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U.S.-AFRICA TRADE RELATIONS: CREATING A PLATFORM FOR ECONOMIC GROWTH

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON COMMERCE, TRADE, AND CONSUMER PROTECTION

OF THE

COMMITTEE ON ENERGY AND COMMERCE

AND THE

SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH

OF THE

COMMITTEE ON FOREIGN AFFAIRS

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[1] Ms. Liser did not respond to submitted questions for the record.
[2] Ms. Vineyard did not respond to submitted questions for the record.
[3] Mr. Hayes did not respond to submitted questions for the record.
[4] Mr. Lebedev did not respond to submitted questions for the record.

U.S.-AFRICA TRADE RELATIONS: CREATING A PLATFORM FOR ECONOMIC GROWTH

WEDNESDAY, JUNE 24, 2009

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMMERCE, TRADE,
AND CONSUMER PROTECTION,
COMMITTEE ON ENERGY AND COMMERCE,
JOINT WITH SUBCOMMITTEE ON AFRICA
AND GLOBAL HEALTH
COMMITTEE ON FOREIGN AFFAIRS
Washington, DC.

The subcommittees met, pursuant to call, at 3:35 p.m., in room 2322 of the Rayburn House Office Building, Hon. Bobby Rush (chairman of the Subcommittee on Commerce, Trade, and Consumer Protection) presiding.

Present from the Subcommittee on Africa and Global Health: Representatives Payne, Woolsey, Watson, Lee, and Smith.

Present from the Subcommittee on Commerce, Trade, and Consumer Protection: Representatives Rush and Radanovich.

Mr. PAYNE [presiding]. We will bring this delayed hearing to order. This is a hearing of the Subcommittee on Africa and Global Health and the Subcommittee on Commerce, Trade, and Consumer Protection. Chairman Rush, hopefully, will be here soon. Our votes have just ended temporarily. This is abnormal, but for the last several days, there have been political procedural votes being done by the opposition. And its purpose—to delay and disrupt the workings of the House. So I apologize. It is something beyond our control. A member can call for a vote to adjourn any time they want to, and that is what has been happening.

So, at this time, I will not make any opening statement. We will move right to the first panel, panel one. We have our Assistant U.S. Trade Representative for Africa, Ms. Liser; our acting Director of the U.S. Trade and Development Agency, Ms. Zak; and the Deputy Assistant Secretary, Africa, Middle East, and South Asia, International Trade Administration, Ms. Vineyard.

We will begin. I won't take time to read the background. Normally we do that in our committee, but because of the time, we will go right into witness testimony and begin with Ms. Liser. If you would start, we would be pleased. Thank you.

STATEMENTS OF FLORIZELLE LISER, ASSISTANT U.S. TRADE REPRESENTATIVE FOR AFRICA, EXECUTIVE OFFICE OF THE PRESIDENT, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE; LEOCADIA ZAK, ACTING DIRECTOR, U.S. TRADE AND DEVELOPMENT AGENCY; AND HOLLY VINEYARD, DEPUTY ASSISTANT SECRETARY FOR AFRICA, MIDDLE EAST, AND SOUTH ASIA, INTERNATIONAL TRADE ADMINISTRATION

STATEMENT OF FLORIZELLE LISER

Ms. LISER. Chairman Payne, thanks to you and to Chairman Rush and the other members for holding this hearing. I am pleased to be here to appear before you on U.S.-African trade relations and to share some successes and challenges we face in promoting African economic growth through expanded trade and investment.

President Obama and U.S. trade representative Ron Kirk are committed to a new approach on trade. So, we are seeking ways to sharpen U.S. trade policy and to shore up the foundations of global trade today. Strengthening the rules-based system will boost trade and promote development for the long term for America, for Africa, and the world. That is why President Obama and Ambassador Kirk are committed to a successful conclusion of the World Trade Organization's Doha Round, an outcome that is ambitious and opens new markets for all, including for Africans.

We are also looking at our trade-preference programs, including the African Growth and Opportunity Act with an aim to make them more effective and to ensure that the developing countries that need them the most are the beneficiaries. Africa's share of global trade is declining. Sub-Saharan Africa's share of global trade is less than 2 percent, down from 6 percent in 1980. If that share were to increase by just one percentage point to 3 percent, it would generate additional export revenues of $70 billion annually, which is nearly three times the amount of annual assistance to Africa from all donors.

Also, exports from the continent are concentrated in primary commodities, such as petroleum, minerals, cocoa, and coffee. There is little of the manufacturing engine in Sub-Saharan Africa that has fueled economic growth and reduced poverty in other regions of the world.

Even in agriculture, which many see as Africa's strong suit, the recent trend lines have not been positive. In 2005, the region switched from being a net exporter to a net importer of agricultural products.

We believe that export diversification and further processing of agricultural products into higher value exports could help improve food security in the region by addressing issues of availability and stability of food supply.

But, even with that bad news, U.S. trade with Africa is expanding and diversifying. AGOA is an important tool that has helped increase both the volume and diversity of U.S. trade with Sub-Saharan Africa. And U.S. imports under AGOA total $66.3 billion in 2008, more than eight times the amount in 2001. Now, while much of the increase is attributable to oil, non-oil AGOA imports more than tripled to $5.1 billion and a number of AGOA product sectors experienced sizable increases during this period, including, for example, beverages, vegetables, cut flowers, certain footwear, textiles, and apparel.

Though African textiles and apparel producers have faced increased competition and a declining share in the U.S. market, textiles and apparel still accounted for 22 percent of all AGOA non-oil trade in 2008. So, it is still an important sector.

We are trying to address the challenges. We know that market access alone is insufficient to increase U.S.-Africa trade. That is why AGOA and trade capacity building assistance are the twin pillars of U.S.-Africa trade policy. In 2008, the U.S. devoted over $1 billion to trade-capacity building in Sub-Saharan Africa, and the five-year $200 million presidential initiative called the African Global Competitiveness Initiative is helping to expand African trade and investment with the U.S. and support African regional strategies to grow Africa's share of world trade.

Dialogue with Africa about key trade and investment issues remains important, and we wanted to share with you that the eighth AGOA forum will be held in Kenya on August 4 to 6, 2009. Its theme is realizing the full potential of AGOA through expansion of trade and investment. As always, the forum will be an important opportunity to discuss the challenges in expanding U.S.-Africa trade and investment relations. We look forward to the participation of members of Congress and their staff and the forum.

In conclusion, through ongoing dialogue and a range of initiatives, the Administration is looking forward to working with Congress to strengthen U.S.-Africa trade relations and through trade to create a platform for economic growth in Africa. Thank you.

[The prepared statement of Ms. Liser follows:]

Statement of Florizelle B. Liser, Assistant U.S. Trade Representative for Africa
Office of the U.S. Trade Representative

Before the House Committee on Energy and Commerce
Subcommittee on Commerce, Trade, and Consumer Protection
And
The House Committee on Foreign Affairs
Subcommittee on Africa and Global Health

"U.S.-Africa Trade Relations: Creating a Platform for Economic Growth"

June 24, 2009

Chairman Rush, Chairman Payne, Ranking Member Radanovich, Ranking Member Smith and distinguished members, I am pleased to appear before you today to discuss U.S.-African trade relations and to share some of the successes and challenges we face in promoting African economic growth through expanded trade and investment.

Introduction

President Obama and U.S. Trade Representative Ron Kirk are committed to a new approach on trade that makes it an important part of the Administration's efforts to boost our economy and create jobs. They believe that trade is critical for American workers, ranchers, farmers, and businesses; and that trade is needed now more than ever to boost the world economy and promote global economic development, while helping American workers and firms here at home. So we are seeking ways to sharpen U.S. trade policy and to shore up the foundations of global trade today. One way we're doing that is by rejecting protectionism and supporting the global rules-based trading system. Strengthening the rules-based system will restore confidence, boost trade, and promote development for the long term for America, for Africa, and the world. We are also looking at our trade preference programs, including the African Growth and Opportunity Act (AGOA) with an aim to make them more effective and to ensure that the developing countries that need them the most are the beneficiaries.

Africa's share of global trade declining

Sub-Saharan Africa's current share of global trade is less than two percent, down from six percent in 1980. If sub-Saharan Africa were to increase that share by just one percentage point to three percent, it would generate additional export revenues of $70 billion annually, which is nearly three times the amount of current annual assistance to Africa from all donors. This reflects the importance of trade as a critical platform for Africa's economic growth. Further, exports from the continent are concentrated in primary commodities such as petroleum, minerals, cocoa, and coffee. There is little of the manufacturing engine in sub-Saharan Africa that has fueled economic growth and reduced poverty in other regions of the world.

Even in agriculture, which many see as Africa's strong suit, the recent trendlines have not been positive. In 2005, the region switched from being a net exporter to a net importer of agriculture products. Africa's current share of agriculture in its total exports is about nine percent, down from more than 16 percent in 1980. Of Africa's top ten agriculture exports in 2006, only one was a semi-processed product while the rest were primary commodities. We believe that export diversification and further processing of agriculture products into higher value exports could help improve food security in the region by addressing issues of availability and stability of food supply. Moving up the value chain into higher value products could also allow farmers to take advantage of emerging market supply chains that are increasingly geared towards African markets. Many processed agriculture products provide significantly greater income for farmers than food staples. For example, horticultural products provide incomes ten times that of cereals. Development of these new supply chains could also facilitate the movement of food products within Africa, and provide farmers new markets for their products.

US-Africa trade expanding and diversifying

AGOA is an important tool that has helped to increase both the volume and diversity of U.S. trade with sub-Saharan Africa. AGOA also promotes economic cooperation and trade among the countries of sub-Saharan Africa by encouraging intra-regional trade among AGOA beneficiary countries. In 2008, total two-way trade (exports plus imports) between the United States and sub-Saharan Africa was $104.5 billion, more than triple the amount in 2001, the first full year of AGOA implementation. By building on the market access provided by the GSP, AGOA provides market access for African exports – including non-traditional and higher-value products – and has helped African firms become more competitive, bolstering sub-Saharan African economic growth and alleviating poverty in one of the poorest regions of the world. U.S. imports under AGOA totaled $66.3 billion in 2008, more than eight times the amount in 2001. While much of the increase is attributable to oil, non-oil AGOA imports more than tripled to $5.1 billion. A number of AGOA product sectors experienced sizeable increases during this period including automobiles, salts, animal and vegetable fats, wines, fruit juices, coffee and tea extracts, cassava, vegetables, fruits, nuts, cut flowers, baskets, certain footwear, hats, textiles and apparel. Though textiles and apparel producers have faced increased competition and a declining share in the U.S. market since the quotas ended in 2005, textiles and apparel still accounted for 22 percent of all AGOA non-oil trade in 2008. AGOA provides incentives and support for African economic reforms and has helped to foster an improved business environment in many African countries to attract investment. In 2008, U.S. exports to the region were $18.5 billion, more than double the amount in 2001.

The Administration recognizes that United States-Africa trade is now slowing considerably as a result of the global economic crisis and declining oil and commodity prices. During the first quarter of 2009, total imports under AGOA declined by 59 percent (to $6.5 billion) compared to the same period in 2008. Prices for raw commodities, such as oil and other minerals, have experienced much steeper declines than those for value-added products. Non-oil AGOA products declined by 22 percent during this period to $846 million. This is obviously of concern to us. We do not know if this trend will continue, but we suspect the decline would have been worse without AGOA trade preferences.

The Administration is continuing to consult with all Africa trade stakeholders, including Congress, African government officials, U.S. and African private sector, and civil society representatives to find ways to *increase* two-way trade and to restore trade's role in leading economic growth and development. That is why President Obama and Ambassador Kirk are committed to a successful conclusion of the World Trade Organization's Doha Round. A successful Doha Round requires an ambitious and balanced result to open new markets for all and to contribute to global economic recovery and long-term economic growth and development. Africans have much to gain from new market opportunities in advanced developing countries as well as in developed countries.

The Administration is also supporting African regional integration through a number of trade-related initiatives designed to build capacity and strengthen trade and investment relations within the region, including closer ties with the African Union, and through trade and investment-related agreements with the Common Market for Eastern and Southern Africa (COMESA), the West African Economic and Monetary Union (UEMOA), the East African Community (EAC) and the Southern African Customs Union (SACU).

The annual United States-Sub-Saharan Africa Trade and Economic Cooperation Forum (also known as "the AGOA Forum") institutionalizes a high-level dialogue between senior officials of the United States and AGOA beneficiary countries, the private sector and civil society on ways to foster closer economic ties between the United States and sub-Saharan Africa. The eighth AGOA Forum will be held in Kenya on August 4-6, 2009 with the theme, "Realizing the full potential of AGOA through expansion of trade and investment". As always, the Forum will be an important opportunity to discuss the challenges in expanding U.S.-African trade and investment relations.

Addressing the Challenges

While more African countries are taking advantage of trade opportunities under AGOA, some countries are faced with significant challenges in their efforts to increase their trade under AGOA. We are continuing our efforts to increase the number of AGOA-eligible countries taking advantage of the program, and we are also trying to address the many supply-side constraints the Africans face and to help them increase the range and quality of products being traded and improve Africa's overall competitiveness.

With these challenges in mind, the U.S. Trade Representative (USTR) requested that the U.S. International Trade Commission (USITC) do a series of reports examining the factors that affect African competitiveness in key non-oil sectors. The most recent report, released in April 2009, examines the effects of infrastructure conditions on the export competitiveness of selected African sectors. The USITC found that demand growth, increased investment, development of private enterprise, and deeper regional integration, among other factors, have positively affected Africa's export performance. However, poor infrastructure conditions, weak governance, poorly developed institutions, low levels of education, and a constraining business environment have had a negative effect on the ability of African firms to produce and export goods and services competitively in regional and global export markets.

We also know that market access alone is insufficient to increase U.S.-Africa trade. That is why AGOA and Trade Capacity Building (TCB) assistance are the twin pillars of U.S.-Africa trade policy. The Administration provides TCB assistance to help support efforts towards expanding and diversifying Africa's trade. In 2008, the United States devoted over $1.0 billion to trade capacity-building in sub-Saharan Africa, more than double the amount of TCB funding in 2007. The five-year $200 million, African Global Competitiveness Initiative (AGCI) launched in 2006 is designed to help expand African trade and investment with the United States, with other international partners and regionally within Africa. This initiative is currently funded through FY 2010 and we will take stock of what it has accomplished as well as our priorities for U.S.-Africa trade as we determine what follow-on activities may be appropriate in 2011 and beyond.

We have also encouraged African governments to develop and implement their own country and regional strategies to improve infrastructure conditions, reduce high production costs, lower barriers to trade and improve competitiveness to grow Africa's share of global trade and promote economic growth in the face of the current economic crisis and increased competition.

Conclusion

Through a range of initiatives, the Administration is continuously working to strengthen United States-Africa trade relations. We have a strong foundation for an even more robust relationship in the future. Increased AGOA utilization and trade diversification as well as a focused effort to improve local and regional infrastructure in Africa will be essential to further enhancing United States-Africa trade, boosting economic growth and reducing poverty.

Thank you.

Mr. PAYNE. Thank you. The co-chair of the Commerce Committee that is really having jurisdiction over this has come. We—since folks were here for an hour and a half, we tried to get moving, but I will turn over the meeting to Representative Rush, and there may be procedural things that you do with the Commerce Committee that you don't do in Foreign Affairs.

Mr. RUSH. Thank you. Well, I think the protocol is pretty much on the sidelines, Chairman Payne. I just want to add my voice of apology to everybody who is here. This is the beginning of a new way that we are going to be operating around here, I think, for the foreseeable future. And it is dilatory, and I don't think that it is beneficial to the institution nor to the American people. But we have to do what we have to do, so, when they call a vote, we have to respond. Please accept my sincere apologies and the apologies of the Subcommittee on Commerce, Trade, and Consumer Protection.

I know how valuable your time is, and we want to again welcome you and thank you for coming and thank you for participating. I will proceed now recognizing the next witness, Ms. Leocadia Zak, who is the acting director of the U.S. Trade and Development Agency. And I think that the guidelines of the opening statement is 2-and-a-half minutes or—5 minutes or thereabouts, OK. Ms. Zak, you are recognized.

STATEMENT OF LEOCADIA ZAK

Ms. ZAK. Thank you very much, Chairman Payne, Chairman Rush. Thank you and the other members of the subcommittee for this opportunity to testify today about the U.S. Trade and Development Agency's role in advancing economic development in Africa and creating jobs here in the U.S. as well.

I welcome the committee's interest in USTDA's program and look forward to briefly outlining our programs and some important successes.

I know that you have emphasized the exploration of new markets as a vital element for stimulating the U.S. economy. I could not agree more, and I also agree that African development and trade priorities are something that we must focus on. This is also precisely the mission of USTDA, to promote development in emerging markets while creating opportunities for U.S. exports and the creation of U.S. jobs.

How do we do this? In particular, we focus on areas where U.S. business is strong, such as energy, telecommunications, transportation, and the environment. Using this model, we have seen the benefits that exports provide to host countries around the world and the U.S. economy. In African, on a 10-year rolling basis for every dollar of USTDA-program funds expended, we have seen a return of $24 in U.S. exports. During my time here today, I would like to provide you with concrete examples of how USTDA has assisted export activities and how African nations have benefited and how U.S. companies large and small have also benefited.

In 2002, Roeslein and Associates, a 200-person manufacturing company based in St. Louis, Missouri, approached USTDA with an idea for selling American-built aluminum can manufacturing equipment in Nigeria. The company had identified Nigeria as a potential new market and asked that the agency share the cost of a feasibility study to confirm the market potential and economic and financial viability of the manufacturing of aluminum cans in Nigeria.

USTDA provided the assistance requested by this small, Midwestern company, recognizing both the commercial viability of the project and the likelihood for success for project implementation. Ultimately, Roeslein secured a contract for $30 million to build, ship, and reassemble an aluminum can manufacturing facility in Nigeria that was financed by the Export/Import Bank of the United States.

In January of this year, I was invited to Roeslein facility in Red Bud, Illinois, to witness the sendoff of this newly manufactured equipment. During the visit, I had the opportunity to meet with several workers, who told me how difficult times were in Red Bud and how grateful they were for our assistance. To top it off, Roeslein provided USTDA with a check fully repaying the grant that we had provided to them that opened the doors to them in Nigeria.

My second example involves a major infrastructure need common in Africa: energy. Just under a quarter of Sub-Saharan Africa's population has access to electricity. To put this into perspective, Sub-Saharan Africa generates 63 gigawatts of power for 770 million people, about the equivalent that Spain provides for a population of 40 million.

Recognizing the need for more and diversified energy sources, USTDA partnered with Botswana Development Corporation to fund a feasibility study to determine the viability of a coal-bed methane gas extraction, considered clean energy source in Botswana. Once the project was determined to be feasible, USTDA also funded a reverse trade mission that brought key Botswana decision makers to the United States to examine production facilities and meet with U.S. industry, representatives, and potential financiers of the project.

Based on the positive recommendations for coal-bed methane project, the Overseas Private Investment Corporation provided an $8.5 million investment guarantee to Kalahari Gas Corporation to fund the drilling of a new clean-energy source. Since that initial investment, U.S. companies have benefited from continuing expansion of this project, having exported a total of $52.9 million in U.S. goods and services.

At the same time, it has provided a crucial need in Botswana. The Roeslein and Kalahari gas examples are but two of many in which USTDA has been the catalyst for assisting U.S. companies small and large in expanding their markets both in Africa and around the world. We often work in consultation with the private sector, including those testifying here today, such as Motorola, the Corporate Counsel on Africa, and the U.S. Chamber. And we have a very close collaborative relationship with those on the panel here today, USTDR and the Department of Commerce.

In conclusion, I would like to thank the subcommittee for inviting me here today. Exports to Africa benefit both Africa and the U.S. economy. Before coming here today, I talked with our staff that is responsible for Africa and asked them why they enjoy their job. And they said because it makes a difference. It makes a difference in Africa, and it makes a difference here in the United States as well.

I look forward to working with you to make the difference both in Africa and here in the U.S. Thank you very much.

[The prepared statement of Ms. Zak follows:]

Statement by Leocadia I. Zak

Acting Director

U.S. Trade and Development Agency

Before the Committee on Foreign Affairs, Subcommittee on Africa and Global Health and the Committee on Energy and Commerce, Subcommittee on Commerce, Trade and Consumer Protection

June 24, 2009

2:00 p.m., 2322 Rayburn House Office Building

Chairman Payne, Chairman Rush, Ranking Members Smith and Radanovich, and Members of the Subcommittees, thank you for the opportunity to testify today about the U.S. Trade and Development Agency's role in advancing economic development in Africa and creating jobs here at home. I welcome the subcommittee's interest in USTDA and look forward to outlining our programs and some important successes that highlight the unique trade and development mandates of our Agency. The successes that I will describe here today are representative of the opportunities present throughout Africa for U.S. companies.

Chairman Rush, I know that you have emphasized the exploration of new markets as a vital element for stimulating the U.S. economy. I could not agree more and I also agree that African development and trade must be a priority. This is precisely the mission of USTDA -- to promote development in developing and middle income countries while creating opportunities for U.S. exports and the creation of U.S. jobs.

