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ECONOMIC STATECRAFT: INCREASING AMERICAN JOBS THROUGH GREATER U.S.–AFRICA TRADE AND INVESTMENT (S. 2215, THE INCREASING AMERICAN JOBS THROUGH GREATER EXPORTS TO AFRICA ACT OF 2012)

HEARING

BEFORE THE

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WEDNESDAY, JULY 25, 2012

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 3:05 p.m., in room SD–419, Dirksen Senate Office Building, Hon. Christopher A. Coons, presiding.

Present: Senators Coons, Durbin, Risch, and Isakson.

OPENING STATEMENT OF HON. CHRISTOPHER A. COONS, U.S. SENATOR FROM DELAWARE

Senator COONS. I am pleased to convene today's hearing of the Foreign Relations Committee entitled "Economic Statecraft: Increasing American Jobs through Greater U.S.-Africa Trade and Investment."

I would like to welcome our distinguished witnesses—I am very excited about this topic—in our two panels today, as well as thanking my partner on the Africa Subcommittee, Senator Isakson, and Senator Durbin who I hope will be joining us shortly, and others who may well join us today.

Before we begin, I just wanted to reflect briefly on yesterday's passing of President John Atta Mills of Ghana. Senator Isakson and I had the pleasure of meeting President Mills last year, and there was no question in my mind that the people of Ghana have lost a great leader and a dedicated public servant. President Mills worked to promote economic growth and strengthen democratic institutions, and his leadership and his commitment to his people will be sorely missed.

Today's hearing is the second in a series exploring Africa's vast economic potential and considering U.S. policy to increase investment and trade in the region. At this hearing, we will also consider legislation that I have joined Senator Durbin in introducing entitled "The Increasing American Jobs through Exports to Africa Act," which aims to increase United States exports to Africa by over 200 percent in the coming decade.

Sub-Saharan Africa is a region of endless opportunity and economic potential. In the past decade, it is home to 6 of the 10 fastest growing economies in the world, and that number is projected to grow to 7 by 2015.

As I mentioned at the last hearing, trade between Africa and the rest of the world has tripled since 2001. During this time, U.S. exports have increased by more than 200 percent—there is that number again—and imports have increased by more than 250 percent, as shown in the graphic.

Despite this very positive trajectory, broadly in bilateral trade, the United States is, in fact, losing out to competitors in the African market in particular countries such as China which surpassed the United States as Africa's largest trading partner in 2009. This was the subject of a hearing we did earlier in this Congress. Just last week, China announced it would provide $20 billion more in loans to African governments over the next 3 years to encourage investment in infrastructure and agriculture which more than doubles the financial commitment that China made to Africa in 2009.

In my view, the United States must fully capitalize on the exponentially growing number of consumers and the promising market potential in Africa, not only to be a more aggressive competitor with China and others, but also because it leads to the creation of American jobs, is good for American business and American communities. In order to do this effectively, I believe we need to improve coordination between the 10 key U.S. Government agencies involved in formulating and executing on our United States-Africa trade strategy. Those 10 are shown here.

We must also eliminate inconsistencies in the United States approach to increasing trade investment with Africa, such as the recent decision by Commerce to eliminate Foreign Commercial Service officers in one rapidly growing market to which I just referred in Ghana. After visiting the officer posted in Accra last year, I was disappointed to learn this post was not renewed despite the decision by other agencies to deepen the U.S. investment in this critical country. I understand there are competing priorities and other markets, but that is one of the topics I hope we will touch on today.

To explain the tools the administration has at its disposal to increase trade and investment in Africa, we have assembled, I think, a very strong panel representing three critical agencies. Fred Hochberg is Chairman of the Export-Import Bank and will describe the rapidly increasing scope of Ex-Im loans supporting trade with sub-Saharan Africa which reached $1.4 billion in the last year. Notice the rapidly growing partnerships there.

Next, Under Secretary of Commerce for International Trade Francisco Sanchez will discuss the role of Commerce in overseeing the Foreign Commercial Service and other programs that support United States trade with Africa. I am particularly interested in resource allocation and the number of Foreign Commercial Service officers on the continent.

Finally, Elizabeth Littlefield, President and CEO of the Overseas Private Investment Corporation, also known as OPIC, will detail OPIC's work in Africa promoting growth and investment in emerging economies. Last year OPIC had a 300-percent increase in the value of deals that it was involved in in sub-Saharan Africa, rounding out a tenfold increase in OPIC's regional investment since 2001. I look forward to hearing further how OPIC is fulfilling its development mandate and supporting small and medium-sized enterprises in Africa.

We will then have a second panel. We may be interrupted by at least two votes, to which Senator Isakson and I will need to go around 4 o'clock. We will have a second panel featuring Dr. Mwangi Kimenyi, senior fellow and director of the Africa Growth Initiative in the Global Economy and Development Program at Brookings; Scott Eisner, VP of African Affairs at the U.S. Chamber of Commerce; and Stephen Hayes, president and CEO of the Corporate Council on Africa. I am grateful for their testimony and look forward to hearing from their insight and expertise.

But before that, I would like to turn to my friend and partner, Senator Isakson, for his opening comments.

Senator.

OPENING STATEMENT OF HON. JOHNNY ISAKSON, U.S. SENATOR FROM GEORGIA

Senator ISAKSON. Well, thank you, Mr. Chairman, and I join you in the condolences to the family of John Atta Mills. We did have the pleasure last year, about a year ago as a matter of fact, of meeting with him in the capital of Ghana, and remarkably the accomplishments that he has contributed to that continent and that country are somewhat remarkable. And even in his death yesterday, the way the government transitioned and the Vice President was sworn into the Presidency within 6 to 8 hours and they had a smooth transition of government was a real testimony to democracy in Africa and John Mills' commitment to that. So we will miss him greatly on the world stage. But Ghana is a great country today in large measure because of his life and his contribution.

And I thank you for calling this hearing today on economic development potential in Africa. Over the last decade, we have invested a lot of the U.S. taxpayers' money. CDC, PEPFAR, lots of Millennium Challenge compact agreements, a lot of American taxpayer money has gone into Africa, and it is important that we look at the development opportunities for American business and for trade between the African Continent and the United States of America.

Just in my State of Georgia, the Coca Cola Company is investing millions and millions of dollars in Africa, not just building bottling plants and distributing its product to grow its market share, but also investing in the continent. And Chairman Coons and I both visited a Coca Cola water treatment plant just out of Accra, Ghana, where they now, through their rain initiative, have a goal of supplying over 2 million Africans by 2015 with clean drinking and safe drinking water, which is almost unheard of on the continent.

Yet despite the rapid growth and obvious potential of Africa, the continent only accounts for 1 percent of United States foreign direct investment. I sometimes hear from small business owners who are interested in investing abroad but have doubts about the stability of the markets and are unsure about who to consult with in terms of the U.S. Government operations.

The Export-Import Bank, OPIC is represented today, the Commerce Department, all offer tools that can help firms looking to invest in Africa, that little bit of confidence they need to make that investment. In fact, there are 12 departments, 26 agencies, and more than 60 Federal Government offices all involved in the delivery of U.S. foreign assistance, many of which offer opportunities to partner with American businesses and all of which would benefit by including input from the private sector when developing these programs and strategies.

With that in mind, I will soon be introducing legislation that will help improve U.S. development strategy and promote private sector investment in the developing world by creating a consolidated liaison function between the U.S. development agencies and the private sector and incorporate more private sector input into our strategy for each country receiving U.S. development assistance.

And I look forward to today to the testimony of our guests, and I thank them for giving their time to us today.

Thank you, Mr. Chairman.

Senator COONS. Thank you, Senator.

I would like to now turn to our witnesses, starting with Chairman Hochberg, followed by Under Secretary Sanchez, and then President Littlefield. If you would, Chairman Hochberg.

STATEMENT OF HON. FRED HOCHBERG, CHAIRMAN AND PRESIDENT, EXPORT–IMPORT BANK, WASHINGTON, DC

Mr. HOCHBERG. Thank you. Thank you, Chairman Coons. Thank you, Ranking Member Isakson, for having this hearing today and learning more about what our work is in sub-Saharan Africa.

I am Fred Hochberg. I am President and Chairman of the Export-Import Bank of the United States, and we are the official export credit agency of the United States. Our mandate is very clear. It is to support and create U.S. jobs by helping to finance U.S. exports. We provide financing when the private sector is not available or when the costs for the private sector is noncompetitive. At other times, we level the playing field by countering export financing that is offered by some of the countries that you identified on the slide just earlier. We provide loans, guarantees, and insurance. And I am proud to say in 2011, the third record year in a row, we authorized 32.7 billion dollars' worth of financing that supported about 40 billion dollars' worth of exports and supported about 290,000 jobs across this country.

We are demand-driven. We finance transactions that meet our criteria of reasonable assurance of repayment and our environmental guidelines. Exporters and buyers come to us when financing is not otherwise available. We have no limit by country, by sector, or by exporter, and we do not provide aid. As I mentioned, we make loans and guarantees that are repaid by our borrowers. For our work, we collect a fee for our services and we generate revenue for the taxpayers. This makes us financially self-sufficient, and over the last 5 years, we have delivered $1.9 billion in excess funds to the taxpayers of this country.

Let me quickly talk briefly about our work in sub-Saharan Africa. We are open for business in 43 of 49 countries in sub-Saharan Africa, and in 2011, we financed exports to 31 of them and we would like to do even more. I am also pleased to say that more than 20 percent of the exports were from United States small businesses and all of that was to the private sector companies in sub-Saharan Africa.

Sub-Saharan Africa is a priority region for the Export-Import Bank for two reasons. First and foremost, it is a mandate from the U.S. Congress, but importantly, because of the opportunities there, we are actually doing more and more business there above and beyond the mandate.

Let me give you a brief summary of our work in the last 3 years. In fiscal year 2009, we provided 419 million dollars' worth of loans and guarantees and insurance. In fiscal 2010, we doubled that to more than $800 million, and in fiscal 2011, just last year, we did $1.4 billion of loans, guarantees, and insurance and that is an all-time record for the bank.

Let me put that in perspective. Globally we finance about 2 percent of U.S. exports. Yet, in sub-Saharan Africa, it approaches 7 percent of all exports that go to the region are financed by the Export-Import Bank. And this year in the first 9 months of the year, we have already topped $1.5 billion and we still have 3 months to go.

Where do these exports come from? They come from small businesses such as ABRO of South Bend, IN, that sells auto parts to Nigeria, Ghana, and Zambia. They also come from large engineering firms that provide engineering services such as Black and Veatch, and of course, also large exporters such as Boeing that we have guaranteed loans to Ethiopian Airlines, for example, that purchases U.S.-made aircraft as opposed to aircraft made by Airbus and our competitors across the pond. And this increases both trade within Africa and to the rest of the world.

To date, I have traveled to Africa twice during my tenure, though I did make my first trip at the age of 15. Most recently, last fall I was accompanied by our vice-chair, Wanda Felton, who is right here, and we signed an MOU for 1.5 billion dollars' worth of power authority in Nigeria to increase United States exports of power equipment to fill the vital needs of that sector.

Next month we will be back in Africa, this time to South Africa and Mozambique with Secretary Clinton and, frankly, other members of the administration, two of which are on this panel here today.

We could not have turned in this kind of performance without my colleagues at Commerce, State, OPIC, TDA, and others. These joint efforts have borne fruit in sub-Saharan Africa and the rest of the world. Let me give you two quick examples.

GE. We helped finance 100 locomotives to Transnet in South Africa, $126 million. That created, according to General Electric, over 270 jobs in Pennsylvania and another 884 jobs indirectly around the country. So in total, over 1,000 jobs here in the United States were created by that export.

One other I should call to your attention. A company called Planson International, a woman-owned business, a technology company in New Gloucester, ME, got a $1.5 million financing from us. They provided both equipment and technology to support the elections in southern Sudan. As a result of this work, Planson is now doing more exporting to Burundi, the Central African Republic, the Democratic Republic of the Congo, and Eritrea.

Let me conclude. I am very bullish on our prospects in sub-Saharan Africa. Sub-Saharan Africa has made enormous progress in governance and rule of law. The development work by AID, MCC, and others have created growing markets, and now they are increasingly ready for the commercial financing, the kind we do at Ex-Im Bank. Our export financing enables U.S. exporters to compete and win and add jobs here at home. Ex-Im Bank stands ready to do its part to increase exports to sub-Saharan Africa and therefore create jobs here in the United States.

Thank you for inviting me here today. I am happy to answer any questions you may have.

[The prepared statement of Mr. Hochberg follows:]

PREPARED STATEMENT OF FRED P. HOCHBERG

Thank you for your invitation to testify on work the Export-Import Bank is doing in Africa. I will first review what the Bank is doing to support U.S. exports to Africa. I will then speak to what the competitive landscape looks like on that continent from our perspective at the Bank. But let me take a moment here to thank the Senate for a positive vote on our reauthorizing legislation. This allows us to continue our important work of creating and preserving U.S. jobs while countries in Africa are able to procure the resources needed to help them grow.

BACKGROUND ON THE EXPORT-IMPORT BANK

Ex-Im Bank's mission is to sustain and create U.S. jobs by helping to finance the export of U.S. goods and services which might otherwise not go forward. This is different from some of the other agencies testifying here today, which offer development assistance or have a development mandate.

Ex-Im offers financing when commercial financing is not readily available. We also attempt to "level the playing field" by offering competitive terms so that American companies can compete based on the quality of their goods and pricing. Consistent with the congressional mandates set forth in our charter, we provide this financing when we can find a "reasonable assurance of repayment" and the transaction meets our environmental guidelines.

Ex-Im is busier than ever. We have met the demand caused by the liquidity crisis and have more than doubled our authorizations since FY 2008. Last year, FY 2011, was our third record year in a row, with authorizations reaching $32.7 billion, supporting almost 300,000 U.S. jobs.

EX-IM AND U.S. EXPORTS TO AFRICA

The United States has vitally important economic interests in Africa. This underscores the rationale for the new U.S. Strategy Toward Sub-Saharan Africa. The Presidential Policy Directive focuses on four main areas: strengthening democratic institutions; spurring economic growth, trade and investment; advancing peace and security; and promoting opportunity and development. As the official Export Credit Agency of the United States, we are committed to do our part in the area of trade exports.

Sub-Saharan Africa is a priority region because many countries have strong prospects for long-term economic growth and improving business conditions. These trends are expected to generate growing demand for consumer goods and services as more people enter the middle class. Moreover, Africa's enormous infrastructure needs will require sustained investment in capital equipment and technology to support the development of power generation, transportation infrastructure, and other sectors that play to American strengths. The IMP has forecast that 7 of the top 10 fastest growing countries are in sub-Saharan Africa. These include Ethiopia, Mozambique, Tanzania, Democratic Republic of the Congo, Ghana, Zambia, and Nigeria. Ex-Im Bank is committed to helping U.S. companies compete for opportunities in these countries.

U.S. exports to sub-Saharan Africa increased by 24 percent from $17 billion in 2010 to $21.3 billion in 2011, the second-highest percentage increase in 20 years. This was driven by growth in several sectors including: machinery, vehicles and parts, commodities, noncrude oil, aircraft, and telecommunications equipment. Of the top three African destinations for U.S. products, exports to South Africa totaled $7.3 billion, Nigeria totaled $4.0 billion and Angola $1.2 billion. These three markets make up 65 percent of U.S. exports to sub-Saharan Africa. Of the Bank's nine major countries we are focusing on, two—Nigeria and South Africa—are in Africa.

Proportionately, Ex-Im supports more U.S. exports to sub-Saharan Africa than it does to the world at large. Worldwide, Ex-Im Bank historically covers approximately 2 percent of U.S. exports. Our authorizations for FY 2011 in sub-Saharan Africa were a record $1.4 billion, or 6.7 percent of the U.S. exports. This is nearly double the previous year's $812 million in authorizations. I'm proud to say that already in FY 2012 Ex-Im Bank has set a new record authorizing export financing totaling $1.5 billion to sub-Saharan Africa. This financing in 9 months surpassed the previous record of $1.4 billion for all of FY 2011.

We are making every effort to increase our activity in sub-Saharan Africa. I have asked our Vice Chair, Wanda Felton, to personally oversee this important market. I have already made two visits to Africa and will be visiting again in 2 weeks. Ex-Im Bank is open in 43 sub-Saharan Africa countries—more than ever before. This includes being open for business to undertake short-term export transaction in 18 countries under our Short-Term Africa Initiative, or "STAI." Under the STAI, Ex-Im Bank provides support for short-term transactions in markets where coverage would not be available under standard cover policy. The Connell Company of Berkeley Heights, NJ, uses the STAI program to sell its mining industry spare parts to Sierra Leone, Madagascar, and the Democratic Republic of the Congo. Another company, Reliable Industries of New Orleans, LA, sells oil and gas equipment into Mauritania under the STAI program.

BUILDING RELATIONSHIPS WITH AFRICAN INSTITUTIONS

At the end of FY 2011, Ex-Im Bank was strengthening its ties with Nigerian banks, Angolan banks and regional banks such as the Eastern and Southern African Trade Bank, known as the PTA. Throughout FY 2011, Ex-Im Bank staff participated in international and national conferences highlighting the benefits of the Bank's financing available for sub-Saharan Africa. These included Corporate Council on Africa events: the 2011 U.S.-Africa Business Summit and the 2011 Infrastructure Conference. In 2010, I led an Ex-Im Bank delegation to South Africa and signed an MOU with Export Credit Insurance Corporation of South Africa (ECIC). We are in discussion with a South African bank, on a possible cofinancing with ECIC for the Eko Rail project in Nigeria. The intent of the MOU is cooperation between Ex-Im Bank and ECIC to support U.S. and South African exports to sub-Saharan Africa.

In 2011, Vice Chair Wanda Felton and I traveled to Nigeria where a $1.5 billion MOU was signed with the Federal Ministry of Power of Nigeria to finance the purchase of equipment and services from U.S. suppliers as Nigeria extends electricity to consumers and businesses. We will continue our outreach to Africa next month when I lead an Ex-Im Bank delegation which will be participating in Secretary Clinton's U.S.-South Africa Strategic Dialogue where the Bank has experienced significant growth in recent years.

INTERAGENCY COOPERATION

Ex-Im Bank has been actively participating with other agencies in the National Export Initiative. These agencies include: USTDA, OPIC, USAID, MCC, Commerce Department, Treasury, State and NSS. Specific areas of cooperation include:

- Ex-Im Bank was actively involved in the Presidential Policy Directive on Global Development and Partnerships for Growth (PFG). The Bank's participation in this initiative was instrumental in further developing our relationships with the Ghanaian and Tanzanian Governments.
- Ex-Im Bank coordinated its efforts with the U.S. Foreign Service, U.S. and Foreign Commercial Service of the Department of Commerce and other U.S. Government entities to encourage economic engagement pursuant to the African Growth and Opportunity Act (AGOA).
- Vice Chair Felton joined a trade mission led by the State Department and the Corporate Council on Africa. The mission brought U.S. companies engaged in energy and power to five countries: Mozambique, Tanzania, Kenya, Nigeria, and Ghana.
- In FY 2011, Vice Chair Felton and business development officers traveled to sub-Saharan Africa to participate in trade-related events with the U.S. and Foreign Ghana and Nigeria.

These outreach efforts have borne fruit. Ex-Im completed several significant transactions in FY 2011, including:

- Ex-Im provided an $805.6 million direct loan to South Africa's state-owned electric power utility, Eskom, Limited. The financing supported Eskom's purchase of engineering and construction management services from Black & Veatch which will be used to construct the Kusile power plant. With the support of Ex-Im Bank, Black & Veatch has created nearly 300 well-paying jobs for U.S. professionals.
- Our support in financing the sale of 100 GE locomotives to Transnet in South Africa in the amount of $126 million will directly sustain about 271 jobs at General Electric's factories in Erie and Grove City, PA. Indirectly, the contract supports about 884 in additional U.S. jobs from GE suppliers around the country. Total U.S. job impact is estimated to be 1,155 as a result of this contract.
- Ex-Im provided Planson International Corporation, a small, woman-owned tech company headquartered in New Gloucester, ME, with a $1.5 million revolving working capital loan guarantee to export computers and software to Sudan for use during the historic referendum for Southern Sudan independence. Planson also exports to Burundi, Central Africa Republic, the Democratic Republic of the Congo, and Eritrea.

We also signed letters of intent, indicating our willingness to finance the sale of up to $350 million of GE locomotives in connection with the development of Ghana's West Rail Line and a $500 million water sanitation and flood control project in Accra.

Moreover, we highlighted opportunities in Nigeria's agribusiness and power generation sectors prominently at our Annual Conference and worked with CCA to showcase these sectors to private sector investors and lenders. Members of the Nigerian Cabinet including the Vice President joined us at our annual conference to encourage more U.S. companies to export to Nigeria.

As African countries continue to develop, transportation is critical to their success. Since 2009 Ex-Im has financed African airlines in countries such as Angola, Nigeria, Rwanda, Ethiopia, and South Africa. We are helping to connect Africa to the world.

COMPETITION

One of the major problems facing Ex-Im in Africa is that the "playing field" is no longer level. Let me begin with China. China not only offers tied and untied aid into African markets, but also finances exports on terms that are not Organization for Economic Cooperation and Development (OECD) Arrangement compliant. However, these Chinese terms are close enough to what would be available commercially that they do not qualify as aid. It is estimated that between 2001 and 2010, China's Export-Import Bank financed $70 billion into the African market, an estimated 20 percent of China Ex-Im's total business volume.

PROBLEMS WITH USING "ARRANGEMENT-LIGHT" PROCEDURES TO MATCH CHINA

Although the Government of China frequently uses aid to promote its national interests in the African region, it also finances many projects and transactions on commercial terms. Given that the Chinese are not party to the OECD Arrangement, oftentimes these financing offers fall just outside of the Arrangement rules. For example, where the maximum repayment term for OECD-regulated standard export credits is 10 years in Africa, the Chinese Government will offer 12-year financing. Such financing packages do not qualify as aid, and sometimes are referred to as "Arrangement-Light" transactions. Ex-Im has detailed procedures both internally and within the OECD to match "Arrangement-Light" offers by the Government of China when U.S. exporters are competing for the same projects. The intent is to counter Chinese Government financing offers in a manner that will gain U.S. exporters market share and send a message to the Government of China that the U.S. will come in on behalf of its exporters when necessary. However, finding transactions that will have the desired effect has been difficult.

CHINA'S STRATEGIC APPROACHES IN AFRICA

Over the past decade, China has ramped up its international export finance activity in an effort to support its domestic companies as well as increase its access to natural resources. For example, Angola has used their national resources to guarantee loans from China. Under this structure, the loan typically issued is for infrastructure development and is offered on terms and conditions better than commercial banks. The key condition is that for the loan to be issued, a Chinese company must obtain preferential access to natural resources. In Angola's case the natural resource was oil. Other financing from China used to obtain natural resources of interest include bauxite (Guinea), chromium (Zimbabwe), iron ore (Gabon) and cocoa

(Ghana). In 2007, China Ex-Im offered a $2 billion loan to Nigeria in return for preferential access to oil blocks and offered $6 billion in infrastructure fmancing to the Democratic Republic of the Congo in return for Chinese firms holding a seniority stake in a copper-cobalt mining venture.

