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"U.S.-Africa Trade Relations: Creating a Platform for Economic Growth"

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Chairman Rush, Chairman Payne, Ranking Member Radanovich, Ranking Member Smith and distinguished members, I am pleased to appear before you today to discuss U.S.-African trade relations and to share some of the successes and challenges we face in promoting African economic growth through expanded trade and investment.

Introduction

President Obama and U.S. Trade Representative Ron Kirk are committed to a new approach on trade that makes it an important part of the Administration's efforts to boost our economy and create jobs. They believe that trade is critical for American workers, ranchers, farmers, and businesses; and that trade is needed now more than ever to boost the world economy and promote global economic development, while helping American workers and firms here at home. So we are seeking ways to sharpen U.S. trade policy and to shore up the foundations of global trade today. One way we're doing that is by rejecting protectionism and supporting the global rules-based trading system. Strengthening the rules-based system will restore confidence, boost trade, and promote development for the long term for America, for Africa, and the world. We are also looking at our trade preference programs, including the African Growth and Opportunity Act (AGOA) with an aim to make them more effective and to ensure that the developing countries that need them the most are the beneficiaries.

Africa's share of global trade declining

Sub-Saharan Africa's current share of global trade is less than two percent, down from six percent in 1980. If sub-Saharan Africa were to increase that share by just one percentage point to three percent, it would generate additional export revenues of $70 billion annually, which is nearly three times the amount of current annual assistance to Africa from all donors. This reflects the importance of trade as a critical platform for Africa's economic growth. Further, exports from the continent are concentrated in primary commodities such as petroleum, minerals, cocoa, and coffee. There is little of the manufacturing engine in sub-Saharan Africa that has fueled economic growth and reduced poverty in other regions of the world.

Even in agriculture, which many see as Africa's strong suit, the recent trendlines have not been positive. In 2005, the region switched from being a net exporter to a net importer of agriculture products. Africa's current share of agriculture in its total exports is about nine percent, down from more than 16 percent in 1980. Of Africa's top ten agriculture exports in 2006, only one was a semi-processed product while the rest were primary commodities. We believe that export diversification and further processing of agriculture products into higher value exports could help improve food security in the region by addressing issues of availability and stability of food supply. Moving up the value chain into higher value products could also allow farmers to take advantage of emerging market supply chains that are increasingly geared towards African markets. Many processed agriculture products provide significantly greater income for farmers than food staples. For example, horticultural products provide incomes ten times that of cereals. Development of these new supply chains could also facilitate the movement of food products within Africa, and provide farmers new markets for their products.

US-Africa trade expanding and diversifying

AGOA is an important tool that has helped to increase both the volume and diversity of U.S. trade with sub-Saharan Africa. AGOA also promotes economic cooperation and trade among the countries of sub-Saharan Africa by encouraging intra-regional trade among AGOA beneficiary countries. In 2008, total two-way trade (exports plus imports) between the United States and sub-Saharan Africa was $104.5 billion, more than triple the amount in 2001, the first full year of AGOA implementation. By building on the market access provided by the GSP, AGOA provides market access for African exports – including non-traditional and higher-value products – and has helped African firms become more competitive, bolstering sub-Saharan African economic growth and alleviating poverty in one of the poorest regions of the world. U.S. imports under AGOA totaled $66.3 billion in 2008, more than eight times the amount in 2001. While much of the increase is attributable to oil, non-oil AGOA imports more than tripled to $5.1 billion. A number of AGOA product sectors experienced sizeable increases during this period including automobiles, salts, animal and vegetable fats, wines, fruit juices, coffee and tea extracts, cassava, vegetables, fruits, nuts, cut flowers, baskets, certain footwear, hats, textiles and apparel. Though textiles and apparel producers have faced increased competition and a declining share in the U.S. market since the quotas ended in 2005, textiles and apparel still accounted for 22 percent of all AGOA non-oil trade in 2008. AGOA provides incentives and support for African economic reforms and has helped to foster an improved business environment in many African countries to attract investment. In 2008, U.S. exports to the region were $18.5 billion, more than double the amount in 2001.