Mission of the U.S. Trade and Development Agency

In carrying out this dual trade and development mission, the Agency is unique among U.S. Government agencies in the way it brings U.S. equipment, technology and expertise to bear in advancing economic development and U.S. commercial interests overseas. Specifically, USTDA relies on the U.S. private sector, through contracts with the Agency and its grant recipients, to carry out project-specific feasibility studies; technical assistance programs; reverse trade missions, which bring prospective foreign buyers to the United States; and business workshops that better position U.S. firms to compete for contracts associated with project implementation. It is important to note that, in order to ensure that our program remains targeted and effective, we focus on sectors where U.S. firms are competitive such as energy and the environment, with a focus on clean energy development; transportation; and information and communications technology.

Using this model, we have seen the benefits that exports provide to both host countries and the U.S. economy. The success of this approach is demonstrated by a historical return of over $35 in exports of U.S.-manufactured goods and services for every program dollar expended. In total, USTDA's program has directly contributed to over $31 billion in U.S. exports. During my time here today, I would like to provide you with concrete examples of how USTDA-assisted export activities have benefited African nations and U.S. companies, large and small.

USTDA's Program in Africa

However, before I do I would like to emphasize that now is a particularly important time to focus on Africa as a U.S. export market. First, the impact of the global downturn, if unchecked, can have a severe impact on the many humanitarian and economic accomplishments achieved on the continent. Furthermore, in the U.S. it is clear that as markets have contracted for U.S. goods and services, others must be sought to support existing jobs.

Hearings like today's showcase the opportunities and successes that many African nations represent. I would like to take a minute to highlight a couple of projects that illustrate how USTDA's program is a catalyst for development in Africa and the creation and retention of jobs in the United States. In 2002, Roeslein and Associates, a 200-person manufacturing company based in St. Louis, MO, approached USTDA with an idea for selling American- built aluminum can manufacturing equipment in Nigeria. The company had identified Nigeria as a potential new market and asked that the Agency share the cost of a feasibility study to confirm the market potential and economic and financial viability of manufacturing aluminum cans in Nigeria.

After due diligence on our part, USTDA provided the assistance requested by this small Midwestern company, recognizing both the commercial viability of the project and the likelihood for successful project implementation. Ultimately, Roeslein and Associates secured a contract for over $30 million to build, ship, and reassemble an aluminum can manufacturing facility in Nigeria that was financed by the Export-Import Bank of the United States.

In January of this year, I was invited to the Roeslein manufacturing facility in Red Bud, Illinois to witness the send off of the newly manufactured equipment. During the visit, I had the opportunity to meet with several of the workers who told me how difficult times were in Red Bud and how grateful they were to still have their jobs thanks to our initial assistance. To top off the visit, Mr. Roeslein provided USTDA with a check fully repaying the grant that opened the door for them in Nigeria.

The Roeslein story is but one of the many in which USTDA has been the catalyst for assisting U.S. companies in expanding their markets both in Africa and around the world.

My second example involves a major infrastructure need common to many African countries. The lack of affordable and reliable power is often a significant limiting factor for economic development.

Just under a quarter of sub-Saharan Africa's population has access to electricity. To put this into perspective, sub-Saharan Africa generates 63 gigawatts of power for roughly 770 million people – about the equivalent that Spain produces for its population of 40 million. Nowhere is generating capacity more critically needed than in southern Africa. As these African countries have advanced, their demand for reliable and inexpensive power has significantly outstripped supply. While South Africa once produced and exported cheap energy, prices have now skyrocketed and all partners of the Southern Africa Power Pool are suffering from long-term brown outs and black outs. Countries like Botswana, Namibia and Zambia, which once relied heavily on South African energy exports, are now scrambling to ensure their own energy self-sufficiency.

Recognizing the need for more and diversified energy sources, USTDA partnered with the Botswana Development Corporation to fund a feasibility study to determine the viability of coal-bed methane natural gas extraction, or CBM, in Botswana. In addition, USTDA funded a reverse trade mission that brought key Botswana decision-makers to the United States to examine production facilities and meet with U.S. industry representatives and potential financiers of the project.

Based on the positive recommendations for the coal bed methane project, the Overseas Private Investment Corporation provided an $8.5 million investment guaranty to a small U.S. business, Kalahari Gas Corporation, to fund the drilling for this new clean energy resource. Since that investment guaranty, U.S. companies have benefitted from the continuing expansion of this project, having now exported a total of $52.9 million in U.S.-manufactured goods and services. These are the first crucial steps towards Botswana's energy independence. Moreover, this new energy resource may over time even make Botswana an energy exporter and a contributor to southern Africa's continued economic growth.

But that is only part of the story. By extracting natural gas, Botswana will be utilizing a cleaner fuel than coal. In addition, the process produces water that can be used for irrigation or by industry, thereby replacing scarce potable water that is currently being used for those purposes. Finally, capturing the methane that is associated with the natural gas supply significantly reduces greenhouse gas emissions that would otherwise occur through natural seeps or ventilation during mining.

Working with Small Business and Industry and the U.S. Government

Small businesses are the foundation of the U.S. economy and of USTDA's program. The Agency supports U.S. small businesses by helping them expand into emerging markets. For every project considered for funding, USTDA relies exclusively on the technical expertise of small consulting and engineering firms to perform due diligence activities that help define projects, provide sector specific guidance, and evaluate technical and economic impacts. In addition, small businesses successfully compete for larger USTDA-funded projects, such as feasibility studies; training; and technical assistance activities. In fact, small businesses are awarded, on average, 50 percent of international contracts associated with USTDA's program that range from $100,000 to $1 million. One of the key benefits of working with USTDA, from the viewpoint of a small business, is the access the Agency provides to international markets that are often difficult and cumbersome to navigate. As a result, many small businesses have been able to grow through the international contacts they have made while working with USTDA.

More broadly, working with industry trade associations such as the U.S. Chamber of Commerce, the National Association of Manufacturers, the Corporate Council on Africa, and others such as the Business Council for International Understanding, as well as private companies like Motorola who is here today, USTDA has developed a successful program that matches the development needs of our partner countries with the best U.S. expertise and ingenuity in the manufacturing and services sectors. USTDA's partnership with the private sector helps to guide the Agency's investments toward projects that are most likely to be implemented using U.S. goods and services, thus supporting U.S. jobs.

Developing partnerships with U.S. business and with overseas project sponsors is just one part of USTDA's mission. USTDA also collaborates with other Federal agencies, including the Departments of Commerce, State, Agriculture, Energy, Transportation, and Interior, the Office of the United States Trade Representative, the Federal Aviation Administration and the Environmental Protection Agency to bring their technical expertise to bear in advancing projects designed to open commercial opportunities to U.S. firms. Additionally, USTDA works closely with Ex-Im Bank and OPIC to advance its program by targeting projects that are eligible for financing from either organization.

Conclusion

I would like to thank the Subcommittee for inviting me here today. Exports to Africa benefit both Africa and the U.S. economy. We are proud of our Agency's history of opening markets and creating jobs through exports. We welcome the opportunity to work with you to encourage U.S. companies to avail themselves of opportunities in Africa that will increase exports and stimulate the U.S. economy in these difficult times.

Mr. RUSH. The chair thanks the gentlelady. The chair now recognizes the next witness, Ms. Holly Vineyard. She is the Deputy Assistant Secretary for Africa, the Middle East, and South Asia in the International Trade Administration. Ms. Vineyard, you are welcome, and please begin your opening statement.

STATEMENT OF HOLLY VINEYARD

Ms. VINEYARD. Thank you. Chairman Rush, Chairman Payne, Ranking Member Radanovich, Ranking Member Smith, other members of the committee, thank you for this opportunity to speak with you today about U.S.-Africa trade relations. I will summarize the points I make in my prepared statement and request that it be included in the record.

Many countries in Africa continue to reap the benefits of sound changes to economic policy and improved governance undertaken during the last decade. Some are becoming key emerging markets for U.S. companies. So, while the current global economic situation has had a negative impact on them, a significant number of African countries have still maintained positive growth.

Thanks in part to AGOA, trade between the United States and Sub-Saharan Africa has more than tripled since 2001. Still, our two-way trade with Sub-Saharan Africa measured only 3 percent of our total trade with the world last year, and our non-oil imports from Sub-Saharan Africa measured less than 1 percent of all of our imports.

Increasing two-way trade with Africa could play a key role in boosting African export revenue, and additional U.S. exports to Sub-Saharan Africa will have a positive effect on the U.S. economy. As former Secretary of Commerce Ron Brown explained, we want to contribute to Africa's development through mutually beneficial two-way trade. And our current Secretary Gary Locke recently said in addition to creating jobs and economic growth, goods and services traded can also profoundly improve people's quality of life. Trade can hasten democracy and the spread of freedom. Trade can speed the delivery of transformative ideas and technology.

But, in order for U.S. countries to expand their ties with Sub-Saharan Africa, many African governments will need to address a series of obstacles. A recent World Bank Report noted progress in many African countries. Senegal, Burkina Faso, and Botswana ranked among the top 10 global reformers. The report found though that regulatory and administrative burdens to entrepreneurs need to be reduced as they remain higher in Africa than in any other region of the world.

The U.S. Chamber of Commerce's report on how corporate America really views Africa focused on the following impediments. African markets represent a difficult business case in terms of risk versus reward, corruption, and opportunity cost. The report also highlighted the need for improved infrastructure and stronger protection and enforcement of intellectual property rights, IPR.

Both reports underscore the importance of IPR. In the International Trade Administration, we view inadequate IPR production and enforcement as threatening American interests as well as Africa's own capacity to attract investment, collect tax revenue, and build local industry. Counterfeit goods pose a major health and public safety concern. We have worked with African stakeholders by providing technical assistance and capacity building.

This is an example of the kind of work we have done to help make it easier for U.S. companies to do business and, at the same, time to help strengthen business climates in African countries. We work with U.S. companies to resolve barriers to trade and investment. We currently have 250 active market access and compliance cases, and 38 of those are in Africa. Nearly one-third of the Africa cases we initiated last fiscal year were on behalf of small and medium-sized enterprises.

Our commercial service operates a network of trade professionals in 109 U.S. locations and in 77 countries, including five in Sub-Saharan Africa. In fiscal year 2008, these offices reported over $860 million in exports that they supported for U.S. companies.

I serve in ITA's market access and compliance unit. We work hand-in-hand with the commercial service. Policy and promotion are two sides of a coin. For instance, I coordinate with our domestic offices when I conduct outreach within the United States, including, Chairman Rush, when I visited your district in 2006 shortly after a trip that Flori and I took to Liberia to talk to your constituents about opportunities in that country. I accompanied our former director general of the commercial service on the trade mission that he lead to Sub-Saharan Africa last year. And we are working closely with our commercial office in Nairobi as we prepare for the AGOA forum that Flori mentioned.

Despite obstacles to trade and investment with Sub-Saharan Africa, there has never been a better time for U.S. companies wishing to explore these markets, and ITA offers the tools and services to help them. We look forward to working with you, your staff, and your constituents, whether here in Washington, in your districts, or on the African continent.

Thank you again for this opportunity, and I look forward to your questions.

[The prepared statement of Ms. Vineyard follows:]

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FOR AFRICA, THE MIDDLE EAST AND SOUTH ASIA
INTERNATIONAL TRADE ADMINISTRATION
U.S. DEPARTMENT OF COMMERCE
TESTIMONY BEFORE THE
HOUSE COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON COMMERCE, TRADE, AND CONSUMER PROTECTION
and
HOUSE COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH
for a hearing entitled
"U.S.-Africa Trade Relations: Creating a Platform for Economic Growth"
June 24, 2009

Introduction

Chairman Rush, Chairman Payne, Ranking Member Radanovich, Ranking Member Smith, and distinguished members of both committees, thank you for the opportunity to speak with you today about U.S.-Africa trade relations. I welcome your interest in this topic, especially at this time. Much of the news coverage on Africa has a negative focus, which I do not want to dismiss, but there is a lot of good news as well. I welcome the opportunity to highlight those positive aspects of our relations with our sub-Saharan African trading partners, especially when their growth prospects could present opportunities for U.S. companies.

Many countries in sub-Saharan Africa continue to reap the benefits of sound changes to economic policy, improved governance, and investments in key social sectors undertaken during the past decade. With the continued growth of representative governments, and the recovery from several lengthy conflicts, much of sub-Saharan Africa is poised to see more robust economic growth and an improvement in living standards in the years ahead. Many sub-Saharan African countries are becoming, or have the potential to become, key emerging markets for U.S. companies. While the current global economic situation has certainly had a negative effect on African economies, a significant number of African countries have still maintained positive (though lower) growth. This positive growth is in contrast to some other regions in the world that are experiencing an economic contraction.

In this context, U.S. trade with sub-Saharan Africa has been steadily increasing over the last several years, at least through the end of 2008. Even with this steady increase, U.S. trade with sub-Saharan Africa is still small compared to U.S. trade with the rest of the world. U.S. total trade with sub-Saharan Africa (imports plus exports) was only three percent of U.S. total trade with the world in 2008. U.S. direct investment in sub-Saharan Africa is an even smaller share of U.S. total direct investment worldwide at less than one percent in 2007 (the most current data available). U.S. companies looking for new opportunities and areas of growth could certainly turn more towards African countries. The 2005 Report of the Commission for Africa (Blair Commission Report) made a still-relevant point that if Africa were to increase its share of world trade by just one percentage point, from its current two percent to three percent, it would generate additional export revenues of $70 billion annually, which is nearly three times the amount of annual assistance to sub-Saharan Africa from all donors. Increasing two-way U.S. trade with Africa could play a key role in increasing African export revenue, spurring new U.S. investment in Africa, and in turn could be one driver of further economic growth on the continent. Growth in U.S. exports to sub-Saharan Africa would also have a positive effect on the U.S. economy in terms of U.S. domestic revenue and job creation.

As my testimony will show, the U.S. Department of Commerce (Commerce) strives to increase U.S. trade with sub-Saharan Africa. The International Trade Administration's (ITA's) Market Access and Compliance (MAC) unit focuses on knocking down trade barriers that might inhibit U.S. trade with Africa. MAC's work facilitates ITA's U.S. and Foreign Commercial Service's (US&FCS) efforts in tirelessly promoting U.S. exports and advising U.S. companies on how to sell their products in foreign markets. Commerce helps to implement the African Growth and Opportunity Act (AGOA) that has strengthened U.S. commercial engagement in Africa. Through these multi-faceted programs, Commerce facilitates increased U.S. trade with Africa.

Economic Growth in Africa

In recent years, sub-Saharan Africa has demonstrated sustained economic growth and is increasingly seen as a set of emerging markets. Even with the worsening of the global economic situation, sub-Saharan Africa's growth in 2008 of a little over five percent represents the first time in 45 years that Africa's growth exceeded five percent for five straight years. According to the World Bank, 2008 growth in Africa was broad-based and spread across regions and both oil-exporting and oil-importing countries. The International Monetary Fund (IMF) has emphasized that many of the sub-Saharan African countries that have sustained economic growth have followed consistently strong macroeconomic policies with a proactive role by the government.

As the global economy worsened at the end of 2008 and into 2009, sub-Saharan Africa's economic growth outlook has shifted downwards for 2009. The effects of the global downturn on many African countries (with South Africa being a notable exception since it is more integrated into the global financial system than other African countries) have been more indirect than in other regions of the world. As of April of this year, the IMF is estimating a significant slowdown in sub-Saharan Africa's growth for 2009 at just 1.5 percent. This low, but positive, growth stands in contrast to a global contraction of 1.3 percent estimated for 2009.

According to the IMF, the global economic situation has reduced the demand for sub-Saharan Africa's exports, caused a decline in commodity prices, and in turn resulted in a reduction in export earnings across Africa. Additionally, the global economic downturn could also place a negative constraint on aid flows and remittances to African countries. The tightening of global credit has also reduced the accessibility of trade finance throughout much of Africa. These factors, taken together, will likely have a negative effect on Africa's trade in 2009.

Even though Africa's overall growth prospects for 2009 are relatively low, it is important to note that, according to the April 2009 IMF projections, nine of the top 20 highest growing economies in the world in 2009 will be in sub-Saharan Africa. Another 14 sub-Saharan African economies are projected to have growth rates over three percent in 2009. Virtually half of all sub-Saharan

African countries are, therefore, estimated to have growth rates of over three percent. The economic contraction in many economies outside of Africa may lead the international private sector to look more closely at the evident growth prospects, and business opportunities, in many African countries in 2009 and into 2010.

U.S.-Africa Trade

Thanks in part to the African Growth and Opportunity Act (AGOA), from 2001 to 2008 total two-way trade between the United States and sub-Saharan Africa more than tripled to $104.5 billion. The analysis below highlights some of the recent trends in U.S.-Africa trade -- largely drawn from a quarterly analysis and annual "U.S.-African Trade Profile" prepared by ITA's Office of Africa.

January – December, 2008
As with economic growth in sub-Saharan Africa, there was a steady trend in the expansion of U.S. trade with sub-Saharan Africa through the end of 2008. U.S. total trade with sub-Saharan Africa (exports plus imports) increased 28 percent in 2008, as both exports and imports grew. U.S. exports increased by 29 percent to $18.5 billion, driven by growth in several sectors including: machinery, vehicles and parts, wheat, non-crude oil, aircraft, and electrical machinery (including telecommunications equipment). South Africa, Nigeria, Angola, Benin and Ghana were the top five destinations for U.S. products in 2008 and represented 76 percent of total U.S. exports to the region.

U.S. imports in 2008 increased by 28 percent to $86.1 billion. This growth was due to a significant increase of 32 percent in crude oil imports (accounting for 80 percent of total imports from sub-Saharan Africa). U.S. imports from the oil producing countries in Africa grew in every case. Growth in the import of ferroalloys and passenger vehicles from South Africa also contributed to the overall increase.

U.S. imports under AGOA were also positive in 2008 with growth of 30 percent totaling $66.3 billion. While 92 percent of AGOA imports were petroleum, non-petroleum AGOA imports increased by 51 percent to $5.1 billion. The highest growth sectors under AGOA were transportation equipment, minerals and metals, and chemical products. U.S. imports under AGOA are becoming increasingly diversified. Some of the more significant products in 2008 included: jewelry and jewelry parts; fruit and nut products; fruit juices; leather products; plastic products; and cocoa paste.

January – April, 2009
For the first time since 2002, January to April U.S. total trade with sub-Saharan Africa declined compared to the same period the previous year. There was a sharp drop-off in total trade of 52 percent for the first four months of 2009 compared to the same period in 2008. This fall-off in trade tracked the 28 percent decline in U.S. total trade with the world for this period. U.S. exports for January to April 2009 decreased by six percent to $5.0 billion, with decreases in exports in a variety of sectors including vehicles and parts, non-crude oil, and wheat and other grains outweighing growth in aircraft, machinery, electrical machinery, medical equipment, and corn. This decline, however, was much less than the 23 percent drop in total U.S. exports to the

world. Many of the economies in Africa are still showing limited growth, which may explain why U.S. exports to the region have not fallen as sharply.

Most of the decline in U.S. total trade for January to April 2009 was due to the 60 percent decline in imports to $11.8 billion. This decline was mostly due to a 64 percent fall in crude oil imports with both price and quantity declining. Imports from almost all of the oil producing countries in Africa decreased. This decline in oil imports was not unique to Africa and closely paralleled the decline in total U.S. crude oil imports from virtually all major trading partners worldwide.

Obstacles to Doing Business in Africa

In order for U.S. businesses to significantly increase exports to and investment in sub-Saharan Africa as opposed to other emerging markets, many African governments will need to address a series of obstacles to doing business in their countries. Two recent reports provide insight into some of the barriers that businesses perceive in Africa. The first report, released in May 2009, is from the U.S. Chamber of Commerce's Africa Business Initiative and titled "A Conversation Behind Closed Doors – Inside the Boardroom: How Corporate America Really Views Africa." Through a series of confidential interviews of 30 U.S. executives of U.S.-based multi-national corporations, the report focused on three main impediments to U.S. investment in Africa. The first is that African markets represent "a difficult business case" since the risk is perceived as too high and the returns tend to be too uncertain to warrant significant capital allocation. The small relative size of most African markets also certainly plays a role in this perception. The second impediment is the perception of corruption in many African countries and the apparent lack of political will to combat it. The existence of corruption adds to the uncertainty in doing business in many African countries with the possibility of costs rising for reasons not related to actual business operations. The third impediment is the opportunity cost of doing business in Africa since many corporations do not believe that they are placed at a competitive disadvantage by not investing in African countries. Other key factors highlighted in the U.S. Chamber's report included: the need for improved infrastructure – from roads to water supplies to telecommunications to electricity – which facilitates trade and investment; the need for stronger protection and enforcement of intellectual property rights (IPR); the need for a larger pool of skilled workers; and the need for reductions in bureaucratic processes for doing business in many African countries.

The second report is the World Bank's "Doing Business 2009" report, which ranks countries by the ease of doing business based on a series of factors related to business regulations and the protection of property rights. The 2009 report highlighted positive progress in the ease of doing business in many African countries. The report shows that 28 sub-Saharan African countries enacted 58 positive reforms in 2008, more than any other year since the Doing Business report started. Three of the top 10 overall reformers in 2008 were African (Senegal, Burkina Faso and Botswana). African countries showed positive reforms in a range of categories including the ease of starting a business, registering property, getting credit, and trading across borders. The overall rankings, however, demonstrate how far much of sub-Saharan Africa still has to go: out of 181 countries on the list, 40 sub-Saharan countries ranked lower than 100 and 24 of those ranked lower than 150. The report concludes that more improvements must be made across the continent with respect to regulatory and administrative burdens to entrepreneurs, which remain higher in Africa than in any other region of the world. By helping themselves, and increasing domestic investment, these countries make themselves more attractive for investors as well.

