Advancing the U.S. Trade Agenda:
Trade with Africa and the African Growth and Opportunity Act

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Chairman Nunes, Ranking Member Rangel and Members of the Committee, it is an honor to testify before you today. On the eve of the first-ever African Leaders Summit, the moment could not be more timely to be considering the renewal and strengthening of the African Growth and Opportunity Act.

I will briefly discuss several critical issues related to AGOA. But first, it is important to note that AGOA, for all its shortcomings, is the cornerstone of the U.S.-African commercial relationship and it provides the U.S. with a strategic advantage on the continent. Over the course of the last 14 years since the legislation was signed into law, AGOA has led directly and indirectly to the creation of several million jobs. For a continent of 1 billion people, where the median age is 17, this is a significant contribution to economic growth, social stability and the emergence of a middle class with a strong appetite for American products and brands. There is also a strong affinity with the way in which American companies do business in Africa in terms of skills development, technology transfer, career enhancement and respect for the rule of law and anti-corruption practices. It is in our strategic interest, therefore, that a renewed AGOA contributes to a deeper U.S. commercial engagement in Africa while also encouraging more exports from beneficiary countries.

As for the most critical issues, let me start with the time frame:

1. AGOA's Time Frame: Most Americans have what might referred to as a "pre-dial up" perception of Africa. In other words, their views of Africa continue to be informed by the Cold War era, before the internet, when coups, conflict and corruption were rife. There is little appreciation for the rapid growth, the significant improvement in governance and the emergence of a middle class on par with that of India and China. In order to change how American companies view Africa, there can be no higher priority than creating a framework of stability and predictability for entering the African market. The same is equally true for African and other companies navigating the complexities of exporting to the U.S. market under AGOA. All involved need assurances of a stable and sustainable set of commercial rules. For that reason, I support the African Union in its call for a 15 year extension of AGOA, from 2015 to 2030.

2. **Trade and Investment Centers:** Many American companies, especially small and medium companies, need support to be successful in Africa. African companies generally need assistance to find buyers in the U.S. and comply with U.S. regulations. The architects of AGOA anticipated some of these problems, and created three trade hubs to help African companies utilize AGOA.

The time has come to redefine the role of the trade hubs. They need to be restructured into trade and investment hubs so that they not only help African companies enter the U.S. but also facilitate American companies to capture market share on the African continent. To do this, the newly fashioned trade and investment hubs should become one-stop shops where the trade promotion activities of the embassies, officials from the departments of Commerce and Agriculture, Exim and OPIC are closely aligned on a daily basis in support of enhancing the U.S. commercial presence on the continent.

For this to happen, the Administration would have to commit to a "whole of government" strategy for trade promotion in Africa, which unfortunately has been lacking. Congress would have to play its part and make the funding available. This should be pursued with a sense of urgency given the competitiveness of companies from China, India, the EU and elsewhere.

3. Promoting U.S. investment: It is often said that capital is a coward, which explains why Africa accounts for only 1 percent of U.S. investments worldwide, a shockingly low number. As part of a reauthorized AGOA, Congress should establish a tax incentive to help change the risk-reward ratio for American companies. By reducing the tax to zero on repatriated income by U.S. companies who make new job-creating investments in supply-chain products in agriculture,

manufacturing, technology innovation, clean energy and other relevant sectors, Congress and the Administration would reduce the risk for American companies to invest in AGOA countries.

Congress used a tax incentive to great effect to attract American companies to Puerto Rico. To create AGOA, Congress reduced tariffs to zero on 6,400 products in an effort to use trade as a stimulus for economic development. We should now work to enhance greater American investment on the continent, through the use of a tax incentive, to attract more U.S. companies into the market and to ensure that the "Africa Rising" narrative is a reality for all on the continent. The cost would be comparatively small and the benefits of a greater commercial U.S. presence in Africa cannot be underestimated.

