Statement of Ambassador Johnnie Carson

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House Foreign Affairs Committee Subcommittee on African Affairs

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"The Increasing American Jobs

Through Greater Exports to Africa Act"

Chairman Smith, Ranking Member Bass, and Members of the Committee:

Thank you for providing me with the opportunity to address the Committee on what I feel is a very important and timely topic. U.S. trade to and from Africa has grown significantly in the past ten years. U.S. exports to sub-Saharan Africa tripled from fewer than seven billion U.S. dollars in 2001 to over $21 billion dollars in 2011. This threefold increase illustrates the impressive economic growth that many markets in Africa achieved by tackling tough reforms over the past decade. However, to put the $21 billion dollar figure into context, it amounts to approximately the same amount that U.S. companies exported to India in the same year. Africa's recent economic growth is impressive, but the region still only accounts for less than two percent of global trade. It is my firm belief that Africa represents the next global economic frontier, and I am not alone in that assessment. The World Bank projects growth rates of between 5 and 6 percent over the next two years for Africa. These projections are higher than growth rates expected for Latin America, Central Asia, and Europe. African growth rates are expected to continue rising among a growing number of countries, presenting significant opportunities for U.S. companies to both trade and invest. Africa can serve as a market to U.S. exporters to meet the goals of the National Export Initiative and create U.S. jobs. The U.S. government can help American companies look to Africa for real and immediate opportunities to expand their businesses. Recently, President Mills of Ghana visited Washington, DC with a government delegation focused on increasing trade and investment.

Over the last twelve months, including new contracts signed this week, the U.S. has provided crucial assistance that has made $1.2 billion in U.S. exports to Ghana last year possible. A recent example includes: Miami-based Belstar is implementing a $250 million project providing medical equipment, services and infrastructure to benefit up to 100 hospitals throughout Ghana. The project will make a significant impact on Ghana's ability to meet its growing need for modern health care infrastructure and will do so using insurance provided by the Overseas Private Investment Corporation. The project is expected to generate $147 million in U.S. exports through initial procurements, with an expected total procurement amount of $253 million.

Nonetheless, there are still many barriers that stand in the way of companies hoping to do business there. The perception of Africa as poverty filled and strife ridden continues to persist. In many places, corruption is too common. The cost of finance, including investment finance, is too high. Infrastructure is lacking. Regulatory systems are often inconsistent and inefficient. Because of these barriers, many U.S. businesses see African markets as too risky. We work closely with African governments to address these issues and improve investment climates. In addition, the U.S. government plays a role in expanding opportunities for U.S. companies in the region. Increasing two-way trade and enhancing investment helps to grow economies on both sides of the Atlantic.

Our efforts to increase our commercial engagement in Africa are a part of Secretary Clinton's global focus on economic statecraft. The State Department's economic statecraft agenda consists of harnessing the forces of global economics to advance our diplomatic agenda and putting the tools of our diplomacy to work to meet our economic goals. We are committed to using every opportunity available to advance not only our diplomatic and political priorities, but our economic and commercial goals as well. The Bureau of African Affairs at the Department of State has instituted a number of programs that move beyond the traditional focus on development assistance and that place a special interest on promoting a full range of commercial and trade activities.

I recently led a trade mission to Mozambique, Tanzania, Nigeria, and Ghana with ten U.S. energy companies ready to do business. A lack of reasonably priced reliable power remains one of the most significant constraints to economic growth throughout Africa. Governments across the continent are working to address these constraints to attract new trade and foreign investment that will sustain their rapid economic growth and build their middle class. The goal of this mission was to highlight opportunities for U.S. companies and help address a glaring need for increased power sector infrastructure in Africa. By all accounts, the mission was a success, and a number of these U.S. companies concluded agreements or are currently exploring possible opportunities to develop African power projects. The African Affairs Bureau plans to lead similar trade missions in other sectors in the future and will continue to help and encourage U.S. companies to be a part of the growing economic dynamism of Africa.

In February, Secretary Clinton hosted representatives from American Chambers of Commerce and business organizations from around the world for the first State Department led Global Business

Conference. The two day event included regionally focused sessions on how the U.S. government can help promote U.S. businesses aboard, increase U.S. exports and attract new investment to the United States, and create American jobs.