Intellectual Property Rights
The high prevalence of counterfeit and pirated goods in African countries and the general lack of enforcement of intellectual property rights represent a significant barrier to doing business in many African countries. IPR protection represents a key focus of Commerce, and ITA in particular, in our work in sub-Saharan Africa. The use and distribution of counterfeit and pirated goods is on the rise across the continent. Everything from fake auto parts and television sets to counterfeit toothpaste and pharmaceuticals are illegally entering Africa's ports, mainly from China and other economic hubs in East and South Asia, and permeating across borders throughout its 53 countries. ITA not only views inadequate IPR protection and enforcement as something that threatens millions of dollars of American exports and investment, but also an issue that threatens Africa's own capacity to attract investment, collect tax revenue, and build local industry. Additionally, the distribution of certain counterfeit goods poses a major health and public safety concern.

Market Access and Compliance (MAC)

Market Access and Compliance (MAC's) mission is to "advance U.S. commercial interests by fostering an open global economic environment in which U.S. firms have an equal opportunity to compete and win and to champion American businesses and workers by eliminating foreign barriers to trade, investment and business operations; enforcing trade agreements; and promoting global growth." In support of this mission, MAC's country, regional, and issues experts provide specialized guidance to U.S. firms on trade policy issues. MAC also resolves market access barriers, monitors compliance with trade agreements, and participates in trade policy development and the negotiation of bilateral and multilateral trade and investment agreements. Additionally, MAC provides trade policy advice and support for senior Department of Commerce officials and functions as a focal point for country commercial engagement, including business and strategic dialogues.

ITA has a well-demonstrated record of working with companies to resolve barriers to trade and/or investment encountered in foreign markets. Through the Trade Agreements Compliance Program, ITA builds teams of regional, industry, and trade experts to assist U.S. companies. MAC and other ITA staff are currently working on over 250 active cases globally where agreements are in place to assist in gaining market access. From FY 2001 through 2008, the Trade Agreements Compliance Program initiated approximately 1,860 and closed over 1,200 compliance and market access cases, including more than 450 that were resolved successfully. ITA's Office of Africa is currently pursuing 38 market access and compliance cases on behalf of U.S. companies in sub-Saharan Africa. ITA places a particular emphasis on assisting small and medium enterprises (SMEs) -- and in FY 2008, nearly one third of the Africa cases we initiated were on behalf of SMEs.

MAC staff also participates in discussions with African governments that the United States has under Trade and Investment Framework Agreements (TIFAs). The United States has nine TIFAs with African countries or regional organizations and one Trade, Investment and

Development Cooperative Agreement (TIDCA) with the Southern African Customs Union. TIFAs represent important venues for MAC to raise a range of market access issues with African government trade officials. MAC's efforts make it easier for U.S. companies to do business in Africa and help strengthen business climates in African countries.

MAC IPR Programs in sub-Saharan Africa
In FY 2009 alone, MAC has made significant efforts in strengthening intellectual property rights (IPR) protection and enforcement in sub-Saharan Africa. Working with other key stakeholders, including the Patent and Trademark Office, the Commercial Law Development Program (CLDP), the Department of Justice, the World Bank, private sector groups, and counterpart government officials in African countries, MAC is providing technical assistance to African legal institutions and is working to train African customs and border protection officials. MAC has started capacity-building efforts designed to integrate IPR with technology transfer and local innovation efforts in Africa. In March 2009, I spoke at a MAC co-sponsored conference in Kenya on technology transfer, biodiversity, and green technology. MAC also is working to raise public awareness of IPR-related issues across the continent. Over the past year, MAC has organized IPR-related training initiatives in South Africa and Mali and has additional programming planned for Mozambique later this year. These programs were organized in close cooperation with CLDP, the technical assistance arm of the Office of the General Counsel at the Department of Commerce, which has been actively working in Africa for the last seven years on IPR issues. MAC also plans to organize a workshop designed to bring visibility to IPR matters during the upcoming AGOA Forum in Nairobi, Kenya in August.

U.S. and Foreign Commercial Service (US&FCS)

US&FCS operates a global network of trade professionals in U.S. Export Assistance Centers (USEACs) in 109 U.S. locations and 126 offices in 77 countries. US&FCS staff works with U.S. companies, providing counseling and advocacy, commercial diplomacy, market research, trade events, and identification of potential international buyers or partners. US&FCS focuses its programs on three priorities: increasing the number of U.S. companies that export, helping smaller companies expand to new export markets, and helping exporters overcome hurdles in foreign markets.

US&FCS has 47 staff members in five countries in sub-Saharan Africa – Ghana, Kenya, Nigeria, Senegal, and South Africa. In FY 2008, these offices reported over $868 million in exports that they supported for U.S. companies. In countries where US&FCS does not have a presence, our Commercial Officers in the region manage efforts by State Department staff to provide US&FCS products and services. In March 2008, US&FCS led a highly successful trade mission to sub-Saharan Africa that included stops in Ghana, Nigeria, and South Africa, in which I participated. To date, U.S. company results include approximately $80 million in sales and contracts. In addition, in FY 2008, US&FCS supported 34 buyer delegations from 11 sub-Saharan Africa countries through its International Buyer Program (IBP). The IBP brings international buyers together with U.S. firms by promoting leading U.S. tradeshows in industries with high export potential to potential international buyers, end users, representatives and distributors.

In recognition of Africa's growing importance as a destination for U.S. business, US&FCS has enhanced the services that it provides to U.S. companies entering African markets. US&FCS

recently completed substantial improvements to the www.export.gov/africa website, which serves as a portal for all U.S. Government information on trade and investment in Africa. US&FCS' South Africa team successfully launched an "Ambassador's Briefing" in cooperation with the Corporate Council on Africa and the American Chamber of Commerce in Johannesburg. This monthly event highlights a single African market to the combined membership of the two largest business organizations associated with Africa. In addition, our sub-Saharan Africa staff is working to support export opportunities for U.S. companies at important events in the region. Examples of upcoming events include the South African Green Building Conference and Exhibition in July 2009, a Mining Technology Trade Mission to South Africa in October 2009, and the World Cup in 2010 in South Africa.

US&FCS also assists U.S. companies who are bidding on procurement projects in Africa. US&FCS' Advocacy Center coordinates U.S. Government advocacy on behalf of U.S. companies bidding on foreign tenders. At present, the Advocacy Center is managing 10 active cases in sub-Saharan Africa with an estimated total potential project value of $757 million and estimated U.S. export content of $443.6 million. In addition, the Advocacy Center has representatives at the African Development Bank and World Bank that inform U.S. companies about project opportunities offered by these institutions and how to compete for them. Working together, US&FCS sub-Saharan Africa staff and our representatives at the African Development Bank and World Bank have developed a database, organized by industry sectors, for U.S. companies to easily access information about procurement opportunities offered by multilateral organizations. It has proven to be a popular product that can facilitate market entry by new-to-market U.S. exporters, and multiple industry associations are linked to this website to provide easy access for their members.

In addition to offering these services, US&FCS also works to support U.S. exporters by promoting and helping them use other Federal Government trade promotion services. Through the Trade Promotion Coordinating Committee (TPCC), we are able to coordinate our efforts with these other agencies. The TPCC is led by the Department of Commerce and is comprised of 20 federal government agencies, including the Export-Import Bank of the United States, the Small Business Administration, the Overseas Private Investment Corporation, the U.S. Trade and Development Agency, the U.S. Trade Representative, the U.S. Department of Agriculture, the U.S. Department of State, and the U.S. Department of the Treasury. The Secretary of Commerce chairs the TPCC, and US&FCS houses the TPCC Secretariat. The TPCC includes a working group on Africa to coordinate the U.S. Government's trade promotion efforts in Africa.

AGOA and AGOA Forum

The African Growth and Opportunity Act (AGOA) forms the cornerstone of U.S. trade and investment policy with respect to sub-Saharan Africa. It was designed to encourage increased trade and investment between sub-Saharan Africa and the United States by providing duty free access to the U.S. market. As part of the annual interagency AGOA eligibility review process, ITA's Office of Africa conducts annual reviews of each sub-Saharan African country, focused on market economy reforms and rule of law, and represents Commerce in the interagency process. ITA's Office of Africa also maintains the AGOA.gov website.

AGOA directs the President to convene an annual dialogue (known as the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, or AGOA Forum) with eligible sub-Saharan African countries to discuss economic and commercial issues. Commerce, State, Treasury and the Office of the U.S. Trade Representative are the U.S. Government hosts for the AGOA Forum. ITA's Office of Africa coordinates that effort for Commerce, as well as encouraging the U.S. private sector's participation in the Forum.

The eighth AGOA Forum will be held in Nairobi, Kenya August 4-6, 2009. The theme for the 2009 Forum is "*Realizing the Full Potential of AGOA through Expansion of Trade and Investment.*" This dynamic event will set the stage for active discussion focusing on the linkages between investment and economic growth, as well as providing African countries with the ability to take advantage of trade opportunities in AGOA and elsewhere. The Ministerial plenary sessions, along with associated breakout sessions, will be held on August 5-6, 2009. I plan to co-chair a workshop with a senior government official from Malawi titled "Opportunities for Sustainable Financing for Health System Strengthening in Africa," with possible topics including HIV/AIDS and public-private partnerships.

In addition, private sector and civil society representatives will host related events on August 4 to highlight opportunities for further cooperation between the two continents. The Corporate Council on Africa (CCA) is the point organization in the United States for the private sector meetings at the AGOA Forum. CCA plans to host its biennial U.S.-Africa Business Summit in Washington, D.C. in September, which represents another important event for U.S. companies to explore opportunities in Africa.

Conclusion

As my testimony has shown, sub-Saharan African countries are facing several challenges in responding to the global economic situation and addressing a range of obstacles to trade and investment. Commerce is actively supporting U.S. companies in finding new opportunities in sub-Saharan Africa, as well as expanding their presence on the continent. Market Access and Compliance's work on resolving market access barriers on behalf of U.S. companies, its work on strengthening intellectual property rights protection and enforcement in Africa, and its participation in trade dialogues with multiple African countries complements U.S. and Foreign Commercial Service's efforts at promoting U.S. exports to Africa and broadening and deepening the U.S. exporter base.

Commerce's role in implementing AGOA facilitates a broader two-way trade with sub-Saharan Africa. Many sub-Saharan African countries hold the potential to be new emerging markets for U.S. companies that are looking for opportunities amidst a global economic downturn. As sub-Saharan Africa recovers from the economic crisis, the continent could become a major destination for international trade and investment. To more aggressively support export-related job creation and maintenance, and to develop a more robust presence in challenging markets including Africa, the President's FY 2010 budget requests an increase of $5.2 million for the U.S. and Foreign Commercial Service. Unfortunately, this request was not included in the Commerce, Justice, and Science Appropriations bill approved by the House last week. We will continue to work with Congress going forward to ensure the importance of and plans for outreach to emerging countries is fully understood and adequately funded. Commerce will continue to strive to expand U.S.-Africa trade and work with African governments and the private sector to improve the business climate in African countries with the goal of positively affecting economic growth both in Africa and in the United States.

Mr. RUSH. Thank you very much for your opening statement. The chair recognizes himself for 5 minutes, but before the chair do, I ask unanimous consent that the opening statement of the members of both subcommittees be entered into the record. We are trying to save some time, so if members want to submit their opening statements for the record, I ask for unanimous consent, and hearing no objection, members will submit their opening statements for the record.

I also at the same time—the Ranking Member Mr. Radanovich has asked for unanimous consent to include these two items into the record. "A Conversation Behind Closed"—the chair recognizes Mr. Radanovich.

Mr. RADANOVICH. Thank you, Mr. Chairman. I appreciate that unanimous consent request on "A Conversation Behind Closed Doors" by the African Business Initiative, and, also, "United States and Africa" a publication of the Corporate Counsel on Africa.

[The information appears at the conclusion of the hearing.]

Mr. RUSH. Hearing no objections, so ordered. The chair recognizes himself for 5 minutes for the purposes of questioning the witnesses. There have been a concern about the staffing of the FCS offices in Africa. In section 125 of AGOA, Congress found that FCS's presence in Africa had been reduced since the 1980s and that the level of staff in 1997, which was seven offices in four countries, did not "adequately service the needs of U.S. businesses attempting to do business in Africa."

Accordingly, the legislation required the posting of at least 20 FCS offices in not less than 10 African countries by December 31, 2001 "subject to the availability of appropriations." I guess that was the caveat. Ms. Liser and Ms. Vineyard, would you address the staffing mandates of AGOA? Have they been met, or has the FCS been fully staffed? And if not, why hasn't it been fully staffed? And has the Administration requested additional staffing? And has the Congress provided additional funding appropriations for it? Ms. Liser, you can start.

Ms. LISER. Chairman Rush, I would like to take an opportunity to say something more broadly about——

Mr. RUSH. Please.

Ms. LISER (continuing). The staffing for AGOA.

Mr. RUSH. Sure.

Ms. LISER. But, I think it is appropriate to turn to Holly Vineyard since the FCS is really under the Department of Commerce.

Mr. RUSH. OK, Ms. Vineyard.

Ms. VINEYARD. Thank you. We have recognized that ITA's international presence in many of the world's critical emerging markets, including Africa, needs to be expanded in order for us to more aggressively support export-related job creation and maintenance. We sought an additional $5.2 million to build a more robust presence in these challenging markets. ITA personnel on the ground in these areas would help U.S. firms navigate through the often confusing export barriers and help match these firms with potential customers, partners, or distributors.

The House did not include this requested increase, and we still believe that our expanded presence is an important component to opening the markets in Africa to U.S. businesses.

Mr. RUSH. So, there hasn't been an increase in appropriation even though the Congress dictated that that should be the case, that there should be an increased presence on your part and more resources available to you?

Ms. VINEYARD. That is correct, Chairman. Last week, in the House's consideration of the Commerce Justice of Science Appropriations Bill, the request for the additional $5.2 million was not included.

Mr. RUSH. OK, Ms. Liser, you had——

Ms. LISER. Yes, I just wanted to share with you, Chairman Rush and Chairman Payne and the others, that as the agency that coordinates with all of the other government agencies on the implementation of AGOA, that it is important to know that we have a number of people both here and in Africa that are active participants in implementing AGOA. We have people from TDA, from the Department of Commerce, of course. We also have people from the State Department who are at the post. We have people from the Department of Agriculture.

And when we do our trade and investment framework agreement meetings throughout the continent, where we are trying to enhance trade and investment with the countries that are AGOA eligible, we often take a very large team of government agencies with us, OPIC, Exin Bank, Department of Labor. So, we feel to some extent that we do have a strong team that is looking at how we can best work together in the Administration to implement what we hope to accomplish under AGOA.

Mr. RUSH. OK, what kind of training do these individuals have? Are they trained on the type of activities that will promote the AGOA mandate? Or are they—these are not permanent? These are interim and temporary assignments that individuals in your department might fulfill?

Ms. LISER. No, actually what we are drawing on is really the strengths and the mandates of a number of government agencies. Almost every agency—and I know I have left out a number of them, Small Business Administration, almost all of them have offices with permanent staff that are working on Africa and on expanding trade and investment.

Each has a different mandate, but we all work, I think, collectively and in a coordinated fashion. So, again, we are looking at, just as an example, the Department of Agriculture has a number of people that are helping us to improve the agricultural standards of the Africans. And they have even placed on the ground at our regional trade hubs, which are run by AID. I didn't mention AID. They are one of our biggest agencies that are working to implement AGOA. And on the ground, we have placed at the regional trade hubs throughout Africa expert from the Animal, Plant, Health Inspection Service. The Africans had complained that they could not meet the U.S. sanitary and vital sanitary standard.

So, I just wanted to share that we continue through a number of agencies and their mandates and their staffs to implement the goals of AGOA.

Mr. RUSH. So, am I to just—this is my final question. Am I just to then conclude that you don't need the additional appropriations?

Ms. LISER. We didn't say that.

Mr. RUSH. All right.

Ms. LISER. Mr. Chairman, you did not hear me say that.

Mr. RUSH. OK, I thought maybe——

Ms. LISER. We would definitely welcome a strengthening of whatever support we can get through appropriations for all of our respective mandates and collectively to do what we can to implement AGOA. Thank you.

Mr. RUSH. Thank you very much. The chair now recognizes the gentleman from California for 5 minutes, Mr. Radanovich.

Mr. RADANOVICH. Thank you, Mr. Chairman, and I want to thank you for holding this hearing. And I want to welcome the witnesses to the committee hearing. I do have a question for each. Ms.—is it Liser? Ms. Liser? Thank you. You state that one of the ways that you are looking to shore up global trade is supporting the global rules-based trading system. In looking at Sub-Saharan Africa, which countries need improvements? Which are closer to that standard? Can you kind of give me an overview to Sub-Saharan Africa with that regard?

Ms. LISER. Certainly. First of all, the Africans as a group are the largest regional grouping of countries within the World Trade Organization. I remember when I first started working on trade issues and would go to Geneva when it was still the GAT before it became the WTO, you did not see very many Africans at the table at all. And now, when you go back to Geneva, you see many Africans, who are there at the table, and they are active in the negotiations in the WTO.

So, first of all, as a group, we think that they are indeed abiding by the rules-based system and are very active in promoting their interest in the negotiations and in making sure that they benefit from the global trading system.

In terms of specific countries, I think for Africa, part of the issue is they have, as I said earlier, a relatively small share of world trade. Even with all of their rich resources on the continent, they have anywhere between 2 and 3 percent of world trade. So, the issue for them has to do with a lot of the supply-side constraints. They have transportation that is expensive and inadequate in many cases, high cost of energy. I have not visited one factory producing products in Africa that did not have a backup generator. So, that adds cost, and so——

Mr. RADANOVICH. Can you kind of outline, can you give me an idea of the countries in Sub-Saharan Africa?

Ms. LISER. The particular ones that——

Mr. RADANOVICH. Perhaps, the ones that are doing better than others, the ones that need the most help.

Ms. LISER. Well, I think as a group, they need a lot of support, and we are trying to give it to them. But, in terms of countries that are doing very well, South Africa is doing very well. In fact, their trade with the U.S. grew by about 71 percent last year. They also are the largest beneficiary of AGOA, a non-oil beneficiary of AGOA. But, there are a number of countries that produce a range of products. We think that a number of them are diversifying.

So, I think in East Africa, Tanzania is really beginning to be quite competitive in a number of areas but still needs a lot of help. The MCC compact will help them with that.

In West Africa, we have reports that Senegal is also doing fairly well in terms of advancing its trade. There are quite a few of them. Lisutu is the largest exporter of apparel to the United States. So, you would not think that from a very tiny country, small as it is.

Mr. RADANOVICH. All right, thank you very much. Ms. Zak, welcome to the committee. Ms. Zak, you had mentioned in your testimony, the importance of developing private sector relations between U.S. and Africa. Could you discuss further the importance of expanding and developing the African private sector and how this could benefit both Africa and the United States in the future?

Ms. ZAK. Thank you very much, and thank you very much for the question because I think it is very important to do both. One of the things we focus on is developing the local economy, and I think to do that, you need to develop the private sector as well to develop the local economy.

So, for example, one of the examples that I gave was the Roeslein example, the can manufacturing. That, as a result, will create jobs in country and, at the same time, created jobs in the United States. So, we try to work with the public sector, but also with the private sector in developing the private sector as part of our program and see that as an important part of economic development.

Mr. RADANOVICH. Tell me in your role in promoting trade with Africa, what barriers have you encountered that you think most need to be removed?

Ms. ZAK. Well, I think, for us, one of the things that we hear from U.S. companies is one of the problems is that there are other countries that are providing assistance in a non-competitive way. And as a result, they need assistance from the U.S. to be able to compete with other countries. And I think that, for them, is one of the biggest barriers is facing others to provide assistance in a way that is not competitive.

Mr. RADANOVICH. All right, thank you, and I yield back.

Mr. RUSH. The chair now recognizes the chairman of the African subcommittee, Mr. Payne, for 5 minutes.

Mr. PAYNE. Thank you very much. Let me ask under the AGOA, until now the major benefits in increased exports under AGOA have been limited to several countries, to South Africa, maybe Lesoto, Kenya, Madagascar, Swaziland mainly in assembling clothes. How can we broaden the scope of AGOA, first of all in your opinion? Secondly, is it wise to expand market access under AGOA for non-apparel textiles, certain agricultural commodities, as you briefly touched on, in order to enable more countries to utilize AGOA?

I feel it is certainly underutilized, and maybe, each one of you might be able to comment on how you think it can be increased and improved.

Ms. LISER. Thank you, Chairman Payne, and for your longstanding support of AGOA and interest in seeing how we can maximize its benefits. We actually have seen an expansion of the number of countries that are exporting under AGOA as well as the products that they are sending. I know that it is a range of products that you don't normally associate with Africa: footwear, eyewear. I have been to an eyeglass factory, footwear factory. Processed agricultural products, fruits and jams and jellies are being produced. Peri-peri sauce or hot sauces as they call it.

So we are actually seeing that and we do have more U.S. businesses that see the products coming from Africa as quite competitive in the U.S. market, especially in niches. So apparel and textiles are still 22 percent of the non-oil, but that figure actually used to be much higher. Just a few years ago, it was 40 percent of non-oil.

So, to us, as we see the number go up in terms of AGOA non-oil exports to the U.S. and the percentage of apparel go down, we know that that is a reflection of the diversity that is occurring. In terms of ways to expand and improve AGOA, on the one hand, people could say it is the market access, that we should add more products. But, I think as we look at it, we know that about 98 percent of the products they send us are already eligible to come into the U.S. duty free.