China has made a strategic decision to invest in African infrastructure projects and in return China has access to natural resources and new markets for their manufactured goods. Ex-Im approaches its financing on a transaction by transaction basis, evaluating credit worthiness but with the overall strategy of preserving and creating U.S. jobs. China's flexibility in financing, combined with the huge sums of money being offered to these countries, creates a very unlevel playing field for U.S. exporters. Resource and policy considerations make competing on these terms not viable on an ongoing basis.

I want to close by emphasizing that we look forward to working with members of this committee and other Members of Congress in advancing the goal of increasing U.S. exports to sub-Saharan Africa. And while we are fully aware of the risks, we are also very cognizant that this fast-growing region of the world offers much promise for U.S. exporters and the resulting jobs here in the United States.

Senator COONS. Thank you very much.

Under Secretary Sanchez.

STATEMENT OF HON. FRANCISCO SANCHEZ, UNDER SECRETARY OF INTERNATIONAL TRADE, U.S. DEPARTMENT OF COMMERCE, WASHINGTON, DC

Mr. SANCHEZ. Chairman Coons, Ranking Member Isakson, members of the subcommittee, let me first begin by joining you, Mr. Chairman, and the ranking member in expressing my condolences to the people of Ghana for the loss of their great leader, their President.

And let me say it is a pleasure to be on this panel with my colleagues, Fred Hochberg and Elizabeth Littlefield. I thank you for the opportunity to speak about the Department of Commerce's work in helping U.S. businesses succeed in sub-Saharan Africa, and I thank you both for your leadership on this important issue.

Two years ago, President Obama launched the National Export Initiative with an ambitious goal of doubling exports by the end of 2014. At the Commerce Department, we are firmly committed to this effort because whenever more American goods and services reach more markets, it strengthens American businesses, and stronger business means more American jobs.

As head of the International Trade Administration, I am proud to report that in 2011 U.S. exports reached a record $2.1 trillion in total value, and these exports supported 9.7 million jobs. To continue the success of the President's export strategy, we are emphasizing U.S. commercial engagement in Africa. The sub-Saharan Africa region is rich with opportunities in a number of sectors, including health care technologies, agricultural equipment, infrastructure, power generation, and the Commerce Department is determined to help U.S. businesses fulfill this potential.

Allow me to highlight just three efforts.

First, we are raising awareness about the overseas opportunities. Through the Trade Promotion Coordinating Committee, we are engaged in the "Doing Business in Africa" campaign. This includes a special focus on outreach to the African diaspora communities here in the United States, making them aware of the Federal assistance programs that are available to them to do business on the continent.

A second effort I would like to highlight is our commitment to improving the business climate in Africa. We are focusing on intellectual property concerns and helping create guidelines for the region. The Commercial Law Development Program is structuring regional IP guidelines and hosting workshops to train government officials on IP protection and enforcement.

And finally, I want to highlight our export promotion work which directly links American businesses with African buyers. I am very proud of the work to establish the U.S. East African Community Commercial Dialogue. It is an informal consultative mechanism which aims to create business opportunities in key sectors, and with trade missions scheduled this fall, we are taking United States businesses to sub-Saharan Africa to explore the trade and investment opportunities. In September, Commerce will lead an aerospace trade mission, and in November, I will lead a multisector mission to South Africa and Zambia. We also continue to advocate on behalf of U.S. businesses, helping them win business in Africa.

This year the Commerce Advocacy Center helped U.S. companies sell jet engines to Kenya Airways, mobile powerplants to Angola, and much, much more. These efforts directly support jobs in States like California, Connecticut, Illinois, Ohio, Delaware, and Georgia, to name a few.

And with this work, we are opening new doors of opportunity and our Commercial Service stands ready to link American products with buyers overseas. Entrepreneurs can call our offices or consult our Web site and we will help them succeed in the global marketplace. An example of this work is in Savannah, GA, where one of our trade specialists helped Kelley Manufacturing sell 800,000 dollars' worth of peanut harvesting equipment to a company in Mali, and the potential to do these kinds of transactions is there to do a lot more.

As part of this work, we will continue to collaborate with Congress on critical trade and development issues.

I want to say that I am particularly pleased that the Senate Finance Committee reported out an extension to renew the third-country fabric provision of AGOA, which is set to expire on the 30th of September. This provision can directly impact jobs here in the United States and Africa. I want to urge the Senate to pass this legislation as soon as possible. It is critical to the continued survival of Africa's textile and apparel industry, and I fear that without renewal, hundreds of thousands of women and small businessowners in African Growth and Opportunity Act-eligible countries will likely lose their jobs. So I look forward to working with you on this very important issue and on our efforts to strengthen the economic ties between the United States and sub-Saharan Africa.

Thank you for the opportunity to be here. Thank you for your leadership, and I look forward to your questions.

[The prepared statement of Mr. Sanchez follows:]

PREPARED STATEMENT OF FRANCISCO J. SANCHEZ

INTRODUCTION

Chairman Coons, Ranking Member Isakson, and members of the subcommittee, thank you for the opportunity to speak before you today about the Department of

Commerce's work to help U.S. businesses succeed in sub-Saharan Africa. I would also like to thank the chairman and ranking member for their personal leadership on Africa and the committee's work to continue to move the agenda forward in areas such as the African Growth and Opportunity Act (AGOA).

U.S. EXPORTS LEAD TO JOBS AND OPPORTUNITIES

Two years ago, President Obama launched the National Export Initiative with an ambitious goal of doubling U.S. exports by the end of 2014. At the Department of Commerce, we work every day to help make this effort a success. Whenever more American goods and services reach more markets and more customers, it strengthens American businesses. And stronger businesses result in more American jobs.

In 2011, U.S. exports reached $2.1 trillion in total value, an all-time record. These exports supported 9.7 million jobs, an increase of 1.2 million compared to 2009. As these numbers demonstrate, boosting U.S. exports is making an impact on families, businesses, and communities.

THE PRESIDENT'S STRATEGY

On June 14, 2012, the President announced a new U.S. Strategy for sub-Saharan Africa, which expands our efforts to increase economic growth, trade, and investment on the continent. The new strategy elevates our commercial relationship with sub-Saharan Africa by calling for: an increased focus on expanding trade and investment; improving economic governance; promoting regional integration; expanding African capacity to effectively access and benefit from global markets; and encouraging U.S. companies to trade with and invest in Africa.

RESTRUCTURING OF U.S. AND FOREIGN COMMERCIAL STAFF

In fulfilling the mission of the National Export Initiative, the U.S. and Foreign Commercial Service has repositioned its resources toward priority markets to strengthen its presence and to better meet the growing demand for Commercial Service services. The repositioning plan places approximately 169 officers and over 700 locally employed staff in 72 countries worldwide—representing 94 percent of the worldwide market for U.S. exports.

These reallocations were not made lightly and were based on a thorough and independent review of priority markets and U.S. and Foreign Commercial Service resources.

BUILD UP OF SOUTH AFRICA AND PARTNER POSTS WITH STATE DEPARTMENT

The Commercial Service seeks to maintain a strong and balanced strategic presence while utilizing our resources efficiently.

We have reallocated staff to priority countries, like South Africa, and many of our country offices are now managing regionally based clients. The Commercial Service's sub-Saharan strategy is based on maintaining a strong and balanced strategic presence in western Africa through our post in Nigeria, eastern Africa through our post in Kenya, and southern Africa through our post in South Africa.

In Ghana, our current officer's term has just expired and while we do not plan to fill the officer position, we are adding a second local hire employee to service U.S. commercial interests. The office in Ghana will be supervised by our Nigerian office, where we plan to fill a vacant subordinate officer position in Lagos.

Our Partnership Post Program with the State Department, facilitated by our posts in South Africa and Kenya, remains an important component of our strategy and our efforts to leverage resources across the Federal Government.

The Partnership Post Program operates in 25 countries within sub-Saharan Africa where there is not a physical Commercial Service presence. In these countries, State Department economic sections provide U.S. companies with export assistance in select overseas locations that have significant commercial potential. Assistance includes access to Commercial Service branded services, staff training, and linkages to Department programs such as the International Buyer Program and the Advocacy Center. These partner posts work in close collaboration with the neighboring Commercial Service post in their region and with our domestic offices to provide U.S. companies with strategies for market-entry.

THE POTENTIAL IN SUB-SAHARAN AFRICA

Sub-Saharan Africa is a region rich with emerging opportunities and challenges for U.S. exporters, especially within a number of sectors, including health care technologies; agricultural equipment; power generation, renewable energy and clean technologies, and aviation.

Health Care: There is a growing need for health care equipment, services, and materials as the region expands its private health care infrastructure. In addition to providing care to a large population in need, there is also a growing medical tourism market.

Agricultural Equipment: Despite rapidly growing economies and populations, many countries in sub-Saharan Africa have considerable untapped or underutilized agricultural potential. Opportunities exist for U.S. exporters of equipment used for harvesting, planting, irrigating, transporting, and storing seeds, fertilizers and other inputs.

Power Generation/Renewable Energy/Clean Tech: The rapidly growing economies of sub-Saharan Africa are driving demand for power. Due to the poor state of electrical infrastructure, plans for massive investments are occurring throughout the region. Opportunities exist in solar, wind, hydro, biomass and clean coal generation technologies, power transmission, and a wide range of energy efficient technologies.

Aviation: To meet the demands of rapid economic growth, airlines in the region are upgrading and expanding, creating opportunities for aircraft, services, and supplies. Militaries in South Africa, Nigeria, and elsewhere are considering purchases of airlift, maritime patrol, surveillance aircraft, and other assets primarily for peacekeeping, humanitarian relief, antipiracy, and border patrol missions. The U.S. Commercial Service in South Africa is organizing a USA pavilion and other activities in support of U.S. exports at the Africa Aerospace and Defense exhibition in Pretoria, South Africa September 18–21.

MEETING THE CHALLENGES TO DOING BUSINESS

While we are encouraged by these new market opportunities, we are mindful of the challenges facing U.S. companies with respect to intellectual property rights protection, rule of law, corruption, and Chinese competition. Commerce is actively engaged in projects and initiatives to address the challenges to the business climate. For example:

We are integrally involved in developing the "Doing Business in Africa" campaign, as called for in the U.S. Strategy Toward Sub-Saharan Africa. Commerce, through its chairmanship of the Trade Promotion Coordinating Committee (TPCC), will be developing this campaign with the 20 agencies that are members of the TPCC. The campaign includes a special focus on outreach to the African diaspora communities in the United States, making them aware of federal assistance programs for doing business on the continent.

Additionally, we are focusing on intellectual property concerns and helping create guidelines for the region. The Commercial Law Development Program is structuring regional IP guidelines and hosting workshops to train government officials on IP protection and enforcement.

We are also taking steps to establish a U.S.-East African Community Commercial Dialogue, as part of the administration's new U.S.–EAC trade and investment partnership initiative. The Commercial Dialogue is an informal consultative mechanism through which the United States and the EAC Secretariat, will, among other activities, aim to create business opportunities in key sectors through targeted trade and investment promotion activities.

With trade missions scheduled in the upcoming months, we are taking U.S. businesses to sub-Saharan Africa to learn more about potential investment opportunities. In September, the Department will lead an Aerospace Trade Mission, which will include participation in the Africa Aerospace and Defense 2012 exhibition in Pretoria, South Africa. In November, the Department will lead a multisector mission to South Africa and Zambia.

We are advocating on behalf of U.S. companies and helping U.S. exporters win business in Africa. So far in 2012, the Advocacy Center has worked with U.S. companies seeking to sell jet engines to Kenya Airways and mobile power plants to Angola, among others. The Advocacy Center's efforts have helped U.S. companies win bids that will directly support U.S. jobs in States like California, Connecticut, New York, Ohio, Pennsylvania, Florida, and Texas.

LINKING U.S. BUSINESSES WITH BUYERS OVERSEAS AND ATTRACTING INVESTMENT BACK HOME

To help American businesses make the most of these opportunities, our Commercial Service staff stands ready to link American goods and services with buyers overseas.

Our talented workforce has in-depth knowledge about the export process, markets, and sectors. Entrepreneurs can call our offices, or consult our Web site, and we'll help them succeed in the global marketplace. For example, our office in Savannah, GA, helped the Georgia-based Kelley Manufacturing Company sell $800,000 worth of peanut harvesting equipment to a company in Mali. Our Chicago, IL, office's counseling of Chicago-based Lanco Trading & Investment Company led to the company finding three buyers in Nigeria totaling $204,000 worth of sales.

CONCLUSION

In closing, the Commerce Department and the administration are committed to working with our partners in sub-Saharan Africa and to helping U.S. businesses to increase exports to sub-Saharan Africa. This commitment is evident at the highest levels. Deputy National Security Adviser Michael Froman and Assistant Secretary of Commerce for Market Access and Compliance Michael Camuñez just returned from a trip to Africa, and earlier today I came from the Trade Promotion Coordinating Committee meeting where Africa was one of the items on the agenda. It is apparent that there are many opportunities for us to work together on trade and development issues.

But I would be remiss if I didn't mention one seemingly technical issue—the third-country fabric provision of the African Growth and Opportunity Act (AGOA) which could directly impact jobs here in the U.S. and Africa.

I am pleased the Senate Finance Committee reported out an extension to renew the third-country fabric provision of AGOA, which expires on September 30. I urge the Senate to pass this legislation soon. The third-country fabric provision is critical to the continued survival of Africa's textile and apparel industry. Without renewal, hundreds of thousands of women and small business owners in AGOA-eligible countries will likely lose their jobs.

I look forward to working with the members of this committee to strengthen the economic ties between the United States and sub-Saharan Africa, as well as to help American businesses succeed in sub-Saharan Africa, both today and for years to come.

Senator COONS. Thank you, Mr. Under Secretary. I have been grateful for Chairman Baucus' engagement and leadership on AGOA and for Senator Isakson's tireless advocacy on it. This is an issue that has had broad bipartisan, bicameral support, and we are hopeful that we can clear our last hurdle here in the coming week. We have both had some focused conversations about the remaining challenge. So I appreciate your raising that in a focused and relevant way today.

Ms. Littlefield, if you would like to close off the opening statements of the panel. Then we will turn to questions.

STATEMENT OF HON. ELIZABETH LITTLEFIELD, PRESIDENT AND CEO, OVERSEAS PRIVATE INVESTMENT CORPORATION, WASHINGTON, DC

Ms. LITTLEFIELD. Thank you very much. So thank you, Chairman Coons, Ranking Member Isakson, and members of the subcommittee. Thank you also for your leadership and for giving me the chance to address the subcommittee here today on such an important topic and frankly one that is very near and dear to my heart. My name is Elizabeth Littlefield and I am the President and CEO of the Overseas Private Investment Corporation.

OPIC is the U.S. Government's development finance institution. We mobilize U.S. private capital for sustainable economic development in emerging markets, and doing so advances our national security interests, on the one hand, and intangibly projects American values, standards, and good will in key countries across the globe. At the same time, OPIC helps U.S. businesses access dynamic, new growing markets, boosting growth and creating jobs both at home and abroad.

OPIC catalyzes these investments by making long-term financing available in difficult and unproven markets like Afghanistan and

South Sudan where no other financing is available and by providing insurance that reduces the risk of investing in those kind of markets. Because we operate on a fully commercial basis in a self-sustaining way, OPIC generates income every year for the budget.

Now, before I move into the specifics of OPIC's work in 40 different countries in Africa, let me briefly just update you on the agency's recent work, much of which was accomplished through collaborations with sister agencies such as the gentlemen I have on my right and my left, as well as, perhaps even more so, with the State Department and USAID.

We, like Africa, have a pretty great story to tell. Four quick highlights.

With the dedicated staff of only 224 people and an allotment of $55 million in administrative expenses, OPIC generated over $3 billion in long-term projects last year, as well as $269 million for the taxpayer. That comes to about $2 billion we have generated for the taxpayer through our work over the last 5 years.

Efforts to focus on the poorest countries of the world paid off last year. We were very proud to have seen our volumes in low-income countries, most of them in Africa, rise to over 50 percent of our portfolio, up from 15 percent the previous year. Three-quarters of our business by both volume and transaction number is with small businesses in the United States.

And then finally, in the renewable resources space, we tripled our commitments to $1.1 billion. The amount of renewable megawatts to be generated by OPIC's financing grew tenfold in 1 year, last year.

So I, frankly, could not be more proud than to work with such a highly talented and professional staff and no more honored to lead this nimble and effective organization.

So turning to Africa, I personally believe that Africa is the most promising frontier market in the world today. The four pillars of the President's new directive and the congressional focus on Africa that S. 2215 represents are perfectly timed to coincide with several powerful and exciting forces that are shaping the continent today such as a rapidly growing middle class that has more and more disposable income, such as a reversal of the brain drain, as well as a number of other factors like improving business climates in governments throughout Africa, including what President Mills had worked so hard to achieve over the last 10 years or so.

Speaking personally, I have a personal commitment to Africa having lived and worked on the continent since the late 1980s where I spent a year living in West Africa setting up microfinance institutions throughout the region—West and Central Africa—from Mauritania to Mali to Rwanda and Burundi.

In the last 2 years, OPIC has made a concerted effort to build our business in Africa, and last year we were very proud, as Senator Coons mentioned, that a full third of our global portfolio were in sub-Saharan Africa, more than any other region, and a threefold increase over the year before. Our current portfolio in the region totals $3 billion across 105 different, very long-term development projects.

Looking ahead, as Senator Isakson mentioned, we see that U.S. firms remain sorely underrepresented in the region compared to our competitors, but we are seeing a growing interest from U.S. companies in the continent and I would be happy to talk more about just how that interest manifests itself as expressed in the questions that will follow.

Before closing, I would like to offer you just three quick examples.

In Kenya, Ormat Technologies, a Nevada-based company, is using OPIC financing to double the generating capacity of a geothermal powerplant in Kenya, providing clean energy and creating jobs both in Kenya, as well as in the United States.

In Ghana, Bell Star Corporation, which is a Florida company and an OPIC client, is rehabilitating 38 municipal water treatment plants. This project will increase the availability of clean water to 85 percent of the population by 2015.

And finally in Rwanda, OPIC provided financing and insurance to the Connecticut-based Tea Importers, Inc. to expand its tea processing facilities. The company buys tea leaves from about 5,000 local small landholders, thereby providing a very significant source of employment, as well as income for that country.

In sum, OPIC's approach to investment-led development is good for Africa, good for business, and good for the United States taxpayer. The agency is fully set to deliver on the President's new directive. In fact, OPIC is one of the most effective ways to engage in development in Africa because we operate on commercial terms with the private sector, and it is one of the most cost efficient ways to engage in development in Africa because we generate income for the taxpayer. Every single, solitary dollar that we can mobilize from the private sector for sustainable economic development in Africa is one more dollar that we can shift toward other priorities or back to the taxpayer. So we have a very powerful, proven track record and look forward to continuing to use it to support this dynamic new era for Africa.

Thank you and I welcome your questions.

[The prepared statement of Ms. Littlefield follows:]

PREPARED STATEMENT OF ELIZABETH L. LITTLEFIELD

Chairman Coons, Ranking Member Isakson, and distinguished members of the subcommittee, I want to thank you for the opportunity to address the subcommittee. I am Elizabeth Littlefield, President and CEO of the Overseas Private Investment Corporation.

Today's hearing focuses on a subject critical to the American foreign policy objectives of security and growth: increasing U.S. economic engagement in sub-Saharan Africa to generate broad, sustainable economic development. Steady and tangible progress toward this goal is indispensible for improving Africans' standards of living, well-being, and capacity to fulfill their own economic destinies. Moreover, America's own economic growth and its strategic relationships among African nations and the international community will only gain by the success of these efforts.

As the U.S. Government's development finance institution, OPIC is well positioned to discuss investment in Africa, the prospects for its future, and the role of American business in helping Africa to realize those prospects.

As President Obama has said, American development policy must use all the tools of development—not only foreign aid but investment tools as well. Specifically, the President's new U.S. strategy for the subcontinent directs the administration to "spur economic growth, trade, and investment in sub-Saharan Africa."

OPIC supports long-term U.S. investments in Africa through its three basic products—political risk insurance, investment financing, and support for carefully selected and targeted private equity funds. Our political risk insurance, which primarily covers expropriation, currency inconvertibility, and political violence, reassures investors that their assets on the ground will be protected. Our financing, available to smaller companies as direct loans through our Small and Medium Size Enterprise Finance Department, and to larger companies as guaranties, mainly through our Structured Finance Department, helps companies finance investment opportunities in Africa. And OPIC-supported private equity funds direct capital to African companies with the most promising potential for economic growth.

For example, OPIC is providing financing and political risk insurance for a power plant in Togo that is helping that country evolve from an importer of energy into an exporter—and thereby overcome an electricity shortage that has resulted in rolling blackouts and inhibited its economic growth.

Each application for OPIC backing is rigorously evaluated for its development potential, its creditworthiness, the backgrounds of its applicants, and whether it could be funded from private lenders without OPIC's participation. (This latter consideration ensures that OPIC neither duplicates nor crowds the efforts of the private sector.)

And yet OPIC's role in all of this comes at no net cost to U.S. taxpayers. OPIC is fully self-sufficient, as required by law. In fact, OPIC has helped reduce the U.S. budget deficit for 34 consecutive years. Last year, OPIC sent $269 million back to the U.S. Treasury—and over the past few years, we've sent more than $2 billion back.

Meanwhile, OPIC's ability to catalyze private-sector investment continues to improve. Historically, each dollar that OPIC has invested in emerging markets like Africa's has mobilized another $2.70 in private sector investment. In FY 2011, OPIC recorded a threefold increase in the amount of capital that the agency's financing mobilized, rising to $4.4 billion.

This approach has been successful in Africa for OPIC.

Over its 40-year history, OPIC has committed more than $7.6 billion in financing and political risk insurance to 460 projects in sub-Saharan Africa. Those projects have delivered widespread economic benefits to Africa's growing economies, among them:

- A total of nearly 2,700 megawatts of new electrical power across the continent;
- Hundreds of thousands of new housing units, including one project in South Africa that alone has produced nearly 111,000 new units;
- The provision of hundreds of thousands of gallons of clean water daily to African populations;
- Thousands of loans and microloans for African entrepreneurs through ongoing partnerships with American banks;
- The construction of railways and port facilities, miles of new roads and other physical infrastructure critical to the continent's economic growth; and
- The creation of thousands of new jobs, both for African and American companies which partner in OPIC projects.

And OPIC's commitment to Africa has only grown over the course of the last decade, in support of both Republican and Democratic administration priorities. To illustrate, FY 2001 OPIC commitments to projects in Africa comprised only 4 percent of the agency's total exposure. That percentage has grown steadily to 22 percent in FY 2011. If North Africa and the Middle East were included, the figure rises to 40 percent of OPIC's portfolio. (See charts, attached.)

OPIC's approach to investment in Africa is strategic. Because we are an agency of only 224 employees, we make every effort to select projects that deliver the maximum developmental and economic impact to Africa's nascent economies. In doing so, we bring the best of American innovation, skills and training to bear on OPIC's development projects in Africa, as well as best business practices and the highest standards of environmental and social performance.

Our top priorities in Africa are first, to support U.S. investment in the energy sector, particularly the sustainable development of Africa's considerable renewable resources; second, to facilitate infrastructure improvements, not only traditional physical infrastructure like roads, housing, and electric generation, but also agricultural infrastructure like supply chains and health care infrastructure like hospitals and clinics; and third, to expand access to capital for African small and medium-sized enterprises (SME's) and microenterprises.