It is important to realize investment is not a zero-sum proposition, and that investment in Africa would not come at the expense of investment in America, given the very different nature of the two economies.

Another issue to be considered in the context of AGOA's extension is to press for action by those African governments that restrict market access or investment, such as with poultry and pork in some AGOA countries. This could take the form of requiring USTR to report to Congress on steps that it is taking to encourage AGOA governments to remove barriers to U.S. products and investments. If agreed upon actions are not taken within a certain time frame to address these constraints, Congress might consider some remedial actions.

Regional Integration: No issue is as central to Africa's accelerated economic development as regional economic integration. The U.S. has largely understood this but we can do more to facilitate the flow of goods, services and labor across Africa's borders. The principal challenge to regional integration comes from an unlikely source and it is the Economic Partnership Agreements which the European Union is compelling African governments to sign by October 1, or African governments face losing their preferential access to the European market. This take-it-or-leave-it EU approach is proposing to replace non-reciprocal trade preferences with comprehensive free trade agreements.

In fact, the EPAs threaten to undermine much of the progress that has been made on regional integration as they would give European goods and services preferential access in an African country over goods and services from a neighboring African country. They would also discriminate against American companies and products. Once an African country signs an EPA, it would agree to open 80 percent of its market to European goods and services over 10-20 years.

The EU reached agreement on an EPA with the 16 nations that make up the Economic Community of West African States (ECOWAS) in February. Last week the five members of the Southern African Customs Union, plus Angola and Mozambique, agreed to sign an EPA. East Africa, to date, has resisted signing an EPA.

The EPAs present a significant challenge to the U.S. as the EU is poised to negotiate regional free trade agreements throughout Africa while we are discussing the extension of a non-reciprocal trade benefits program with 40 countries on the continent. While it is essential that we renew AGOA, we should take at least two other steps to address this asymmetry.

One would be for the U.S. to raise the AGOA/EPA dilemma within the context of the Trans-Atlantic Trade and Investment Partnership (T-TIP). After all, we are proposing to create the world's largest free trade area with the EU while, in practice, consenting for the EU to establish preferential access to the African market. That makes no sense and runs counter to U.S. interests.

The second action would be to redefine our commercial relationship with South Africa. We tried to do this through the negotiation of a Free Trade Agreement with SACU in 2003-06 and failed, even though South Africa has had an FTA with the EU since 1999. As AGOA was not meant to be permanent, we should consider moving to a ten year phase out for AGOA benefits with South Africa while using that time to establish a new trade relationship based on reciprocity that might be a model for a post-AGOA relationship with the rest of Africa.

As for China, it is important to recognize that we are not engaged in a zero-sum competition for market share in Africa. However, the U.S. has legitimate concerns about Chinese companies' respect for standards, such as labor and environmental standards, not to mention concerns over transparency and aid that is fully tied to Chinese products, labor and loans at largely commercial rates. These issue are vital to raise and discuss in both a bilateral context as well as a trilateral African-China-U.S. context.

National AGOA Strategies: One suggestion for strengthening the use of AGOA by African nations would be to encourage each AGOA member to develop a national strategy that focuses on comparative advantages and sets targets for export growth of certain products and sectors. If each AGOA nation were to develop a national AGOA strategy, predicated on a dialogue with national chambers of commerce, local industry and civil society, this would likely have a very positive impact on the utilization of the trade preferences. It would also add to the

value of the annual U.S.-Africa AGOA forums which could serve as a venue to assess and discuss the national strategies. The Africa Development Bank Trade Fund might also support this effort.

Last year, the U.S. exported $24 billion worth of goods and services to Africa. This translates into support for more than 130,000 jobs in the U.S. Under AGOA, in 2013, the U.S. imported $4.9 billion worth of non-oil, largely job-creating good, almost four times the amount in 2001. In both respects, these trends are encouraging. With a timely extension of AGOA for fifteen years, these trends can become much stronger.