The truth is that on the capacity side, they are really lacking, and if we really want to help Africa take advantage of AGOA, we have to do something to help them with their productive side.

I will just use one example. We had determined that in Ghana, there was a company, a small company, that was producing absolutely beautiful baskets, but they were producing about 500 or so of those baskets per year. They got an order—I probably shouldn't say what buyer, but a large buyer here in the U.S. ordered about 5,000 baskets as a test order and would have ordered many more thousands of baskets from them. Just being able to ramp up from 500 baskets a year to 5,000 baskets a year almost put the company under. They had to put people on the ground from the buying company there to help them and when the containers left with the trial shipment, pretty much everybody on the other side said that is it for us.

So, part of the issue is their productive capacity, and we really have to find good ways to help them. I think we are doing some of the things that need to be done, but nowhere near what needs to be done to really help them take advantage of that access that they already have.

So, you know, that is part of our main problem with AGOA.

Mr. PAYNE. Well, since I have been told by Mr. Rush's assistant that I have only one more minute, I will just ask one real quick question. I turned it upside down though, but just this one other question. In 2000, as you know and we had discussed, AGOA was created to promote economic development in Africa by enabling African countries could not certainly compete before in a global trade arena with other least developed countries, LDCs, to gain unprecedented access to U.S. markets through tariff-free quotas for certain products. And as we know, AGOA has and continues to create hundreds of thousands of jobs, promote community prosperity and economic growth annually on the continent.

As we have also mentioned though that AGOA has only scratched the surface. We need capacity building. We need a number of things we don't have time to get into, infrastructure and all that. However, this is the question, as you know, that the General Systems of Preferences, the GSP, expires at the end of this year.

Some in Congress are discussing harmonizing and expanding preference programs across LDCs. For example, Bangladesh faces significant developmental challenges, but it has a competitive textile and apparel industry exporting five times the amount of textiles that all of AGOA countries export collectively to the United States.

This is without the preferences. Now we have a movement to have preferences, but Bangladesh is doing five times more than all of Africa put together. And I wonder, you know, how much would an all LDC-preference program erode the AGOA program, which has not actually been able to move to where it ought to be? And I would just ask maybe each one of you maybe if you could just, in about 20 seconds according to my time, if you could just touch on that.

Ms. LISER. I think that, first of all, the U.S. trade representative, Ambassador Kirk, is in the process of looking at our trade preference programs. And as you noted, GSP will be ending. We have a couple of other programs that are ending. AGOA, of course, goes through 2015, but we are looking at AGOA as well in that larger context of what do we need to do and where do we need to go with preference programs.

That review has not been completed yet, but I think that for those of us who work on Africa and have been looking at this for quite some time, what we are aware of again are the capacity challenges on the African side and a sense that the Africans face some particular challenges that perhaps other countries do not.

So, we recognize that there are a number of countries in many regions that are poor and do need help. At the same time, all LDCs don't walk in the same shoes. So, as we go forward, our expectation is that we will be looking at how we can help those countries who need the help the most to benefit more from the preference programs, not just AGOA but also GSP. There are a lot of countries that are in GSP that haven't been able to take advantage of it either. But we hope that it can be crafted in such a way that we are mindful of the areas that are still in their infancy or infant industries for the Africans and where perhaps there might be ways to shape programs, that they might still be able to have an advantage in those areas, a competitive advantage and a market in those areas.

Mr. PAYNE. Yes, anyone else? Yes?

Ms. ZAK. I must defer to Ms. Liser, but I also want to add that it is very important to be able to provide the infrastructure for trade. And with respect to AGOA or any other trade, it is important that the infrastructure does exist to be able to have trade take place.

Ms. VINEYARD. I agree with absolutely everything my two colleagues have just said. If I could just add in one additional point for further context is that we have ongoing discussions in the Doha development agenda to talk about these very issues, and so, we will continue to encourage our African counterparts and interlocutors to fully engage in that as we go forward.

Mr. PAYNE. Thank you very much. Mr. Chairman.

Mr. RUSH. The chair now recognizes the ranking member of the Subcommittee on Africa, Mr. Smith, for 5 minutes for the purposes of questioning.

Mr. SMITH. Thank you very much, Mr. Chairman. Let me thank our distinguished witnesses for your insights and counsel. Your testimonies are outstanding. Just since we are pressed for time, I would like to ask a few questions and then yield, and you can answer each of them or whatever ones you would like.

Back in 2000, I was the prime sponsor of the Trafficking Victims Protection Act. It took 2 years to get the legislation passed and emphasizes the three Ps in combating human trafficking, be it labor or sex trafficking: prosecution, protection, and prevention.

Last week, the Secretary of State released, and our legislation prescribed, that this TIP report would be produced every year. And with a great deal of fanfare, Secretary of State Hillary Clinton had a State Department event, and it was very well attended by NGOs and by some government officials.

And my question would be since 19 countries of Africa are on the tier two watch list, meaning they have egregious problems with trafficking, but they are taking some actions to mitigate those. But they are still on the watch list. They could go either way. Seven countries in Africa are actually on the tier three list, which means they are not taking even minimum efforts to stop their own trafficking. There is government complicity with the traffickers and maybe even government people on the payroll, especially at the police level.

To me, that does grave damage to the economic climate, and my question would be how do each of you in your work integrate the excellent work the state is doing on combating trafficking? Again, the victims are exploited in slavery for those who are being exploited, but it also is ruinous, I would think of, the climate. I know it is. And as one of you pointed out, Ms. Vineyard, you know, corruption. We know that. I have held hearings myself when I was chair of our Human Rights Committee and then the Africa Committee on what corruption really does to a country, not just for those who would invest, but obviously in countries. So, how do you integrate the work here country by country?

Secondly, on the issue of the Millennium Challenge Corporation, the MCC, you know, Mawli got $460 million, Ghana $547 million. To me, that is the model of trying to integrate all of the indicators, all of the prerequisites to getting that money, once one signs a compact, so that there is accountability and hopefully a lot of good positive outcomes. Are we doing enough? Are we funding the Millennium Challenge sufficiently enough? I think we are not. I think we could do much more to boost up the good work that they do.

Thirdly, on competition with the PRC, Mr. Payne has held hearings. I have held hearings when I was chair of the Africa Committee of the growing and, I think, very negative influence of the PRC, especially as it relates to dictatorship, like in Sudan, but also in Zimbabwe. Although we have hope now with the new prime minister there.

But they come in—they being the Chinese—with no human rights strings attached whatsoever, all out of self-interest as we saw. I was in DR Congo last year in Goma, but I also paid a visit to the capital while there and heard several of the lawmakers there complaining bitterly about the agreement that had been made about building a large road, and the Chinese government gets all the commodities, the precious minerals on both sides of the roadway, and I suspect that roadway has a lot of zigs and zags in order to fleece the DR Congo of their goods. Now, so your thoughts on Chinese influence.

And finally, you know, we have always thought that the NGOs are king, and NGOs do a marvelous job everywhere. But even today, and I have long thought of this. President Michelle Bachile from Chile made a very good point that when we overemphasize the NGOs, we do so unwittingly at the expense of government capabilities and capacities. Yes, corruption is a problem in Nigeria. We have all been there. I have been there many times. We know corruption is a problem, but there is a risk, and maybe a positive risk, of saying, but we want to still build up the government capability to do business and everything else that they need to do, NGOs notwithstanding. And your thoughts on that.

Mr. RUSH. Before the witnesses answer the question, Mr. Smith, I have to remind you we have a couple more members who want to ask questions, and they should be given the right. You have asked about five or six questions, four, all right. So, would you restrict your questions to two so we can get to the other members because they have been waiting here for sometime please?

Mr. SMITH. Well, I have asked them, so they can pick and choose whatever they would like to answer.

Ms. LISER. If I could just say, maybe we should defer on the MCC question because I think that, without a colleague of ours from the MCC here, that might be a good one to get an answer to at a later point.

You have asked a number of good questions. We could probably go on and on about them. On the trafficking one, I think that you know that the AGOA eligibility criteria don't refer specifically to trafficking but do refer to child labor and protection of worker rights. And in the annual review for AGOA eligibility that we have, we start it every September, end it usually by December, we look very carefully at this. State Department is always at the table, is one of our closest partners in looking at a number of these labor-related issues. And we do indeed look at a number of reports they have. That is not the only one. So, the answer to the question is that we do integrate what State is doing in these very important areas, and we do take very seriously the criteria has set for AGOA eligibility.

In terms of NGOs and government capability, I think the only thing that I would respond just sort of from the experience we have had is that we need civil society. We also need governments to have strengthened capacity, and we need the private sector to also work together.

And so, we have found that in the countries that are doing the best in terms of economic reforms, opening their markets, as well as government reform, that what you often find is that there is a good dialogue going on between all three of those: the government, civil society, and private sector. So we would like to see more of that happen and in more countries.

Finally, on the point of competition with the PRC, on the one hand, we have, I think, expressed concern about some of these relationships and the way that they are evolving, particularly with countries like Sudan and Zimbabwe where there has been a lot of international concern about those regimes and what they are doing there. So, where PRC is actually going off and establishing those kinds of relationships with rogue governments, we have expressed concern.

On the other hand, traveling to Africa frequently, we also see projects that the Chinese are undertaking which, with the cooperation of the Africans, seem to be going well. And I will just tell you one of them.

When I first went to Liberia a number of years ago, the trip for the airport into Monrovia took an hour-and-a-half over roads that I—it was just horrible. The next time I went, we had a section of road that went very, very smoothly, and then we went back into the potholes and so forth. The last time I went, it was totally smooth. That is a road that with PRC involvement has benefited Liberia.

So, I guess our view would be that the Africans have to, at the highest levels, whether it is head of state, determine what they can do with the PRC that benefits their countries and their people. And then what we need to do here in the U.S. is to do the same. We need to be looking at what are the best ways that we can work with them.

And frankly I think that through the MCC and through the efforts of a number of government agencies, we are finding the best ways for us to also work with them. But again on the negative side, we have definitely weighed in on that, and we believe that the Chinese will be fairly isolated in that particular approach to African governments that are not doing the right things.

Ms. ZAK. I was going to say in the interest of time, I will just say that was very well said. And I do want to add, with respect to the PRC, the fact that we do need to support the U.S. government agencies that are helping U.S. businesses with respect to the competition that is provided by the PRC. And that is what the U.S. Trade and Development Agency does, Ex-Im Bank, other members here. So the one thing we can do is support those agencies.

Ms. VINEYARD. Thank you. I don't disagree with my colleagues. On the issue of competition with China, I would like to add an extra point in that one of the issues that we have with the Chinese are the increased counterfeit goods that are coming into Africa. And that has been one of the emphases of our programs in looking at intellectual property rights is in training the customs officials on how to identify counterfeit goods that come across borders, in working with judiciaries on enforcement, and prosecution type issues. So when I talk about intellectual property rights, that is definitely something that is on our minds with respect to the Chinese influence.

With your question regarding corruption, we counsel companies. We find out about some issues from companies directly. Sometimes our advocacy centers when we are looking at how companies are positioning themselves to bid on contracts, some of those issues come up. We address these issues with host government as appropriate.

And finally, we also work with foreign governments outside of Africa, maybe the signatories of the OECD Anti-Bribery Convention, to address the supply side of those issues as well.

Mr. RUSH. The chair now recognizes Ms. Woolsey for 5 minutes.

Ms. WOOLSEY. Thank you, Mr. Chairman. My concern is more like on the human cost of trade. So I would be concerned about your opinions and your responses to when the United States goes into a developing country and markets to that country, how do we ensure that we are not disrupting local markets and economies? I am particularly concerned about the farmers and the small craft persons, and I am also concerned that we invest in microfinance, you know, in developing nations and in communities. And we are trying to help them bolster their economies, so how are we supporting that and making sure we are not competing with those that are on the ground trying to do the work themselves?

For example, in Tanzania, 100 percent of the mosquito nets are actually made there. So how are we supporting this kind of growth?

Ms. ZAK. Well, I will respond to part of that. With respect to how do we choose these markets and what do we do, I asked that question to my staff. And their response was we listen. We listen to what the host country needs. We listen to what they want. We listen about the fact that they want to develop their economies and they want to be self-sustaining.

So, from the U.S. Trade and Development Agency's point of view, we listen to what the needs are of the host country, and that is how we ensure that they are protected.

Ms. WOOLSEY. And, Ms. Zak, who are you listening to? The people on the street or their government?

Ms. ZAK. We are actually listening to many people. One would be listening to government officials, but we also work with the private sector so listening to the private sector in country, listening to people on the street, also listening to the experts in U.S. government. We work closely with the Department of Commerce, the Department of State as well.

So, we gather as much information as possible in this process, but it isn't just listening to host-country governments. It is also listening to the people in the country, as well as the experts who have that information.

Ms. WOOLSEY. Thank you.

Ms. LISER. Congresswoman Woolsey, I think that when you were asking about, concerned about the human cost of trade, I was thinking about the fact that this is debate that happens in a lot of countries, including the U.S., which has to do with both the cost and the benefits of trade and understanding how economies as a whole really can benefit from trade and how you can look at some of the sort of the, I guess, the pros and the cons of what happens.

Now, in terms of Africa and the farmers that are there, that was one of the points I had made earlier—it might have been before you come—that many African countries are producers of raw commodities, and that we are not seeing the kind of processing of those products. So, it keeps them at sort of the low end of the global trading—the low end of trade in terms of global trade.

And so, one of the ways that we hope that we are working with them to help them benefit more and to see more benefit rather than cost from trade is to help them not be at the lowest end of the value chain we call it.

So, for example, countries that produce cotton, we want to also see them producing the thread, the yarn, the fabric, and the apparel. They will be able to attract investment, create jobs, and the backward chain helps the cotton farmer as well so that they are not selling all of their cotton to countries like China who then takes those same products, makes it into value-added products that employ millions of people and then send their apparel to the rest of the world with cotton in it. The cotton farmers get very little of that, and the others who process it get more.

So, again we think it is very important if Africans are going to benefit more from trade that they have the opportunity and the skills and the capacity to add value to and process those products.

The last point I would make, you talk about small craftsmen, and I would just say that many of the African countries have very competitive producers of what we would call handicrafts, and we are importing a lot of those handicrafts now. There is a lot that is increasing, but as I said about the gentleman with the baskets in Ghana, for you to be able to get the big orders and to be able to hire more people in your factory or maybe even have a second factory, you have to have the capacity to meet those orders. And so, helping a basket maker in Ghana, just as an example, going from 500 to 5,000 to 50,000 baskets, that is where we need to give them assistance.

Ms. WOOLSEY. Well, would it be possible in a developing country, instead of insisting that they grow from 500 to 50,000 over time, that there is a different way to produce that same number of baskets by spreading it out over the district? I mean maybe they don't want to be producers of 500,000 baskets.

Ms. LISER. And I think that that is possible, but again, producing small amounts of products and trying to sell those on the global market in a competitive way, unfortunately, makes them not as competitive as the people who can do the 5,000 baskets. And I don't know if you ever look, but you will often see in some of our big box stores, Target and others, you know, products that look like they are from Africa. But if you turn them over, you will see that they are made in other places.

We want the Africans to be able to do that. Do we value having those very small quantities of handicrafts that are handmade and beautiful? We absolutely do. But if they are going to be bigger players in the global trading system, somehow they have to be able in certain circumstances to go from that 500 to that 5,000.

Mr. RUSH. The gentlelady's time is up.

Mr. PAYNE. Mr. Chairman, if the other two panelist members would permit, if we could have the second panel, and they could begin with the questioning because we don't know when the votes will come again. If that is all right with everyone here, and we will start with Ambassador Watson and Chairman Lee. And if we could then go to the time. Would that——

Mr. RUSH. So are you suggesting that we dismiss this panel?

Mr. PAYNE. Yes, so that we don't——

Mr. RUSH. Well, OK. If it is all right with them. The chair recognizes the gentlelady from California.

Ms. LEE. OK, I want to thank everyone for yielding, but we have a big deal on the sense and disparity issue that I have to run over to, but I just want to thank all of our panelist and our chairmen for this opportunity. And welcome everyone.

And just very quickly wanted to ask you about the issue of HIV and AIDS and medicines on the continent. As you know, the continent faces a severe public health challenge. In some cases, countries have secured, you know, licenses from brand-name pharmaceutical manufacturers or issued compulsory license to produce drugs at a cheaper cost. And in other cases, countries have imported cheaper, generic versions of those drugs.

So, I want to get an update just very briefly, and you can send it in writing if you would like, with regard to the enforcement of U.S. trade laws and patent rights and how they are or are not prioritized at the expense of saving lives because this has been a huge issue for many, many years now. And we know that generic drugs cost a heck of a lot less, could save a heck of a lot of lives, but many of our laws, our patent laws, actually hurt rather than help the generic drug industry.

Ms. LISER. Congresswoman Lee, that is a very important question, and I think we probably should send you a response. I think you will be pleased to know that many of the African countries do have access now to the ARVs and at prices that are quite low. So that is happening for a variety of reasons, but for the sake of time, I will just promise you that you will get a good answer to this.

Ms. LEE. Thank you very much, and thank you again for yielding.

Mr. RUSH. The chair recognizes another gentlelady from California, the third gentlelady from California, Ms. Watson, for 5 minutes. You want to ask the second panel?

Ms. WATSON. I will defer.

Mr. RUSH. OK, thank you very much. Well, the chair wants to really thank you all. You have been expert and very informative. And we certainly appreciate you taking the time, and again, we apologize for the delay. Thank you very much.

I am going to now, as we agreed upon, I am going to relinquish this chair to Chairman Payne for the second panel, and he will call the second panel.

Mr. PAYNE [presiding]. Thank you very much, Mr. Chairman. Let me thank the first panel again, and as we mentioned to members who came late, we apologize for the tardiness, and we tried to explain to them what was going on here.

We really appreciate the patience of the panel and others and the audience. Is Steve Hayes going to be here? We will introduce the second panel. He just stepped out for a minute, but Mr. Steve Hayes who is the President and a CEO of the Corporate Counsel on Africa, and I know, who just recently returned, I believe, from Zimbabwe. We have Dr. Lisa D. Cook, Assistant Professor, James Madison College, Department of Economics at Michigan State University. We have Mr. Greg Lebedev. How is that? 50/50? Senior Advisor to the president, U.S. Chamber of Commerce, Chairman of the Center for International Private Enterprise. And finally Karen Tandy, Senior Vice President, Public Affairs and Communications for Motorola Incorporated. And we will begin with Steve Hayes, who will be seated in a second. I knew Steve when he was a young YMCA worker 30 years ago working around the world and Africa. So, I knew he would be back in time, so he is one of our proteges.

STATEMENTS OF STEPHEN HAYES, PRESIDENT AND CEO, THE CORPORATE COUNSEL ON AFRICA; GREG LEBEDEV, SENIOR ADVISOR TO THE PRESIDENT, U.S. CHAMBER OF COMMERCE, CHAIRMAN, CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE; LISA D. COOK, PH.D., ASSISTANT PROFESSOR, JAMES MADISON COLLEGE, DEPARTMENT OF ECONOMICS, MICHIGAN STATE UNIVERSITY; AND KAREN TANDY, SENIOR VICE PRESIDENT, PUBLIC AFFAIRS AND COMMUNICATIONS, MOTOROLA INC.

STATEMENT OF STEPHEN HAYES

Mr. HAYES. Thank you, Mr. Chairman, and I hate to say it, but it has been 40 years.

Mr. PAYNE. Wow, yes. I knew it. I was just trying to cheat.

Mr. HAYES. I will shorten my remarks as well as just note for the record the reports are over there. My remarks will focus on the need for far greater U.S. private investment in Africa. And I think we need a far more coordinated approach to Africa between the public and the private sector with an emphasis on creating jobs in Africa and the United States as well as increasing trade to the U.S. and Africa.

I think it is in our national interest, and I would say highest national interest, to invest in Africa as a means to ensure long-term relationships with the various countries and peoples of Africa. There is no region in the world more friendly to the United States than Africa, but in the long term, nations will necessarily gravitate to those countries with whom they are more deeply economically engaged.

For the sake of our own economy as well as the economies of Africa, the United States private sector needs to be far more engaged throughout the continent in investment and in the overall development process at all levels. However, unless the U.S. government provides vocal and active leadership and makes this a national priority—there we go—makes this a national priority, U.S. companies may be too slow in stepping forward. We need to work together to make it easier for the U.S. private sector to invest in Africa.

We can make a major difference in Africa by investing in education, capacity building and training, and working with African nations to engage U.S. infrastructure and agribusiness interest, especially in the planning, development, and investment processes. These investments not only strengthen Africa but help the American economy.

What I think we have to realize is that Africa can help us as much as we can help Africa. The investments we make in education, for instance, could be beneficial for our own training schools, including our universities and technical schools. Working with Africa to develop greater and broader educational capacity not only helps Africa, but can provide jobs for American faculty and technicians as trainers in Africa.

We have a highly trained service sector and professional education sector that could be put to further use by working with Africa to build capacity. Governments cannot do this alone.

Also, institutions, and I dare tread here, but also institutions such as "Africom" can assist African governments in meeting their own security needs as Africa's own security forces are developed and trained through well-targeted capacity building and training programs. To do this, we must get the U.S. private sector much more engaged in Africa.

The Corporate Counsel on Africa believes that a key to our success will be the degree to which public and private sectors work together in planning and implementation. I think for us to be effective in Africa, as effective as possible, requires a level of cooperation among the public and private sectors that we have not seen since the Marshall Plan.

