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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 non-petroleum 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 non-commodity 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 U.S.-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 U.S.-sub-Saharan Africa trade and investment relations. The United States has eleven 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 towards 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 1st 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 eleventh AGOA Forum was held in Washington D.C. 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 U.S.-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 U.S.-sub-Saharan Africa economic partnership.

Thank you.