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U.S. CHAMBER OF COMMERCE

Statement of the U.S. Chamber of Commerce

ON: **"Economic Statecraft: Increasing American Jobs through Greater U.S.-Africa Trade and Investment"**

TO: **U.S. Senate Committee on Foreign Relations Subcommittee on African Affairs**

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The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

More than 96 percent of the Chamber's members are small businesses with100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business — manufacturing, retailing, services, construction, wholesaling, and finance — is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 116 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

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 three 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, six of the ten 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 one 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 eight-fold 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 towards 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% of the world's consumers and 80% 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 multi-nationals: 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% 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 non-tariff 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 two 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 re-calibrate 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.

Thank you.