Statement of Ambassador Johnnie Carson

Assistant Secretary of State Bureau of African Affairs

Senate Foreign Relations Committee

June 28, 2012

"Economic Statecraft: Embracing Africa's Market Potential"

Mr. Chairman and Members of the Committee:

Thank you for providing me with the opportunity to address the committee on what I feel is an important and timely topic. The U.S. government is committed to expanding trade and investment in sub-Saharan Africa and the numbers show our commitment. U.S. trade to and from Africa has grown significantly in the past ten years. U.S. exports to sub-Saharan Africa tripled from just under $7 billion U.S. dollars in 2001 to over $21 billion dollars in 2011.

As Secretary of State Clinton said at the annual AGOA Forum two weeks ago: "twelve years ago, the United States passed the Africa Growth and Opportunity act because we believed that the countries of Africa had tremendous untapped economic potential that could and should be developed. We shared a vision with many of you of a future in which economic growth in Africa would fuel growth and prosperity worldwide…trade and investment would multiply…and people across the continent would have new opportunities to start their own businesses, earn higher salaries, improve their lives, and lift the fortunes of their families and communities."

In large part, this vision is becoming reality. It is my firm belief that Africa represents the next global economic frontier. Sub-Saharan Africa continues to weather the global economic crisis more successfully than other regions, and is home to six – and soon to be seven – of the ten fastest growing economies in the world. A recent McKinsey study documented that Africa offers the highest rate of return on foreign investment of any developing region and has for some years now. Consumer spending continues to rise, and 43 percent of Africans currently have discretionary income or could be considered middle class consumers. And a growing middle class is a market for American products – from ipads to Pampers to Caterpillar tractors which increase crop yields to GE turbines which create additional hours of on-grid electricity to Boeing airliners which facilitate African countries' growing links with each other and with other continents.

However, we can do more. Africa's recent economic growth is impressive but the region still only accounts for approximately two percent of global trade. The second pillar of President Obama's recently announced U.S. Strategy Toward

Sub-Saharan Africa directs the Administration to "spur economic growth, trade and investment in sub-Saharan Africa." This new approach recognizes that it is in the interest of both the United States and our African partners to improve the region's trade competitiveness, encourage the diversification of exports beyond natural resources, and ensure sustained economic growth which benefits all sectors of society.

This new strategy elevates economic growth, trade and investment issues by calling for increased U.S. focus to (1) promote an enabling environment for trade and investment ; (2) improve economic governance; (3) promote regional integration; (4) expand African capacity to effectively access and benefit from global markets; and (5) encourage U.S. companies to trade with and invest in Africa.

In addition to the President's new U.S. Strategy Toward Sub-Saharan Africa, our efforts to increase our commercial engagement in Africa are firmly in line with Secretary Clinton's global focus on Economic Statecraft. The State Department's economic statecraft policy harnesses the forces of global economics to advance our diplomatic agenda and puts the tools of our diplomacy to work to meet our economic goals. We are committed to using every opportunity available to advance not only diplomatic and political priorities but our economic and commercial goals as well. I would like to highlight a few of the programs that the Bureau of African Affairs has been working on as we shift our economic orientation towards Africa from focusing almost exclusively on development assistance to promoting sustained economic growth through private sector, commercial, trade and investment activities.

The African Growth and Opportunity Act continues to be the centerpiece of our trade policy with sub-Saharan Africa. It is Africa's most important vehicle for market access and its unilateral trade preferences have created enormous goodwill for the United States on the continent. As you know, many African countries are not taking full advantage of the benefits of AGOA. However, some AGOA beneficiary countries take good advantage of the provisions for fabric and apparel product lines. The third country fabric provision component of AGOA was designed to provide an opportunity for AGOA-qualified countries to be more competitive in labor intensive textile processes such as sewing, stitching and cutting fabric.

It was widely recognized that most African countries were not able to compete in the more capital intensive process of producing fabric from raw cotton.

African manufacturers have successfully used the AGOA third country fabric provision to create jobs, not just in the manufacturing countries but have used this provision to create cross-border pan-African supply chains. These supply chains also encourage regional integration – one of our key goals for the continent. Fabric and apparel exports are the second largest AGOA export after extractive industry products. However, these imports still account for less than two percent of U.S. imports.

I'd like to say a few words about what is likely to happen if third country fabric legislation is not renewed. In our globally linked world, American buyers place orders six to nine to twelve months ahead. 95 percent of AGOA apparel and textile exports enter under the third country provision. And the AGOA third country fabric provision is the only way that African textile and apparel companies can remain competitive with larger producers such as China, Vietnam and Bangladesh.

Without our help, jobs will continue to disappear in some of Africa's most vulnerable economies, affecting primarily women and the families they support. 85 percent of these imports come from just four countries: Lesotho, Kenya, Mauritius and Swaziland. I know that diplomats from these countries have come to see you to emphasize the disproportionate effect that lack of renewal of this provision will have on their economies.

The effects of the loss of orders are troubling. At the AGOA Forum, the Swazi Minister for Trade told AGOA delegates that the loss of the provision will "shut the country down". The textile and apparel sector is the largest formal sector employer with over 15, 000 jobs and employment is already 41 percent in this small, landlocked country. Loss of just one of these jobs means that ten people lose their livelihood, since Swazi officials calculate that each textile job directly supports ten people. Lack of orders have already led to plants closures in Namibia, robbing people of their legitimate livelihoods and governments of much needed tax revenues. The Mauritians report that their orders are down 30 percent since January due to the uncertainty whether this provision will be renewed in a timely fashion.