Here are some examples of OPIC projects in each of these sectors:

- In Kenya, a project that OPIC has approved will double the generating capacity of a geothermal plant, adding 52 MW to its existing 48 MW of capacity. This expansion will incorporate environmentally friendly American technology, and is expected to generate 55 new local jobs, among them 26 professional/technical staff and 28 unskilled workers. It is also expected to support approximately 107 U.S. jobs.

- In Cameroon, an OPIC project is supplying safe drinking water to hundreds of villages, improving health and supporting economic growth—while also introducing U.S. forms of project management and industrial engineering that will help the country long after the project is completed.
- Water is also the focus of an OPIC-financed desalination plant in Algiers that supplies safe drinking water to a fourth of the city's population—while, for the first time in Algeria, demonstrating a successful public-private infrastructure partnership.
- In heath care, a project that OPIC has approved will use U.S.-manufactured medical equipment and medical consultants to develop improved health care services at up to 100 hospitals and clinics in Ghana, a Partnership for Growth country. Many patients will gain access to oxygen generator systems, MRI machines, CT scanners, and ultrasound and digital image equipment for the first time. Hospital administrators will gain access to advanced management systems, critical care packages, medical waste treatment plants, and mobile clinics.
- An OPIC monitoring team, recently returned from Kenya, reported on three innovative OPIC microfinance projects there. Musoni, an entirely mobile phone-based microfinance institution; the Kenya Women's Finance Trust, which since 1981 has revolutionized women entrepreneurs' access to credit in the country, and Equity Bank, which receives financing from a highly successful OPIC-supported investment fund called Helios. These three MFIs are at the cutting edge of microfinance in East Africa, not least for their support of the Smart Campaign social performance principles which stand to improve MFIs' customer focus worldwide.

And it's not only in the more stable countries such as South Africa and Kenya where OPIC is working.

In post-conflict African states, OPIC has been moving quickly to address humanitarian challenges with projects that offer long-term gains.

- Immediately following Liberia's civil war, OPIC has put in place a facility with a U.S. partner bank that lends to SMEs. Called the Liberian Enterprise Development Finance Corporation (LEDFC), the facility focuses on businesses in the hospitality, transportation, construction materials, employment and growth. LEDFC has been praised highly by Liberian President Ellen Johnson-Sirleaf. And as one loan recipient stated, "For me, it has been a problem of finance until LEDFC. I don't care how much is in your head, if there is no money in your pocket and your bank account is empty, nothing will go anywhere."
- In Rwanda, OPIC provided financing and insurance to Connecticut-based Tea Importers, Inc., to expand their Rwandan tea processing facilities. The company purchases tea leaves from about 5,000 small landholders, making the facility a critical source of employment and income in the country.

OPIC also works with nongovernmental organizations that focus on private sector development.

- A Texas faith-based NGO called Living Water International (LWI), for example, used three OPIC loans to drill hundreds of potable water wells in rural areas of Kenya and Ghana, providing scores of communities with access to clean water. As each well is drilled, LWI crews work with local stakeholders, providing instruction on water hygiene. After the well is completed, LWI trains stakeholders in its operation and maintenance.

In addition to our work with the private sector and nonprofit community, OPIC often implements its African activities with our sister agencies in the Federal Government—including not only Ex-Im Bank and the Department of Commerce, who are here with us today, but more frequently the State Department, the U.S. Agency for International Development, the Millennium Challenge Corporation, and the U.S. Trade and Development Agency (USTDA). This makes each agency's resources go farther, and enables us to effectively align and combine the complementary resources of sister development agencies. As always, we aim to make public resources go farther, spending the least amount of public resources needed to attract the most private resources.

Let me give you an example. Last month,I was honored to join Secretary Clinton in Rio de Janeiro for the launch of the U.S.-Africa Clean Energy Finance initiative, an innovative approach to bring together resources and expertise of three U.S. Government agencies—using existing State Department funds, USTDA technical assistance, and OPIC backing to catalyze renewable energy generation facilities, energy efficient improvements, and facilities that support clean energy.

Looking at the larger picture, all of this economic activity has created platforms for the growth of market-based economies across Africa, as well as economic incentives to create a more business-friendly environment with fair and predictable laws and regulations, and streamlined processes for permits and licenses, among other business climate improvements.

This evolution builds a business environment that is more welcoming to American companies hoping to better access today's fast-growing African markets.

In the U.S., this especially helps small businesses, many of them diaspora-owned, which can spot niches in these emerging markets, and who use the improved business climates and OPIC's help to better manage risks. Small U.S. companies now account for more than three-fourths of OPIC's transaction volume. In fact, last year, 78 percent of OPIC projects were with U.S. small businesses.

Over time, OPIC has helped thousands of such American companies to extend the reach of their technological advances and entrepreneurial know-how to developing country markets, notably in Africa.

And these economic and technological interventions, in turn, have had catalytic effects: generating thousands of startup companies in poorer countries and hundreds of thousands of jobs both there and in the United States.

The result is the initiation of a virtuous cycle: U.S. businesses and their African partners both grow, strengthening local economies and making Africa's emerging markets better markets for American companies and investors.

Overall, the impact of OPIC's development finance on Africa speaks volumes about the potential of our investment approach to bring about economic growth on the continent. It also speaks to the scale of investment opportunities that exist for American businesses in Africa. Not least, OPIC's success backs key U.S. foreign policy goals by supporting the spread of democracy and free markets.

Why is this happening now—what is driving Africa's growing market potential? I see three factors:

(1) The swelling ranks of the middle class. In just the past decade, Africa's middle class grew 60 percent to 313 million, according to the African Development Bank. And the number of African households with discretionary income is expected to go up by another 50 percent over the next 10 years. We certainly should not overlook poverty in Africa, but it's important to recognize that a significant segment of the population now has income that can cover more than its basic needs. As just one example, Africa now has more mobile-phone subscribers than the U.S. has people.

(2) Untapped opportunities: Nearly 60 percent of the world's uncultivated arable land is in Africa. And with the world's population projected to increase to more than 9 billion by 2050, it will require up to a 70-percent increase in agricultural production. In addition to agricultural productivity opportunities, research shows that agricultural growth is at least twice as effective in reducing poverty as growth in other sectors. Agriculture in Africa is clearly a high-potential growth sector.

(3) And as noted, African governments are doing their part by undertaking earnest efforts to improve the investment climate and energize markets. Across the continent we've seen leaders privatize state-owned enterprises, liberalize trade, lower corporate taxes, strengthen regulatory and legal systems, and invest in critical physical and social infrastructure. In 2010, two-thirds of sub-Saharan African nations implemented reforms to improve their business climates. From the point of view of an investor, the most important sign of a positive business environment is improvement, even incremental, as it demonstrates the intent of the government to welcome business. The World Bank's Doing Business indicators tell the story: in past 5 years, half of the 12 countries awarded "most improved" are in Africa.

Against these ever-improving prospects, Africa faces equally great investment challenges, particularly in the development of its physical and financial infrastructure.

With nearly 1 billion people, Africa accounts for over a sixth of the world's population, but generates only 4 percent of global electricity.

And while the need to upgrade and expand the service provision in areas such as electricity, telecommunications, transport, shelter, water supply and sanitation is high, private investments have not kept pace. This fact is particularly disappointing when one considers Africa's vast natural resources and the potential for social development they offer.

We believe this is where OPIC can step in and make a critical difference by helping to bridge the still large gap between Africa's potential and its development needs. Indeed, as an offshoot of the Marshall Plan, OPIC was established to involve the U.S. private sector in stepping up to precisely such daunting challenges.

We believe the OPIC record in Africa speaks for itself. If nothing else, it speaks to the ability of private sector-led development to yield outsized results that dwarf the commitment of U.S. Government resources to Africa's development challenges.

The OPIC finance model is the most effective way to support sustainable development because it deploys a private market entrepreneurship and discipline. It is the most efficient way to conduct development policy because it is done in a way that is not only fully self-financing but actually generates money for the American taxpayer and the federal budget.

With the support of Congress, we look forward to helping Africa meet its development challenges through the vehicle of the American private sector, which has always met every challenge before it.

[EDITOR'S NOTE.—The charts mentioned as an attachment to Ms. Littlefield's prepared statement can be found at the end of this hearing in the "Additional Material Submitted for the Record" section.]

Senator COONS. Thank you, President Littlefield, and thank you to the whole panel. I appreciate your testimony.

We are going to start a first round of 7 minutes of questions. Then we will see. Hopefully we have time for at least two rounds before we need to go vote.

I have three questions I would like to put to the panel, if I might, and I will put them to individuals, but then if the other two panel members would feel welcome to comment as well.

Under Secretary Sanchez, if you would, what steps could be taken to improve coordination among your three agencies, Ex-Im, OPIC, Commerce, as well as State, AID, USTDA, and others, to ensure that we are as effective as possible in delivering support for the United States private sector and strengthening United States-Africa bilateral relations and in strengthening our investment in trade relations in Africa?

Mr. SANCHEZ. Thank you for the question, Senator. It is actually a very timely question because just before coming to this hearing, I attended a meeting chaired by my boss, Acting Secretary Rebecca Blank, of the Trade Promotion Coordinating Committee, which is a congressionally mandated coordinating committee of all the different agencies that play some role in export promotion around the world. And on the agenda was: What are we doing collectively to support our efforts in Africa?

We were directed from that committee to work together and build on the plans that we already have. As I mentioned in my testimony Commerce is doing outreach in the diaspora community to bring awareness to the Federal assistance that is available. We are doing that in a coordinated manner with SBA, with the Minority Business Development Administration, the International Trade Administration, and other relevant agencies.

Part of the way that we have coverage for commercial activities is through the Partnership Post Program with the Department of State. And so we train economic attachés in 25 of the countries in sub-Saharan Africa where we do not have commercial officers or locally engaged staff. We train them to provide the commercial services that we provide in different posts around the world.

So we are currently engaging in a number of ways, and as a result of our meeting, they are mandated to look at other ways that we can strengthen that collaboration.

Senator COONS. I am going to ask you a followup question, if I could. If you had sufficient funding, in your view would having more Foreign Commercial Service officers on the continent in Africa significantly contribute to our relationship and coordination, or are you perfectly satisfied that with the training you are able to provide to in-country State Department officers, you are accomplishing the goal?

Mr. SANCHEZ. Senator, the short answer is "Yes." I believe that we could adequately deploy additional resources. The President's proposed budget for the International Trade Administration calls for approximately 111 additional staff for the Foreign Commercial Service. Later this year, we will be going through an analysis, a resource allocation analysis, to determine where we should deploy our resources. I feel very confident in saying that additional resources could go into the African Continent and specifically into sub-Saharan Africa.

Senator COONS. Let me turn, if I might, to a question about transparency. President Littlefield, you spoke about how you are very active in difficult or unproven markets, and at times this allows us the opportunity to not just promote economic relationships, but also to promote our values. Tell me, if you would, whether you think investors would have greater confidence in African countries if they developed their own transparency standards for extractive industries, for example, or other sectors. The United States has long had the gold standard in our Foreign Corrupt Practices Act in terms of obligations we put on U.S.-headquartered companies for their operations and transparency overseas. There is a critical component to the Dodd-Frank bill that requires more transparency around extractive industries. Would it make a difference if those standards were African-led and applied on an equal basis to countries of all origins who seek to play in Africa, or are we meeting the values goal for transparency sufficiently as it is?

Ms. LITTLEFIELD. Well, I guess I would say, first of all, that I think the U.S. investment that is flowing abroad has not only a huge boost for the economy, but it has a huge boost for providing exactly those kinds of standards that U.S. companies bring: standards of transparency; high standards of governance; standards also of environmental safeguards and social and labor policies; human rights policies; which not only enable us to project the values and the standards that the U.S. companies embody but also create models for other companies in those markets to emulate.

Increasingly, we have seen regulations and transparency being adopted by African countries. Roughly 80 percent of the countries on the continent have adopted probusiness investment climate improvements over the last 5 or 6 years, and we are seeing dramatic improvements in that in terms of the regulatory and the investment environment.

So, yes, I think the African nations are taking the lead. I think it is very important for that to continue and for us to continue to have United States companies supporting those reforms in regulations.

Senator COONS. Thank you.

If I might, Chairman Hochberg, the last question. Tell me about what sorts of impact the programs that Ex-Im is responsible for have had on improving the business climate more generally. You spoke a little about sort of rule of law and transparency and procedural things. I would be interested in what else you think—what are the greatest remaining challenges, how they can be overcome, and then what role other Federal agencies have in contributing to progress in the business climate.

Mr. HOCHBERG. Well, thank you. You know, doing business in Africa is still a challenge, and we would like to do even more business than we have been doing. We could not do the work we do in sub-Saharan Africa, frankly, without the help and assistance of the Foreign Commercial Service. So we work closely with them. And frankly, under Secretary Clinton and Deputy Secretary Nides, each and every embassy has been much more focus on the commercial aspects of their mandate, not just the diplomatic side. So really we rely on the State Department in terms of looking at good governance, rule of law, and those issues in terms of improving our ability to make more loans and increase more exports to sub-Saharan Africa.

Senator COONS. Thank you.

Any other comments from the other members of the panel?

Ms. LITTLEFIELD. May I just add one thing on the question that you asked Under Secretary Sanchez? And that is, I would say that the coordination is working extremely well as far as I am concerned. I think not only are several of the agencies represented in the interagency process on the OPIC's board and very supportive of us in that regard, but we work extremely closely with the Foreign Commercial Service as well, as well as the economic officers at the State Department. They are continually identifying tenders that U.S. companies can take advantage of that alert us to those opportunities. They are continually referring business to us. We have no eyes and ears on the ground, and so it is a very, very powerful support for us. So I would encourage continued support of that.

One last thing I would mention is remembering USAID and the State Department, with whom we coordinate extremely closely, most of OPIC's response to the Arab Spring could not have happened without AID's support and without the support of the State Department. So we coordinate very closely with them. I think it works very well so far.

Senator COONS. And State and AID were represented at the previous hearing we had.

Ms. LITTLEFIELD. Yes, exactly.

Senator COONS. And I agree with you. They played a central role.

Mr. Under Secretary, and then I am going to turn it over to Senator Isakson.

Mr. SANCHEZ. Mr. Chairman, just very briefly to underscore what Chairman Hochberg said about helping develop a business climate with our partners in sub-Saharan Africa. In addition to export promotion, the work that the International Trade Administration does that I believe is very important is in working with our partners and helping them create a business climate that will attract business. And I mentioned in my testimony intellectual property rights protection work, which not only helps American companies, but also helps African entrepreneurs. In addition to that, we are helping companies with laws and regulations that will be conducive to attracting business. And if we can help them create that fertile ground, it will make it easier to attract more American business in trade and investment.

Senator COONS. Thank you.

Senator Isakson.

Senator ISAKSON. Well, Mr. Sanchez, thank you for your comment about AGOA. And the chairman deserves a lot of credit for his effort. We are trying to move it forward. We are kind of a hostage right now to a couple of situations which hopefully we will be released without harm. I hope that will happen.

But it reminded me of our visit to Global Mamas in Ghana, and the jobs that will be lost in Africa that will end up going to China, Vietnam, and Thailand are disappointing tremendously because we are raising the standard of living and the lives of those people in Africa with the third-country fabric agreement and we need to continue it. So I appreciate your support for that.

Mr. Hochberg, what is your default rate on your loans?

Mr. HOCHBERG. Our default rate bankwide is below 1.5 percent.

Senator ISAKSON. And you do not make loans that are convertible to equity, do you?

Mr. HOCHBERG. We do not.

Senator ISAKSON. I met with Dr. Kim, the new President of the World Bank, as did the chairman. I have been to Africa a number of times, and the thing I want to talk to Mr. Hochberg and Ms. Littlefield about for a minute, which both of you are aware of my interest I think—one of the things that really is an encumbrance to United States investment of U.S. companies in Africa is the corruption issue. And I had a meeting this morning with the World Bank official whose job it is to try and bring about an accountability of the beneficiaries of World Bank loans and investments in terms of corruption.

I would like to hear from both of you what you do in your financial facility to have a contingency, an accountability, or a compliance as far as corruption is concerned because the businesses I talk to in the United States—their No. 1 concern is how many people you may have to pay off in either the gubernatorial change, the transport change, the port offloading change, wherever it might be, and that is why President Mills deserves, by the way, so much credit because he was a stalwart in turning Ghana around as far as that was concerned. So I would like to hear what the Ex-Im Bank is doing, what OPIC is doing in terms of holding Africa accountable in terms of corruption.

Mr. HOCHBERG. Well, thank you for that question. In part of our due diligence on every transaction, we are doing a reputational risk. We run through—any transaction above $10 million is reviewed by the State Department and the Treasury Department. So we have got a number of screens, as well as the National Security Council, in terms of the actors that we are doing business with. So we obviously look at that very carefully and we investigate that. We have an independent IG. To the extent we see any fraud or we see any misrepresentation, we will either investigate it beforehand. If it is after a loan is made, we will interplay the inspector general into that work.

Senator ISAKSON. Do you have the ability in your paperwork that is executed on the loans to stop funding of a loan if in fact you discover corruption between the time that you originated the loan and when you began distributing?

Mr. HOCHBERG. I do not know specifically if that is part of the loan documentation. I will get back to you on that specific question. There are other times when we have seen other improprieties and we simply have stopped making payments until we are satisfied, but I do not know whether it is specifically enumerated in the loan documentation.

Senator ISAKSON. Ms. Littlefield.

Ms. LITTLEFIELD. Yes, thank you. I will just answer your question about loan defaults as well, if I may.

Senator ISAKSON. Sure.

Ms. LITTLEFIELD. OPIC too, over its 40-year history, has—less than 1.5 percent of its loans have been written off, and less than .7 percent of insurance contracts have been written off. So we share the same track record as Ex-Im.

Senator ISAKSON. It is important to note that that is better than U.S. single family residential mortgages. [Laughter.]

Ms. LITTLEFIELD. Indeed.

And with respect to our clearances as well, we too have a very, very rigorous system. We have 25 databases that we submit every single one of our projects, regardless of size, to, those databases checking both credit and character risk due diligence. Those databases include things like the State Department, the Treasury, the embassies' databases, as well as the Office of Foreign Asset Control, the Foreign Corrupt Practices Act database, the SEC's databases. All of them are checked for compliance with—any troublesome information that we might find about an individual, a principal, a shareholder, a member of a family. These are very rigorous tests. And, in fact, frankly when you think about it, we get about 2,000 applications every year for every 100 deals that we do. So we able to be extremely selective in the transactions that we pursue, and we would not pursue anything that had any slight hint of corruption in it.

I would just say one additional thing, though. We find that our customers that have done business in Africa already become repeat customers. They are very bullish in the continent. They are comfortable with it. They understand how to navigate and find the right kind of partners. The corruption issue is cited most often amongst those corporations that have never invested in the continent. So we think the fact that repeat business comes back to Africa is always a good sign for anyone running a business.

And last I would say that many of the government leaders that I speak with, including President Mills, consistently talk about how the corruption issue is why they appreciate working with American businesses over Chinese businesses. And increasingly those governments are beginning to recognize that price is not everything, and that when American businesses invest, they bring standards and, as we mentioned earlier, transparency, governance, and other things along with that investment that is very powerful for that market but does not have a value per se, a numerical value.

Senator ISAKSON. Mr. Hochberg.

Mr. HOCHBERG. It is very handy having my general counsel in the hearing room.

Senator ISAKSON. I saw you getting notes.

Mr. HOCHBERG. So I can respond immediately to your question. It is a condition of default. If any corruption or fraud is detected and there are still disbursements being made, that is evidence of default and we stop payment at that time.

Senator ISAKSON. Well, I am really glad you had the answer on such a timely basis and I commend the young lady who brought you the answer for getting it to you.

Mr. HOCHBERG. And she likes being called a young lady.

Senator ISAKSON. It is good to have good help around. It makes me look good too.

But the reason I asked the question is the best way to stop bad practices is to make examples of people, and if you make an investment that to the best of your knowledge you have done all the due diligence you could do on a loan, but you learn after the fact that corruption is taking place and there are active participants, then the fact that you stopped funding the loan or call it in default because of the corruption, that word will travel faster than any word whatsoever. It is the best enforcement mechanism that you have. So I am glad that you do it. I hope OPIC will do the same thing.

And the World Bank—I talked with them this morning. They are beginning the same type process, and I think it is going to elevate the amount of United States investment in Africa and it is going to elevate the plight of the African people tremendously.

Thank you, Mr. Chairman.

Mr. HOCHBERG. I have also brought that to the attention of those countries' ambassadors to the United States so that they are aware of our issues and the fact it does taint doing business in that country. So that has also been helpful.

Senator ISAKSON. Thank you very much.

Senator COONS. Thank you, Senator Isakson.

Senator Isakson and I are both aware of the recent case in Malawi in its interaction with the MCC where they suspended what was a several hundred million compact, and it has now restored after a change in governance and remedial actions. I appreciate your line of questioning.

Senator Durbin.

Senator DURBIN. Thank you, Chairman Coons and my colleagues and certainly those who are members of the panel, my old friend, Fred Hochberg, and all of you who have joined us today.

And thank you for including my African trade bill on this agenda. I thank the chairman for cosponsoring it and others for joining, and I hope that it is something that can be part of this conversation. The goal is to dramatically increase American trade with Africa by coordinating our governmental efforts.

I have been to Africa many times. One of my last trips to Ethiopia with Prime Minister Meles was an eye-opener. At the very end of a meeting, I happened to mention the word "China," and he was waiting. He added 30 minutes to the meeting to basically say to me go home to America and tell them what is happening here. China has arrived. They have a vision in Africa and they have a plan. They have resources and they are engaged in virtually every country in Africa. No other country on earth is engaged the way that they are.

And you look at the announcement of just a few days ago from President Hu in Beijing that China was going to lend $20 billion to African governments for infrastructure and agriculture in the next 3 years, that is not all. In his speech, Mr. Hu said China would train 30,000 Africans, offer 18,000 scholarships, and send 1,500 doctors and other medical personnel to Africa. They are investing in a big way in Africa.

Prime Minister Meles told me of circumstances where when they borrowed $100 million for a project from China, they were only expected to return $70 million in payment so long as Chinese contractors, engineers, and a lot of Chinese workers were there to do the work.

So I would like to ask you this in kind of reflection. We have seen many times around the world competing with China is difficult because they play by different rules. They have a different allocation of resources, and they clearly have different goals than the United States. I think we understand that we want to stand for principles and values that reflect who we are and what we believe the world would be better off in following. But in many circumstances, we are finding that we have fewer dollars to offer than China. Some may say, well, it is a large country, and it is. And it has a lot of people and it does. But the GDP of China is one-third of the GDP of the United States, and yet the investments they are making all over the world dwarf ours.

Second, the different rules that they play by. Mr. Hochberg, you have been through this locomotive issue with Pakistan and China. You can understand when they say buy our locomotives and we will build your railroad and similar offers that are being made, things that we cannot or will not do. So they play by different rules in that regard.

And certainly they have different goals. I think clearly there is a mercantile goal. It is a goal to establish economic and market relationships. Ours go way beyond that in terms of diplomacy and strategy and human rights and governance and transparency and the like.