The State Department is also making a concerted effort to train overseas personnel in sub-Saharan Africa to better support U.S. businesses. For example, in March, we worked with the U.S. & Foreign Commercial Service to host a commercial training program for economic staff posted in 25 sub-Saharan African countries.

I understand that Scott Eisner from the U.S. Chamber of Commerce also will be testifying before you today; I want to note the importance we place on working with American Chambers of Commerce overseas. There are currently eight countries in sub-Saharan Africa with American Chambers of Commerce and we hope to see that number grow.

The African Growth and Opportunity Act (AGOA) currently is the centerpiece of our trade policy with sub-Saharan Africa. AGOA remains very relevant today not only for the trade preferences it provides eligible African countries, but also for the platform it gives the U.S. government to engage in an economic dialogue with our African partners. For example, as part of the most recent annual AGOA eligibility review, the U.S. government notified seven different African countries about several issues which could potentially put these countries' continued AGOA benefits at risk. These issues ranged from import bans on certain U.S. products, concerns about the protection of internationally recognized worker rights and weak investment climates. The AGOA eligibility review provides an effective policy tool and incentive structure that helps to create a level playing field for U.S. companies seeking opportunities in the region.

The annual AGOA Forum also gives the U.S. government an opportunity to communicate our trade and investment priorities to African ministers of trade, commerce, and agriculture among others. This year's Forum will take place here in Washington DC on June 14 and 15 and will focus on how to improve Africa's infrastructure to facilitate and increase trade. The Forum will also include civil society and private sector sessions. In addition, we look forward to building on the success of the African Women Entrepreneur Program (AWEP), launched during the 2010 AGOA Forum. Approximately forty leading African women entrepreneurs will participate in meetings here in Washington, DC, Ohio, and New York to connect with other business leaders and participate in part of the AGOA Forum.

The State Department, in collaboration with several U.S. Government agencies, will host the U.S.-Africa Business Conference from June 21-22 in Cincinnati, Ohio, following the annual African Growth and Opportunity Act (AGOA) Forum. The U.S.-Africa Business Conference expands on the policy discussions that take place during the AGOA Forum by providing an opportunity to showcase U.S. business expertise to potential African clients, and to highlight trade and investment opportunities in Africa to U.S. exporters and investors. Cincinnati was selected as the conference location for its potential to increase commercial partnerships with Africa at local, state, and regional levels. The U.S.-Africa Business Conference will include structured networking opportunities for African government officials and business leaders with U.S. state and local government officials and business leaders; informational sessions on U.S. government opportunities and services from various federal agencies; and site visits to companies and organizations. Echoing the theme of the AGOA Forum, the event will focus broadly on infrastructure development, including energy, transportation, and water and sanitation. We expect the conference to attract a number of AGOA Forum participants, including African ministers of trade, infrastructure, and energy, as well as relevant African business leaders and entrepreneurs, and U.S. private sector representatives. I am very excited about the Cincinnati event following this year's AGOA Forum. In 2010 we held a similar event in Kansas City, Missouri that was well worth the effort. By bringing African government officials and private sector representatives outside of the beltway, we can facilitate a fruitful discussion that goes beyond trade policy and leads to business to business linkages.

I would like to end my comments on what I think is a very serious and pressing matter: the potential impact of a delayed renewal of the third country fabric provision of AGOA. Third country fabric has been one of the most successful components of the AGOA legislation and can be credited with creating tens of thousands of jobs in countries such as Lesotho, Kenya, Swaziland, and Mauritius. I have heard from representatives of a number of these countries that apparel orders are drying up due to the uncertainty surrounding the provision. In Lesotho, which is the largest African apparel exporter to the United States, our embassy reports that there are no U.S. orders for apparel after July and transactions are usually made six months in advance. Our Embassy in Nairobi recently reported similar news and estimated that 40,000 factory workers could very likely lose their jobs if third country fabric is not renewed in a timely manner. The apparel industry in these countries rely on the third country fabric provision; without it there is a very real possibility that the investors in the apparel factories will pack up and move production to some other part of the world as we saw in Madagascar following its loss of AGOA eligibility in 2009. This would cause enormous economic strife in countries that are strong partners of the United States. For example, in Swaziland approximately 15,000 people, mostly women, work in the apparel sector and we estimate that each factory worker supports ten additional people. If third country fabric is not renewed soon, these jobs will disappear and Swaziland's 41% unemployment rate will likely jump to 50%.

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