As our corporate members work together over three months preparing our policy recommendations to the Obama Administration, and I thank you for including it in the record, it is of interest to me that throughout the report, sector by sector, a major theme is not simply what government should do as much as that the government and the private sector must work together in planning as well as implementation to develop our economic and political ties to Africa. We also strongly urge the Administration to bring into the process at equal level various players in Africa from the countries themselves to the region or economic communities because African development is becoming regional rather than simply a national challenge and opportunity.

And this will be a major theme of our upcoming U.S.-Africa business summit to be held in Washington the week of September 28. We expect that more than 1,500 business persons from Africa and the U.S. to be here along with several hundred government representatives from throughout Africa, including heads of state and heads of government. And we hope all in this room will be a part of this.

And, Mr. Chairman, I will also just digress very slightly to say that your question on GSP, I would like to take that also and say that if there is a blanket GSP, I think the economies of Africa will be hurt very badly. I think we need to have something unique for Africa. Thank you very much.

[The prepared statement of Mr. Hayes follows:]

June 24, 2009

Congressman Rush, Congressman Payne, Congressman Barton, Congressman Royce and Distinguished Members of Congress,

I am honored to have been asked to appear before you to address the challenge and subject of these hearings: "US-Africa Trade Relations: Creating a Platform for Economic Growth". I believe that this should be one of the highest international policy priorities of the United States of America. For this reason, our own organization, the Corporate Council on Africa (CCA) has been addressing this issue for some time. We recently produced a document entitled "The United States and Africa: Policy Recommendations from the American Private Sector for the Obama Administration". The 56-page set of policy recommendations in nine different sectors is included with this testimony. (Attached) More than 100 US companies actively engaging in Africa worked more than three months in preparing the recommendations found in the document. The recommendations are truly those of the US business sector engaged in Africa, and as such should represent an important contribution to the policy debate which this Congressional Committee is addressing.

First, however, please allow me to provide some background of the Corporate Council on Africa (referred to as CCA) for the context of this testimony. CCA is a business membership organization of approximately 180 companies and media partnerships. Its membership also includes a few non-profit organizations such as Africare. Its members represent approximately eighty-five percent of all US private sector investment in Africa. Although about one-third of our companies are Fortune 500 companies, and are well-known in the public, the remaining two-thirds of our members are medium and small-sized companies. By small-sized companies we use the Small Business Administration standards of $6million gross revenue a year or less. Our members represent nineteen identifiable sectors of the American private sector. Therefore, both the organization and its members, as well as the American economy, have a considerable stake in Africa.

Although CCA is often referred to as a trade organization, we are not a normal trade organization, in that we do very little lobbying, and are a 501(c)-3 not-for-profit organization. Most trade organizations are dedicated to lobbying, and, as such, are 501(c)-6 organizations. We have a number of programs that are focused on both African development as well as increasing US investment in Africa. Our principal mission is to increase US investment in and trade with Africa. I believe we are the only such organization dedicated solely to this purpose with all the nations of Africa. We believe that we will not be able to increase US economic engagement with Africa to the level it needs to be unless we simultaneously address the issue of African development. Said simply, Africa cannot buy US products if they cannot sell their own products to us and the world. Therefore, if we want to be economically successful, we must also see that the economies of Africa are equally successful.

Within our staffing alignment, we have designed our staff structure to address what we believe are the most critical sectors essential to meeting the mission of the organization. Those sectors are infrastructure development, agribusiness, health, energy/power and financing. We have selected these fields as they are sectors in which US companies can make a difference in Africa, and with a supportive US Government policy, can compete with anyone in the world for market share. We are also addressing the issue of financing, as we view the availability of financing for US companies to do business in Africa as woefully inadequate. There must be a major policy shift in how financing is made available to US companies seeking to do business in Africa if the US is to remain a major player and partner in Africa.

Over the past ten years there have been primarily two new legislative acts germane to trade policy with Africa. They are the Africa Growth and Opportunity Act or AGOA, and its subsequent adjustments, and the Millennium Challenge Act. These have been the pillars of our economic policy towards Africa. I believe both deserve high praise for their initiative, and MCC deserves praise for its innovation. CCA has been in the forefront of support for both. Although the organization was not actively in support of AGOA until I became President of CCA, we played a pivotal role in its passage and have been integral to every US-Africa AGOA Private Sector Forum since the passage of AGOA. In fact, we are the US private sector coordinator for the upcoming US-Africa Forum in Nairobi in early August 2009. The section on trade policy in our Policy Recommendations to the Obama Administration focuses heavily on AGOA.

Likewise, I believe that the leadership of the Millennium Challenge Corporation would tell you that CCA is among its strongest boosters and partners in America. Again, I think the Millennium Challenge Act was one of the most creative foreign policy innovations over the past several decades.

Nevertheless, having said that I doubt that there is a person in this room familiar with both AGOA and MCC who feels that the acts and subsequent follow-up legislation have met the expectations that abounded at the time of their passages. I believe this very hearing is being held for this reason. We need to be doing something more or something differently if we are to continue to be a key player in the economic development of Africa.

I do not believe that the legislation in AGOA and the MCA is faulty, per se. They are both excellent pieces of legislation and being directed by highly dedicated and capable staff in the various Government offices that are daily involved with their implementation. I do believe, however, we need fresh thinking as we look to the future, and hope that the new appointees to this Administration will bring new ways of thinking about AGOA and MCC.

A few countries, such as South Africa, Lesotho, Kenya and Madagascar have significantly benefitted from AGOA. Many other countries in Africa have not. That is easily documented. For AGOA to be successful requires that the countries of Africa have sufficient infrastructure, including adequate roads, ports, rail lines, telecommunication, and adequate storage facilities, especially in the agribusiness sector, where the majority of Africans are employed, albeit often on subsistence levels in many places. There also needs to be massive training or capacity building of the workforce. Present legislation provides for neither. In short, while I believe that AGOA needs to be extended by at least ten years, unless we can address the inherent problems blocking African development, the benefits of AGOA will continue to be limited primarily to those countries with adequate infrastructure and a trained workforce. In other words, we need to move beyond AGOA if we are to sufficiently address the development of Africa. AGOA needs to be seen as an investment tool for Americans as much as it is a development tool for Africans. AGOA needs to be seen as one of several tools in the arsenal of African development.

We believe that we need new thinking and new approaches to our policy towards Africa. We need to no longer work for Africa, but work *with* Africa in partnership if we are to not only support African development but also help the American economy. We are very much in agreement with President Obama in that America cannot "go it alone" in international relations. No one country can solve all the challenges of the world.

We also need to cease looking at Africa in a traditional missionary way, that is looking to Africans as supplicants, and begin to look to Africa as legitimate partners in the decision-making processes that affect our relationships.

In addition to our policy recommendations to the Obama Administration contained within this written testimony, there are some other significant ways to work with Africa in its development while at the same time providing more job opportunities for the American worker. Here are a few of the principal ways that I believe can work for Africa and the United States economies.

(1) Look at development as a regional process and not on a country-only basis. The reality of Africa is that they are becoming more regionally linked. Major infrastructure projects do not stop at borders but are regional in nature. If infrastructure is to work in Africa that infrastructure must be compatible regionally and eventually continent-wide. Work more directly with the regional economic communities to strengthen them as partners and decision makers in the development process. It is quite possible that by working through regional structures, we might avoid the traditionally burgeoning bureaucracies of individual nations, and reduce the level of corruption as well.

(2) Use US companies in the development process, from planning to implementation. The US has some of the best infrastructure and agribusiness processes in the world, yet we are not using this expertise sufficiently in the development of infrastructure and agribusiness in Africa. It can be argued that the Marshall Plan succeeded for Europe because the public and private sectors of America worked together to develop post-War Western Europe. We believe that it takes a new public-private partnership to develop plans that support African development as well as helps to bring back the US economy from its current position.

(3) Review and reorganize key financial institutions essential to the African development and American investment in Africa. The financing provided by the Export-Import Bank of the United States for American companies wishing to invest in Africa is far too risk-

averse to effectively compete with increasing investment from other nations such as China. For instance, in 2007, the China's Ex-Im Bank guaranteed loans of $13 Billion to Chinese companies investing in Africa compared to approximately $440 Million by the US Ex-Im Bank. When you take away the five largest loans provided by Ex-Im, the amount is closer to $100 Million. US companies will find it difficult to compete with anyone under such circumstances.

The Export-Import Bank of the United States is to be praised for its innovative $1 billion Special Delegated Authority Guarantee Facility for Nigeria and now Angola. It needs to be just as innovative for the American business sector wishing to invest in Africa.

The Overseas Private Investment Corporation (OPIC) also merits considerable praise as a very Significant mechanism for US private sector investment in Africa. We recommend that OPIC be Strengthened as its efforts do provide jobs for Americans engaged in public-private partnership Projects.

Congress also needs to review how the US private banking sector can help American companies wishing to invest in Africa. At present, it is difficult, at best, for any US company to secure financing for work in Africa. However, at the same time, the largest bank in Africa, Standard Bank (20 percent Chinese owned) is moving into the American market to help finance American companies wishing to do business in Africa. United Bank of Africa, out of Nigeria, is also doing the same thing.
We praise both banks, which are CCA members, for their understanding of the potential market in America, and hope that Congress will find ways to encourage US banks to do the same.

(4) Recognize the potential value of AFRICOM to the economic security of Africa. For instance, Africa's fishing reserves are being plundered by the fishing fleets of Europe and Asia. The drug trade is rampant in West Africa, due to lack of policing, poor security and training. We need to engage regional and national entities to provide training and equipment. There continues to be difficulties in the region that provides a growing percentage of US oil needs. AFRICOM can provide a bridge to Africa's security as Africa's own security forces are developed and trained.

(5) Coordinate our approach to Africa with our allies and potential allies. CCA is bringing together the business associations in Europe, Canada and Japan that are dedicated to Africa to discuss stronger partnerships and cooperation at the private sector level. Governments should also be doing this.
We need to seek ways to partner more creatively with others around the world.

(6) View AGOA as an investment tool for America and not simply as a development tool for Africa. China has used AGOA for this purpose in selling textiles to America, as has Germany in selling cars manufactured in South Africa to America. Very few American companies have benefitted from AGOA as have countries such as China, Malaysia, India

and Germany. By encouraging American companies to invest in Africa, we are gaining for the American economy access to Africa's regional markets at lower tariffs and can develop products to be shipped to the American market. Furthermore, by investing broadly in African markets we are insuring longer term mutually supportive partnerships with the countries of Africa.

(7) Because Congress is currently addressing the issue of trade preferences globally as well as for Africa, I would be remiss in not stating that I think it is very important to protect the gains made for Africa under AGOA. As noted earlier, AGOA legislation should be extended for at least ten years beyond 2015, and as egalitarian as it may sound, we would caution against extending preferences to all LDC countries. Many countries, such as Bangladesh and Cambodia already have advantages, and preferences extended uniformly will undercut Africa's ability to manufacture textiles and apparel, an important core of AGOA thus far.

In any consideration of trade preferences, Congress would be wise to examine the impact of the European Union's Economic Partnership Agreements with African nations. Unlike AGOA, these agreements are reciprocal trade agreements which open up African markets to EU exports at preferential terms to the detriment of US exporters and those in more developed African economies such as South Africa and Nigeria. The EPAs will also certainly weaken the development of the regional economic communities in Africa. The EPAs threaten to break down cooperation on Africa between Europe and the United States, as well as set back the move towards greater economic cooperation among Africans themselves.

Finally, allow me to express a concern over the issues related to climate change that threaten to set back economic advances of the last decade. Africa may be facing significant environmental threats to its food and water supply. Those issues need to be addressed and planned for now. It is my understanding that the Obama Administration is planning to do so. Again, I would encourage the Administration to insure that this is a public-private effort. We have an opportunity to move beyond traditional methods of energy supply in Africa, and shift towards renewable energy, such as solar energy. We should shift some of our investment into these fields.

If the predictions related to climate change are even somewhat accurate, Africa will also face serious food shortages in the near future. We need to work with Africa now to plan for its food security so we do not react to food shortages but that we avoid them altogether. The United States has the agribusiness resources to make a difference in Africa's food security. We need to find avenues for investment from the US agribusiness sector that provides greater economic opportunity, as well as food security for Africans throughout the continent. Nearly every country on the continent is capable of feeding itself. To do so will require significant investment and partnership between Africa and the United States.

I would recommend that the Obama Administration form a task force or task forces from both the public and private sectors to address the issues of trade policy, investment and food security. I believe we will have none of these unless we all work together in their solutions.

Thank you.

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Mr. PAYNE. Thank you very much. Mr. Lebedev.

STATEMENT OF GREG LEBEDEV

Mr. LEBEDEV. Thank you, Mr. Chairman. The chamber very much appreciates the opportunity to testify and applauds this committee for its recognition of the importance of Africa as a destination for American business.

To be sure, global business is a key to American prosperity in Africa in our view is an unemphasized market opportunity, and it has been for too long. American business and the people of Africa can prosper together, but as commercial and trading partners and as investors and as consumers, not just as donors and the beneficiaries of foreign aid.

Africa needs sustainable prosperity, and this can only be achieved by building and maintaining free market institutions, which permit African and American businesses to flourish. The U.S. chamber believes that the American business community should be there to help.

Now, some American businesses have been in Africa for a long time. You all know that, but too many others are hesitant. And it is fair to ask the question why. We wanted an answer, and the chamber wanted to learn what factors deter American business from a greater engagement throughout Africa, and so we teamed with Bairds Communication, which is a leading public relations firm in South Africa to conduct a set of interviews with U.S. business executives, who work in Africa every day.

The interviews took place over the course of 2008, so the data is pretty fresh. And we talked to about 30 executives, most of whom came from Fortune 100 companies. They represented a cross section of industries, and the interviews were given in confidence so that we could receive very frank and honest answers.

The aggregated results of the survey were put in the record. The survey findings, however, are highly significant for three reasons. First, the survey quite correctly highlights Africa's well-known structural weaknesses: inadequate infrastructure, unskilled labor, inconsistent rule of law, and political uncertainty.

These are not trivial conditions, and they need to be addressed. But, second and possibly as importantly, the survey does not suggest that these conditions are universal to Africa. Nothing is uniform in a continent with 14 percent of the world's population. These are very serious concerns, but they do not afflict all African countries in the same way.

So, the good news is that real business opportunities exist, but they must be identified. And the conditions on the ground must be navigated. This is a significant finding for both Africans and American business.

The third finding, however, may be more vexing because it is intangible. The surveyed executives reminded us that the characterization of Africa, the way the continent is regularly described in the mainstream media is grim. It is portrayed as if it is one place, not 50 different countries, one place which is in a continual state of violent unrest. This is an understandably intimidating image, which is rooted in some truth but tragically misrepresents the positive conditions and opportunities that widely exist throughout the continent.

So, what is to be done, Mr. Chairman? In our view, there is work that needs to be done on both sides of the Atlantic. Too many African governments have struggled with a disconnect between words and deeds. They say they want more U.S. business, and they do. But too many have been unwilling to do those hard things to create a welcoming environment for U.S. capital, goods, and services.

African governments must appreciate that they are competing with other developing countries and emerging markets for trade and investment, which means that they must market themselves aggressively and undertake those domestic reforms in education, health, infrastructure, and governance, which will attract foreign investors. It is the same economic development that U.S. cities and states play every day.

For our part, the U.S. chamber is taking a number of steps to facilitate greater U.S.-Africa business relations. For openers, we are about to launch a second part to this same survey, and this will involve the African governments themselves. We are planning a series of interviews with African government officials, showing them the survey findings and asking how they plan to do the things necessary to attract U.S. business. And we will publish the results of that survey as well.

Next, the chamber's affiliated organization, SIPE, that which I chair, regularly works in Africa and around the world to help reform struggling economies by supporting free market institutions. We build business associations. We promote public and private governance, and we teach business advocacy. I just got back from Kenya, where SIPE hosted a four-country conference, which talked about and focused upon the value of public/private dialogue, which means to us that government and business need to talk to each other every day.

The chamber can also draw on its strengths and experience of American business on the ground through our network of AMCHAMs, the American Chambers of Commerce. We have over 100 around the world, sadly only a handful in Africa.

Finally, the chamber's new African department will advocate for African-related issues, such as the next round of AGOA. That was talked about in the first panel. We will also host visiting African dignitaries, as we did recently, for the much beleaguered Prime Minister Shangara in Zimbabwe. And probably, most importantly, we will help American business see through the haze of Africa's bad press and navigate a way to the tremendous opportunities that exist in the world's last untapped markets.

Mr. Chairman, let me say again that we appreciate this forum, which permits a conversation that is very important to both Africa and the United States. The real lesson for the continent of Africa and for us is that we need each other. The American business community needs markets to sell goods and services, locations to manufacture, enterprises in which to invest, and partners with whom to trade. And we do far too little of that with our counterparts in Africa.

In turn, Africa needs American business, not just for an occasional investment, but because we bring employment, expertise, model business practices, skills training, community development, and an ambitious and honorable approach to free enterprise. And we have a cultural connection to the continent that no other country can claim.

Mr. Chairman, Africa is a market which offers tremendous potential, and the U.S. Chamber looks forward to working with this committee to help overturn the misimpressions and stereotypes and create a new era of reciprocal commercial engagement between the United States and our many friends throughout Africa.

[The prepared statement of Mr. Lebedev follows:]

Statement
of the
U.S. Chamber
of Commerce

ON: Hearing on "U.S. – Africa Trade Relations: Creating a Platform for Economic Growth"

TO: Joint Hearing of the United States House of Representatives Committee on Energy and Commerce Subcommittee on Commerce, Trade, and Consumer Protection; and the United States House of Representatives Committee on Foreign Affairs Subcommittee on Africa and Global Health

By: Greg Lebedev, Senior Advisor to the President, U.S. Chamber of Commerce; and Chairman, Center for International Private Enterprise (CIPE)

DATE: June 24, 2009

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.

Thank you Chairman Rush, Chairman Payne, Ranking Member Radanovich, Ranking Member Smith, and the other Members of both Committees. I am Greg Lebedev, Senior Advisor to the President of the United States Chamber of Commerce, and I am also the Chairman of the Center for International Private Enterprise, one of the four core institutes of the National Endowment for Democracy.

The U.S. Chamber of Commerce is grateful for the opportunity to appear before this Subcommittee on a matter of considerable importance to the American business community.

The U.S. Chamber is the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region. More than 96 percent of the Chamber's members are small businesses with 100 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. The Chamber represents almost every sector of the economy, and has a substantial member base in all 50 states. And, almost every segment of our membership has a well established or growing stake in international trade and investment.

The Chamber has long recognized that worldwide trade provides an invaluable economic opportunity, rather than a threat to domestic prosperity; consequently, the organization's international reach is substantial and unique. In addition to the Chamber's global network of 112 American Chambers of Commerce Abroad (AmChams), another U.S. Chamber affiliate, the Center for International Private Enterprise – one of the four institutes of the National Endowment for Democracy – conducts more than 100 projects in emerging economies, including many countries in Africa, aimed at building private sector capacity and supporting free market institutions. It is this level of global engagement that reinforces the Chamber's efforts to strengthen America's competitiveness and simultaneously oppose isolationism and artificial barriers – be they U.S. or foreign – to international commerce.

It is no longer enough to just advance the general message that business development and investment is good for Africa or that Africa is "open for business." In today's highly complex and competitive world, the U.S. Chamber strongly believes that it must work to develop specific strategies and mechanisms to promote and facilitate U.S. business engagement in Africa and elsewhere, or risk being left behind as international businesses and investors and even countries make strategic investments in the African market.

U.S. Chamber's Africa Business Initiative

Accordingly, the U.S. Chamber has recently launched a new initiative to support the U.S. business community as it considers its commercial engagement in Africa. The Chamber's Africa Business Initiative (ABI) is charged with assisting U.S. companies on legislative policies that foster foreign direct investment in Africa, facilitating U.S. trade with African countries, and introducing U.S. companies to the continent's vast economic opportunities.

To be sure, the ABI represents an emerging U.S. business interest in Africa – an interest in developing U.S. export and import opportunities, in responding to requests for advice, knowledge and expertise on specific sectors in Africa, and in establishing a cache of knowledge on how best to engage with the African public and private sectors. The ABI will also advance the U.S. Chamber's support for fair and mutually beneficial trade between the U.S. and Africa as well as advancing and promoting policies that reduce the cost of doing business for both U.S. companies in Africa and local African entrepreneurs. This type of initiative is critical to leveling the playing field for U.S. companies in all emerging economies, particularly as major developing economies, like China and India, are increasingly present throughout Africa.

Survey of U.S. Business in Africa

In order to have a constructive conversation about why U.S. companies are or are not investing in Africa, one must first understand the views of those who are close to the market – the companies that are already invested in the region. The U.S. Chamber, in partnership with Baird's CMC, a leading South African communications firm, recently conducted and released a study entitled, "A Conversation Behind Closed Doors: How Corporate America Really Views Africa." This qualitative survey was conducted in late 2008 and early 2009 through a series of off-the-record interviews with senior executives – most from *Fortune* 100 firms – operating in Africa.

Simply said, this study highlighted the complexities and perceptions of doing business in Africa. It probed the conditions, issues, and attitudes which understandably constrain U.S. multinational investments throughout the continent. And, most importantly, it spelled out the specific areas in need of change. For those like the U.S. Chamber that believe in the long-term importance of Africa as a market, this ground-breaking study is a first step to understanding the policy and behavioral changes required to increase U.S. investments in Africa. The study's executive summary is submitted with this testimony for the Subcommittee record.

