of this legislation.

VI. Changes in Existing Law

In compliance with Rule XXVI, paragraph 12 of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no changes are proposed is shown in roman).

TITLE 12—BANKS AND BANKING

Chapter 6A—Export-Import Bank of the United States

SUBCHAPTER I—GENERAL PROVISIONS

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SECTION 635e. AGGREGATE LOAN, GUARANTEE, AND INSURANCE AUTHORITY

(a) LIMITATION ON OUTSTANDING AMOUNTS.—(1) IN GENERAL.—The Export-Import Bank of the United States shall not have outstanding at any one time loans, guarantees, and insurance in an aggregate amount in excess of the applicable amount.

(2) APPLICABLE AMOUNT.—* * *

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(3) SUBJECT TO APPROPRIATIONS.—* * *

(4) PERCENT OF FINANCING TO BE USED FOR PROJECTS IN AFRICA.—The Bank shall increase the amount it finances to Africa over the prior year's financing for each of the first five fiscal years beginning after the date of the enactment of the Increasing American Jobs Through Greater Exports to Africa Act of 2012.

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TITLE 15—COMMERCE AND TRADE

The Small Business Act

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CHAPTER 14A—AID TO SMALL BUSINESS

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SECTION 649. OFFICE OF INTERNATIONAL TRADE

(a) ESTABLISHMENT.—

(1) OFFICE.—There is established within the Administration an Office of International Trade which shall implement the programs pursuant to this section for the primary purposes of increasing.—

(A) the number of small business concerns that export; and

(B) the volume of exports by small business concerns.

(2) ASSOCIATE ADMINISTRATOR.—The head of the Office shall be the Associate Administrator for International Trade, who shall be responsible to the Administrator.

(b) TRADE DISTRIBUTION NETWORK.—The Associate Administrator, working in close cooperation with the Secretary of Commerce, the United States Trade Representative, the Secretary of Agriculture, the Secretary of State, the President of the Export-Import Bank of the United States, the President of the Overseas Private Investment Corporation, Director of the United States Trade and Development Agency, *the Trade Promotion Coordinating Committee,* and other relevant Federal agencies, small business development centers engaged in export promotion efforts, Export Assistance Centers, regional and district offices of the Administration, the small business community, and relevant State and local export promotion programs, shall—

(1) maintain a distribution network, using regional and district offices of the Administration, the small business development center network, networks of women's business centers, the Service Corps of Retired Executives authorized by section 637 (b)(1) of this title, and Export Assistance Centers, for programs relating to—

(A) trade promotion;
(B) trade finance;
(C) trade adjustment assistance;
(D) trade remedy assistance; and
(E) trade data collection;

(2) aggressively market the programs described in paragraph (1) and disseminate information, including computerized marketing data, to small business concerns on exporting trends, market-specific growth, industry trends, and international prospects for exports;

(3) promote export assistance programs through the district and regional offices of the Administration, the small business development center network, Export Assistance Centers, the network of women's business centers, chapters of the Service Corps of Retired Executives, *regional offices of the Export-Import Bank,* State and local export promotion programs, and partners in the private sector; and

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