CHRISTOPHER H. SMITH
4TH DISTRICT, NEW JERSEY

CONSTITUENT SERVICE CENTERS:
1540 Kuser Road, Suite A9
Hamilton, NJ 08619–3828
(609) 585–7878
TTY (609) 585–3650

108 Lacey Road, Suite 38A
Whiting, NJ 08759–1331
(732) 350–2300

2373 Rayburn House Office Building
Washington, DC 20515–3004
(202) 225–3765

http://chrissmith.house.gov

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"Increasing American Jobs Through Greater Exports to Africa"

Excerpts of Remarks by Rep. Chris Smith
Subcommittee on Africa, Global Health,
Global Human Rights, and Int'l Organizations
May 7, 2013
2172 Rayburn House Office Building

Good afternoon. Today's hearing is intended to examine the issues surrounding U.S. exports to Africa, which are supposed to at least balance African exports to the United States. This will include existing obstacles to two-way trade with Africa. The hearing will specifically examine the Increasing American Jobs Through Greater Exports to Africa Act of 2013 (H.R. 1777). The bill was reintroduced in the House by myself, Ranking Member Karen Bass and Congressman Bobby Rush on April 26th and was introduced in the Senate on April 11th as S. 718.

The purpose of H.R. 1777 (and S. 718) is to increase U.S. exports to Africa by 200 percent over the next decade. This bill does not replace AGOA. It complements it by providing for a rebalancing that makes it as beneficial to Americans as it is to Africans. The bill intends to reach its ambitious, but achievable, goal by taking several steps, including the creation of a comprehensive U.S.-Africa trade strategy and a coordinator to ensure that all U.S. agencies involved in trade work in concert with one another.

This legislation also calls for not less than 25% of available U.S. financing for trade deals to be devoted to facilitating U.S.-Africa trade. Furthermore, it encourages the descendants of Africa in this country, who largely operate small and medium-sized businesses, to play a greater role in trade with the countries in Africa.

Various studies show that every additional $1 billion in exports generates 6,000-7,000 new U.S. jobs. According to current data from the U.S. International Trade Administration export-supported jobs linked to manufacturing account for an estimated 3.3 percent of my home state of New Jersey's total private-sector employment. More than one-sixth, or 17.2 percent, of all manufacturing workers in New Jersey depend on exports for their jobs.

But U.S. exports have suffered during the global economic downturn because traditional markets, such as in Europe, are buying fewer U.S. products. According to the USITA, we are the largest importer of African goods, receiving 20.2 percent of the continent's total global exports. However, U.S. exports to Africa fell sharply during the height of the global recession. From 2008 to 2009, U.S. exports to Africa dropped 45 percent from $78.3 billion to $42.8 billion.

According to statistics released by the U.S. Census Bureau, African exports to the United States since AGOA took effect in 2001 increased from $25.4 billion to $66.9 billion in 2012 – an increase of more than 262%. By far, petroleum exports from Africa led the way with more than $28.6 billion in 2012. Meanwhile, Census Bureau statistics showed that U.S. exports to Africa increased from $12.1 billion in 2001 to $32.8 billion in 2012 – an increase of 271%. Consequently, while U.S. exports to Africa showed a robust increase since the inception of AGOA, the U.S. trade deficit with Africa increased from $13.3 billion in 2001 to more than $34 billion last year.

The five most popular import sectors for African countries are: machinery and equipment, chemicals, petroleum products (including lubricating oils, plastics and synthetics fibers), scientific instruments and food products. That means that small and medium companies across the United States have commercial opportunities available in exporting goods and services to African countries. The African Development Bank estimates that one out of three Africans is considered to be in the middle class – that's nearly 314 million Africans who have escaped poverty and can now buy consumer goods, including those from the United States.

In the supermarkets and department stores that have sprung up across Africa in recent years, there are some American products already on the shelves, but there is space for more contributions from U.S. producers. Companies such as Proctor and Gamble have long realized the potential of African markets. Two years ago, Wal-Mart, the world's largest retail outlet, purchased South Africa's Massmart and its 288 stores in 14 African countries.

The Economist magazine created a significant buzz within the U.S.-Africa trade community two years ago when it announced that six of the world's 10 fastest growing economies in the first decade of this century were in Africa: Angola, Chad, Ethiopia, Mozambique, Nigeria and Rwanda. In the following five years, *The Economist* projected that seven of the top 10 fasted growing global economies would be Africa: the Democratic Republic of the Congo, Ethiopia, Ghana, Mozambique, Nigeria, Tanzania and Zambia.

Whether or not you agree with the popular slogan – Africa Is Rising – markets on the continent are attracting foreign trade and investment in increasing amounts. It is not only China that has its sights set on African markets. Countries as diverse as India, Japan, Brazil and Turkey all see the potential of selling their products in Africa.

The Anglo-Dutch consumer goods giant Unilever has long considered Africa a lucrative environment for consumer sales, earning a fifth of its profits in Africa until the 1970s, when it turned its main commercial attention to Asia. Now Unilever is back in Africa in force, selling $3.7 billion of everything from soup to soap. Frank Braeken, head of Unilever's Africa operations, said African consumers are underserved and overcharged. To meet the continent's need for personal care products for African skin and hair, Unilever developed its Motions range of products.

At our hearing on this legislation last spring, we heard from Luster Products, which produces items that fits that description. There is little reason why this company and other U.S. producers can't follow suit and meet the needs Unilever says are now unmet.

We will hear today from four witnesses with expertise on the opportunities and challenges faced by U.S. companies in trade with countries in Africa. We expect to learn why U.S. exports to Africa have not kept pace with U.S. imports from Africa and find out what Congress can do to better balance U.S.-Africa trade.