Investment Risks and Rewards

One frequently noted challenge is that Africa's investment climate is regularly and broadly portrayed by major media as an area marked by chaos and unrest. This is selectively true and irresponsibly generalized. To counteract this negative image and the investment hesitancy it creates, U.S. companies need to be shown the uniquely attractive features of the market and understand where African governments are taking strong steps to create a welcoming environment for business. Investment incentives may include the lure of an untapped market, an environment rich in critical raw materials, high rates of return on investment, or a belief that there is a competitive advantage to early entry into African markets. However, as demonstrated in our survey, many of these legitimately positive factors are overshadowed by either the specter of "unknown risks" or "chronic uncertainty" which is too often found in Africa, or the fact that U.S. companies are simply unaware of a substantial opportunity in their area of expertise.

It must be acknowledged that the U.S. businesses that operate in Africa face generally higher costs of doing business when compared to other developing regions. And, many of the market conditions are well known: weak legal structures and institutions, inadequate physical infrastructure, costly water systems, energy and telecommunications challenges, and the lack of skilled or otherwise healthy labor. Another long-term investment challenge in that the continent does not yet offer a sufficiently large middle class of consumers or sufficiently large markets for local consumption for many goods and services. And, too many barriers to intra-African trade remain.

However, regional integration is progressing and achieving major trade gains through the efforts of the East African Community (EAC), the Common Market of East and Southern Africa (COMESA), Southern African Development Community (SADC), and the Economic Community of West African States (ECOWAS). In fact, trade among the 19 COMESA members increased from $3.2 billion in 2000 to $15.2 billion in 2008[1]. As the region integrates, the investment case becomes even stronger. The COMESA region alone constitutes a potential common market of 400 million people.

Despite the challenges of incomplete economic integration, insufficient infrastructure and more, a careful evaluation of Africa as a whole clearly shows that the continent is a compelling investment opportunity. For example, the UN Conference on Trade and Development in 2008 released a report showing that Africa had provided the **highest return on foreign direct investment of any region in the world** with an average of 31% for two years straight[2]. Additionally, the success of some of the world's largest investment firms and the entrepreneurial achievement of companies like CelTel[3], an African-founded mobile phone business which now hosts 20 million subscribers in 15 African countries, demonstrates the value of Africa's consumer market and some early mover potential.

The Road Ahead

Notwithstanding the unique advantages which the African market presents, African countries – like all other destinations of trade and investment – must regularly compete with well-developed countries for investment and must regularly make significant efforts to attract scarce global capital.

As we earlier observed, the U.S. Chamber's Africa Business Initiative is working to clarify the negative perceptions about doing business in Africa. We are listening to and learning from U.S. and African business men and women and from African governments about their experiences – good and bad -- with trade and investment throughout the continent. The Chamber is providing a forum for dialogue among our membership and others about how to improve U.S.-Africa commercial relations, and navigate this complicated but unique and invaluable market and destination for investment.

AGOA and Trade Financing

Aside from noteworthy private sector efforts to promote a more enlightened dialogue on investment in Africa, there are some very practical ways which American and African governments are helping to facilitate greater U.S. commercial engagement throughout the continent: political risk insurance, sovereign guarantees, co-investment with international financial institutions, and other risk mitigation tools. These are already critical tools for U.S. investors, but many could be improved to further promote opportunities for both U.S. and African interests. These enhancements could include expanding trade financing for African projects, removing some of the restrictions on OPIC and Ex-Im financing options, and improved coordination of U.S. and multilateral financing and debt-relief programs, and other creative ways to incentivize U.S. investment in Africa.

In the context of overarching trade policy toward Africa, all will agree that the U.S. African Growth and Opportunity Act (AGOA) has been instrumental in creating and promoting a more stable business climate in Africa. U.S. exports to AGOA countries have more than tripled since its enactment in 2000, and even Africa's non-oil exports to the U.S. have seen similar gains[4]. However, AGOA's success is not guaranteed. The current financial crisis has had tremendous impact on U.S.-Africa trade, with total U.S.-Africa trade declining some 50% in the first quarter this year according to the Department of Commerce[5]. U.S. exports to Africa have been severely impacted in several key export sectors, including vehicles, machinery, and several major agricultural products; and U.S. imports from Africa also saw declines in key African employment sectors, such as agriculture and apparel.

Given the currently challenging and uncertain environment, U.S. and African businesses alike need more certainty about AGOA's future, as the Act currently expires in 2015 and key provisions expire as early as 2012. AGOA's simplicity has been central to enabling more trade between the U.S. and the countries of Africa, but the Act should go further in creating new market opportunities for U.S. and African exporters, and in helping our partners in Africa overcome some of the key challenges hindering greater U.S. trade and investment. Prosperity is the objective for the U.S. and African nations alike, and the only sustainable path is a robust free market where government and business are partners in each other's success.

Conclusion

Let me close by thanking this Subcommittee for this special session and express the Chamber's desire to work with each of you to ensure a robust discussion of U.S.-Africa policy as the Congress examines trade preferences, foreign assistance, and other issues which are critical to U.S.-African economic and political relations. We at the Chamber also look forward to working with our friends and partners in Africa to overcome many of the real and perceived challenges to doing business on the continent and thereby promote greater U.S.-Africa trade and investment.

Periods of economic distress remind us all of the value of open markets and competitive advantage, and the continent of Africa and its diversity of resources represents a virtually untapped marketplace for American goods, services and capital. But, work needs to be done on both sides of the Atlantic to realize these opportunities. American business must see through the haze of negative images and learn to navigate the risk of this opportunity-rich environment. In the same spirit, African countries – and, more specifically, African governments – must make hard decisions about education, infrastructure and rule of law if they are to successfully compete for an increasing share of U.S. trade and investment. The time is right to change the relationship from donor and donee to business partners in key countries and critical sectors throughout the African continent. And, the time is right for the Congress and the U.S. Chamber of Commerce to fashion a partnership which will facilitate free market prosperity for Americans and Africans alike.

Once again, thank you for the opportunity to testify before you today on this very important and timely topic.

[1] COMESA: http://www.lusakatimes.com/?p=13341; http://www.comesa.int/
[2] UNCTAD: http://en.afrik.com/article14576.html;
http://www.unctad.org/Templates/WebFlyer.asp?intItemID=4629&lang=1
[3] CNN: http://money.cnn.com/2008/02/13/magazines/fortune/gunther_africa.fortune/index.htm
[4] U.S. Department of Commerce, International Trade Administration, http://tse.export.gov/
5 U.S. Department of Commerce, International Trade Administration, Market Access & Compliance/Office of Africa publication: 'U.S. Trade with Sub-Saharan Africa, January-March 2009'.

Mr. PAYNE. The chair thanks the gentleman. The chair now recognizes Dr. Cook for 5 minutes. Dr. Lisa D. Cook. I am sorry, Dr. Cook. She is Assistant Professor of the James Madison College of the Department of Economics at Michigan State University. Dr. Cook, you are recognized for 5 minutes.

STATEMENT OF LISA D. COOK

Ms. COOK. Thank you, Mr. Chairman and members of the subcommittees. Thank you very much for this opportunity to testify on the important topic of U.S.-Africa trade relations. Just as international trade has been an engine of growth for the U.S., it has been for Africa recently. Between 2000 and 2007, a three-fold increase in global trade with Africa has been associated with average annual growth of 5 percent in African economies. My research shows and analyzes this reversal of decades of economic decline in Africa.

My main point today is that increased trade in Africa has resulted in and can result in better economic outcomes for the U.S. and for Africa. Coca-Cola, UPS, Pampers, Jeep vehicles, and Intel Technology can be found throughout African. Ethiopian and Kenyan coffee, Egyptian cotton towels, and South African wine are no longer exotic and are ubiquitous in the United States.

What we know is that the U.S. and Africa are better positioned to mutually benefit from trade than at any other time in recent history. Reforms undertaken by many African countries in the late 1980s and 1990s contributed to high growth rates and Africa becoming more integrated into the world economy. AGOA has also opened up trade with Africa. Partly as a result of U.S. and African policies between 1999 and 2008, exports to Africa nearly tripled, and imports from Africa increased six-fold.

Trade with the U.S. has been interrupted by the financial and economic crisis. Exports to Africa shrank by 11 percent between the first quarter of 2008 and the first quarter of 2009, while imports from Africa fell 57 percent over the same period. The downward spiral can be swift and deep. Declines in demand and in commodity prices lead to lower incomes and government revenue, which in turn lead to lower spending on health, education, and poverty reduction.

Further due to the financial crisis, trade finance in Africa has contracted sharply or has become prohibitively expensive. Despite the economic downturn, U.S. exports to Africa rose in several categories, including footwear, electronics, and transportation equipment. And these exports have been steadily increasing in recent years.

U.S. export activity has generated positive spillovers for African firms. For example, American Plastics Technologies, a small equipment manufacturer in Illinois, has partnered with Alpha Fluids in Lagos, Nigeria, which will produce IV fluids, medical beverages, medical drips, and bottled water for Nigeria and ultimately for West Africa. Direct opportunities for employment, that is 40 new jobs at American Plastics, and indirect opportunities for suppliers—that is 16 firms in the U.S.—have been created on both sides of the Atlantic. Nonetheless, trade with Africa is not perfect. On average, it costs almost double the amount to ship a container from Africa as it does from an OECD country. It takes five to six days to process exports and imports in the U.S.

For Chad, exports take 78 days to process, and imports take 102 days on average. Infrastructure, governance, and the general business climate continually hinder Africa's potential for international trade. Problems with AGOA implementation and well known, such as limited composition of exports, which are largely concentrated in energy and textiles.

A host of policies, practices, and institutions related to trade must be addressed in order to maximize the gains from U.S.-Africa trade. The extent to which these gains may be realized will depend on many factors, including the avoidance of protectionist measures on both sides of the Atlantic.

Finally, trade and aid are not mutually exclusive. U.S. aid agencies have been critical in connecting American firms to partners in Africa. Ex-Im Bank guaranteed the loan of $16 million to support the American Plastics Partnership mentioned earlier. Nora Bannerman exports thousands of shirts from Ghana to Ross Stores, one of our largest discount clothing stores, with the help of USAIDS West Africa trade hub.

Given increasing claims on the resources of developed countries in the short run and considerations of sustainability of development in the long run, increasing trade between the U.S. and Africa may produce significant spillovers for Africa's development for many years to come.

To conclude, U.S.-Africa trade has increased markedly in recent years. This has created growth opportunities in both places. Trade with Africa has also created significant opportunities in other places too, such as China and India. Given this recent experience of dramatic growth in Africa, now is an especially important time to augment our relationship with Africa. Thank you for your indulgence and your work on this important issue.

[The prepared statement of Dr. Cook follows:]

Testimony of

Lisa D. Cook, Ph.D.
Assistant Professor
Michigan State University

June 24, 2009

to the

Subcommittee on Commerce, Trade, and Consumer Protection of the
Committee on Energy and Commerce and
Subcommittee on Africa and Global Health of the Committee on Foreign Affairs

"U.S. – Africa Trade Relations: Creating a Platform for Economic Growth"

Mr. Chairmen and Members of the Subcommittees, my name is Lisa D. Cook, and I am an Assistant Professor of Economics and International Relations at Michigan State University. Thank you very much for the opportunity to testify on the important topic of U.S. – Africa trade relations.

International trade has been an engine of growth for both the U.S. and Africa. The U.S. case is well known in economic history and today. Between 2000 and 2007, a three-fold increase in global trade with Africa has been associated with 5% average annual growth in African economies. Likewise, a falling share of international trade with Africa coincided with negative economic growth for the prior three decades. My research, along with that of other researchers, shows and analyzes the reversal of decades of economic decline in Africa.

My main point is that increased trade with Africa has resulted in and can result in better outcomes for the U.S. and for Africa. Coca-cola beverages, Pampers diapers, Jeep vehicles, and Intel technology can be found throughout Africa. Ethiopian and Kenyan coffee, products made from Egyptian cotton, and South African wine are no longer exotic and are ubiquitous on the shelves of supermarkets, department stores, and discount chains around the United States. U.S. trade with Africa increased four fold between 2000 and 2008. Consumers in both places are better off because of greater variety and competition in products and services.

What we know is that the U.S. and Africa are better positioned to mutually benefit from trade than at any other time in recent history. My research shows that it is not just due to luck and high oil prices. Reforms undertaken by many African countries in the late 1980's and early 1990's contributed to growth and to Africa becoming more integrated into the world economy through international trade. Average inflation rates have fallen to single digits, fiscal deficits have diminished, and days to export goods have been significantly reduced.

Trade with the U.S. has been interrupted by the financial and economic crisis. Exports to Africa nearly tripled between 1999 and 2008. Imports from Africa increased six fold over the same period. Exports to Africa shrank by 11% between the first quarter of 2008 and the first quarter of 2009, while imports from Africa fell 57% over the same period. While energy-related products were noticeable factors with respect to the decline in both exports and imports, declines were evident in most sectors. Such a dramatic reversal in demand for Africa's exports has other ominous implications. Declines in demand and in commodity prices lead to lower government revenue, which in turn leads to lower spending on public goods that the poor so desperately need to have provided in Africa. Poverty reduction has recently been linked to agricultural exports, and these constitute the lion's share of Africa's exports. Separately but of equal concern is that, even if there were demand for African exports, international trade would be difficult. An added feature of the financial crisis is that trade finance in Africa has contracted sharply or become prohibitively expensive.

Both the U.S. and the continent of Africa will rely on trade for recovery from the global economic slowdown. In the long run, trade with Africa presents a number of opportunities. Rising living standards in Africa mean that American firms can export more and increase market share. Despite the economic downturn, U.S. exports to Africa rose in several categories, including footwear, electronics, and transportation equipment, and these exports have risen steadily in recent years. U.S. export activity has had a number of positive spillovers for African firms. For example, in Africa Coca-Cola has simultaneously boosted its sales and promoted local entrepreneurship by providing infrastructure, such as roads to connect suppliers and consumers, and business training to independently-owned distributors of Coca-Cola products. American Plastics Technologies (APT), a small equipment manufacturer in Illinois, has partnered with Alpha Fluids in Lagos, Nigeria, which will produce IV solutions, medical drips, medical beverages, and bottled water for Nigeria and ultimately to West Africa. As a result, direct opportunities for employment – 40 new jobs at APT – and indirect opportunities for suppliers, 16 of them in the U.S., have been created on both sides of the Atlantic.

But trade is not a panacea for economic growth, and trade with Africa is not perfect. African countries are heavily dependent on exports of primary commodities, and the prices of most of Africa's commodity exports have declined systematically over the last 60 years. Whereas Africa was responsible for 7% of world trade in 1948, it now represents only 3% of world trade. Trade reforms were adopted by many African countries along with other reforms, but barriers to trade remain. On average, it costs almost double the amount to ship a container from Africa as it does from an OECD or rich country. It takes five to six days to process exports and imports in the U.S. For Chad, exports take 78 days to process, and imports take 102 days to process. Infrastructure, governance, and the general business climate continually hinder full realization of Africa international-trade potential. The problems with AGOA implementation are well known. Among those cited are limited composition of exports under AGOA, which are largely concentrated in energy and textiles, and lack of awareness of opportunities presented by AGOA. In general, a host of policies, practices, and institutions related to trade must be addressed in order to maximize the gains of U.S.-Africa trade. The extent to which gains from trade between the U.S. and Africa may be realized will depend on many factors, including the avoidance of protectionist measures on both sides of the Atlantic.

Finally, it would be naïve to report or to believe that trade by itself would be sufficient to substantially improve living standards and reduce poverty in Africa. Aid, too, is important. Africa's development challenges are enormous and should be fought on all fronts. Trade and aid are not mutually exclusive, as they have been so starkly framed in the debate. U.S. aid agencies and mechanisms have been critical in connecting American firms to partners in Africa. Ex-Im Bank guaranteed a loan of $16 million to support the American Plastics Technologies partnership mentioned earlier. U.S. agencies have also been instrumental in supporting potential partners in Africa. USAID's West Africa Trade Hub offers industry-specific training and facilitates participation in trade shows. Nora Bannerman exports thousands of shirts from Ghana to Ross Stores, one of the largest discount clothing stores in the U.S., with the help of this Trade Hub. Trade-augmenting aid has been and should continue to be a worthwhile investment in sustainable development. Given increasing claims on resources in developed countries in the short run and considerations of sustainability of development in the long run, increasing trade between the U.S. and Africa may produce significant spillovers for Africa's development for many years into the future.

In conclusion, U.S.-Africa trade has increased significantly in recent years. This has created growth opportunities in both places. Given this recent experience of dramatic growth in Africa, now is an especially important time to augment this relationship, which should be mutually beneficial.

Mr. PAYNE. Ms. Tandy.

STATEMENT OF KAREN TANDY

Ms. TANDY. Good afternoon, Chairman Rush, Chairman Payne, Ranking Members Radanovich and Smith. Thank you so very much, along with the other distinguished members of the subcommittee, for inviting Motorola to testify today. By way of background, Motorola operates in more than 100 countries around the globe. Fifteen countries in Africa are included among those.

We opened our first office on the continent of Africa 40 years ago in Nigeria and benefited from hiring locally, utilizing the creativity of diverse cultures and individuals. We have learned that localization is the only sustainable growth-oriented business plan for Motorola in Africa. The U.S. private sector understands that to grow our business in Africa, we must be full partners outside of our narrow business interests. Being good corporate citizens means helping communities solve problems, whether those problems involve technology, infrastructure, health, and educational needs, or issues related to public safety.

Providing the proper tools and technology solutions for governments to communicate effectively and securely creates and fosters a stronger environment for community and business development. A country's economic and social successes are inextricably linked as these committees well know. Unfortunately, talent and capital sometimes depart the areas where they are needed most because of the lack of personal safety of poor health and education services.

And our experience in Africa has taught us that this is one of the key problems on the continent. But Motorola has the technology to link different sectors of a community and regions together to help address some of their most critical public safety concerns and support a more stable business climate, whether it is supplying radios for UN mission in the Sudan or investing in the future of Africa by connecting privileged schools with disadvantaged schools through our canopy wireless broadband technology.

Today, Motorola has offices in Nigeria, South Africa, Egypt, and Morocco, with an operational presence in a number of other countries from Algeria to Rwanda. Our wireless technology and solutions and services are used by most police and public safety forces throughout all of the African countries as well as the African and foreign peacekeeping forces participating in missions throughout the continent.

In the private sector, Motorola supplies secure communications networks and equipments to oil companies, mining operations, and agricultural projects to enable pipeline and other field operation security and communications, all of which contribute to the economic development of Africa.

Motorola has been working with mobile telephone networks, which is one of the widest operations of mobile communications throughout Africa. We are also working with our carrier partners in Uganda, Ghana, and Nigeria to improve the quality of service for mobile phone subscribers. In Morocco, we are working with one of the carriers, Wana, the telecommunications arm of Morocco's biggest conglomerate, ONA, to pilot a WiMAX network, which we launched this spring. And that has the potential to deliver broadband service to a wider subscriber base of citizens in a more cost effective manner.

In Nigeria, we have continued to expand the mobile phone networks for M-tel, Zain, and regional providers over the past few years to connect Nigerians countrywide.

Another valuable asset that Motorola contributes to Africa is our time and our knowledge. Motorola is working with government agencies to help revolutionize the delivery of quality rural healthcare and education through delivery models that can be replicated throughout Africa at relatively low cost.

To address the shortage of doctors in South Africa, Motorola, the Medical Research Counsel, the State Information Technology Agency, and the Limpopo Health Department joined forces in a wireless broadband network trial. In that trial, we connected three hospitals and one clinic. Video cameras were included that enabled the doctor to examine and diagnose a patient more than 60 miles away. All the vital data, such as heart rate and blood pressure information, were submitted to the doctor for that diagnosis as well. And there are already plans in progress to expand to other hospitals and clinics in the Limpopo Province.

Similarly, through our work with the government and other South African entities, Motorola has helped launch the Ulwazi e-Learning partnership to improve local education by addressing the issues of teacher shortages and lack of resources. This project connected a privileged school together with four disadvantaged schools so that one teach could reach 100 students at once. And to make that happen, Motorola funded the computers, the web cams, the sound equipment, the white boards, in addition to the entire wireless broadband network. We are now attempting to replicate this in discussions with the government in Rwanda.

Mr. Chairman, Motorola is proud of its leadership role in investing and fostering the long-term relationships and economic growth in Africa. And we look forward to working even more closely with you and the U.S. government to help support your efforts in bringing the United States and Africa closer together both economically and socially. Thank you.

[The prepared statement Ms. Tandy follows:]

Statement of Karen Tandy
Motorola, Inc.
Subcommittee on Commerce, Trade, and Consumer Protection
Subcommittee on Africa and Global Health
June 24, 2009

Chairmen Rush and Payne, Ranking Members Radanovich and Smith, and other distinguished Members of the Subcommittees. Thank you for inviting me to testify at today's joint subcommittee hearing on U.S.-Africa Trade Relations. My name is Karen Tandy. I am the Senior Vice President of Public Affairs and Communications for Motorola.

Today, Motorola's portfolio of technologies, solutions, and services includes wireless handsets, digital entertainment devices, wireless access systems, voice and data communications systems, and enterprise mobility products. We operate in over a hundred countries around the globe, utilizing the creativity of diverse cultures and individuals. And we demonstrate each day, at every site and in all that we do, that doing business and acting responsibly are not mutually exclusive endeavors.