So I guess the question to the panel is this. Even if we get it together, even if we coordinate better, in a time when we are fighting a deficit, in a time when we are not going to abandon our basic values, in a time when we are still going to be mindful of issues like the environment and human rights, what are our chances of truly competing effectively with China in Africa?

Mr. Hochberg.

Mr. HOCHBERG. Well, thank you, Senator, and thank you for your interest in this area.

I would say that in February President Obama and Vice President Xi met, and as a result of that, put in motion a plan to have some kind of new international framework for financing exports in place by 2014. We have already had—there have been three meetings. We have had three teams go to Beijing over the last several months. The next meeting will be in Washington in September. And I think there is some understanding that the way China has been operating is simply not acceptable to have the largest exporter of goods in the entire world, the second largest economy, operating outside of the kind of rules and norms that other developed countries are following.

But we are not waiting for that. You referenced the deal in Pakistan. We stand ready and are looking for U.S. companies. If a United States company feels it has been disadvantaged by financing terms that China has offered, we will step forward and find a way to offset that advantage with a loan package, as we did for Pakistan Rail. That deal has not come through yet, but we made sure that the American manufacturers, GE and Caterpillar, have the same exact financing terms as the Chinese to level that playing field.

Senator DURBIN. Secretary Sanchez.

Mr. SANCHEZ. Thank you, Senator, and thank you for your leadership in this part of the world and on this issue of commercial engagement.

You laid out very eloquently the challenge we face from China. First of all, because I do not think we will match it, I do not believe the answer is to try to meet the Chinese dollar for dollar. We have other competitive advantages.

But the first thing we need to do is show up, and by that I mean our private sector needs to show up. Elizabeth Littlefield made reference to this. Our partners in sub-Saharan Africa want to do business with American companies in part because they have been left very dissatisfied with a lot of the behavior of many Chinese companies, whether it is bringing Chinese labor instead of hiring local labor, whether it is not really having much of a corporate social responsibility culture, or whether it is sharing know-how. American companies do all that so much better.

So to that end, we are engaged. We are taking trade missions. I mentioned in my testimony that we will be doing a trade mission in the aerospace industry in September. I will be leading a multisector trade mission in November. I will be joining my colleagues and Secretary of State Clinton, along with members of the business community, in just about 10 days.

So, No. 1, we have to show up. We are beginning to do that more locally. I made reference to the "Doing Business in Africa" campaign that we are doing here in the United States. I think it is very important that we communicate to our business community that there are tremendous opportunities in infrastructure and health care and agriculture. And so if we do that, if we show up—I am not going to say it is going to be easy because China is throwing a lot of resource at it—I think that we can do much better than we have.

Senator DURBIN. Thank you. I see my time is up. Thank you, Mr. Chairman. Thanks to the panel.

Senator COONS. We have, I think, just a few minutes until the 4 o'clock vote is called. So I may ask one or two more questions, and Senator Durbin, if you have more questions for this panel, it would be helpful to know. Then we may recess and then when I return or when we return, call the second panel if we could.

I would be interested—I think we have had a great conversation about competition with China, transparency, coordination. I would be interested in your input on diversification and how you think we could more broadly engage the U.S. business community, what steps you are taking to make the U.S. business community that is potentially engaged in or interested in exports to Africa more aware of what you do. I do not think enough Americans know the strength and skills and capabilities you bring to the table.

And then second, how do we diversify to a broader range of sectors? I know you operate under some restrictions or priorities in terms of focus on small enterprises or on alternative energy or in other fields, disadvantaged communities, but I would be interested in hearing how you engage more of the United States business community and how we diversify successfully United States exports to Africa. If you might, Under Secretary, and then let us just go in order.

Mr. SANCHEZ. Thank you, Mr. Chairman.

First, we want to focus on what I will describe as low hanging fruit—that there are sectors that can do very well there, and that the American companies have a lot to offer. So specifically in power generation, in traditional oil and gas, as well as alternative energy, there are great opportunities. So we are focusing our trade mission efforts and our international buyer programs in sectors where we know there is a great demand and where we have great capabilities. I would add to that the agribusiness sector, particularly machinery and infrastructure. And I use "infrastructure" in the very broadest sense. It is not just construction management and architectural services, but all of the support services that go into infrastructure, which really impacts a lot of small businesses in the United States. So No. 1 is making sure we are matching the demand to those companies and those sectors where we have a competitive advantage.

And second, as I mentioned earlier, making sure that we are getting the message out to our business community, and particularly the African diaspora business community. There are opportunities there. There is Federal assistance to help you take advantage of those opportunities. We are ready to do business.

Senator COONS. Thank you.

President Littlefield.

Ms. LITTLEFIELD. I would certainly echo what Under Secretary Sanchez said, that we need to work much harder to get the message out, and I do think the Foreign Commercial Service has a very important role in doing that, again in doing things like identifying specific opportunities where tenders are being made that U.S. companies should be made aware of. The Foreign Commercial Service did that for us several months ago in the case of Rwanda where solar tenders were being offered, and three U.S. companies have come forth and we have been working with those three U.S. companies to try to help design the power purchase agreements in such a way that they are bankable. That opportunity might not have arisen were it not for our connections with the Foreign Commercial Service.

But I would say, in addition to promoting exports, we do need to think about investment. I think we need to get the message out that U.S. investment abroad is a huge booster for the domestic economy. I think that is not very well known. You may not know that 40 years ago when OPIC was created, the flows from the United States to emerging markets were about 75-percent overseas development assistance, and today the flows from the United States outward are now about 80-percent FDI. So there has been a complete switch. And that FDI, as we know, is a very powerful booster for the domestic economy. Only 1 percent of U.S. companies invest abroad, and yet, 4.3 million jobs have been created in the United States by overseas investments of U.S. companies. Fifty percent of the profits and revenues of the Standard & Poor's 500 comes from overseas investments. For every one job that is created overseas, 2.3 are created here in this country by investments that are made abroad. That is because when companies in the United States invest abroad, they access these dynamic markets that are fast growing and they need to build back at home to support those investments.

So the link between foreign direct investment in emerging markets, which is so powerful for development and so powerful for projecting U.S. standards and values in those markets—the link between that and our own domestic growth I think is something we need to be much more explicit about. Companies get it but we are not messaging it as a government enough I think.

Senator COONS. Chairman Hochberg.

Mr. HOCHBERG. Thank you.

Let me echo one thing that Under Secretary Sanchez said. The key thing is getting more U.S. companies to show up. That will do the best job in terms of increasing exports. It will do the best in terms of rebutting and meeting the Chinese on many grounds.

The second thing I would say, yesterday when we met you told me about your conference call to Opportunity Africa where 500 companies came and you are planning to do that again in January. That would be enormously helpful. I mean, if you can recruit a number of your colleagues, Senator Isakson and others, to do such a conference like that, if we could do more of those around the country, I will commit that I will come, and if I cannot come, our vice chair or somebody else will be there because that is the best way to get the word out. The convening power that you and your colleagues have would be enormous in helping to increase exports there.

Additionally I have to say the Senate last year appropriated an extra $6 million to our administrative budget. It is the funds that we have earned in fees, but you have allowed us to spend that money. That also helps. We have a proposal in for this year as well.

And last, I would say you need to hold us accountable. We have an annual report. On page 18 and 19, we report every year what we have done in sub-Saharan Africa. So what is in this report is what the management of this bank pays attention to. So I would suggest the best way to do it is to hold a hearing every year. Either I am here or my successor, but hold us accountable. If we know we have to have a hearing, we know we are going to report on the annual report, we are going to make sure we do a good job.

Senator COONS. Thank you.

Senator Isakson.

Senator ISAKSON. I just want to make a comment, not to discount what Senator Durbin said in the least about the Chinese because I have been there and I have seen it with my own eyes. But I think we have to understand the tremendous appreciation there is of the investment of the United States people in PEPFAR and the Millennium Challenge Corporation and the tuberculosis initiative and other things like that. And rather than an increase in spending, a loss in that investment would hurt us a lot more than not increasing our spending. And I think the African people are very intuitive people and appreciate the fact that we are investing in their future. China comes with a big dollar but they take a lot with them, including so many of the jobs they bring in from their own continent. So I am not diminishing them, but I think what both the last two administrations have done in terms of investing in the health of the African people, clean, safe drinking water, and eradicating some of the worst diseases that are still on the face of this earth should be recognized as a tremendous contribution that helps American businesses have a good image when they go in to do business.

Senator COONS. I understand the vote has not yet been called. There is another floor speech underway. So if I could, I wanted to ask one more question of this panel because one partial purpose of this hearing was to offer the opportunity for some input on S. 2215, which Senator Durbin has filed. Each of you had some concerns or questions about some provisions of the bill. I would certainly welcome your taking this opportunity to convey to Senator Isakson and me any positives or questions or concerns you might have about the Durbin bill. If you would, Mr. Under Secretary.

Mr. SANCHEZ. Thank you, Mr. Chairman. If I may, I'd like to take a few seconds just before responding to that. Chairman Hochberg is not the only one with capable staff with him, and my staff reminded me of one of the initiatives we are doing to help promote more American activity there. It is U.S.-East African Community Commercial Dialogue, and this is an initiative specifically to engage American businesses in specific sectors where we can have opportunities. So I would be remiss if I did not highlight that.

With regard to Senator Durbin's bill, we fully support the goals and objectives of Senator Durbin's bill. As I mentioned in response to his question, I do believe that if we had additional resources, we could deploy them in a cost-effective way in sub-Saharan Africa. And to that end, the President's budget for the International Trade Administration would include 111 additional staff for the Foreign Commercial Service worldwide. I am very confident that our resource allocation analysis would conclude that we could put additional resources to use, and use them very effectively. So I very much support the goals and the aspirations of Senator Durbin's bill.

Senator COONS. Thank you, Mr. Under Secretary.

President Littlefield.

Ms. LITTLEFIELD. Yes, thank you very much.

We at OPIC also applaud very much the bill's intent and clearly we are operating very much along the same lines, given that we have increased our work in Africa by threefold in the last year. So we are moving in the direction that the bill signals.

I would point out, however, that as a development finance institution, we are actually smaller than our peer G8 development finance institutions, not to mention China. We are smaller. We are more constrained, and we have less instruments. That is on an absolute level. If you compare us to the size of our business community, we are very, very, very small.

So I too would say that we would heartily encourage, please, and thank the Senate for supporting the President's budget and for also supporting last year a permanent reauthorization for OPIC in the Senate Foreign Operations appropriations bill. We hope very much that we can get at least a multiyear reauthorization, if not a permanent one, going forward in the next year, and we would look forward to working with Congress on that.

Senator COONS. Thank you, Madam President.

And Chairman Hochberg.

Mr. HOCHBERG. Thank you for asking for our input on this. I have two concerns about the S. 2215, as it is currently, two particular concerns.

One is setting aside 25 percent of the increase in our lending cap each year for sub-Saharan Africa. I think this is a dangerous precedent to start carving up the increase in lending cap for certain parts of the world or sectors or industries. What it could lead to is—first of all, we do not have that much extra room in our lending cap, and it could mean easily that we would start declining other exports to other parts of the world because we are trying to reserve funds that may or may not be used each and every year. So I am concerned about starting to carve up the increase in our lending cap each year.

The other area that I would like to just note is the assignment of no less than three employees to sub-Saharan Africa. We rely on the Under Secretary of Commerce, for instance, and his team, as well as the Embassy. And I think we have far more leverage working with the Commerce Department and the State Department, and these are the kinds of things that President Obama has proposed in terms of reorganizing the trade functions so that we do not each have our own little pockets in each different country.

So those are two concerns I have as the law is currently drafted.

Senator COONS. Thank you. And I look forward, Under Secretary, to working with you to better understand the model that you are using going forward, to see the outcome of your next update, and to have an ongoing conversation about the role of the Foreign Commercial Service, something I think we both support.

At this point, Senator Isakson, did you have any further questions of this panel?

I am going to thank this panel. We are going to recess to the Senate, and hopefully cast our votes relatively quickly. And my expectation is that we will return by 4:20 or 4:30 at the latest and resume with our second panel. This hearing is temporarily in recess. Thank you.

[Recess.]

Senator COONS. I call this hearing of the Senate Foreign Relations Committee back into session. I apologize for the long delay. We had a vigorous exchange of views between the leaders of our respective caucuses and two votes. And the Vice President graced us with his presence as the presiding officer. So we had a really full exchange on the floor of the Senate.

So I am grateful for the testimony of our second panel and would like to invite you to give opening statements and then we will proceed to questions. Dr. Kimenyi, if I might start with you and then turn to Mr. Hayes and then to Mr. Eisner, if that would be OK.

Dr. Kimenyi.

STATEMENT OF MWANGI KIMENYI, SENIOR FELLOW AND DIRECTOR, AFRICA GROWTH INITIATIVE, BROOKINGS INSTITUTION, WASHINGTON, DC

Dr. KIMENYI. Thank you very much, Chairman Coons, Ranking Member Isakson, and other members. I thank you very much for this opportunity to highlight the importance of greater United States engagement with Africa. Our program at the Brookings Institution on Africa does focus particularly on the way the United States engages Africa particularly on commercial matters. So we are very happy to be here today.

For the last decade and a half, African economies have sustained high growth rates, more than any other region except Asia. This growth has been made possible because of fundamental reforms in the continent, both economic and political, that has made the continent a better place for doing business. Africa today is much different and offers many opportunities for countries like the United States to engage the continent because of the improved business climate. Rather than viewing Africa from a donor-recipient perspective, the United States should look at Africa as a place for mutually beneficial exchange.

Many other countries, as has been noted before, such as Brazil, Russia, India, and China, have realized the great opportunity that Africa has to offer. Even countries such as Iran and Turkey have heightened their commercial interests in Africa, and America should not be edged out in this market. We believe that America should play a big role.

In addition to natural resources that have, no doubt, attracted the new players in Africa, Africa has a growing middle class that constitutes an important consumer class, which is a very good market for exports, and it is expected that this middle class will continue to grow. There are many investment opportunities with natural resource extraction. Many African countries are seeking to transform their agriculture, and as such, United States investments could be very important in supplying this technology transfer. Other opportunities involve technology transfers.

In addition, there is increased focus by African governments on improving infrastructure to narrow the huge infrastructure deficit. This also offers an opportunity for American companies to do business in Africa.

Another important aspect of African economies today is that the African governments are committed to regional integration, making the markets larger, which makes it better to do business because now firms can exploit the economies of scale. In addition, African countries continue to discover new natural resources, in particular, oil and gas. Although we do not want necessarily the firms to focus just on natural resources, this will continue to be an important area of engagement.

Now, in terms of trade, America has continued to engage Africa particularly through the African Growth and Opportunity Act, which has been very important in creating jobs, employing a lot of people like women, and thus removing them from poverty. So in this sense, particularly the associated provision, third-country fabric provision, is very important in terms of protecting these workers in Africa.

Now, in terms of the proposed bill, the Increasing American Jobs through Greater Exports to Africa Act of 2012, we think this is a very good approach because it recognizes the potential benefits to America of greater engagement with Africa. The bill appropriately takes note of many of why America should not be at the margins of the African market but, instead, should be at the center.

However, we think that the bill is not optimistic enough. It calls for an increase in American exports by 200 percent in real terms over 10 years. This, we think, is rather low considering the dynamics in the African Continent and also the number of players, the improved climate in the continent, and also the fact that some countries have increased this within the same time period by much more.

One of the reasons for the fact that businesses from other countries have been able to penetrate Africa is because of the support they receive from their governments. We think that although the various U.S. Government agencies have been supporting the business firms, there is much more that could be done because this support has been small in scale and scope. So I believe that to really be able to engage Africa more, the United States should, as the previous speakers said, invest more in supporting business. That is why China has been able to increase its involvement in Africa. There are more commercial agents, representatives from China, and the United States has been drawing down on its representatives. So we think that greater representation and more focus and more resources to these agencies would go a long way in supporting this act.

And in addition, finally, Mr. Chairman, I think there are many other tools that could be used to support investments because this is one area where I think American firms have not really done as well, which could be, for example, tax incentives that could be used so that the American firms can venture more in Africa.

So thank you very much, Chairman. I will be happy to answer the questions.

[The prepared statement of Dr. Kimenyi follows:]

PREPARED STATEMENT OF MWANGI S. KIMENYI

INTRODUCTORY REMARKS

Chairman Coons, Ranking Member Isakson, honorable members of the Committee on Foreign Relations, and distinguished members of the subcommittee, I thank you for this opportunity to highlight the importance of greater U.S. engagement with Africa.

The Africa Growth Initiative (AGI) at the Brookings Institution seeks to articulate informed African voices in Washington with a special focus on relationships between Africa and the United States. A particular focus of AGI's work has been on evaluating the commercial relations between the United States and Africa. AGI takes the view that the relationship between the United States and Africa should not be defined by a donor-recipient relationship but rather must be based on mutually beneficial engagement. Thus, Senate bill S. 2215, The Increasing American Jobs through Greater Exports to Africa Act of 2012, is consistent with this approach as it highlights the benefits that the United States can secure through greater expansion of trade with the continent.

The United States has been engaging with Africa for a long time. There are clear benefits for this engagement to both Africa and the United States in terms of security, commerce and trade. The United States has been at the forefront in supporting Africa in form of humanitarian assistance whether in times of natural and/or man-made disasters. The United States has also supported Africa in dealing with major health issues such as HIV/AIDS and malaria, and has been involved in various developmental programs that have supported African economies. These initiatives have made a difference in the lives of Africans. However, while it is true that the United States has benefited from its engagement in Africa, the focus of this relationship has been seen as one that mostly benefits Africa often at the expense of American taxpayers. Thus, United States-Africa engagement has been defined by some as that of a donor-recipient relationship.

The foundation of this donor-recipient relationship was primarily due to the state of hopelessness that characterized the continent during the first three decades of independence. The period following the independence of many African countries (1960–1980s) is often referred to as the "lost decades" for the continent. This was a period characterized by significant political instability with most of the countries marked by frequent coups and brutal military rule. Those countries not under military rule tended to be single-party, authoritarian regimes that allowed limited expression of voice by the citizenry. On the economic front, the African economies were inefficiently managed and the environment for doing business was extremely poor. The consequence was poor economic performance, corruption, civil wars, and limited human development. These features came to define the relationship between Africa and the international community; during this period, the continent was not seen as a place to invest or do any business, but mainly as a recipient for aid.

But the Africa of the 21st century is different from the one described above. Today, Africa is a land of opportunity both for Africans and the international community. Many commentators have referred to it as "emerging Africa" in recognition of the many changes that have taken place and that continue to take place across the continent. This new Africa calls for a change in the way that the international community, and specifically the United States, engages with it. Toward this end, this testimony focuses on United States-Africa engagement, with specific emphasis on why it is crucial for the United States to increase its commercial presence in the continent.

I will organize my remarks into four areas: (1) an overview of Africa's recent growth and the potential that the continent has for a mutually beneficial relationship with United States; (2) an overview of new partners that are engaging Africa and the implications for the United States; (3) a brief overview of United States-Africa commercial relationship to date; and (4) strategies to expand the commerce between the two sides.

EMERGING AFRICA

After decades of poor political governance and economic mismanagement, Africa has changed course and undertaken far reaching political and economic reforms. These changes have yielded handsome returns in the form of economic growth and improved quality of life as measured by various indicators of human development; they have made Africa a more desirable destination for foreign direct investment; and, they suggest that the future growth prospects for most African economies are strong.

Since the middle of the 1990s, Africa growth rates have been high—over 5 percent on average, surpassing most other regions except Asia. Although African economies were affected by the recent global financial volatility and continue to feel the effects of the eurozone crisis, the economies have shown a high degree of resiliency. For example, analysis by "The Economist" magazine shows that between 2001 and 2010, sub-Saharan Africa was home to six of the world's fastest growing economies with average GDP growth rates above 7.5 percent. These high rates are expected to continue in the coming years. According to the International Monetary Fund (IMF), the predicted economic growth in Africa is expected to show a positive trajectory over the next decade, with average growth rates that surpass most other regions.

Although it is true that commodities have been an important contributor to economic growth, the Africa growth story is not merely that of commodity prices. The core source of the growth is based on fundamental changes that have made the economies more competitive and attractive to investors.

Probably the most significant change in Africa has been the improvement in political governance. Unlike in the past, when Africa was mainly ruled by dictators, many countries have now established democracies that are founded on constitutionalism. While there are weaknesses in many of these democracies, they represent a much better form of governance than was present historically. The governments are more inclusive and have institutionalized mechanisms for holding leaders to account; they are more transparent and less corrupt.

A salutary benefit of improved political governance has been better public policies. Africa's economies are better managed today than they were in the past—there are less stifling government controls and better monetary and macroeconomic management. For example, African countries now have sustainable domestic debt ratios, helped by a steady decline in the government debt between 2000 and 2011. There is less inflation and more price stability. In addition, there have been marked improvements in the investment climate—simpler licensing and regulatory schemes, predictability in policy, and improved institutional infrastructure and taxation regimes.

The IFC/World Bank report "Doing Business 2012" indicates that 36 of 46 governments in sub-Saharan Africa improved their economy's regulatory environment for commerce in 2010/11. Of note is that African countries have undertaken far-reaching trade reforms making it much easier to trade across national boundaries. There have been major reforms in the administration of customs, especially in countries that are implementing electronic data management systems. While it is still costly to do business in Africa, the trends in improving the environment for business are encouraging and are expected to make Africa competitive as a destination for investment.

Another important change that has supported economic growth in Africa has to do with advances made in regional integration. Individual African countries have fairly small economies and are not as attractive to investors because of the limited size of their markets. Regional integration is therefore an important strategy for growth as it is associated with larger markets where firms are able to exploit economies of scale. In addition, regional integration lowers the cost of exchange generally by reducing tariffs and other nontariff barriers across national boundaries. Over the past decade, various regional blocks have made significant progress towards integrating their economies. Many have established a common external tariff and are in the process of implementing various customs union protocols. The African Union is spearheading the establishment of a Continental Free Trade Area (CFTA)—which will likely take a long time to establish—but nonetheless portends well for the future growth of Africa.

In addition to Africa's economic growth story and the various explanations for growth, there are a number of other changes that have bearing on how the United States engages with Africa. These are detailed below:

- *A growing middle class:* One of the consequences of the high rates of economic growth in Africa is an increasing consumer middle class. The African Development Bank indicates that the size of this group rose by 60 percent from 2000 to 2010. It represents an important demographic for producers and exporters in the United States to target for the sale of their goods and services.
- *Investment opportunities:* With the improved environment in terms of doing business, Africa is a much better region to invest in than it was in the past. As a result, investment flows to the region have been increasing—from $9 billion in 2000 to $62 billion in 2008. The rates of return in the region are high, even in comparison to Asia. In addition to investments that exploit the reserves of natural resources, there are many lucrative opportunities to invest in other sectors, such as agriculture and agro-processing.
- *Newly discovered natural resources:* Natural resources, such as crude oil, have been important drivers for foreign direct investment (FDI) in Africa, and one of the primary reasons that many new players are investing in Africa. Recently, Africa has discovered a great deal of new resources, particularly in Kenya, Tanzania, and Mozambique. In these three nations, the U.S. Geological Survey estimates there are over 250 trillion cubic feet of natural gas (in comparison, Nigeria, Africa's biggest energy producer, has some 186 trillion cubic feet of natural gas). These recent discoveries show that the continent will remain an important source of energy in the near and far future.
- *New Partners:* Another change that has taken place in Africa is the entry of new partners who have aggressively sought to forge relations in African countries. Their role is discussed in the following section.