The Administration recognizes that United States-Africa trade is now slowing considerably as a result of the global economic crisis and declining oil and commodity prices. During the first quarter of 2009, total imports under AGOA declined by 59 percent (to $6.5 billion) compared to the same period in 2008. Prices for raw commodities, such as oil and other minerals, have experienced much steeper declines than those for value-added products. Non-oil AGOA products declined by 22 percent during this period to $846 million. This is obviously of concern to us. We do not know if this trend will continue, but we suspect the decline would have been worse without AGOA trade preferences.

The Administration is continuing to consult with all Africa trade stakeholders, including Congress, African government officials, U.S. and African private sector, and civil society representatives to find ways to *increase* two-way trade and to restore trade's role in leading economic growth and development. That is why President Obama and Ambassador Kirk are committed to a successful conclusion of the World Trade Organization's Doha Round. A successful Doha Round requires an ambitious and balanced result to open new markets for all and to contribute to global economic recovery and long-term economic growth and development. Africans have much to gain from new market opportunities in advanced developing countries as well as in developed countries.

The Administration is also supporting African regional integration through a number of trade-related initiatives designed to build capacity and strengthen trade and investment relations within the region, including closer ties with the African Union, and through trade and investment-related agreements with the Common Market for Eastern and Southern Africa (COMESA), the West African Economic and Monetary Union (UEMOA), the East African Community (EAC) and the Southern African Customs Union (SACU).

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 closer economic ties between the United States and sub-Saharan Africa. The eighth AGOA Forum will be held in Kenya on August 4-6, 2009 with the theme, "Realizing the full potential of AGOA through expansion of trade and investment". As always, the Forum will be an important opportunity to discuss the challenges in expanding U.S.-African trade and investment relations.

Addressing the Challenges

While more African countries are taking advantage of trade opportunities under AGOA, some countries are faced with significant challenges in their efforts to increase their trade under AGOA. We are continuing our efforts to increase the number of AGOA-eligible countries taking advantage of the program, and we are also trying to address the many supply-side constraints the Africans face and to help them increase the range and quality of products being traded and improve Africa's overall competitiveness.

With these challenges in mind, the U.S. Trade Representative (USTR) requested that the U.S. International Trade Commission (USITC) do a series of reports examining the factors that affect African competitiveness in key non-oil sectors. The most recent report, released in April 2009, examines the effects of infrastructure conditions on the export competitiveness of selected African sectors. The USITC found that demand growth, increased investment, development of private enterprise, and deeper regional integration, among other factors, have positively affected Africa's export performance. However, poor infrastructure conditions, weak governance, poorly developed institutions, low levels of education, and a constraining business environment have had a negative effect on the ability of African firms to produce and export goods and services competitively in regional and global export markets.

We also know that market access alone is insufficient to increase U.S.-Africa trade. That is why AGOA and Trade Capacity Building (TCB) assistance are the twin pillars of U.S.-Africa trade policy. The Administration provides TCB assistance to help support efforts towards expanding and diversifying Africa's trade. In 2008, the United States devoted over $1.0 billion to trade capacity-building in sub-Saharan Africa, more than double the amount of TCB funding in 2007. The five-year $200 million, African Global Competitiveness Initiative (AGCI) launched in 2006 is designed to help expand African trade and investment with the United States, with other international partners and regionally within Africa. This initiative is currently funded through FY 2010 and we will take stock of what it has accomplished as well as our priorities for U.S.-Africa trade as we determine what follow-on activities may be appropriate in 2011 and beyond.

We have also encouraged African governments to develop and implement their own country and regional strategies to improve infrastructure conditions, reduce high production costs, lower barriers to trade and improve competitiveness to grow Africa's share of global trade and promote economic growth in the face of the current economic crisis and increased competition.

Conclusion

Through a range of initiatives, the Administration is continuously working to strengthen United States-Africa trade relations. We have a strong foundation for an even more robust relationship in the future. Increased AGOA utilization and trade diversification as well as a focused effort to improve local and regional infrastructure in Africa will be essential to further enhancing United States-Africa trade, boosting economic growth and reducing poverty.

Thank you.