As a leader in exporting technology, business skills, and ingenuity to Africa, Motorola is very proud of our role in facilitating economic growth in Africa. We are helping create an entrepreneurial partnership and culture that presents the opportunity to enable Africa and Africans to modernize their economies and promote commercial endeavors.

In the private sector, many U.S. companies have abandoned the outdated business models of the past: Gone is the old model of parachuting into a country to sell products, take the profits and leave. That model did not work then and will not work in the future. If that was our approach, there wouldn't be a market to come back to in the future. The notion of, and the need for, collaborative economic partnerships with other stakeholders in Africa is not some idealistic notion. Localization is the only sustainable, growth oriented business plan for Motorola in Africa.

The U.S. private sector understands that, to grow our business in Africa, we must be full partners outside of our narrow business interests. Businesses need a strategy to help the overall economy flourish, so that we can succeed in our business goals. Being good corporate citizens means helping communities solve problems, whether those problems involve technology, infrastructure, health and educational needs, or issues related to public safety. Providing the proper tools and technology solutions for governments to communicate effectively and securely creates and fosters a stronger environment for community and business development. If businesses are not part of the central effort to help countries grow and develop, it is unlikely that we will see little markets become big markets, with ever bigger sales opportunities.

Unfortunately, good things like talent and capital sometimes flow away from areas where they are needed most because of a lack of personal safety or poor health and education services. This phenomenon threatens to further divide the world into groups of "have countries" and "have-not countries." Our experience in Africa has taught us that this is one of the key problems on the continent. What is more disturbing is that problems such as the flight of talent and capital is not only bad for business, it also represents a humanitarian tragedy and is bad for a country in general. Motorola has the technology to link different sectors of a community together to help address some of the most critical public safety concerns and support a more stable business climate – whether it is supplying radios for a UN mission in Sudan, or connecting schools in South Africa with our Canopy wireless broadband technology. Facilitating these partnerships with the governments, communities and businesses lead to positive outcomes for all. A country's economic and social successes are inextricably linked.

Today Motorola has offices in Nigeria, South Africa, Egypt and Morocco, with operational presence in several other countries, such as Algeria and Rwanda. Our products and services are used by most police and public safety forces in African countries, as well as African and foreign peace keeping forces participating in missions throughout the continent. In the private sector, Motorola supplies public safety communications equipment to most oil companies, mining operations, and agricultural projects – all of which contribute to the economic development of Africa. These communication solutions help connect African citizens, businesses and governments to each other, which in turn facilitate trade and access to the global economy.

Motorola has been working with Mobile Telephone Networks (MTN), which has one of the widest operations of mobile communications throughout Africa. We are also working with our carrier partners in Uganda, Ghana and Nigeria operations to improve quality of service for mobile phone subscribers. In Morocco, we are working with Wana, the telecommunications arm of Morocco's biggest conglomerate ONA, to pilot a WiMAX network that has the potential to deliver broadband service to a wider subscriber base of citizens in a more cost effective manner. In Nigeria, we have continued to expand the mobile phone networks for M-tel and Zain, regional providers, over the past few years to connect Nigerians across the country.

But still, one the most valuable assets that Motorola contributes to Africa is our time and our knowledge. An example is our collaboration with Government agencies in Africa to determine the right infrastructure developments. In South Africa, we are installing sophisticated public safety communications networks to provide multiple tools and technologies for the police to help in their fight against violence and crime.

Motorola also is working with government agencies to help revolutionize delivery of quality health care and education with delivery models that can be replicated throughout Africa. To address the shortage of doctors in South Africa, Motorola, the Medical Research Council, the State Information Technology Agency and the Limpopo Health Department joined forces in a wireless broadband network trial that connects three hospitals and one clinic – within a circle roughly 100 kilometers in diameter. Doctors from any of the hospitals can communicate with any of the other hospitals or clinics. Video cameras enable a doctor to see and hear the patient -- even inside the mouth or ear canal -- and observe the nurse attending to the patient. All vital data, such as heart-rate and blood pressure are transmitted as well. There are already plans in progress to expand to other hospitals and clinics in the Limpopo province.

In early 2007, Motorola engaged in a public-private partnership that brings together corporations, Ministries of Health, global health organizations and other partners, for a project called Phones for Health. Phones for Health capitalizes on the expanded coverage of the mobile phone infrastructure in the developing world to strengthen health systems. A mobile-phone-based application allows health workers in the field to file patient reports and check medicine supplies, speeding responses to disease outbreaks and medicine shortages. The mobile phone transfers the data to a central database, where the data is mapped, analyzed and immediately available to health authorities, allowing rapid intervention for those at risk. The program currently is available in Kenya, Rwanda and Tanzania with plans to expand to several more countries.

Lastly, working with government and other South Africa entities, Motorola helped launch the Ulwazi e-Learning Partnership to improve local education by addressing the issues of teacher shortages and lack of resources. The project connects a privileged school with four disadvantaged schools some 15 kilometers away so that one teacher can reach more than 100 students at a time. Motorola funded computers, Web cams, sound equipment and whiteboards, in addition to the entire wireless broadband network. This project – which made the students a part of the cyber world – led to remarkable improvement in scholastic performance of both teachers and students.

Mr. Chairman, U.S.-Africa trade benefits both Americans and Africans. Motorola is proud of its leadership role in investing and fostering long-term relationships and economic growth in Africa. Motorola believes that economic growth in Africa will enable the continent to address many of its most vexing problems. We look forward to working with the U.S. Government to help support your efforts in bringing the United States and Africa closer together both economically and socially.

Mr. PAYNE. Thank you very much, and let me thank the panel for your excellent testimony. And we will open our questions with Congresswoman Watson.

Ms. WATSON. I want to thank the first panel and the second panel as well, and I am reminded, and my colleague Lynn Woolsey will remember, California used to have trade offices in South Africa, and we opened one on the west coast of Africa. And, of course, due to the budget, we no longer have them in a new administration.

However, it is a burgeoning field for us to really look at, as you are doing, Ms. Tandy, and the rest of you have reported on. I would like to, number one, I think what really keeps investors from the U.S. away is that they don't really understand business in Africa, and there is not a whole lot of advertising. So, in September during the Congressional Black Caucus, we are holding our workshops on investing in Africa, but we have to train investors first because they have to know that it might take five years before your money can turn around and have a benefit.

One of the things that we notice in South Africa, and there is a kingdom called Bafulking, discovered a platinum strip, and the queen mother says I am sending my young people west so that they can learn how to mine that platinum and the money can go directly to our villagers. And they can build the new shining city on the hill. So, there are many different things going, but I would like to—and this is directed to anyone on the panel that would like to respond. How can we use commercial investment in agribusiness to endure when climate change is a reality? Some people want to say it is not, but—and you know there are certain areas of the continent that have been under a drought for 7 to 10 years.

But what actions can be taken now to mitigate the negative effects of climate change by U.S. government and by businesses? Anyone want to take that on? OK, Mr. Hayes.

Mr. HAYES. Sure. Thank you, Congresswoman. I have been to Bafulking as well and met with the King. It is also as you know, the highest—one of the highest incidents of HIV/AIDS in the world as well. So it is just tremendous challenges there, and I applaud that program.

Ms. WATSON. Is that the Daimler Chrysler program?

Mr. HAYES. No, I actually lead the Daimler Chrysler delegation program. I am talking about the Queens program and the education. So thank you, yes, we were—the Corporate Counsel on Africa was leading that.

Ms. WATSON. Right.

Mr. HAYES. Thank you. The issue of agribusiness is an area—and my concern is that I think the United States has a critical challenge on Africa, partly because of China, partly because of the economic partnership agreements, which I think is another form of colonialism from Europe that are coming in. And also, I think your point is—and one of the problems, I think that would happen on interviewing CEOs is asking have you ever been to Africa. Most CEOs have never been to Africa. They are the ones that ultimately—they have their own kingdoms. They make the decisions of where they go, and until we get more corporate executives exposed to Africa——

Ms. WATSON. I just have to tell you this. Let me interrupt you for a minute. When I first came back and came to Congress, I was number 45 out of 45 on foreign relations, and I would hear our members talking about Africa and there is a program here that is working real well; we are going to pick it up and put it here. And I am saying do you really understand that Africa is a continent——

Mr. HAYES. Right.

Ms. WATSON (continuing). With 54 nations on it, 22,000 languages—22,000 tribes, 16,000 languages, and they are so different. And so so many, too many people don't really understand how villages work, how tribes work, how communities work.

Mr. HAYES. That is exactly right and there are also a number of countries who are doing things very well and still not getting U.S. investment.

Ms. WATSON. Yes.

Mr. HAYES. They meet the requirements at MCC. Botswana is another great example where they are doing all the right things and still not getting the investment. And so I think the questions have to go deeper, more into U.S. attitudes and so forth.

In terms of agribusiness, I think there are areas in which to help our own economy, we have to look at what are the areas of Africa, where the United States has a competitive advantage, and how do we help those industries develop more? Agribusiness is very key to that, as is infrastructure. We can compete with anybody in the world on an equal playing ground. We also, I think, can help the villages far more effectively than almost any country in the world. And so I think that we have—where the government and the private sector can work together in addressing the issues. And as you noted my written statement, climate change is, I think, critical. And we have to address that. We have to plan that now and not be into another reaction to a failing, but planning an impact how we can do that.

I think the agribusiness sector, I think our research universities can face that, now can work with Africa, not simply for but with Africa, and make a huge difference. But I think the government has to also come out and say this is important to us and talk to the American government and say to the private sector, it is time you became more engaged, and we are going to help you become more engaged. We are going to help you become more engaged by having more access to financing. There is hardly an American bank that is willing to finance an American business to work in Africa. So we have to look at those issues as well. I have gone on too long so I——

Ms. WATSON. Thank you. If I can take another minute, Mr. Chairman. I want to address this to you, Ms. Tandy, and your company has done, as you described, a great deal of phenomenal work in Africa. And when you expend broadband coverage, there is a problem that jumps up, and the cost of Internet access is rarely the determining factor in purchasing or using. So how effective is an expensive broadband network throughout Morocco when the majority of citizens do not have computers?

Ms. TANDY. Thank you for your question. It is a trial in Morocco, but the importance that we found is that extending broadband is really about connecting everyone. And the trial is to bring mobile broadband, the ability to move data as you move, and these—it is significant that this trial has come to Africa. This is a growing and developing technology around the world that has not found its footing everywhere yet. So I think that this is a doorway for Africa, and certainly extending broadband is part of moving an entire culture forward down the road.

Ms. WATSON. Would your company be willing to, say, donate laptops to the village schools so every child in their primary education can become familiar? Now, expense is a real problem. The cost if it is a real problem, so do you have any programs like that, where you would donate and help young people become accustomed to using this modern technology as they are in Iran?

Ms. TANDY. Thank you for your question. We actually are, as I mentioned, supporting schools in South Africa, and that is not the full extent of our support to building that kind of capacity. We have, through our foundation, provided a great deal of product-in-kind support as well as funding, which I can detail for you later. But it includes a school for entrepreneurship and supporting also the South African Women's Entrepreneurship Network with grant money to them as well as the Pathways Education Center in the eastern cape of South Africa. Whether that includes laptops specifically in those instances, I would have to get back to you on that.

We have actually contributed a great deal of product and in-kind and cash contributions, whether it was for laptops, the ability to move data by phones, by cellular phones off of the cellular wireless infrastructure, as well as phones for health, which we contributed millions of dollars to as well as—excuse me, I was—we have contributed a great deal of product and support for that. And we have contributed millions of dollars to Product Red, and over almost $28, $29 million to Product Red. So, how much of all of that gets converted into laptops for youth, I will determine and get back to you.

Ms. WATSON. Well, I just want to say, I am sure the world is watching and wants to comment on the way that technology is being used in Iran to alert the rest of the world as to what is going on. And I think the more, as you say, hookup throughout this globe, what is happening in countries, the more knowledgeable we can become and the more we can have impact in a positive way in these developing nations.

And I just want to end with you, Dr. Cook. We have had hearings in our Oversight Committee and, also, in our Foreign Relations Committee, and we are looking at the way NGOs are working, the way AGOA is being used, the Millennium Fund, and so on. What can we do under this administration to improve on what needs to be done in Africa to be able to motivate Americans, and particularly African-Americans, to go back to the source and to help these developing nations? I thought you might just want to summarize what we can do.

Ms. COOK. Thank you for your question. I think one of the first things that can be done—you will forgive me for being an economist—and that is make sure we have data on what works. We are just getting data from the Millennium Challenge Corporation, and I think it is going to be critical that on the face of it, it certainly seems like it is working; it is doing good things. How well it is working, what incentives countries are responding to is going to be critical to know. So that is the first thing.

The second thing in terms of getting people interested, I will report from my own courses that I teach on Africa, on the economics of Sub-Saharan Africa. I don't think we need to do much to get people interested. There are so many people signing up for my courses it is astounding, and my colleagues don't believe it. They think I am making numbers up.

So, I think what we have to do is to show more in terms of the media, the heterogeneity of Africa, that it is not just one country. Colleagues here have said that. It is not just one country. Well, actually you have said it as well. That there are places where there can be contributions made, and they can make them in very different ways. They can make them as volunteers through summer opportunities. They can do it through study abroad. Michigan State has the largest study abroad program of any public university. So, I think that these are definitely ways that we can connect and try to get students to give back, or young people in general to give back.

Ms. WATSON. You know what I find is really at the core of this is the follow through. We get loads of people who are interested, and they come and they sit in the workshop. But when it comes to investing your money in a continent that is so far away and so unfamiliar to many people, that is where the line is stopped. And thank you, Mr. Chairman, for the extra time. That was just a comment. You don't need to answer it.

Mr. PAYNE. Thank you very much. Mr. Smith.

Mr. SMITH. Thank you very much, Mr. Chairman. Thank you all for your testimonies and your great analysis of so many issues vis-&-vis Africa. Mr. Hayes, in reading over your book, which I think really is a comprehensive attempt to try to really move the ball forward, you point out on chapter seven on the health care part, that the business of health in Africa predicts a doubling of the African health care market by 2016, and you talk about the importance of the private sector. You talk about not-for-profit NGOs as well as commercial and for-profit. And I am wondering—and I am sure this is part of the not-for-profit part—but the faith-based health care initiatives that the Catholic church, the Anglican church and so many others do. We found and continue to find that Petfar has worked as well as it has worked primarily—not primarily, but to a large extent because of the faith-based health care infrastructure that is preexisting and very easily could be built upon.

And it seems to me—and I have visited myself, and I know Don has done this as well—many of the Petfar initiatives, I remember one in Uganda where a church-based, in this case, Catholic church-based and the ARVs and the prevention programs and everything else, mother to child, through an army of volunteers under the rubric of or under the canopy of a Lady of—I am trying to remember the name of it, but it will come to me. It was just amazing how they were able to mobilize so many people.

And it seems to me the best bang for the buck and the investment, you know, at least to some extent needs to be focused on that. You might want to speak to that.

And you, also, on infrastructure, I think you make an excellent point about unfocused and minimal U.S. government resources promoting infrastructure development dampen and inhibit U.S. private sector engagement in Africa. And then you pointed out that the EU has done much more and others. And maybe all of you might want to speak to that because I think the Millennium Challenge has done some good, but it needs to do much more. Needs more money to do it.

I will never forget one of my many trips, being told by some farmers, and this was in DR Congo, that they could grow anything. They just can't get it to market. And then we rode on some of the roads that they wanted to take their products to market, and it was like being on the moon. I mean the huge, huge potholes were incredible. We are going around them and through them.

So, if you could speak to that issue of infrastructure. As you pointed out, it is the backbone of Africa's development. The AU has found that. I do have a few other questions but just——

Mr. HAYES. Sure, I couldn't agree with you more on the faith-based institutions. I think they have made all the difference in Petfar. They are important. They are vital in terms of getting to villages, getting to the people. I think they have been very important. Our own institution, as you may recall, is the organization that drove Petfar through. I was the president of that organization that created a separate non-profit to drive that legislation through, and I am very proud of the fact that it is working. I would agree with you it is working very well. I think again it is a great example of what has been done.

I think—and you also gave me too much credit. It is not my book. Actually, my organization certainly, but over 100 companies worked together on this over 3 months really trying to—took it very seriously. It was the health-related companies, particularly, saying that look, there is a great field to not simply address the illnesses, but there is a great market to build a health-based system throughout Africa, the hospitals, so they are much more able to care for their system. And it is simply not responding to health crises but in fact, there is an opportunity for U.S. businesses to help build health institutions so that they are healthier in the long term.

On infrastructure, that is, I think, the greatest need in Africa. I think all of us recognize that. It is also an area where, in agreeing with Dr. Cook, I don't think there is a lot that we need to do. There is just some spatial things that we need to do that would open it more for the U.S. infrastructure industry to make a difference in Africa.

The Ambassador for Equatorial Guinea came to me, and I was talking about why are we doing China. She said well, China can do it at one-eighth the cost of the American companies. And I said yes, but do you want to repair the roads eight times more for that cost.

I think that with concerted public/private cooperation and, particularly, we can get jobs for Americans as well as create infrastructure in Africa which creates jobs for Africans. So I think there is a real role for cooperation and public/private partnerships. Did that take your questions?

Mr. SMITH. No, thank you. Appreciate that. And let me just ask you a couple other very brief questions. On microcredit lending and microfinancing, what role do you all think that plays? You know, we spent a little over $200 million, but obviously it is helping the poorest of the poor in many cases. But it seems to me at some point, that begins to build an infrastructure and an entrepreneurial spirit among some that could be translated into a bigger and better Africa in terms of its economic growth.

And on trafficking, I asked this of the first panel. And another issue related to human rights would be labor rights. We know that China has an awful record when it comes to—they don't have any independent labor unions. There are a lot of wildcat strikes now going on in China because—and they are even focused against U.S. corporations because they want what Lech Walesa and what the United States and many other countries almost—he promoted what we kind of take for granted. That is fundamental rights of a labor union, collective bargaining, and OSHA type regulations.

As Africa builds up, what role do you see labor unions playing in Africa's development so that the worker, the men and women on the ground, who do the hard work, get their fair share of benefits?

And again, on trafficking, you know, it seems to me we all have to be very, very aggressive in integrating trafficking concepts, minimum standards as we prescribe in the TIP report and our law. You might want to speak to that as well because I think very easily a workforce can be exploited, while the CEOs and others may look askance.

Ms. COOK. Thank you for these questions. I will start with your question about trafficking. I think you have hit on something extremely important, and I think that the way to end trafficking or at least minimize it is to provide opportunities for those who get trafficked. So, if you are providing opportunities for young women, who would otherwise be working in, say, footwear factories, who have more independence because they have jobs, I think this is the way to approach it. And I think this is the only way that is going to minimize the incentive to round up the vulnerable and put them through this pipeline that is global.

On the second issue on microcredit, I think you touch on something very important, again, and this is something that is the focus of my research. I think microcredit can be transformative, and I have worked on it in Nigeria and in other places. And once again, it provides some of the most vulnerable people with independence of some sort. So, there is an incentive for them to invest in the economy and think outside the box or think inside the box, just so they have the tools to be able to do them.

And I think that microcredit actually is not just sort of the NGO that we are often talking about, the Gramean model that we are more familiar with. Most of the banks in most of these countries are microcredit, and anything we can do to support them, I think would be useful. Support them in terms of supervision and consultations, but otherwise I think it can be transformative for the very reason that you have suggested.

Mr. LEBEDEV. I think it is useful to add, and it also touches on some of the things that Congresswoman Watson talked about earlier. Whether it is microfinance activity, which can be transformative, whether it is American or other business, that changes the nature of the communities in which they work, there are a variety of developmental and commercial activities that have for years affected and touched parts and pieces of these countries.

The dilemma is nothing connects them very well. These become too frequently success stories, but isolated success stories. And I think this is not an observation of one or the other. You got to do all that, but what we also have to do is recognize that on any given day in any one of these countries, the inattention or indifference of their government can wipe out all of this progress.

And so, at one level, we have to continually affect positively the communities in a variety of ways, work through the faith-based organizations. But at the same time, use the incentives of the MCC, which is designed to focus on those governments, in effect, that are leaning in the right direction, that are sending the right signals with respect to the way they choose to govern and lead their countries. We cannot lose sight of the fact that pressure on governments is the one way that we can preserve the gains that we will make selectively and in small ways throughout many of these countries.

Mr. HAYES. There is one other part to that, too, and I think Mr. Lebedev just hit on it too. Microfinance is very good in a number of areas, but there is a gap in the need for financing for everything between microfinancing and the giant corporations. The people who need the financing to build the businesses in the large urban areas, especially, there is very little financing available from either the African banks and certainly almost none from the U.S. banks. We have to find a way—and in equity funds, we will take a fund of $10 million, you know, often invest $10 million or more. But the investments that we need to be making are the $25,000 to $50,000, $100,000 for small- or medium-sized businesses to make a difference. That is lacking.

Mr. SMITH. Can I just ask one final question?

Mr. PAYNE. We really——

Mr. SMITH. Running out of time?

Mr. PAYNE. Yes, I gave you about 12 minutes on this last one. So I better let Chairman Rush—but I think the points are certainly well taken. I wish we did have time to really go further in it, but Mr. Rush.

Mr. RUSH. Thank you, Mr. Chairman. I think that both of you, Mr. Hayes and Mr. Lebedev, your responses have been quite pertinent and informative, especially as it relates to the small- to medium-sized businesses. And in your answer to Mr. Smith's question, you answered the first question that I had, but I do have another question, and it is a general question. And I would like to ask the four panelists just to respond.