SCRAMBLE FOR AFRICA BY NEW PARTNERS

One of the most significant developments in Africa over the last two decades has been the "new scramble" for the continent. Among the most important of the players in this scramble are the BRICS, specifically Brazil, Russia, India, and China (in addition, there are other non-BRIC countries that are increasingly entering African markets, like Iran and Turkey, but they generally are of lesser importance in this role). While these new players have to some extent been attracted to the continent by the availability of natural resources, their scope of engagement has widened to many aspects of commerce and human development. They have provided Africa with greater opportunities for exports and for aspects of development cooperation, including aid projects and joint business ventures. These new partnerships have been pivotal in sustaining Africa's growth over the last decade.

Among these new partners, China has been the most aggressive in engaging with Africa. In 1998, its share of exports from Africa was roughly 3 percent; a decade later, by 2008, this figure had grown to 15 percent—and in 2009, it had become Africa's largest trading partner, overtaking the United States in that position. But China has gone to Africa not only in search of natural resources—as some commentators believe—but also to engage Africans in various aspects of development. There are numerous examples that illustrate this point:

- The Government of China is estimated to maintain over 150 commercial attachés and associated staff at its embassies in some 48 African countries. (These figures were determined using publicly available information provided by the Government of China and calculated by colleagues at the Brookings Institution). According to a recent report produced by AGI, there are currently just five U.S. Commerce Department Foreign Commercial Service Officers in Africa and one is set to leave from the Embassy in Ghana this summer. Senate bill S. 2215, The Increasing American Jobs through Greater Exports to Africa Act of 2012, proposes to increase this number to 14.
- President Hu Jintao has made seven trips to Africa, five as a head of state, and has visited at least 17 countries. More so than the United States, China holds discussions with African governments, such as the Forum on China-Africa Cooperation (FOCAC), which convene heads of state every 3 years and is dedicated to enhancing economic, political, and social ties between the two partners.
- China has bilateral agreements with more than 30 African countries that are designed to protect and encourage foreign investment. It has agreements with more than 10 African countries to help investors avoid the issue of "double taxation." In comparison, the United States has bilateral investment treaties (BITs) with only six countries (a seventh is in progress) and trade and investment framework agreements (TIFAs) with eight. AGI has long encouraged the United States to establish tax credits for repatriated profits for U.S. businesses in Africa in order to incentivize U.S. firms to invest on the continent.
- The Government of China created the China-Africa Development Fund. This is an equity fund that supports Chinese enterprises investing in Africa; it has existed for 3 years and has approved over 30 projects, which have spanned a variety of sectors. It is now looking to expand from US$1 billion to US$5 billion.
- China has worked toward the creation of Economic and Trade Cooperation Zones in Africa. It is building six of these zones currently (in countries such as Zambia, Nigeria, and Ethiopia). The one in Zambia was China's first and so far, some 13 companies from a variety of sectors have utilized it. Collectively, they have invested some US$600 million and helped employ 6,000 locals.

China's engagement with Africa has also actually resulted in African enterprises investing in China. Specific examples include a venture started by a South African enterprise, which produces beer in nearly 70 breweries in China, as well a merged enterprise from Tunisia and China that has become a prominent fertilizer producer in Asia. By the end of 2009, Africa's total direct investment in China equaled roughly US$10 billion and drew from a wide range of industries: from petrochemical engineering to telecommunications, from textiles to real estate, etc.

These facts and figures are meant to demonstrate the growing importance of the relationship between China and Africa. China is, however, just one among many countries that have ratcheted up commercial interest in the continent. One could similarly expand on India's role—the country's commerce and industry minister announced a goal of $90 billion in trade with the continent by 2015 and has stated they will set up an "integrated textile cluster" in Africa that is expected to attract $350 million in investment and provide jobs for around 60,000 people. The takeaway message here is that competition to do business in Africa has intensified and the United States should take note of these developments in formulating its own engagement strategy.

UNITED STATES-AFRICA COMMERCIAL RELATIONS

The African Growth and Opportunity Act

The African Growth and Opportunity Act (AGOA) remains the most important piece of legislation as far as the United States-Africa commercial relationship is concerned. The act provides for duty- and quota-free access to American markets for many goods from sub-Saharan Africa. Since its enactment into law in 2000, African exports to the United States increased steadily until 2008 when they experienced a sharp drop, but have since started to recover in 2010. Data from a recent AGI report, entitled "The Africa Growth and Opportunity Act (AGOA): Looking Back, Looking Forward" by Witney Schneidman and Zenia A. Lewis, examines the trends in depth and provides the foundation for this section of testimony.

Exports from AGOA beneficiaries were $53.8 billion in 2011. This represents a 21.5-percent increase in AGOA exports from 2010 and a more than 500-percent increase from the initial $8.15 billion in AGOA exports in 2001 (shown in the appendix). Mineral fuels and crude oil drove this increase and accounted for 91.6 percent of AGOA exports in 2011 (shown in the appendix). AGOA's share of total U.S. imports, although still relatively small as an aggregate number, grew from 0.7 percent to 2.5 percent during this 10-year period. During the last 10 years, on average, more than 70 percent of sub-Saharan Africa's exports to the United States have enjoyed duty-free status under AGOA or the Generalized System of Preferences (GSP).

Over the course of the decade, petroleum products accounted for roughly 89 percent of AGOA imports, though they would have entered the U.S. duty-free under GSP even without AGOA. Nonetheless, oil imports underscore the growing importance of sub-Saharan Africa as a source of imported energy resources. For example, Angola and Nigeria have consistently accounted for about 10 percent of U.S. imported oil during the last decade. Moreover, given the recent discoveries of oil in other countries in the Gulf of Guinea, U.S. reliance on imported oil from sub-Saharan Africa will likely continue to grow. It should be noted that the region provides a proportion of U.S. oil imports comparable to the Middle East (in fact, it was slightly higher in 2010). In addition, the quality of West Africa's crude oil and the region's proximity to the eastern United States have made the region one of increasing strategic significance for the United States

AGOA's nonpetroleum exports showed steady growth between 2001 and 2011, virtually tripling from about $1.2 billion to $4.5 billion, and peaking at $4.7 billion in 2008. In the early years of AGOA, the number of countries and the variety of sectors reflected in the nonpetroleum exporter group were small. In AGOA's first year, only 13 of the 34 eligible countries exported nonpetroleum products to the United States through the legislation; now this number stands at 22.

Textile and apparel accounted for more than $850 million in 2011, which was more than double the level of 2001, although a decline from a peak of more than $1.6 billion in 2004 (shown in the appendix). Transportation equipment imported under AGOA, mostly automobiles from South Africa, grew from $296 million in 2001 to $2.1 billion in 2011.

The capacity of Africans to export apparel and textiles to the United States has been boosted by the Third Country Fabric provision, which allows for duty-free status for apparel exports made from fabric that is sourced from third-countries. Without this provision, which is still set to expire in September 2012, many African countries would not be able to export apparel to the United States It has been very important for countries including Mauritius, Lesotho, Swaziland, and Kenya, which export the largest percentage of apparel and textiles to the United States (Smaller suppliers of apparel products include Botswana, Malawi, Ethiopia, South Africa, Tanzania, and Ghana.)

It is estimated that AGOA has helped in the direct creation of 300,000 jobs in Africa, many of which are in the textile sector and have gone to women. In addition, according to Paul Ryberg of the African Coalition for Trade, the legislation has also succeeded in indirectly creating 1.3 million jobs.

But AGOA has also not realized its full potential. Only a relatively small fraction of the available product lines available under AGOA have been exploited—primarily due of the limited diversification in the African countries. It has also not spurred American investments in Africa, as once hoped. U.S. investments in the continent remain low (although they have shown some increase). America's investment position in sub-Saharan Africa is less than 1 percent of its direct investment worldwide.

Increasing support both to African countries and to American firms investing in Africa could significantly bolster the commercial relationships between the two sides. The agencies of the U.S. Government that have played and could play an increased role in supporting United States-Africa trade include the Commerce Department, the United States Agency for International Development (USAID), the United States Department of Agriculture (USDA), the Export-Import Bank (Ex-Im) and the Overseas Private Investment Corporation (OPIC). Below, I briefly highlight the role and status of a couple of these agencies as related to the United States-Africa commercial presence.

Department of Commerce: During the past several years, the Foreign Commercial Service (FCS) of the Commerce Department has substantially reduced its presence in Africa and its ability to support American business. AGOA originally directed the Commerce Department to ensure there were at least 20 full-time FCS officers stationed in 10 sub-Saharan African countries. Currently, there are only five officers in the region, in Ghana, Kenya, Nigeria, and South Africa (where there are two). The FCS has closed its offices in Dakar, Abidjan, and Durban and, according to U.S. Government officials, the FCS officer in Accra will not be replaced once he departs in the summer of 2012. The Commerce Department there will be staffed only with locally hired people, as is the practice in Cape Town for several years. Although locally hired staff are important for understanding and engaging the local market, there is no substitute for career FCS officers supporting and implementing U.S. commercial diplomacy. Therefore, the Department of Commerce should put a higher priority on staffing its FCS in African countries. As mentioned previously, the United States is lagging far behind countries like China with regard to this issue.

United States Export-Import Bank (Ex-Im): Although the Commerce Department has pulled back from Africa, the U.S. Export-Import Bank has become increasingly aggressive there. One of its main tasks is to promote U.S. trade with the region and if recent history is any indication, it seems to be doing well. Between 2009 and 2011, the value of transactions supported by Ex-Im increased from $412 million to $1,392 billion—a record level for the agency—and from 132 to 179 transactions. In terms of coverage, Ex-Im financed exports to 31 countries in sub-Saharan Africa in 2011. The majority of these exports were relatively small transactions under $200 million. Large transactions—such as support for Boeing aircraft to Rwanda and Angola, and GE locomotives to Transnet in South Africa—account for the lion's share of Ex-Im's financial portfolio in the region. Of the 49 countries in the region, Ex-Im is open in 43 countries in the short term, 29 countries in the medium term, and 19 countries in the long term. Globally, Ex-Im supports about 4 percent of U.S. exports through its various programs, and in sub-Saharan Africa, it supports about 8 percent of U.S. exports.

The agencies discussed above have an important role to play in any legislation that seeks to increase commercial engagement between Africa and the United States. The Department of Commerce and Ex-Im, along with USAID, USDA, and OPIC, could do more to support both African exports and to strengthen the U.S. commercial presence in Africa.

Senate bill S. 2215: The Increasing American Jobs Through Greater Exports to Africa Act

The proposed legislation Increasing American Jobs through Greater Exports to Africa Act takes note of the potential benefits that engagement with Africa offers the United States. The legislation targets increasing exports of U.S. goods and services to Africa by 200 percent in real dollar value within 10 years. To achieve this target, it calls for improving the competitiveness of U.S. businesses in Africa and seeks to educate American businesses on the potential that Africa holds as a market for U.S. products. Among other provisions, the legislation calls on the Export-Import Bank to utilize its profits to assign no fewer than three of its full-time employees to U.S. embassies in Africa and to increase funding for United States-Africa projects.

The proposed act provides a necessary direction for U.S. engagement, but could be expanded. The increase of 200 percent in exports to Africa over 10 years is modest. Given the changes taking place in Africa in terms of economic growth and the rise of the middle class, an increase of 200 percent appears somewhat understated. When this is compared to China's exports to Africa (which have increased around 700 percent between 2002 and 2011) it is apparent that the target could be much higher. (For recent historical perspective on the matter, see the appendix). Current rates of American exports to Africa are estimated to support 100,000 U.S. jobs.

But the act is to be commended for calling for a different approach in the way the United States engages with Africa. It starts with the premise that the continent offers many opportunities that can be exploited for the benefit of both Africans and non-Africans. Furthermore, the legislation recognizes the importance of the BRICs in the African market and recognizes that one of the reasons why businesses from these countries have been able to penetrate the market as successfully as they have is because they have received significant support and encouragement from their home governments. In response, the legislation appropriately calls for more support of American firms that seek to do business in Africa.

The legislation also requires that at least 25 percent of the projects financed by the Export-Import Bank take place in Africa. Ex-Im has significantly increased its efforts on the continent recently, but the efforts of analogous banks in countries like

China are still far out-pacing it. This aspect of the legislation is an important step in helping the United States become more competitive in the region.

Another key aspect of this legislation is the call for the White House to create a coherent trade and investment strategy for enhancing American business in sub-Saharan Africa and to designate an individual to carry out this strategy. As noted above, AGOA has been very important in redefining the United States-Africa commercial relationship; the proposed act, however, does not reference how it will work in coordination with AGOA to be part of a broader trade and investment strategy. It is important to include a discussion of this type in the legislation.

CONCLUDING REMARKS

I would like to thank again the chairman, ranking member, and honorable members of the Committee on Foreign Relations for this opportunity to highlight the importance of greater U.S. engagement with Africa.

My testimony has tried to illustrate a number of points. The first is that the United States should transition away from the type of a donor-recipient engagement it has with Africa toward a relationship that is more mutually beneficial. This change in paradigm has been made possible by the fact that Africa has, in many parts of the continent, turned a corner in its effort to develop its economies and political structures. Over the last two decades, its countries have instituted major political and economic reforms, which have resulted in a more stable environment and have produced stronger economic policies. These reforms are, in part, responsible for the high rates of economic growth and the new business opportunities sprouting up throughout the continent.

This new climate has caught the attention of many non-African countries. China, in particular, has redoubled its efforts to engage economically with the continent. Its exports to Africa have increased by more than 700 percent between 2002 and 2011, and it is estimated the country has over 150 commercial attachés and associated staff in the 48 African countries. However, as China and other nations increase the scope of their engagement with Africa, the relative importance of the U.S.'s commercial engagement with the continent has remained unchanged. For example, the value of its total exports, in contrast, has remained basically constant. Additionally, it has stationed only five Foreign Commercial Service Officers within Africa.

The most significant piece of U.S. legislation defining the United States-African commercial relationship is the Africa Growth and Opportunity Act (AGOA); and it is quite a success story. Over the last 12 years, it has been responsible for increasing African exports to U.S. markets significantly and for creating at least 300,000 jobs in Africa. But its full potential has not yet been realized: it has not spurred American investments in Africa as much as initial hopes suggested it would.

The proposed legislation, the Increasing American Jobs through Greater Exports to Africa Act of 2012, seeks to complement AGOA. It appropriately calls for more support to American firms seeking to engage with Africa. Such support is critically important if the U.S. economy is to benefit from Africa's economic rise as much as it can and should.

Recommendations:

- The United States should extend the Third Country Fabric Provision. It has been instrumental in allowing African producers to export apparel to the United States. It is critical that this provision, which is set to expire in September 2012, be extended as soon as possible.
- The U.S. Government should do much more to support American firms that seek to do business in Africa. Creating better incentives for such companies (possibly in the form of tax reductions on repatriated profits or higher levels of financing from U.S. Government agencies, etc.) should be considered options.
- The proposed legislation mandates an increase in U.S. exports to Africa by at least 200 percent over the next 10 years. Given the economic performance predicted for Africa over this time-span, this figure should be revised upward.
- More commercial attachés should be dispatched by U.S. agencies to Africa, commensurate to the potential level of benefit the United States could reap by such engagement.
- More high-level discussions regarding economic engagement should be scheduled and held between the two sides, especially ones in which U.S. businessmen are able to participate.
- Finally, the proposed legislation should identify synergies between it and AGOA which could be exploited so as to deepen U.S. engagement with Africa and to create a broader strategy for action regarding the continent.

[EDITOR'S NOTE.—The appendix referred to in Dr. Kimenyi's prepared statement can be found at the end of this hearing in the "Additional Material Submitted for the Record" section.]

Senator COONS. Thank you, Dr. Kimenyi.

Mr. Hayes.

STATEMENT OF STEPHEN HAYES, PRESIDENT AND CEO, THE CORPORATE COUNCIL ON AFRICA, WASHINGTON, DC

Mr. HAYES. Thank you, Mr. Chairman, Senator Isakson. Thanks for giving me the opportunity to present my views and answer your questions concerning economic statecraft. It is a subject that our members feel quite passionate about, as some in the room already know and appreciate.

I am not here to criticize the efforts of those in U.S. Government who are working on Africa. I have no reason to doubt the intent of those in many Government departments who are working to improve the lives of Africans and, germane to this hearing today, those who are working to increase United States economic engagement in and with Africa which, if successful, will improve the lives of Americans and Africans.

As most of you know, my own organization is solely dedicated to this purpose. Our track record is well known. Our commitment to the mission of increasing United States investment in and trade with Africa is beyond question. We have been in the forefront of support for AGOA, and our major conferences on business in Africa have brought tens of thousands of business people together over the past several years.

We also have taken innovative approaches to address the impediments to investment in Africa. One of our most recent steps has been the development of a U.S.-Africa Business Center, a project supported by USAID and designed to bring United States and African business persons together as partners. The need for viable partners is but one of the major challenges we face in doing business in Africa and for those Africans wishing to do business with and in the United States.

We also conduct more than 150 working group meetings a year, bringing together public and private sector representatives to address a range of diverse issues.

We do recognize and appreciate the challenges of economic development in Africa as managed by the U.S. Government departments and bureaus. Of particular note are the Overseas Private Investment Corporation and USTDA, both of which are particularly helpful to U.S. companies investing in Africa. OPIC's loans and guarantees, political risk insurance, and support for investment funds do provide crucial financing. USTDA creates important business linkages through conferences and other means. Certainly MCC, USAID, U.S. Department of State have taken some very noteworthy initiatives for Africa as well, nor can we doubt the intent and commitment of the individuals within Ex-Im and the U.S. Department of Commerce.

Yet, despite our efforts as an organization and all the work of the U.S. Government entities I just noted, the reasons we are here today are quite obvious. The United States is far less successful in developing trade and investment in Africa than we had hoped or even perhaps expected. We need to do much better and soon as many, including our member companies, believe that our trade and economic relations with the nations of Africa should be among our highest national priorities. We are dependent upon Africa for many things, including energy and rare earth elements. However, even more importantly, Africa represents a great economic frontier essential to increasing American jobs and exports. African nations, however, will necessarily gravitate toward those countries who are investing most heavily in their economic well-being. We need to be investing far more in Africa for the sake of our own place in the world.

There are enormous opportunities that we simply have yet to take advantage of. Africa needs electrical power. It needs infrastructure. There is not a country in Africa that is meeting its power needs at this time. Nigeria is only meeting 20 percent of its power needs. It needs training for its workforce. These are areas in which the United States still leads the world. Yet, we have not yet reached into the African market.

The reasons for this are many. We can discuss how we can improve the performance of each agency or even CCA, but I am not sure that will give us the results we need. We need a new vision and plan for our relationship with Africa, one that goes far beyond AGOA and one that also serves the interests of the American economy and workforce. Whether Congress, the administration, and the American people have the will to do this remains to be seen. But I also am especially encouraged, Senator Isakson, that your legislation that you mentioned could be a very important part of this.

What we can do, however, now is to increase the dialogue between the public and private sectors, as you were noting in the legislation, as I understood earlier. That dialogue as partners is woefully absent in making our plans for economic engagement. Plans made by Government to support the private sector are seldom developed with the private sector. Yet, it is the private sector that will be the implementers of economic engagement. But if policy developed has little or no real input from the private sector, there is little reason to expect significant successes. It is also clear that individual Government departments need to coordinate their approaches better beyond simply informing one another what they are planning. In short, we need a new dialogue on Africa and we need that dialogue very soon.

Thank you.

[The prepared statement of Mr. Hayes follows:]

PREPARED STATEMENT OF STEPHEN HAYES

Honorable Senator John Kerry, chairman of the Senate Foreign Relations Committee and the Honorable Senator Richard Lugar, ranking member of the Senate Foreign Relations Committee, and other honorable committee members, thank you for inviting me to speak to the Committee on Foreign Relations regarding the challenges facing the United States public and private sector as we seek to increase U.S. investment and greater trade with Africa. Certainly there are new approaches toward this goal, including the coordinated approach to U.S. commercial relations with Africa contained in S. 2215 (Increasing American Jobs Through Exports to Africa Act of 2012). We support this bill but recognize that much more needs to be done. We very much appreciate the efforts of Senators Richard Durbin, Chris Coons, and John Boozman to sponsor this bill in the Senate and their continued efforts to secure passage before the 112th Congress recesses. We also appreciate the efforts of the chairman and ranking members of the African Subcommittee on African

Affairs, Senators Coons and Johnny Isakson to maintain a bipartisan approach to U.S.-Africa policy, as well as CCA's close working relationship with them. I believe the bipartisan approach that currently exists on Africa between Senators Coons and Isakson is essential for the work that needs to be done to support greater U.S. investment in and trade with Africa. It must be that example that leads others to work more closely together on U.S.-Africa relations.

I am honored to testify in Congress on behalf of the Corporate Council on Africa, the only business organization in America solely dedicated to U.S. economic relations with Africa, and whose member companies represent approximately 85 percent of all U.S. private investment in Africa. CCA has a diverse pool of companies in 20 different sectors of the U.S. economy. Our 28 staff members represent the largest unit in the United States solely dedicated to U.S. economic trade and investment with Africa. We have more than a dozen working groups meeting monthly on African economic issues, and convene major U.S.-Africa conferences each year. The Corporate Council on Africa is also the only U.S. business organization with an MOU with the African Union (AU). Through that MOU we will partner with the AU on our U.S.-Africa Agribusiness Conference in the autumn of this year (2012), which will focus on inclusive agricultural investment.

CCA is a leading source of up-to-date information on business across Africa. We work closely with governments, multilateral groups and businesses to improve the continent's trade and investment climate, and to raise Africa's profile in the U.S. business community. We convene the biennial U.S.-Africa business summit which normally brings together more than 2,000 U.S. and African Government officials and private sector leaders, and we just recently completed the U.S.-Africa Infrastructure Conference, which attracted more than 500 participants from Africa and the United States to discuss opportunities in African infrastructure development.

CCA has developed recently, through the support of the United States Agency for International Development, the U.S.-Africa Business Center whose primary purpose is to identify business partners and opportunities in Africa for U.S. companies, especially small and medium-sized businesses exploring new markets and seeking to scale up their operations. This will prove to be very important to the Nation's relations with Africa and the development of the American and African private sectors.

The subject of today's hearing, "Economic Statecraft: Increasing American Jobs through Greater U.S.-Africa Trade and Investment" is a subject of far greater importance to America than many in this country may realize. It is not simply a matter of jobs at stake in our relationship with Africa, but our political future in a global society as well. Our economic relationship with Africa will be one determined by the many different factors that will play out in the course that African nations will take over the next century. While this direction will be largely determined by African nations and institutions, we have an opportunity to assist in shaping this course by the actions we take now.

Africa represents a quarter of the world's countries, and a sixth of the world's population. Africa currently provides for nearly a quarter of America's oil supplies, and several of its necessary strategic minerals. Africa will also soon provide an important portion of the world's natural gas supplies. Perhaps most importantly for both African and American jobs, the continent is the largest untapped marketplace in the world with a rapidly expanding middle class of consumers.

