Written Testimony

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"Economic Statecraft: Increasing American Jobs through Greater US-Africa Trade and Investment"

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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 US investment and greater trade with Africa. Certainly there are new approaches towards this goal, including the coordinated approach to US 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 113th 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 US-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 US investment in and trade with Africa. It must be that example that leads others to work more closely together on US-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 US economic relations with Africa, and whose member companies represent approximately eighty-five percent of all US private investment in Africa. CCA has a diverse pool of companies in twenty different sectors of the US economy. Our twenty-eight staff members represent the largest unit in the United States solely dedicated to US economic trade and investment with Africa. We have more than a dozen working groups meeting monthly on African economic issues, and convene major US-Africa conferences each year. The Corporate Council on Africa is also the only US business organization with an MOU with the African Union (AU). Through that MOU we will partner with the AU on our US-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 US business community. We convene the biennial US-Africa business summit which normally brings together more than 2000 US and African Government officials and private sector leaders, and we just recently completed the US-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 US-Africa Business Center whose primary purpose is to identify business partners and opportunities in Africa for US 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 US-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 US initiatives in Africa designed to increase US investment and trade. The bill S.2215 complements the existing US program, the African Growth and Opportunity Act

(AGOA) and with prompt enactment will strengthen the US private sector position in the region. To the extent the bill's objectives of doubling US exports to the region can be attained, it will also create jobs in the US and Africa. It will contribute to African and US prosperity through fuller participation by Africa in global supply chains and the distribution networks of US 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 USA 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 US business if we are to regain momentum in doing business with Africa. They address some of the issues that make it difficult for US 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 US 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 US 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 US Commercial pursuits in the region. Our work with our own US-Africa Business Center has demonstrated the importance of having a central point to assist US 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 US Government should enthusiastically welcome both the road map 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 US companies wanting to expand markets. The US 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 US 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 US 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 US 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 US contribution was through unilateral aid programs. A greater emphasis must be placed on the commercial challenges facing the US in Africa. The US Government must work aggressively to assure a level playing field for US 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 US 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 US 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 US 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 US 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.