Madagascar's loss of AGOA eligibility in 2009 is a possible model of what could happen if this provision were to expire. Prior to its loss of AGOA eligibility, Madagascar was one of the top textile producing countries in Africa, exporting over $2050 million in textiles in 2007. Due to 2009 coup, the government of Madagascar lost all AGOA benefits, including the textile provision. Apparel exports plummeted by $150 million in 2010. This more than $150 million drop in textile exports resulted in the loss of 50,000 jobs which will more than likely never return.

We continue to actively educate, inform and encourage U.S. companies to be more active in Africa. This is a continent on the move and there are enormous opportunities for U.S. companies to enter the market, make money, and create jobs for Americans here at home.

In February, I led a trade mission to Mozambique, Tanzania, Nigeria and Ghana with 10 U.S. energy companies ready to do business. A lack of reasonably priced reliable power remains one of the most binding constraints to economic growth throughout Africa. Governments across the continent are working to attract new trade and foreign investment that will sustain their rapid economic growth and build their middle class. The goal of this mission was to highlight opportunities for U.S. companies and help address a glaring need for increased power sector infrastructure in Africa. The mission was a success and a number of these U.S. companies concluded partnership agreements with African companies to jointly develop power projects. Ex-Im Bank and USTDA representatives also participated in the mission to ensure that both the U.S. participants and our Africa partners are fully aware of U.S. financing options. We are in the process of putting together a trade mission to accompany the Secretary to South Africa for the U.S.-South Africa Strategic Dialogue. In addition, I plan to lead similar trade missions in the future and continue to help and encourage U.S. companies to be a part of the growing economic dynamism of Africa.

In our continuing efforts to inform, educate and encourage U.S. companies to pursue commercial opportunities on the continent, just last week, the State Department, in collaboration with the Department of Commerce's U.S. Export Assistance Center in Cincinnati, the Department of Transportion, the Ex-Im Bank, USTDA, USAID USTR, and several other U.S. Government agencies, hosted a U.S.-Africa Business Conference in Cincinnati, Ohio. This conference attracted well over 400 participants, including African government officials, and representatives from the U.S. and African private sectors and civil society. The U.S.-Africa Business Conference expanded on the AGOA Forum infrastructure theme by focusing on infrastructure development, including energy, transportation, and water and sanitation. It showcased U.S. business expertise to potential African clients and highlighted trade and investment opportunities in Africa to U.S. exporters and investors through structured networking opportunities for African government officials and business leaders with U.S. state and local government officials and business leaders; informational sessions on U.S. government opportunities and services from various federal agencies; and site visits to companies and research facilities highlighting potential technologies for Africa.

Cincinnati was selected as the conference location for its potential to increase commercial partnerships with Africa at local, state, and regional levels given its concentration of Fortune 500 and 1000 companies. I am pleased that the Cincinnati conference built on the successes of the 2010 Kansas City, Missouri business conference. Bringing African government officials and private sector representatives outside of the beltway allows us to more effectively focus on business to business linkages.

We also have two very popular programs which develop business capacity in Africa, the African Women's Entrepreneurship Program (AWEP) and the President's Young African Leaders Initiative. This year delegates from both programs participated in both our AGOA Forum and US-Africa Business Conference events. AWEP is an outreach, education and engagement initiative that targets African women entrepreneurs to promote business growth, increase trade both regionally and to the United States using AGOA, create better business environments, and empower African women entrepreneurs to become voices of change in their communities. The State Department organizes an annual AWEP professional exchange program for these women to improve their skills and has created a series of public-private partnerships with ExxonMobil, Intel, Vital Voices and the Cherie Blair Foundation for Women.

This year's President's Young African Leaders Initiative included the Innovation Youth Summit and Mentoring Partnership with Young African Leaders and brought more than 60 participants to the U.S. for three weeks of professional exchange and entrepreneurial hands-on training. This initiative encourages U.S.-Africa collaboration to promote business innovation, investment and corporate social responsibility activities in Africa.

However, there are still many barriers that stand in the way of companies that hope to do business there. In many places, corruption is too common. The cost of finance, including investment finance, is too high. Infrastructure is lacking or inadequate. Regulatory systems are often inconsistent and inefficient. Also, many U.S. businesses see African markets as too risky. The perception of Africa as poverty filled and strife ridden persists. We work closely with African governments so that they will continue to enact the kinds of reforms to support improved investment climates which will attract both domestic and foreign investment. In addition, we continue to highlight opportunities for trade and investment in the region for U.S. companies and to work with them to conclude deals. Our work with GE Transportation in Ghana on a locomotive tender where GE was ultimately able to win a deal worth $200 million in U.S. content is but one example. We are confident that the U.S. can compete effectively in Africa, but we have to continue to encourage American companies to go to Africa and we have to encourage African countries to continue to make their regulatory and business environment more conducive for American business. Greater U.S.-Africa trade is in the interest of both America and Africa.

Mr. Chairman and Members of the Committee, I want to thank you for the opportunity to appear before you today. I will be happy to answer any questions you have.

Approved:

AF:

H:

Drafted: AF/EPS – Amy Holman, ext. 7-4066 and home/cell: 301-814-4225

Cleared:	AF/EPS –	SCazeau
	AF/EPS –	JNellis (ok)
	EB/TPP –	JDeLuna
	E –	JWiegert
	D(B) –	CNeville
	D(N) –	KVignarajah
	S/P –	MWalsh
	P –	MElliott
	H –	BFitzgerald
	AF –	KMoody