I would like to use the provisions in the bill (S. 2215) as a starting point in discussing what is needed to strengthen U.S. initiatives in Africa designed to increase U.S. investment and trade. The bill S. 2215 complements the existing U.S. program, the African Growth and Opportunity Act (AGOA) and with prompt enactment will strengthen the U.S. private sector position in the region. To the extent the bill's objectives of doubling U.S. exports to the region can be attained, it will also create jobs in the U.S. and Africa. It will contribute to African and U.S. prosperity through fuller participation by Africa in global supply chains and the distribution networks of U.S. companies. However, nearly all recognize that the results of AGOA to date, with the possible exception of the apparel and textile industry, have been disappointing. If we are to stay with AGOA beyond 2015, then enhancement and deepening of its provisions will be essential. For its current scope, the renewal of third-party fabric provision is critical and politically and economically in the best interests of both the U.S.A. and Africa. The longer the provision's future remains uncertain, the greater the likelihood that orders will be pulled and jobs lost. Its renewal should not be delayed further.

Turning to S. 2215, there are a number of provisions which are crucial to U.S. business if we are to regain momentum in doing business with Africa. They address some of the issues that make it difficult for U.S. businesses to engage more actively in Africa. One of the most important provisions is the earmarking of 25 percent of the recently approved phased-in increase in lending capacity of the Ex-Im Bank from $100 billion to $140 billion. We support the need to increase staffing for the Bank, particularly if some of that staff are knowledgeable about Africa and the financing necessary for U.S. businesses to move more quickly in trade and investment with the continent. The Bank should also be allowed to take into account that credit risks of lending to the region are offset by greater returns. In my view, the Bank, intended to mitigate risks, has taken a far too conservative approach to Africa, particularly as it concerns mid-sized successful companies with exciting growth opportunities.

We also support the designation of a Special Africa Export Strategy Coordinator to bring together many elements of the USG involved in promoting trade with the region. There exists within the U.S. Government competing programs, conflicting missions, and a lack of clear coherence within on economic trade and investment. There is also a need to more effectively marshal and coordinate the support of a number of agencies for U.S. Commercial pursuits in the region. Our work with our own U.S.-Africa Business Center has demonstrated the importance of having a central point to assist U.S. and African businesses, and in our case, particularly SMEs.

We also endorse investor-friendly double taxation treaties, which make it easier to do business between countries. Tax burdens are already high and the possibility of taxation in two countries, as well as taxing away the benefits of African investment incentives, makes such negotiations a key component of a successful private sector-led approach.

Related to this, the U.S. Government should enthusiastically welcome both the roadmap agreed to at the most recent African Union summit to create a continental FTA by 2017 and the goal of the AU Abuja Treaty to create an African Customs Union by 2019. While these goals may be ambitious, these are efforts worth supporting and are in the interests of U.S. companies wanting to expand markets. The U.S. must be in the forefront of such efforts designing programs with a regional as opposed to a national impact and slowing EU efforts to force so-called free trade agreements on some but not all members of regional trade communities, thus undermining efforts to allow free movement of goods between borders and to establish a common external tariff.

We note that several of the provisions in S. 2215 have already gained administration support and are included in the recent Presidential Directive on U.S. relations with sub-Saharan Africa. In this regard, we praise the recent mission to Africa led by Deputy National Security Advisor to the President Michael Froman. His commitment that the administration would work with Congress to assure that unilateral preferences are extended beyond 2015 will allow time for Africa to deepen regional integration. This stands in sharp contrast to the EU position to withdraw preferences from some but not all African countries. We view this as a coordinated approach to Africa indicating a true partnership between the United States and Africa. Nevertheless, we still believe that it is best to codify these actions through the passage of S. 2215.

However, even with passage of S, 2215, there remain significant needs if we are to more effectively engage economically with Africa. The questions posed by the committee in advance of this hearing are good and comprehensive, and we all agree that we need to put the tools we have in government and in the private sector to the best possible use. It is not, however, a question of whether the U.S. Government has devoted adequate resources but far more an issue of how we approach these challenges. AGOA is not enough, nor is S. 2215. They are important parts of what is needed, but we need to go further. We need a new starting point in our relations with Africa.

Increasing trade and investment and facilitating more equitable, inclusive growth will ultimately need to be driven by the private sector. Business should be a part of the conversation from the very start, rather than an add-on later in the process. Companies want to be a part of sustainable development solutions, and they are the true pioneers and innovators of more and more creative approaches, but the benefits of their efforts will be limited if they are not helping craft the solutions. If government initiatives, even with all the good intentions on earth, are formed in a vacuum, without the involvement of the private sector, they will likely fail to achieve real, sustainable results. Government can do a great deal to help, including defraying risk for new forms of investment in different sectors, particularly agriculture which carries both some of the highest risks and the greatest potential for more equitable development in the countries of Africa. These actions could be essential to greater investment, yet they will not be sufficient. Government will need to design these programs in true partnership with the private sector actors they are intended to benefit in order for investment, export opportunities and job creation to become realities.

We cannot compete with alacrity and effectiveness only under present systems and approaches. A major shift is needed if we are to be of assistance to African development as well open new markets to create jobs through exports for the American economy. The people of the United States, as represented by Congress, the U.S. administration and the private sector need to come together to develop a common approach to economic and trade with Africa, one that places high priority on economic development through trade and investment. Africa is no longer the basket case of years past, when the primary U.S. contribution was through unilateral aid programs. A greater emphasis must be placed on the commercial challenges facing the U.S. in Africa. The U.S. Government must work aggressively to assure a level playing field for U.S. companies, large and small.

Government can facilitate, but the implementers will be the private sector. They will not be able to implement under well-intentioned plans that fail to understand the very nature of private sector challenges and pressures, especially when many in government have no experience and often no empathy with the private sector. However, both the private sector and government, as a joint expression of our national interests, would do well to find ways to work together as partners and not in an unbalanced relationship with a declared master and its followers. Government is of the people and we need to find ways to come to terms with one another, understand our different goals, realities, and world views and find ways to work together effectively as partners.

America can compete with China and others. The opportunities are significant in agribusiness, IT, tourism and the supplying of power. There is not a nation in Africa that is meeting its current power needs, let alone the needs of the future. Africa's single biggest market, Nigeria, is meeting only 20 percent of its current power needs. Africa's agricultural sector is the last great agriculture frontier, with significant untapped potential at all stages in value chains. Greater investment in Africa's agribusiness sector can present significant opportunities for U.S. companies as well as a needed contribution to global food security. America is still a world leader in tomorrow's technologies, and a leader in agribusiness. Power, IT, and agribusiness are three of Africa's major needs, and as they meet these needs their markets will expand, as will job opportunities for Africans and Americans who can supply these markets.

In any new approach, we will need to address the needs of regions and not just individual countries. Regionalization is essential for harmonization of technology, infrastructure, and customs duties. Regions will create larger markets and allow economies of scale, permitting major U.S. companies to move more easily into Africa, and with opportunities for larger companies, suppliers and new smaller companies. Laws or agreements alone will not be enough to make this happen. There will need to be far greater understanding of actual market opportunities, needs, and conditions as well as enhanced communication among diverse interests in order for U.S. investment and trade with Africa to live up to its potential. To understand those market opportunities a much closer dialogue, even to the point of joint planning, is needed between relevant government entities and key private sector bodies.

There are many changes that need to be made in our governmental systems if we are to increase U.S. investment in Africa. I have touched on some in this testimony. However, in nearly every case, the dialogue between the public and private sectors is inadequate. We need far better coordination, dialogue, and support not only within government but between the government and the private sector. A much stronger dialogue between the public and private sector is needed if we are to be successful in Africa, both for the sake of the African and American economies.

Senator COONS. Thank you, Mr. Hayes.

Mr. Eisner, please.

STATEMENT OF SCOTT EISNER, VICE PRESIDENT, AFRICAN AFFAIRS AND INTERNATIONAL OPERATIONS, U.S. CHAMBER OF COMMERCE, WASHINGTON, DC

Mr. EISNER. Thank you. Good afternoon, Chairman Coons, Ranking Member Isakson. Thank you for the honor of allowing me to testify at today's hearing. I am Scott Eisner. I am vice president of African Affairs and International Operations at the U.S. Chamber.

Today I would like to speak in support of the Increasing American Jobs through Greater Exports to Africa Act of 2012 and several other issues crucial to United States-Africa economic engagement.

The Chamber strongly supports this act and other measures that help level the playing field for United States commercial activity in Africa. Over the past decade, 6 of the 10 fastest-growing economies in the world have been in sub-Saharan Africa. Demographic trends suggest that by 2050 one in four workers in the world will be African, and the continent's population will top 1 billion.

Africa's middle class holds a $2 trillion purchasing power and are already buying goods made by Procter & Gamble, GE, Coca Cola, Motorola, and others. This middle class is expected to grow to 1.1 billion over the next 50 years and will soon account for 42 percent of Africa's population.

African markets are one of the few remaining growth areas for United States firms looking to develop new markets. The continent is expected to grow at 5 percent this year, and growth rates are expected to hit 10 percent or beyond in places like Ghana and Angola.

Against this backdrop, the United States must be proactive in opening new avenues for our companies to go head to head with our competition in Africa. And indeed, we have been successful to a large degree. Over the last 10 years, United States trade with Africa has increased by a multiple of three. But before we celebrate the rate of increase, consider that trade with Africa from places like China, India, and Brazil have increased eightfold over that same period. In fact, as you noted, just last week China dedicated some $20 billion to that investment. If there is one sign of the commercial change taking place in Africa today, this is it. The United States economic activity is tripling in a decade's time and yet we are falling further and further behind those of our competition in China, Europe, and elsewhere.

Against this backdrop of sagging economic activity in a number of global markets, sub-Saharan Africa is a trade investment destination we can no longer overlook. But to fully participate in Africa's economic emergence, the U.S. Government policy toward the continent must become coordinated and more accommodating to commercial realities on the ground and supportive of United States businesses trying to work there. It is clear that United States companies are interested in closing the investment gap in Africa. I am actually traveling and leading a business delegation, along with Secretary Clinton's trip, a week from Monday where we will be discussing how we invest more and more in the southern Africa region.

The U.S. Chamber welcomes the recent congressional focus on Africa. This action sends a clear signal that the U.S. Government takes seriously its role in stimulating greater foreign direct investment by our firms into the continent. And yet, over and above the specific measures included in this act, the U.S. Government and the private sector both must rethink the way we go about doing business in Africa, as Steve alluded to.

There are a couple things I think we can look at both with this act and outside of it that we can do to re-jigger the way we do things.

The first is we need to look at how we do trade financing. Congress and the administration should provide long-term support for the Export-Import Bank of the United States and OPIC. We should no longer have in question whether or not banks that are giving out loans that fall 10 years into the future should be in question if their viability is going away in X years' time. Far from being a burden on the Government, as was pointed out by Chairman Hochberg, Ex-Im returns a profit to the American taxpayers, and while Ex-Im is addressed in the legislation that Senator Durbin has proposed, I want to underscore the importance of OPIC and TDA as well.

Second, we need to talk about the international affairs budget and its relationship to economic statecraft. Today overseas markets represent 95 percent of the world's consumers and 80 percent of its purchasing power. Trade already supports one in three manufacturing jobs in the United States, and one in three acres on American is planted for overseas consumers. The businesses that are capitalizing on export markets are not just multinationals. More than 280,000 small and medium-sized businesses export, accounting for nearly a third of all merchandise exports. The international affairs budget plays a vital role for U.S. companies to tap foreign markets and create jobs and prosperity at home. And at a time while export opportunities represent a potential lifeline to the U.S. economy and a motor for domestic job creation, these international programs are more important than ever.

Third, I want to touch briefly on the Foreign Commercial Service and their importance. Simply put, we are concerned by the erosion of one of the most successful and useful resources for American companies on the continent. For years, FCS offices in U.S. embassies across the continent have provided valuable advice and assistance for American companies on the ground. Now, just as many in the U.S. business community are beginning to focus on Africa in earnest, we are shrinking this role, and I think it is almost unacceptable. We really need to look and figure out where we need to put offices for the future and not just for today.

And fourth, I will focus briefly on trade policy. The U.S. Chamber also encourages the government to continue support for the establishment of formalized trade and investment treaties with Africa's regional economic communities. While we welcomed 2011 ratification of the U.S.-Rwanda Bilateral Investment Treaty, the first such treaty singed with an African nation in 10 years, we should broaden our approach to seek trade accords with REC's, regional economic communities, like the East African Community as alluded to earlier in the conversation. To do this, it is a matter of importance because our competitors around the world, namely in the EU, have adopted a regional trade strategy, and it is a shame that we do not have one as well.

We are also encouraged by the support of other innovative mechanisms such as USAID's private capital for Africa group which brings finance expertise to the realm of trade and development.

Finally, we urge the Congress to extend and expand the Africa Growth Opportunity Act and its provisions. AGOA has proven to be not only good for sub-Saharan Africa, but also it offers tangible benefits for economic benefits for U.S. companies here at home.

As you are already aware and have addressed today, third-country fabric is an issue of importance to the business community. I know the Chamber and others here at the table have addressed this in letters and countless meetings on the Hill, and I would encourage you to talk to your Senators that you have not identified yet that can repeal their holds on the legislation going forward.

In closing, Mr. Chairman, the decade ahead will see the emergence of Africa's economic potential. U.S. businesses have rapidly been expanding their trade and investment in Africa, but so too have our competitors. This is the moment of Africa's emergence and a time for all of us to get on the same page.

I thank this committee for the opportunity to testify today. With my colleagues at the Chamber, we look forward to working with you. Thank you.

[The prepared statement of Mr. Eisner follows:]

PREPARED STATEMENT OF SCOTT EISNER

Good afternoon, Chairman Coons, Ranking Member Isakson, and other distinguished members of the subcommittee. Thank you for the honor of allowing me to testify at this hearing. My name is Scott Eisner, and I am Vice President of African Affairs and International Operations at the U.S. Chamber of Commerce, the world's largest business federation, representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as State and local chambers and industry associations. Today, I would like to speak in support of "The Increasing American Jobs Through Greater Exports to Africa Act of 2012" and also touch on a number of other issues affecting U.S. commercial interests in Africa.

The Chamber strongly supports this act and other measures that help level the playing field for U.S exports to Africa. Gaining better access to these markets is of increasing strategic importance to the United States, both in terms of rates of return and sheer commercial potential. Over the past decade, 6 of the 10 fastest growing economies in the world have been in sub-Saharan Africa. Demographic trends suggest that by 2050 one in four workers in the world will be African, and the continent's population will top 1 billion.

It is time for the United States to open new avenues to help American companies go head to head with their competitors in Africa. Over the last 10 years, U.S. trade with Africa has increased by a multiple of three. We've seen the U.S. Export-Import Bank's support for U.S. export sales to sub-Saharan Africa rise from an average of $455 million annually in FY 2006–2009 to more than $1.4 billion in FY 2011. But before we celebrate that rate of increase, consider that trade with Africa from China, India, and Brazil has increased eightfold over that same period. Indeed, this trend is accelerating: Last week China publicly committed to doubling its investments in Africa, with an additional $20 billion in loans to develop infrastructure, agriculture, and support to small and medium-sized enterprises.

Against the backdrop of sagging economic activity in a number of global markets, sub-Saharan Africa is a trade and investment destination that can no longer be overlooked. But to fully participate in Africa's economic emergence, U.S. policy toward the continent must undergo a shift as dramatic as the one shaping Africa's economies. Our aid-based approach to Africa policy must be replaced by a trade- and business-based approach—coupled with investment that will benefit both Africa and the companies and countries that support it.

It is no longer enough simply to advance the general message that business development and investment is good for Africa or that Africa is "open for business." The U.S. Chamber of Commerce strongly believes that we must work to develop specific strategies and mechanisms to promote and facilitate U.S. business engagement in Africa, or risk being left behind as international businesses and investors capture major segments of Africa's market. Accordingly, the U.S. Chamber founded its Africa Business Initiative (ABI) to encourage the U.S. Government to pursue policies that facilitate bilateral trade and investment with African countries and expose U.S. companies to the continent's vast economic opportunities.

Overall, ABI represents the growing U.S. business interests in Africa. Our work consists of facilitating U.S. export and import opportunities, responding to requests for advice, providing expertise on specific sectors in Africa, and developing a cache of knowledge on best practices and experiences on how to most effectively engage with African countries and businesses. ABI also represents the U.S. Chamber's dedication to growing free and mutually beneficial trade between the United States and the 48 countries in sub-Saharan Africa. We are working to advance policies that reduce the cost of doing business for both U.S. companies in Africa and local African entrepreneurs. We believe this type of initiative is critical to leveling the playing field for U.S. companies in Africa, particularly as major developing countries like China and India are increasingly supporting their domestic businesses in these new markets.

It will come as no surprise that China's rising role in shaping Africa's commercial landscape has been identified as one of the strongest concerns for U.S. businesses over the past year. A growing perception exists within the U.S. business community that China's posture has been underestimated, with the result that a competitive strategy has never been fully developed—hurting both U.S. businesses and our political influence throughout the continent.

The U.S. Chamber believes that American investment in Africa brings long-term value to the region and carries significant development dividends. While U.S. companies' global competitors are often more effective in mobilizing short-term, no-strings-attached financing for investments, we also see that many of these investments rely on imported labor, imported materials, and ultimately provide limited "multiplier" effects in terms of local jobs created or skills transferred.

On the other hand, the U.S. investment community has long recognized the need to demonstrate a more comprehensive partnership with host governments and the communities in which U.S. companies operate. Our members know that large-scale investment must focus on long-term sustainability. More and more, U.S. companies understand that voluntarily enhancing local content and transparency in their investments is the key to a long-term and successful presence on the ground. Although this may be a more costly and time-consuming approach, it is nevertheless one that defines and strengthens the U.S. brand around the world, and it cannot and should not be compromised.

The U.S. Chamber welcomes the recent congressional focus on Africa. "The Increasing American Jobs through Greater Exports to Africa Act," introduced last month in the House, with a matching bill in the Senate, has sent a clear signal that the U.S. Government is starting to take seriously its role in stimulating greater trade and investment with Africa. In light of increased competitive pressures from other global players, the U.S. business community appreciates this new attention on unlocking African opportunity.

Over and above the specific measures included in this act, the U.S. Chamber continues to support more Africa-targeted funding for U.S. Government agencies that are already entrusted with—and quite successful at—supporting U.S. investment in emerging markets.

To achieve what we all strive for, which is greater investment by American companies throughout Africa, we must rethink the way we go about doing business. We must find a focused "whole of government" approach that brings the administration and Congress into alignment with the needs of business.

WHAT THE U.S. GOVERNMENT CAN DO

Trade Financing: Congress and the administration should provide long-term support for the Export-Import Bank of the United States (Ex-Im) and the Overseas Private Investment Corporation (OPIC). In particular, Ex-Im has a proven record of success. Far from being a burden on the taxpayer, Ex-Im turns a profit for the American taxpayer. Since 2005, Ex-Im has returned more than $3.4 billion to the Treasury above all costs and loss reserves, including $700 million in FY 2011 alone.

While Ex-Im is addressed in this legislation, I want to underscore that OPIC and the U.S. Trade and Development Agency are also crucial instruments for encouraging U.S. commercial engagement in Africa by providing a point of market entry, replete with tools for risk-mitigation and concessional financing. Ex-Im in particular has demonstrated innovation and flexibility in supporting investments by U.S. firms around the world, and this flexibility should be mirrored by other U.S. agencies tasked with boosting U.S. competitiveness. The U.S. Chamber encourages Congress to strengthen its support for these and other business-promotion initiatives, and to support their Africa-specific activities that assist U.S. companies doing business in Africa.

Economic Statecraft and the International Affairs Budget: Today, overseas markets represent 95 percent of the world's consumers and 80 percent of its purchasing power. Trade already supports one in three manufacturing jobs, and one in three acres on American farms is planted for hungry consumers overseas. The businesses capitalizing on export markets aren't just the multinationals: More than 280,000 small and medium-sized businesses export, accounting for nearly a third of all merchandise exports. The International Affairs budget and these agencies play a vital enabling role for U.S. companies to tap foreign markets and create jobs and prosperity at home.

Although it represents about 1 percent of the total federal budget, the International Affairs budget is critical to creating jobs, saving lives, protecting U.S. diplomats and embassies abroad, and fighting terrorism and the spread of weapons of mass destruction. U.S. foreign assistance programs provide technical advice and build stronger political, legal, and economic policy regimes in developing countries that help these nations to become reliable trading partners. At a time when export opportunities represent a potential lifeline to the U.S. economy and a motor of domestic job creation, these international programs are more important than ever.

Deployment of Foreign Commercial Service: While we applaud this renewed attention by Congress to address the competitive challenges facing U.S. firms in Africa, we are concerned by the erosion of one of the most useful sources of commercial intelligence available for U.S. investors. For years, the U.S. Foreign Commercial Service (FCS) offices in U.S. embassies across the continent have provided valuable advice and assistance for American companies on the ground in Africa. However, just as many in the U.S. business community are beginning to focus on Africa in earnest, we are concerned that budgetary tradeoffs are forcing the FCS to shrink its footprint in Africa.

The FCS has not only been critical to the successful introduction of large U.S. firms in markets across Africa, it has also been an invaluable resource for the small and medium-sized U.S. businesses that have less experience in complex emerging markets. The FCS presence has a demonstrated impact on U.S. exports to the region and associated jobs in the United States. U.S. competitiveness will be undermined and deals potentially lost to foreign competitors if the FCS is not meaningfully sustained, if not boosted, over the next decade. The FCS needs to look beyond the markets of today and realize that pulling staff from Africa only helps our competition.

Trade Policy: The U.S. Chamber also encourages the U.S Government to continue supporting the establishment of trade and investment agreements with African countries as well as its Regional Economic Communities (RECs). As you may recall, the 2011 ratification of the U.S.-Rwanda Bilateral Investment Treaty represents the first such treaty signed with an African country in over a decade. These agreements send a strong signal of confidence to the U.S. business community and to our potential business partners in African countries.

However, due to the small size of individual economies and the regional integration efforts underway, the U.S. Chamber urges Congress to consider widening the U.S. Government's approach to encompass entire regional groupings, rather than individual countries. The reduction of nontariff barriers to trade and the rationalization of unworkable customs regimes are central to making African nations attractive U.S. business partners and to spurring export-driven job creation for both the United States and our African partners.

The United States should begin working to outline what trade accords could encompass with the more integrated RECs, such as the Common Market of East and Southern Africa (COMESA) and the Economic Community of West African States (ECOWAS). While the technical issues around such an agreement may seem daunting at first glance, we urge Congress to begin these investigations now so that the United States is not eclipsed by competitors from Europe and Asia that are making dramatic inroads in African markets.

Just to highlight what is at stake, the EU, for example, has an aggressive strategy to enact new trade accords with African nations. These Economic Partnership Agreements (EPAs) give exports from the EU a distinct advantage over goods produced in the United States; the preferential treatment they receive all but ensures that U.S. firms will be at a disadvantage for the foreseeable future. We need a trade agenda now that will level the playing field for U.S. companies.

Finally, the U.S. Chamber urges Congress to extend the African Growth and Opportunity Act (AGOA) and its associated provisions beyond its current expiration in 2015. AGOA is not only good for the economies of sub-Saharan Africa, but it also offers tangible economic benefits for U.S. companies here at home. More importantly, AGOA is the first and only economic policy platform that exists between the United States and sub-Saharan Africa, and its looming expiration strikes a blow to business certainty thereby threatening to undermine the significant gains that African economies have made under this program.

As many in Congress are already aware, AGOA's 3rd Country Fabric provision is expiring in September, directly threatening hundreds of thousands of jobs across the continent—impacting not only Africa-owned businesses and jobs but also the good standing of the United States as a reliable partner in Africa's development. The U.S. Chamber of Commerce and others in the U.S. business community have already taken up this issue with Congress, and we are encouraged by the bipartisan cooperation that we have seen in the past 2 weeks in the House and Senate in advancing a renewal process. The Chamber urges Congress to grant final approval to this legislation as quickly as possible.

In the medium to long term, U.S. and African businesses alike need more certainty around AGOA's broader renewal, and we encourage Congress to begin work now to extend AGOA beyond its scheduled expiration in 2015. In the past decade, AGOA's multiple renewals have been limited to modest increments of time, which has limited the scope of its success. The U.S. Chamber urges Congress to extend AGOA for a meaningful period of time beyond 2015 to allow companies adequate time to invest and build on these trading relationships.

CONCLUSION

Mr. Chairman, the decade ahead will see the emergence of Africa's economic potential. U.S. businesses have been rapidly expanding their trade and investment in Africa—but so, too, have competitors from Asia and Europe. This moment of Africa's emergence is the time when critical trade and investment relationships will take root. Companies engaged in Africa today will grow as Africa grows. Now is the time for Congress to recalibrate our policies to ensure that U.S. companies have the support to take advantage of the opportunities Africa represents.

I thank this committee for the opportunity to testify today, and I look forward to working with the Members to ensure a robust discussion on U.S.-Africa policy as Congress examines trade preferences, foreign assistance, and other U.S.-Africa issues. The U.S. Chamber also looks forward to working with our partners in Africa to share ideas and work to promote greater U.S.-Africa trade and investment.

Senator COONS. Thank you very much, Mr. Eisner, for that insightful testimony for a number of actionable points there. Thank you, Dr. Kimenyi, for your testimony. Thank you, Mr. Hayes, for yours as well.

Senator Isakson regrets he has to go for an interview on Syria that had been previously scheduled. We had a more robust engagement on the first panel. I apologize that the schedule of the Senate interrupted our ongoing conversation and the opportunity for the second.

A question that Senator Isakson had hoped to ask is also one which I share, which I will simply ask to the entire panel. A significant portion of United States direct investment in commercial activity in Africa is in the extractive sectors, is in oil and gas. Historically that is where we have had our greatest participation. As you pointed out, Mr. Hayes, there are many other sectors that we could be active in. I think all of you referenced the wide range of things from training to agriculture, to tech transfer, to infrastructure.

But let us turn to extractive industries, if we could, first. How do we work with African nations to ensure transparency in how they are conducting their licensure, their arrangements, their leases so that we are on a level playing field with our competitors from countries like China and others? And how do we work with African countries to make sure that the resources that are newly available to some become a blessing and not a curse, that they pursue more of the path of Norway than Nigeria, just to pick two examples? I would welcome any advice or input on that.

And you may have heard. I asked of the previous panel—the United States has the sort of gold standard for transparency in the FCPA. What progress do you see? What difference would it make if African countries were to adopt their own transparency standards that all comers, all applicants for tenders or for the opportunity to operate in that country had to comply with rather than the United States being the lead, if we had a level playing field? If you would, Mr. Hayes, Dr. Kimenyi, Mr. Eisner, in that order. I just would welcome your thoughts on it.

Mr. HAYES. I think if there were a uniform standard for Africa, it would help us a lot, very frankly. Our own standards are enforced with our own companies, but obviously not enforced with other countries. There are certain OECD standards as well. I think, yes, the gold standard is our own, and I think we follow it pretty well. But I think if the Africans felt themselves policing it and it was uniform and agreed upon, I think there is probably more of a likelihood of an even playing field.

Right now the United States still has and advantage in the extractive industries because we are a leader in deepwater technology that others do not have, but the Chinese are coming up on that very soon. So the technologies will probably be even within 5 years is what I am told by our oil companies if not sooner.

But where it is going to have to be an even playing field is at the governance level, and I think that is probably—if in fact there is an agreement. We are concerned about the way that Sudan, South Sudan particularly, is developing, which we have been told by the South Sudanese we want to use an African model not the Norwegian model. So that is of concern. But if the AU and others could find a uniform standard that we would be comfortable with—we as a government—I think it would work very well.

Senator COONS. Dr. Kimenyi, just to add to the question. Botswana is an outstanding example of a nation that used its natural resources in a balanced way for the benefit of its people. What are the prospects of more nations adopting a similar approach?

Dr. KIMENYI. Thank you very much, Mr. Chairman.

I think this is one of the concerns that we have, particularly on China's investments in Africa. China has signed a lot of contracts that are fairly opaque dealing with even the last regimes and their citizens do not even know what is there. So we are very concerned and we know that this is what leads to the oil class in what we call the natural resource class in most cases.

But we have examples now and we have now new countries coming in with these type of resources. We have Uganda, Ghana, Kenya discovered oil. And one of the things that we think is very important is really improving governance so that the citizens know what is going on.

In fact, one of the initiatives that we have at the Brookings Institution is on the issue of natural resource management, and we are actually planning a joint conference in East Africa for the new oil economies because we want them to start from the beginning. What do you have to do from the signing of the contracts, licensing, and so on? And we have seen differences, for example, between Uganda and Ghana, Ghana going a very transparent way and Uganda not.

Of course, the extractive industries transparency initiative is important. Reporting what you pay is important, and I think when we have better governance, I think we will be able to deal with these issues. But we cannot assume them away, and they are very important for these particular countries.

Senator COONS. Mr. Eisner, transparency.

Mr. EISNER. Sure. I just want to echo the two comments on my left. I think they were spot-on. The United States does have a bit of a tool here in the MCC that can help to funnel some of that transparency into the process. In fact, the chairman of CCA right now is a large user of MCC and we applaud what he has been doing in Zambia, Tanzania, and elsewhere. So I think there are models that the United States can apply. I think we are going to have to, at some point, address how USAID delivers funds across the continent. Understanding to incorporate a consistent theme across all U.S. lending agencies to employ those tactics, that MCC has set out, I think would be something that this committee should think about. I do not have the answer, but anytime, to the points that were made earlier, that you can have a coordinated effort across all agencies and have standard language, then you can push that on all your vendors, and I think that is an opportunity.

Senator COONS. Mr. Eisner, if I might start in the other direction so as not to always conclude with you. You spoke about regional integration and the possibility of FTA's or BIT's with regional entities such as the East African Community. One of the major barriers successfully to doing business in Africa tends to be trade, infrastructure, tariffs, border issues. In West Africa, I was particularly struck at the progress that the Foreign Commercial Service office in West Africa was making in that direction, thus particularly concerned and upset by the decision to withdraw the Foreign Commercial Service from Accra.

What do you see as the major opportunities and barriers to our engaging effectively with SADAC, with ECOWAS, with EAC, and where do you think we can have the greatest impact working whether on things like BIT's and FTA's or encouraging regional integration?

Mr. EISNER. Sir, a great question.

Senator COONS. I do not ask simple questions. [Laughter.]

Mr. EISNER. No, no, no. It is all right. I do not have a really good answer, so it should go well. [Laughter.]

You know, I think the issue of customs is a huge issue for the business community. The transport of goods and services across borders is one that is addressed. In fact, I was talking to Steve Lande of Manchester Trade, just before this panel, about that exact topic and the need of working with the European Union and others to make sure that when they come in with their economic partnership agreements, which are now getting pushed back on a bit by the African governments, that they come up with a design and model that allows customs and standard regulations across all borders.

So I think one of the concerns of the business community when it comes to Chinese investment, which is not all bad all the time because they can do things we cannot, but it is when it comes to standardization. So if you have rail being built by a Chinese firm that is leading from Mozambique and it hits the borders of Botswana or elsewhere, is the gauge going to be the same as Botswana is using? And if they are building all this infrastructure, is it in a congruent and harmonious pace?

So I think from a standpoint of what the U.S. Government can do is start those conversations now with the Chinese and other infrastructure build-out projects to make sure so that 10 years down the road that they are all on the same page. This comes to other regulatory when it comes to radio frequencies and where Brazil is playing in because they play into the radio world and other manufacturing. So I think those types of things will help that harmonious approach and a broadening of the regional economic communities. For us in the business community, I mean, it is critical because we can expand our markets that much greater if we can actually get out goods and services across borders. So for us, it is a No. 1 priority.

Senator COONS. Thank you.

Dr. Kimenyi, any comments about regional integration and our negotiating new agreements?

Dr. KIMENYI. Thank you, Mr. Chairman.

I believe that the pace of regional integration now—this project, the regional integration project, is moving fairly fast and in the right direction. But the biggest barrier I see for effective regional integration is the infrastructure. Although countries are removing the barriers, both tariff and nontariff barriers, they still have to deal with the infrastructure. They have to transport goods between customs and borders and so on.

And I see this as an area where a United States approach to dealing with these countries may be focusing more on a regional approach because think about, for example, supporting good infrastructure projects in Uganda and not in Kenya or Tanzania. But you are going to have to transport the goods through Mombasa, the Port of Mombasa, to Uganda. So if you really want to really get sort of a more effective approach, I think the regional integration approach is the best way, looking at the totality of the area like in the East African Community. And in that sense, I think the United States could have quite a bit of leverage in terms of—even private funds in terms of investing in infrastructure and, of course, the electronic systems for border and customs.

Senator COONS. Thank you.

Mr. Hayes, any further comments on regional integration and FTA's and BIT's?

Mr. HAYES. No. I think it is vital. I also think one of the impediments is not simply infrastructure. I think that leadership has to want regional integration. Leaders of countries have to understand that regionalization is something that helps them and which they do not lose power. I think there is a very human element in that that slows down regionalization.

I also have a hard time faulting the U.S. strategy of working with the East African Community. It is manageable. There is a lot of very interesting, positive things happening in the community, Tanzania to Kenya. And I think it is probably realistic to concentrate on one area and move from that. But politically also it is hard to be seen for getting other areas.

I am certainly in support of the AU's goal of—I think it is in 6 years—having a common market for Africa. I do not think it is realistic, but I think that it is commendable that they are moving that way and it may bring along leadership. But I think leadership is a major issue too.

Senator COONS. Mr. Eisner, if I might. I am interested in hearing thoughts from all three of you about how we might strengthen AGOA. Senator Isakson and I will talk, I suspect, yet again this evening as we did last night about a strategy for getting the third-party fabric agreement reauthorized. But I would like to look beyond that. There is a number of countries. Uganda is one example that really has not taken advantage of AGOA. It has been limited to a few sectors and a few countries that have really participated.

As we move toward reauthorization, how would you strengthen it? How would you broaden it? Are there other sectors, are there other provisions? Or would you encourage us to look completely outside of AGOA at other strategies for promoting and strengthening our trade relationships such as those suggested by Senators Durbin and Isakson?

Mr. EISNER. Well, I think Senator Isakson's measure on the development reform is a good step in looking at a new policy toward Africa. This whole of government, 10 agencies doing 10 different things at once—I know from the outside looking in, the private sector sometimes has trouble figuring out how to navigate those waters. I work closely, as do Steve and others, with State and kind of the interagency process, and I will tell you, quite honestly, at times it is baffling how anything gets done. So bringing some continuity and some authority amongst all agencies is a good idea. I think there are some basic challenges there of just getting that basic point across that are key.

As far as AGOA goes, I think a bird in the hand is better than—what is it—two in the bush is the old statement. I think we cannot let it go, but I think there are lots of things and analytical work we need to do over the next 3 years when it comes due in 2015. Many people have talked about AGOA 2.0, not letting it linger like we have with third-country fabric. Starting tomorrow addressing those issues is probably the key to that. Making sure we do not graduate out countries. Like South Africa has been discussed once or twice. I think that is a really bad idea because they pull on the rest of the continent downward and help stabilize the rest of the community. If we are looking at a national interest, getting them out of the system I think is a bad idea personally.

So I think some of those things we need to address in a broadened thinking process. And I do not have all the answers today, but having some continuity amongst all agencies would be my first request.

Senator COONS. Thank you.

Dr. Kimenyi.

Dr. KIMENYI. Yes. As I mentioned earlier, I think the Africa Growth and Opportunity Act has been very important to Africans, particularly when we think about job creation. It has helped create a lot of jobs. And these jobs also go to women, and we know that when women have jobs, that their entire quality of life for households improves. So AGOA, in that sense, is very important. And it seems like the continuation of it is quite important. And as we always say, it is better to trade than to get aid from any country. So this to Africa is very important.

There are several things that one could think of, but we also need to note that it is true that the full potential of AGOA has not been exploited. And this has to do with Africa's competitiveness. The best way to make Africa do more business with the United States may also have to do looking at why is it that a lot of these countries are not able to produce competitively and it has to do, again, with those issues, both hard and soft infrastructure, that need to be helped. And the United States can still play a role in that.

But other areas need sort of the trade facilitation. I think that is quite important. And the issues of coordination, as we talked here before, are important.

And, of course, the third-country fabric provision remains quite central to this. So that is an important one.

So I think there are many things, and we have been thinking about this, about pushing—reforming AGOA, the weaknesses that are there.

But another component, Chairman, I may add is that AGOA also had a component of increased investments by American firms in Africa so that they do business there. That has not been as productive. I think that is an area one could think about maybe joint ventures and again tax incentives for businesses to invest in Africa.

Senator COONS. Thank you.

Mr. Hayes, you will have the last word. There is a 6 o'clock train and I have got a ticket to go home and see my family.

Mr. HAYES. I understand.

Senator COONS. I would be interested in this conversation almost indefinitely. I will, before I invite to make you some conclusory remarks, invite all three of you, if you wish, to submit written comments at any point. AGOA reauthorization, how to strengthen and expand AGOA I suspect will be the topic of a future hearing here, but I take Mr. Eisner's point very seriously. We should be getting going on this now, not waiting until 6 months before it expires.

Mr. Hayes.

Mr. HAYES. Well, on one hand, I think it is almost a sad commentary that AGOA has been the only major piece of legislation on Africa in 12 years. I think it is an important piece of legislation. I think in terms of our subject of how you get more United States investment in Africa, AGOA is not necessarily the answer. I think it is a very important tool. I think it is one of several tools that need to happen. I certainly believe it needs to be extended. And a lot of my recommendations too, specifically probably not surprisingly, parallel or almost agree totally with Scott's spoken statements, but they are in the written testimony.

I am concerned that we have not linked the development aspect of AGOA. And AGOA is also a political incentive tool as well, which I think has been very effective in that regard, probably is most effective as well as having jobs. But we have not linked it to the American economy as much, and I think that we have got to find other means. It is why I support the Durbin bill, support what I understand is coming from Senator Isakson. But I think we really need a far deeper dialogue on Africa and need to show far more support politically and economically.

Senator COONS. Thank you, Mr. Hayes.

Dr. Kimenyi, asante sana for your testimony today. Mr. Eisner, thank you for your testimony. I am grateful to the panel both for your appreciation and understanding of the interruption of our flow here but also for your very strong testimony on this important topic. It is something I intend to be active in and remain engaged in. And I know Senator Isakson has also not just spoken about but demonstrated a real concern for and enthusiasm about this.

I am pleased to hear, Mr. Eisner, about your participation in the upcoming trade mission led by Secretary Clinton. Several of you have spoken about United States-Africa trade centers or initiatives, and we would welcome further input from you in writing.

I will also keep the record open until the close of business Friday, July 27, for any member of the committee who was not able to be here today but wants to submit questions.

Otherwise, this hearing is adjourned.

[Whereupon, at 5:37 p.m., the hearing was adjourned.]

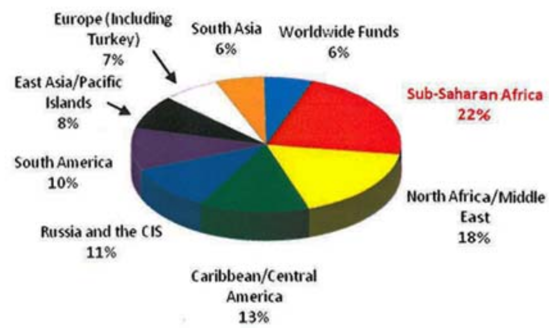
Additional Material Submitted for the Record

Charts Submitted as an Attachment to Elizabeth L. Littlefield's Prepared Statement

OPIC Maximum Worldwide Exposure by Region

As of September 30, 2011

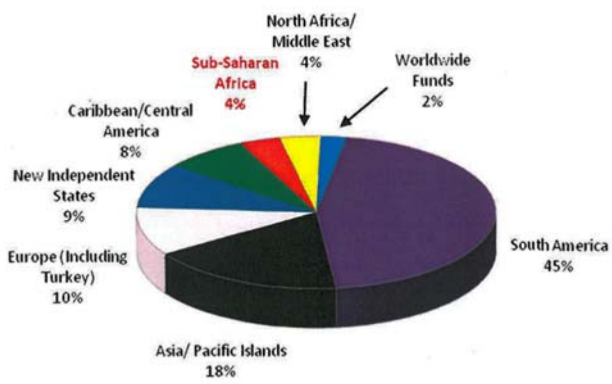
Combined Finance and Insurance Maximum Exposure: $14.5 Billion*



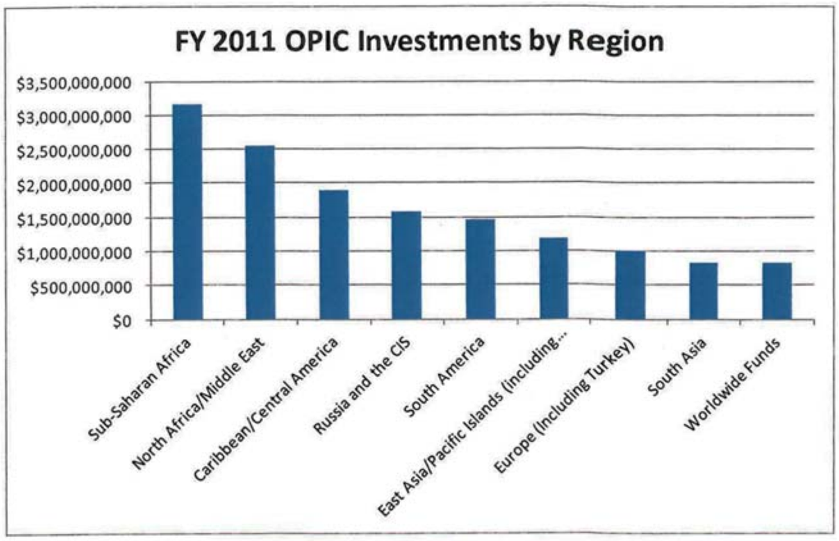
*Maximum Worldwide Exposure represents Maximum Contingent Liability (MCL) for Insurance plus all undisbursed and outstanding direct loans and loan guaranties for Finance, including deferred and accrued interest for Investment Funds. As of September 30, 2011 OPIC's combined utilization of its statutory authority for both Insurance and Finance was $14.5 billion.

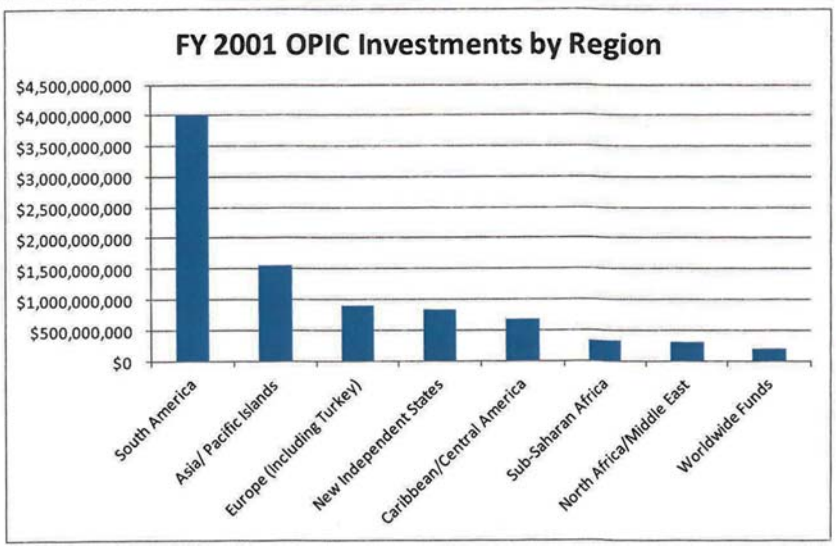
As of September 30, 2001

Combined Finance and Insurance Current Exposure: $8.8 Billion*



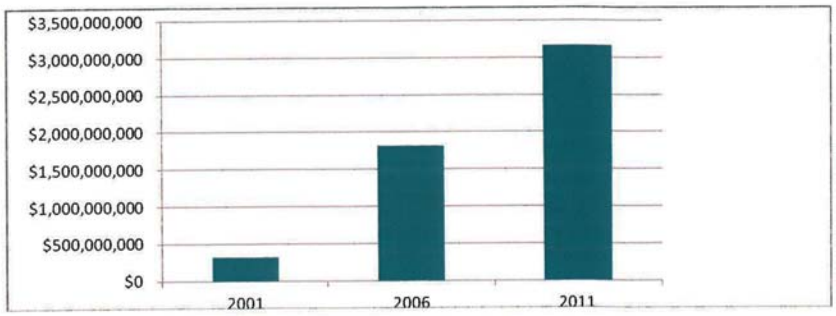
*This combined figure represents management's best estimate of the exposure for which the corporation is currently at risk as of September 30, 2011. This figure does not include standby coverage or unutilized commitments, only Current Exposure to Claims for Insurance and outstanding loan balance for Finance.


FY 2011 OPIC Investments by Region
$3,500,000,000
$3,000,000,000
$2,500,000,000
$2,000,000,000
$1,500,000,000
$1,000,000,000
$500,000,000
$0
Sub-Saharan Africa
North Africa/Middle East
Caribbean/Central America
Russia and the CIS
South America
East Asia/Pacific Islands (including...
Europe (including Turkey)
South Asia
Worldwide Funds

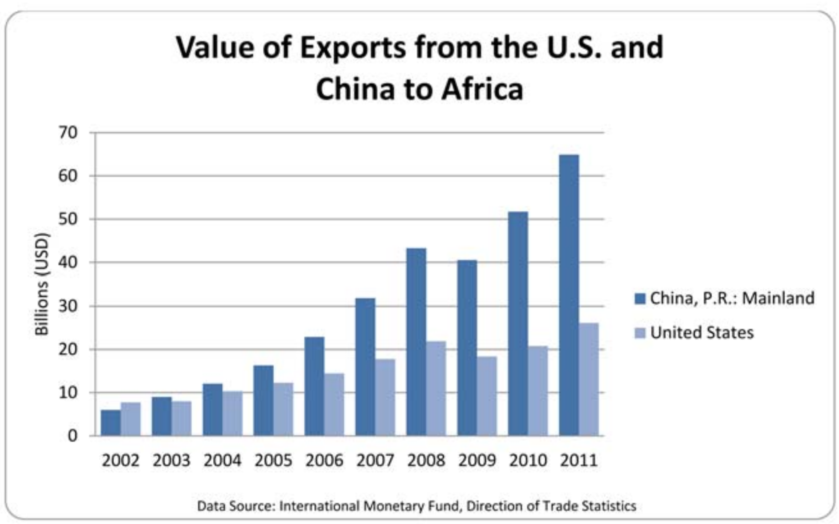

FY 2001 OPIC Investments by Region
$4,500,000,000
$4,000,000,000
$3,500,000,000
$3,000,000,000
$2,500,000,000
$2,000,000,000
$1,500,000,000
$1,000,000,000
$500,000,000
$0
South America
Asia/ Pacific Islands
Europe (including Turkey)
New Independent States
Caribbean/Central America
Sub-Saharan Africa
North Africa/Middle East
Worldwide Funds

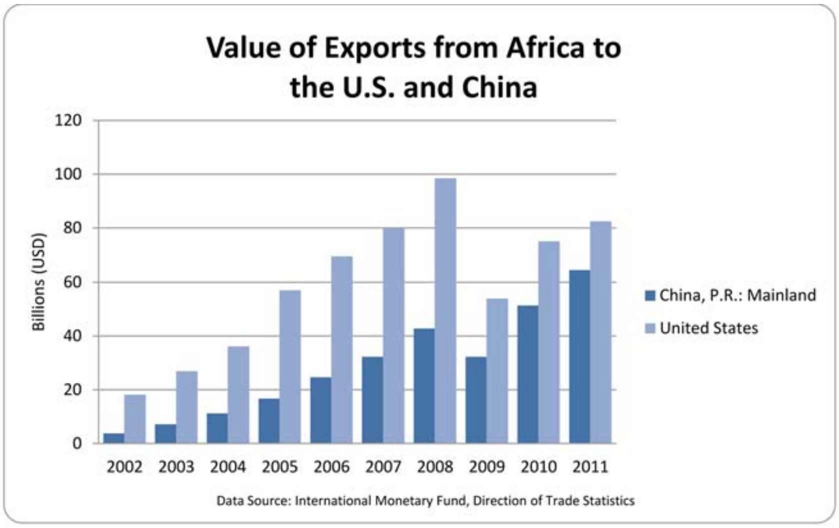
OPIC Combined Finance and Insurance Maximum Exposure in Sub-Saharan Africa

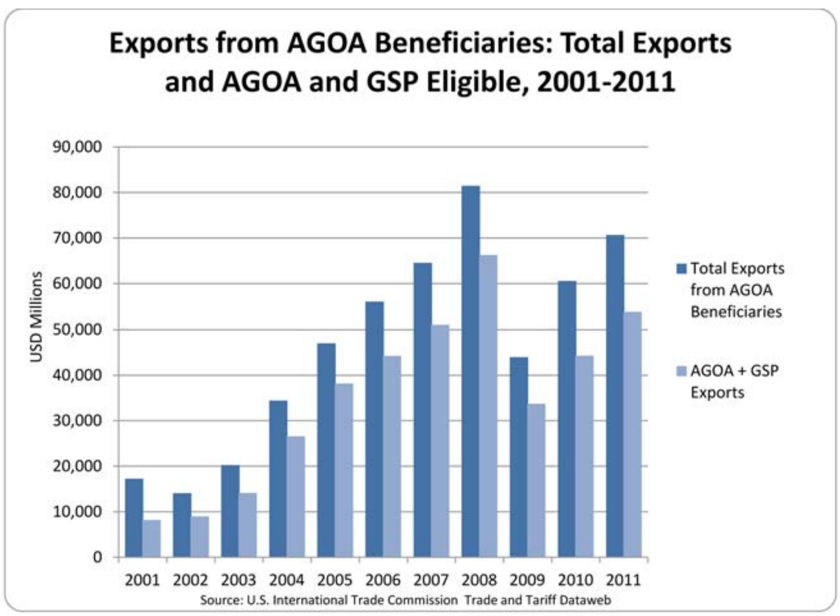
OPIC growth and investments in Sub Saharan Africa has increased by tenfold between Fiscal Year 2001 and 2011.

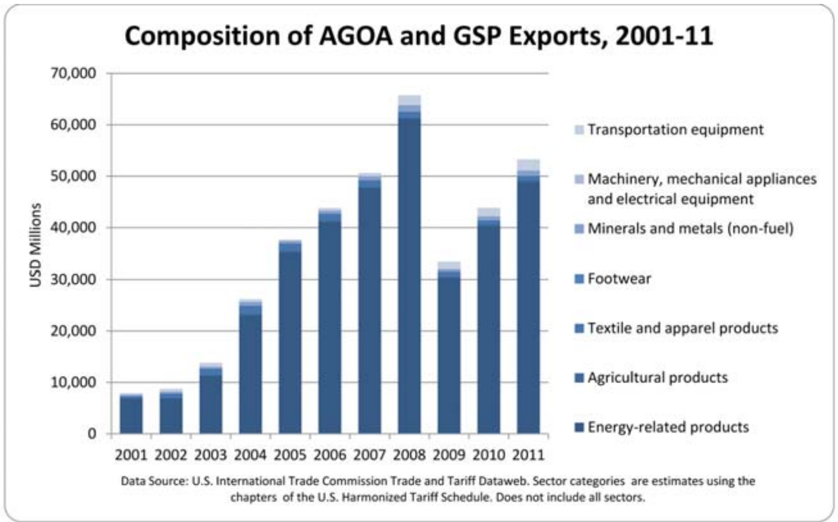


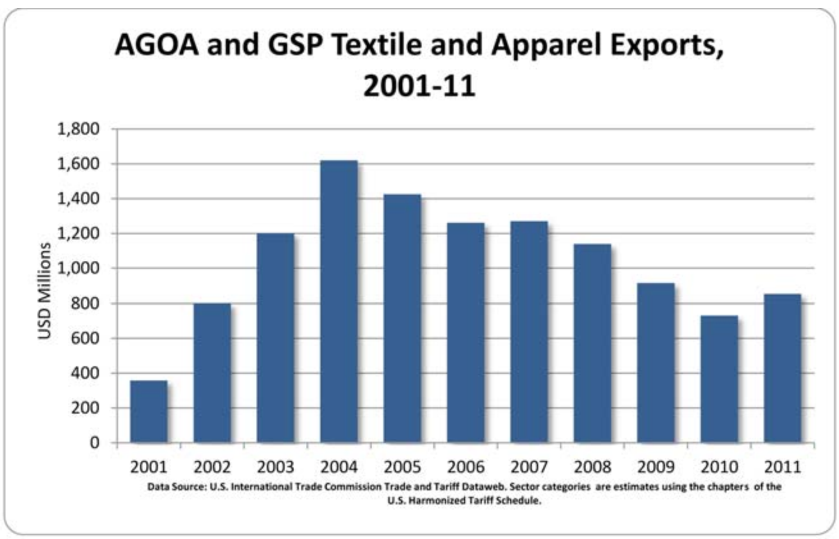
SUPPORTING CHARTS AND GRAPHS SUBMITTED AS AN APPENDIX TO MWANGI KIMENYI'S PREPARED STATEMENT




Value of Exports from Africa to the U.S. and China
Billions (USD)
120
100
80
60
40
20
0
2002 2003 2004 2005 2006 2007 2008 2009 2010 2011
China, P.R.: Mainland
United States
Data Source: International Monetary Fund, Direction of Trade Statistics


Exports from AGOA Beneficiaries: Total Exports and AGOA and GSP Eligible, 2001-2011
USD Millions
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011
Total Exports from AGOA Beneficiaries
AGOA + GSP Exports
Source: U.S. International Trade Commission Trade and Tariff Dataweb





RESPONSES OF UNDER SECRETARY FRANCISCO SANCHEZ TO QUESTIONS SUBMITTED BY SENATOR JAMES M. INHOFE

Question. What benefits would a Free Trade Agreement with the East African Community bring to the U.S. business community?

Answer. The African Growth and Opportunity Act (AGOA) declares that Free Trade Agreements (FTAs) should be negotiated, where feasible, with interested countries in sub-Saharan Africa. However, the administration does not believe that the East African Community (EAC) is ready or willing at this time to conclude a high-standard FTA with the United States. The U.S.–EAC trade and investment partnership, which we are pursuing with the EAC, employs a building blocks approach to concluding a more comprehensive trade agreement over time. The initial items we are exploring with the EAC include a regional investment treaty, a trade facilitation agreement, a commercial dialogue, and continued trade capacity-building assistance. Additionally, we are also exploring a trade facilitation program that could be advanced in the short term and ease the flow of goods within the EAC and reduce the cost of doing business for U.S. and EAC firms in East Africa.

The overall U.S.–EAC trade and investment partnership will create new opportunities for U.S. businesses, by lowering barriers to trade and supporting regional economic integration in one of the most promising regions in sub-Saharan Africa. Furthermore, a U.S.–EAC Commercial Dialogue could help resolve some of the trade barriers U.S. companies face in the region—thus enhancing their ability to both expand their businesses and operate at optimum capacity in Africa.

Question. Which regions of sub-Saharan Africa would U.S. businesses most benefit from having a regional Free Trade Agreement in place?

Answer. To facilitate FTAs in sub-Saharan Africa the U.S. Government would have to consider how best to transition from unilateral trade preferences such as the African Growth and Opportunity Act (AGOA) to broader Free Trade Agreement (FTA) commitments. FTAs are designed to expand market access, strengthen the links between trade and economic development strategies, encourage greater foreign investment, and promote regional economic integration and growth.

U.S. exports to sub-Saharan Africa continue to face a variety of significant tariff and nontariff barriers. Consistent with the National Export Initiative (NEI) and the administration's renewed commitment to expand markets for U.S. goods and services, there is a need to intensify efforts to open further African markets to U.S. exports. FTAs have previously been suggested as an approach to provide greater market access for the U.S. private sector. To date, our trade relationship with SSA has been built largely upon unilateral trade preferences. It is our hope that our trade relations with SSA evolve into deeper, stronger, and more reciprocal partnerships. A regional FTA may facilitate opportunities to expand and diversify trade between the United States and sub-Saharan Africa.

The United States Government's previous effort to negotiate a free trade agreement with the Southern African Customs Union (SACU) was suspended before completion. There are many lessons available from that experience relevant to the process of considering an FTA in sub-Saharan Africa with SACU or any other Regional Economic Community. The United States had $18.2 billion in total (two-ways) goods trade with SACU countries during 2010. Goods exports totaled $7.5 billion; imports totaled $10.7 billion. The U.S. goods trade deficit with SACU countries was $3.2 billion in 2011.

The East African Community (EAC) continues to demonstrate its value to the U.S. private sector. The EAC Initiative is taking a building block approach toward improving the business climate. Once this Initiative has time to develop, the United States will examine beginning FTA negotiations. The United States had $1.5 billion in total (two-way) goods trade with the EAC during 2011. Exports totaled $969 million; imports totaled $526 billion. The U.S. goods trade surplus with the EAC was $443 million in 2011.

Question. What specific barriers to trade should be addressed in the administration's trade negotiations with countries or groups of countries in sub-Saharan Africa to increase and improve trade between them and the United States?

Answer. Despite the fact that U.S. exports to sub-Saharan Africa have increased, significant barriers remain to furthering trade between sub-Saharan African countries and the United States. Commerce's International Trade Administration (ITA) and Commercial Law Development Program (CLDP) have worked with American companies, sub-Saharan Africa governments and African companies to eliminate these barriers. For example, ITA, CLDP and U.S. Patent and Trademark Office have conducted a number of training programs in west, East and southern Africa on the importance of intellectual property protection, not just for the benefit of American companies, but also for the health and safety of African consumers.

Significant barriers to trade with sub-Saharan Africa that the U.S. Government will continue to address and on which potential trade negotiations should focus include:

- Increasing transparency in government procurement, rule making, standards, customs procedures, and judicial systems;
- Protecting and enforcing intellectual property rights;
- Promoting the rule of law and respect for sanctity of contracts;
- Ensuring that property of Americans is not taken without due process of law and without payment of just compensation; and
- Reducing and/or removing tariffs, customs duties and charges.

It is important to note that the African Growth and Opportunity Act (AGOA) legislation lays out a series of eligibility requirements for African countries. Among other AGOA eligibility requirements, a country must demonstrate that it has established, or is making continual progress toward establishing the elimination of barriers to U.S. trade and investment. Specific areas addressed through AGOA are the provision of national treatment and measures to create an environment conducive to domestic and foreign investment; the protection of intellectual property; and the resolution of bilateral trade and investment disputes.

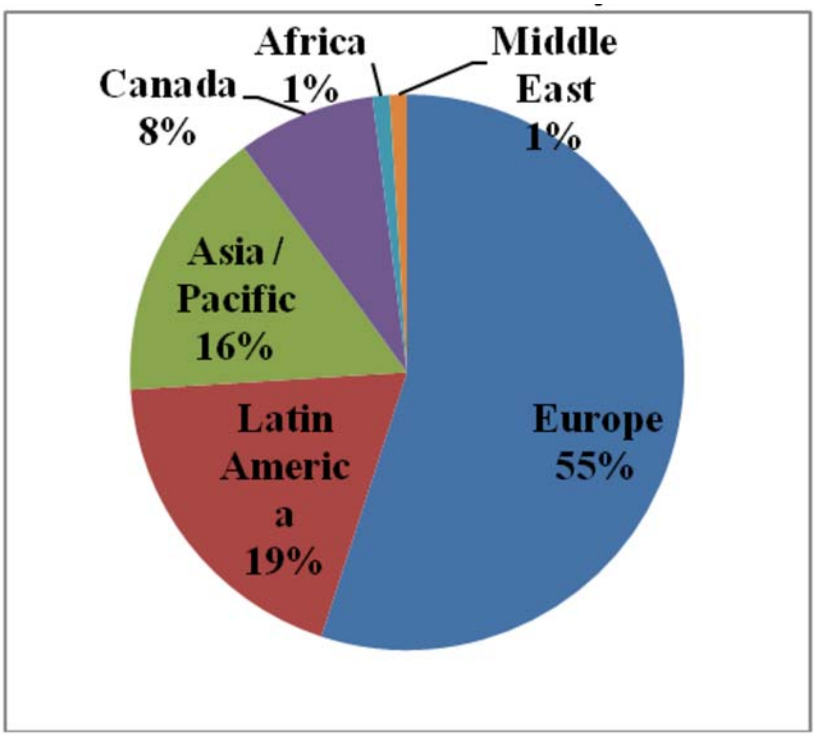
We are in a position to be proactive in building and improving our relationship with African nations and Africa's Regional Economic Communities. In particular, we are dedicated to increasing trade and investment between the United States and the EAC. The EAC is a highly developed and integrated Regional Economic Communities in Africa and the proposed U.S.–EAC Commercial Dialogue presents an opportunity for the United States to develop a closer economic relationship with the EAC. The proposed Commercial Dialogue will provide us with a vehicle to address concerns and to share best practices with the goal of lowering barriers to trade and improving the business climate.

RESPONSES OF ELIZABETH LITTLEFIELD TO QUESTIONS SUBMITTED BY SENATOR JAMES M. INHOFE

Question. How does U.S. private sector investment in African commerce compare to other similarly developed regions in the world? Does this differ from region to region in Africa?

While the accumulated pool of U.S. private investment in sub-Saharan Africa is well below that of developed country destinations like Europe and Japan—reflecting decades of previous American FDI flows—that picture has been changing markedly in recent years.

CHART 1: STOCK OF U.S. FDI ABROAD BY DESTINATION



Source: U.S. Trade and Investment Relations with sub-Saharan Africa and the African Growth & Opportunity Act (Congressional Research Service, 2012).

According to IMF data, total world FDI to sub-Saharan Africa was about $39 billion in 2010, and is projected to reach $41 billion in 2012. Leading sub-Saharan Africa country destinations for worldwide direct investment in 2010 included Angola ($12.6 billion), Nigeria ($6.8 billion), and South Africa ($5.9 billion).[1]

U.S. foreign direct investment (FDI) flows in the region in 2010 were about $3.2 billion, with Mauritius ($2.0 billion), South Africa ($715 million), Gabon ($267 million), Nigeria ($193 million), and Liberia ($80 million) as the top destinations.[2]

Much of sub-Saharan Africa today is at the beginning of the industrialization stage. It is roughly comparable to Eastern Europe 20 years ago or India in 1994. But a decade of political stability and macroeconomic reforms has been positive for Africa. Growth has been rising by 5–6 percent per year, on the back of these reforms, a fall in political risk, debt writeoff and the well-documented commodity prices story.[3]

Question. How developed are capital markets in Africa, and to what extent does this either help or hinder U.S. private sector involvement in region?

Answer. In Africa, the financial sector continues to be at the forefront of economic growth, innovation, and integration on the continent. Although capital markets in Africa are not nearly as well developed as those in highly industrialized countries like the United States, Europe, and Japan, the gap is narrowing markedly. Despite some recent slowing, broader economic growth in sub-Saharan Africa is still projected to be much stronger than in highly developed countries over the coming decade. And despite level or declining inflation across most of the region, projected interest rates remain higher in sub-Saharan Africa than in the United States, Japan, or Europe, attracting capital. Banks in the region are becoming more fully capitalized and can rely less on rapidly entering and exiting “hot” capital than in the past. As governments in Africa become more stable and their foreign exchange reserves rise, fixed exchange rates are gradually disappearing—a further incentive for capial market growth.

Meanwhile the rapid spread of microfinance institutions in the region, along with technological advances like mobile banking, are transforming African savings practices. Funds are moving funds away from relatively illiquid informal lending networks to the kind of financially regulated, pooled-capital institutions that build public trust and underpin broader capital markets.

Still, capital markets remain much smaller in Africa than in the developed countries and, for better or worse, less connected to global capital flows.

But that is changing. For one thing, stock markets in the region are developing steadily. As World Bank Vice President for Africa Obiageli Ezekwesili commented recently:

> A first fact is that until the recent crisis, African stock markets had been experiencing resurgence and displaying an energy that had not been felt for years. A second fact is that with the exception of South Africa, most African stock markets doubled their market capitalization between 1992 and 2002, from US$113.4 billion to US$244.7 billion.
>
> One overriding fact is that more capital is flowing to Africa because the continent has become a friendlier and more profitable market. Even more so, foreign investors have learned during the previous crisis that Africa, indeed, stayed stable. Meaning that they are now not rushing to withdraw from Africa in a flight to quality. As many as 36 of the 46 African countries surveyed by our annual “Doing Business Report” implemented serious reforms over the last 5 years, including those countries whose overall ranking in the report may not have improved.[4]

Future growth in these sub-Saharan stock markets, says an International Monetary Fund Working Paper, may depend on improving the costs of issuing and listing securities, as well as scaling up personal savings, which would help draw individual investors into the stock markets. At present, however, listing costs on African stock markets tend to overrepresent government entities and former state-owned enter-

[1] International Monetary Fund data from Economist Intelligence Unit (EIU) Market Indicators and Forecasts Database.

[2] Source: U.S. Trade and Investment Relations with sub-Saharan Africa and the African Growth & Opportunity Act (Congressional Research Service, 2012).

[3] “Into Africa: Emerging Opportunities for Business.” Economist Intelligence Unit, 2012.

[4] Speech, October 31, 2011.

prises in these markets, the IMF paper notes, while the low rate of individual investor participation leads to dominance by commercial banks and pension funds.[5]

The Economist magazine summed it up: "When the dust settles, these emerging markets will still be growing faster than they did before 2003. But getting back up to the speed of the past decade will mean maintaining the macroeconomic discipline and returning to the microeconomic reforms that made it possible in the first place."[6]

Question. What can the United States do to help improve the development of private capital markets in sub-Saharan Africa? Do any federal agencies already have authorization to do this?

Answer. There are a number of steps that the United States can undertake to help strengthen these capital markets.

OPIC has both the authority to help strengthen African capital markets and the relevant experience.

At one level, OPIC's history of supporting investments in sub-Saharan Africa—committing over $7.6 billion to support over 460 private-sector initiatives in the region since 1974—helps provide both the foreign direct investment and the rising asset values that are foundation stones of capital market growth.

But specific OPIC projects can even more directly bolster capital market growth.

For instance, OPIC has extensively backed loans and loan guaranties to banks that agree to onlend to small businesses, and to microfinance institutions that increasingly promote savings and provide assistance in financial management to the poor. More than 2 million sub-Saharan Africans now participate in microfinance institutions that are ultimately financed by OPIC.

Another key method for supporting capital market growth is OPIC-supported private equity Investment Funds in sub-Saharan Africa. At present, these OPIC-backed private equity funds are in the process of investing $3.9 billion in sub-Saharan Africa. The investments span many sectors, from agriculture to infrastructure to health care to telecommunications, but each of them has the economic effect of strengthening the region's capital markets.

This effect is perhaps most vividly seen in the financial services sector.

Since private equity capital is often lacking in developing countries, the USG (through OPIC) provides support for the creation of privately owned and managed investment funds. OPIC is one of the largest active organizations in private equity funds in developing nations. Private equity is one of the fastest ways to deploy needed capital in emerging economies as well as broaden the impact of every development dollar. For example, an OPIC-financed private equity fund was a key investor in Equity Bank of Kenya, a once-small savings institution that has utilized microfinance practices and modern banking technology to grow, in 20 years, from 27 employees and 27,000 customers at 6 branches in Kenya, to 8,000 employees and 8 million customers at 66 branches in four East African countries. From a loss of $58,000 in 1993, the bank rose to an expected profit of $175 million in 2012. During the past decade, it has shown a compound annual growth rate of 78 percent and rewarded investors (the bank has been listed on the Nairobi Stock Exchange since 2006) with 900 percent appreciation, turning many of its employee-investors into millionaires. Bank CEO James Mwangi, once a fatherless boy selling charcoal, was named Ernst & Young World Entrepreneur of the Year in 2012.[7]

A recent survey of private equity investment opportunities in the region noted:

> African markets, boasting 10 of the top 20 fastest-growing economies in the world, and 5 of the world's top 10 reformers in 2012, according to the World Bank's Doing Business ratings, hold exceptional promise for private equity investors. However, the lack of transparency and underdeveloped legal systems and institutional infrastructure in many African markets make assessing potential investments difficult.[8]

The report goes on to identify obstacles like the overlap between the public and private sector, traditional frameworks for assessing risk that deem Africa to be high risk, and the challenges of conducting due diligence.

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[5] Ybara, Masafumi. "Capital Market Integration: Progress Ahead of the East African Community Monetary Union." IMF Working Paper. January, 2012. p. 6.

[6] Editorial, July 21, 2012.

[7] Anver Versi,"James Mwangi, A Life Stranger Than Fiction," African Business, August 2012, p. 46.

[8] "Africa: Maximizing Investment Opportunities While Managing Risk," EMPEA Legal and Regulatory Bulletin, Emerging Markets Private Equity Association, 2012, p. 1.

The report also suggests a number of reforms and remedies that might help remove such obstacles.

Still, it concludes, in Africa “private equity is more often about backing entrepreneurial founders and managers and not [about] buying mature businesses, making diligence into the people involved all the more crucial.”[9]

Other U.S. Government agencies and programs that can assist African capital markets include the Development Credit Authority and Private Group for Africa at USAID, and financial institution capacity-building initiatives at the Millennium Challenge Corporation.

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[9] Ibid., p. 2