And I want to focus on the diaspora. In the U.S., it has been estimated that we got 1.4 million African immigrants living in the United States, and the overwhelming majority of them are educated, and they are entrepreneurial in a lot of different ways. As a matter of fact, in some of our countries, in my district in some of my communities, they are leading entrepreneurs, owners of small retail businesses and professional services in my district. They transfer, as has been estimated, about $40 billion back to Africa to support families.

Now, these are individuals who have a strong understanding of the culture and economic environment of their home countries. They understand American business, American know-how, and they have been able to be successful businesses here in this country.

How can we engage that element, that force, in a positive way? I think we should call upon them and encourage them to get involved and not just leave it up to the folks back home. Would you all respond to that please? Ms. Tandy, you can comment also on this. Start with——

Ms. COOK. I think this is a really interesting and almost intractable problem it seems because, for instance in Nigeria, I was advising the President Obasangu with Jeffrey Sacks before, and one of the things that Obasangu was trying to do was come up with a list of all professionals, all Nigerian professionals living abroad. The first statistic that came across my desk was that a quarter of the health service in Great Britain was staffed by Nigerian doctors, and the question is whether this is an underestimate rather than the true number.

But they are definitely everywhere. High human capital everywhere. The economists published an article in, I think it was about 1996, saying that the most educated group—it is a very, very small group. The most educated group coming to the U.S. is from Africa, and that is a very small number of visas, very small number of people coming. That is a talent pool that can be tapped, and I think it can be tapped in several different ways.

Congresswoman Watson was talking about the introduction to Africa, and I think this is where they can be critical. I will not take my friends to—I will take my friends to Africa in a sequence. They have to get used to the environment before they actually sort of fall in love with Africa as, I think, everyone eventually does.

But I think this is where they are going to be critical, critical in interpreting signals, critical in interpreting the linkages that are able to be tapped, and also, we have to be careful because just as you see in Iran, those people who have been outside and educated and are trying to make their way back inside, sometimes they are not welcomed and embraced as we think they might be. So we have to be very careful about how we are leveraging their services, their knowledge. But I think there is something there to be tapped nonetheless.

Mr. HAYES. I would also say that I think right now the diaspora is probably the leading investor in Africa, but it is going by way of remittances and by the millions and overall billions when you look over. So it is going back to families, but the amount is enormous. Now, if you could transform that into investment as opposed to sustenance of families.

I seem to be following Congressman Payne everywhere he goes in Africa lately, and he was in Zimbabwe right before I was, but the—as well as a few other countries. But when I went to Zimbabwe, I was staggered by the fact that the bank, they said look, the second largest investor right now in Zimbabwe diaspora community, and I had no idea there was such a large Zimbabwe and diaspora community. You know, I would assume it came from South Africa. He said no, Britain and then followed by the United

States, there is more remittances back to Zimbabwe through the expatriate community, the diaspora than any other country.

So how do you translate that though into real investment? If you could translate that into real investment, the amount of money they are putting in is much more than some countries are putting in. So that is the challenge. I don't have an easy answer for you.

Mr. LEBEDEV. Well, Mr. Chairman, it is actually a very interesting question that you raise because the diaspora, and it is really multiple diasporas since there are many countries. But they really are a great resource, and to Dr. Cook's point, they bring in a cultural and emotional understanding to the marketplace that in fact would be invaluable.

One of the things the chamber is doing right now is working with folks who are part of the Liberian diaspora who are moving back, and we have a project ongoing that is hoping to link them with existing businesses. So in a manner of speaking, they become a technical and cultural resource as foreigners try to set up enterprises there using them as part of that process. They have the potential to be invaluable. It also is an opportunity for them because they can become stand-alone enterprises in their own right as they are part of a process. But I think it is a question that is worthy of far deeper exploration that you raise.

Ms. TANDY. Thank you, Mr. Chairman. Motorola is actually focused on trying to prevent the diaspora. We are focused on the e-learning and bringing opportunities to rural Africa to connect through distance learning and stay home and build and invest in Africa and build Africa from within.

So I am in a poor position to address the possibilities of the community, the larger community within the United States and how to leverage that. We are very focused on investing within the population within Africa.

Mr. PAYNE. Thank you. Let us see. Ms. Woolsey.

Ms. WOOLSEY. Thank you, Mr. Chairman. Mr. Lebedev, could you do me a favor and expand on your meaning of when you referred to Africa's bad press and then, a little bit later, African stereotypes? I kind of thought I knew what you were talking about, but then I thought well no, I don't know what you are talking about. What does the U.S. Chamber of Commerce mean by that?

Mr. LEBEDEV. What I mean by that is that too often the whole continent, as many of us have said, the whole continent tends to be misunderstood as one homogeneous entity when, in fact, it is more than 50 countries with their own cultures and experiences. The problem is there has been a history of violence and disruption in a number of African countries as we all know.

The unfortunate aspect is that the media tends to portray that as just Africa, as if those bad experiences that happen periodically and in fact are ongoing right now in certain places, is a statement about the entire place, not a particular incident or a particular country. And it is that misrepresentation, that stereotype of a continent, if you will, which we believe misrepresents the opportunities that are there and badly, and does a tremendous disservice to those competent African government officials, those superb African business people who, in fact, deserve the opportunities that are presented by foreign direct investment trade and other business initiatives.

Ms. WOOLSEY. OK, thank you very much. Dr. Cook, when you spoke of the product, the American product that is going to Africa, I had this vision of landfills with all of our—like we have in the United States of all of our throwaway products. Is there any work going on so that Africa doesn't repeat all of our same mistakes?

Ms. COOK. So I would share your concern, but I would have to beg ignorance here. I don't know the specifics of the deal, but I would have the same concern about plastic bottles or any kind of packaging winding up in large landfills in Africa. But I would agree that this would be an important component and one that we should pay attention to when striking these deals.

Ms. WOOLSEY. OK, well do you—and, Ms. Tandy, you may want to respond to this. Are we providing Africa with third- and second-generation technology, or are we getting there with the newest technologies, or is there an affordability piece of that that we need to take into consideration?

Ms. TANDY. Motorola has been working very closely with our carrier partners throughout Africa, and Africa is receiving the current technology. And, as I mentioned, the future technology has now entered Africa with the WiMAX trial that just launched this past spring. So I think Africa is at the same level as the rest of the continents. The rural segments of Africa and the infrastructure that needs to be built out into connecting the rural unconnected is certainly a challenge and a key focus for the carriers as well as for Motorola.

Ms. WOOLSEY. Do you see any future for our clean technologies being a product, an import to Africa?

Ms. TANDY. We actually—as a company, we have had some projects in Africa that I could provide you some more information about. Some wind-powered projects in Namibia as well as solar powered infrastructure that one of the mining companies has utilized in the rural area of South Africa. So we do see some potential there.

Ms. WOOLSEY. Anybody else?

Mr. HAYES. Yes.

Ms. WOOLSEY. Yes?

Mr. HAYES. There is actually enormous potential on the renewable energy resources. Germany and Sweden are already doing quite a bit in Africa. South Africa is turning to a lot of renewable resources in terms of its planning. So there is just an enormous market there also for U.S. companies of smaller to medium-sized to become engaged with Africa. Again, the issues of financing, where are they going to get it to get in, and government coordination.

Ms. WOOLSEY. Thank you very much.

Mr. PAYNE. Thank you. Let me ask a question or two. As we know, the U.S. imports primarily are Nigeria—well, natural resources in generally speaking either mined products or oil and so forth. And I am just wondering if there are, in your opinion, any other promising markets? For example, agriculture is, I think, underutilized. For example, in Zimbabwe, they are getting ready to do a second crop. The first crop was pretty good, but the second crop they expect to be very good. In Nigeria, you could probably do three crops.

Are there any—and livestock with cost of commodities increasing. At least a year or so ago, they were very high. They dropped a bit, but commodities are—and the whole, you know, agriculture business, is something that is going to be a strong industry. Has there been any work on the part of the business, Steve, that maybe your corporate counsel or the chamber that are trying to—I know you are in technology, Ms. Tandy, so you wouldn't be telling people—you can't grow computers. So I am just talking about the—what about that? Have there been a stressing of that to African countries?

Mr. HAYES. There has been on our part, and—but the African countries know they can grow anything. Every country can produce agriculture. As you know, Zimbabwe could feed the continent under the right circumstances. Again, it wouldn't take too much to change that.

The issues are on two different ends. One is the secondary and tertiary benefits on agribusiness, canning and so forth. That production capacity is lacking. They could sell to—with the production capacity, they could sell to the United States market very easily. And so that is another area where the United States companies, and certainly in California with the canneries, could expand again with the right inducements and the right encouragement.

The second problem though again is the agricultural subsidies here that prevent a lot of—that prevent competition from Africa. So, we have to also address the subsidy issues that Senator Luger has also pointed out. But Agribusiness is greatly underutilized. I am concerned that AGOA is too dependent on textiles. We have to broaden that, and yes, so I have said enough.

Mr. PAYNE. I agree with Senator Luger. I don't know who agrees with whom first because I was talking about ending agricultural subsidies, you know, right when I first came to Congress. And I think we are finally hopefully going to get around to that. I mean it is going to be slow and people kicking and screaming, especially from our farm belt. But I do see hopefully that subsidy, because it really is in opposition to WTO and other world organizations.

I wonder, Ms. Tandy, if there is any possibility for technology to grow in Africa. For example, I understand that Rwanda was interested in trying to see if they could wire their country to be sort of a center for broadband or, you know, are there any possibilities for that kind of—even why not have a call center in Ghana, where they speak English, or Kenya? You could probably less detect it than the Indian saying I am Sam, with this I am Sam, and I live down the street so to speak. Is there any possibility of having call centers in Africa, in your opinion?

Ms. TANDY. I don't know whether that has been explored. However, it makes sense that it is certainly possible in Africa. There are tremendous number of entrepreneurs springing up throughout the continent that we are also investing and giving grant money too, and technology. So, there is no reason why a call center, as far as I know, couldn't be part of the future in Africa.

Mr. LEBEDEV. I would echo that, that Africa has a wonderful resource of English language speakers. Certainly there is some market maturation in India right now, and one could argue that there might be cost competitive advantages in Africa. So I think that, to your point and Ms. Tandy's point, I think that is a sensible area in which to look.

Going quickly to your question about agribusiness, I think also, again, as Steve said, creating the right inducements to get the right companies there and even setting aside the barriers to shipping back to the United States. There is a billion people there that need to be fed, and too many of these countries are already net importers of food. And for sure there is an opportunity for domestic consumption of a variety of things that big companies can help grow there on the spot.

Similarly, I think you could look at certain grains because it is from grains that we can do some very interesting things with biofuels. And again, looking forward, these are the sorts of things that should be indigenous industries in Africa. We wouldn't, you know, it would be nice to have them sort of grow from the bottom up some opportunities like that that also affect climate issues very directly.

Mr. PAYNE. Yes, Dr. Cook.

Ms. COOK. So I think on the last point that you make, this is really perceptive in terms of technology. When I was advising the Rwandan government for its first post-genocide IMF program, one of the things that I included in terms of a recommendation it was taking advantage of the fact that 90 percent of its phone system was digital. There is no other phone system in Africa that could claim that. And this provides a number of different opportunities, a number of different applications that would be possible through this digital system.

So I think that there are a number of opportunities not just with call centers. I was suggesting that it become the Memphis of Africa in terms of Memphis being the center of FedEx, where FedEx is located. And it is centrally located. If you can have high school graduates who could use technology really easily, this is a great place to locate that kind of application.

But to go back to your first question about what kind of agricultural products might the U.S. partner with Africa to develop. Specialty coffee and teas. I was mentioning before that Kenyan and Ethiopian coffees are becoming ubiquitous in America, and I think that the same is true for Burundi. I mean this is a burgeoning market for Tanzania, for other countries in east Africa.

Tourism. So I think that developing tourism is a non-trivial thing in Africa. I think it could have huge benefits. It is a niche market, but it is a niche market just like specialty coffees and teas. And I think it is growing by leaps and bounds.

And in terms of other kinds of agricultural products, cassava, I think that this is all over Africa. And it has so many different applications. It is almost like our garlic, and there are so many different things it could be used for. Biofuel, starch in clothes, dyes. And I think that if there was a way we could help with developing their research to be able to use these products, I think we would be doing them a tremendous service, and we would benefit from that, too, because I think we would learn a lot more from these products that we don't have that aren't indigenous to the U.S.

Mr. PAYNE. Well, that is good. When you mentioned Memphis, I thought they were doing some blues over there. But no, so the—let me—I have just been informed that President Dubaki just recently connected the first of several fiber optic cables in Mombasa. So this seems like they are starting to move forward in that regard, and I do think there are tremendous opportunities.

Let me certainly thank the panel, and I thank all of you for your patience. Once again we apologize for this day. It will be the same tomorrow though and Friday. So you wouldn't have escaped it if it was not on this day. And so, we do intend to have a follow up.

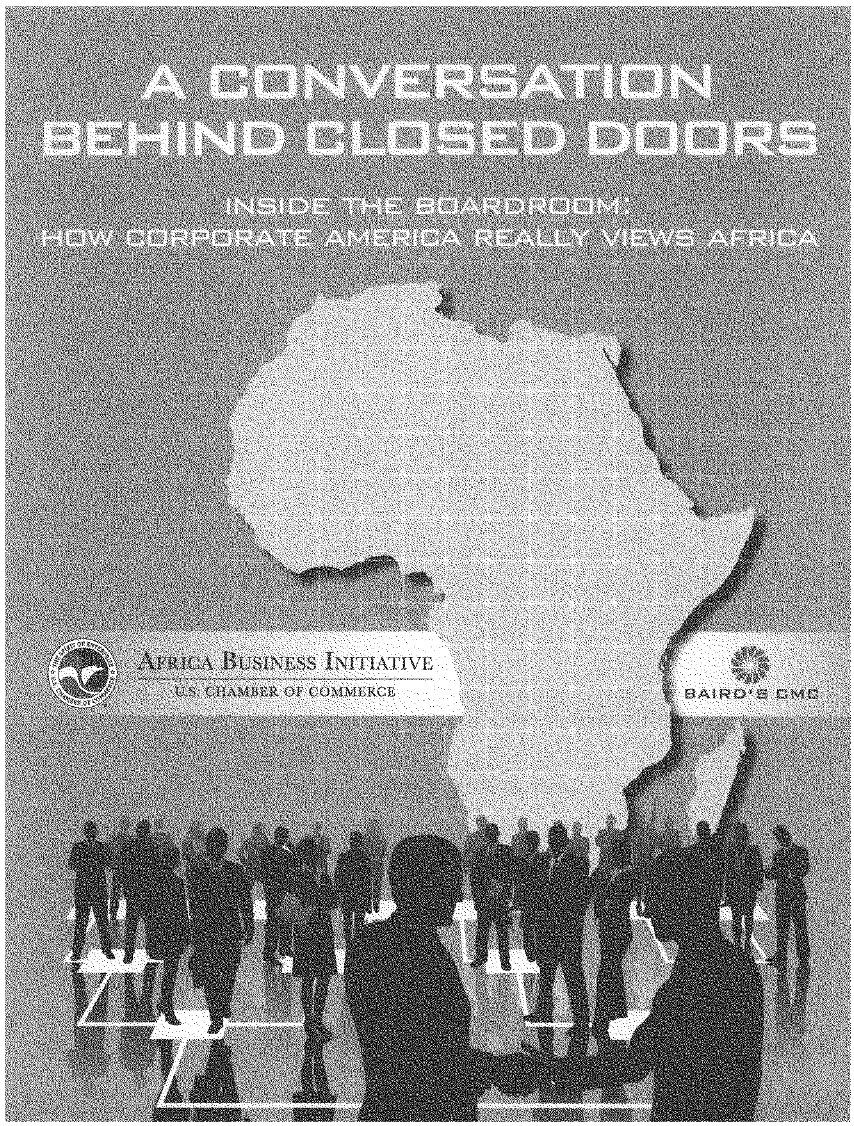
Chairman Rush has a strong interest and since his jurisdiction is commerce, trade, and consumer protection, we are really going to try to work together. This is probably the first time this particular subcommittee have dealt with trade in Africa, and it just happens that his interests coincide with the interest of the Africa and Global Health Subcommittee. So I think that we will try to really have some Rush-Payne or Payne-Rush activities to see if we could kind of stimulate this area.

And I would like to thank the members who did come and stay. Let me just conclude by saying I ask unanimous consent from members to submit additional questions for the record, and for members to have five days to revise and extend their remarks. Without objection, so ordered.

Secondly, I ask unanimous consent for entering into the record a statement provided by Francois Baird about a survey of the views of U.S. corporate executives about foreign direct investment in Africa. Without objection, so ordered. Thank you very much. The meeting is adjourned.

[Whereupon, at 5:55 p.m., the subcommittees were adjourned.]

[Material submitted for inclusion in the record follows:]

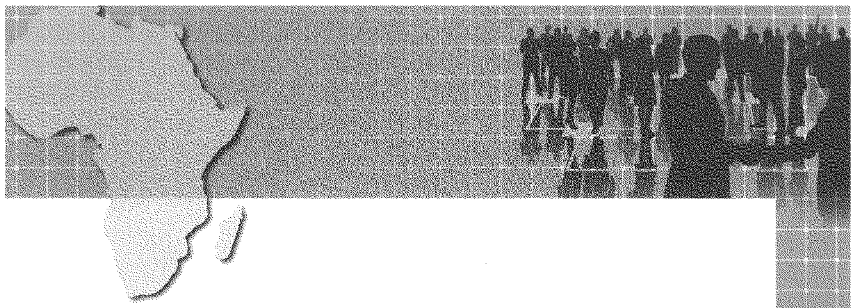

A CONVERSATION
BEHIND CLOSED DOORS
INSIDE THE BOARDROOM:
HOW CORPORATE AMERICA REALLY VIEWS AFRICA
AFRICA BUSINESS INITIATIVE
U.S. CHAMBER OF COMMERCE
BAIRD'S CMC

This executive summary can be viewed online at:
www.uschamber.com/international/mideast

For more information on the Africa Business Initiative, please e-mail: **africabusinessinitiative@uschamber.com**. Or call 202-463-5460.

For more information about Baird's CMC, please visit the web site: **www.bairdscmc.com/**. Or call the Newport, United Kingdom office at +44 (0) 1495 200096.

The full report will be available July 1, 2009.



Part One: The Corporate Conversation

A CONVERSATION BEHIND CLOSED DOORS

Inside the Boardroom:
How Corporate America Really Views Africa

May 2009

AFRICA BUSINESS INITIATIVE
U.S. CHAMBER OF COMMERCE

BAIRD'S CMC

BAIRD'S CMC

A CONVERSATION BEHIND CLOSED DOORS

Inside the Boardroom: How Corporate America Really Views Africa

ABOUT THE U.S. CHAMBER OF COMMERCE AND THE AFRICA BUSINESS INITIATIVE

The mission of the Chamber's Africa Business Initiative is to engage the U.S. business community on policies that foster foreign direct investment in Africa, to facilitate trade between the United States and African countries, and to expose the U.S. business community to the continent's vast economic opportunities.

The U.S. Chamber of Commerce is the world's largest business federation representing more than 3 million businesses and organizations of every size, sector, and region; as well as 112 AmChams in 99 countries around the world.

ABOUT BAIRD'S CMC

Baird's CMC is an international communication management consulting firm, operating in 11 countries with 28 partners employing over 400 people. Baird's CMC is represented in Washington, D.C., New York, Johannesburg, Gaborone, Harare, New Delhi, Mumbai, São Paulo, London, Newport (Wales), Paris, Berlin, Moscow and Warsaw. Its global research practice has interview panel members in 42 countries.

ABOUT THE SURVEY

The Conversation Behind Closed Doors is a two-part, qualitative survey conducted by Baird's CMC in partnership with the U.S. Chamber of Commerce.

Part one, The Corporate Conversation, is an inside-the-boardroom survey of attitudes toward corporate investment in Africa among leading U.S. corporations. The information was gathered during a series of behind closed door interviews. All interviews took place from January to November 2008 and were conducted in person by senior associates of Baird's CMC. This document presents the findings of part one.

Part two, The Public Sector Conversation, will be conducted over the next several months. It is an inside-the-government survey of the responses set forth in part one.

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A CONVERSATION BEHIND CLOSED DOORS
Inside the Boardroom: How Corporate America Really Views Africa

RESEARCH METHOD

Participants

Top management decision makers in 30 leading U.S. based multinational corporations participated. A majority were executives of U.S. Fortune 100 corporations.

Industries Represented

- Aerospace/Defense
- Agribusiness
- Consumer Goods
- Health Care
- Information & and Communications Technology
- Infrastructure
- Media
- Petrochemical/Extractive
- Pharmaceutical
- Transportation

Confidentiality

All responses are anonymous and are not attributable to individual participants.

Study Design

The research practice of Baird's CMC adheres to the rules of The European Society for Opinion and Marketing Research (ESOMAR). ESOMAR is the world organization for enabling better research into markets, consumers, and societies. The survey was governed by a review panel comprising representatives from the U.S. Chamber, Baird's CMC, and independent organizations.

This survey examined the reasons why U.S. companies hesitate to invest in Africa. It also looked at what American businesses and African countries can do to increase U.S. investment across the continent.

EXECUTIVE SUMMARY

Overview

Africa is the world's second largest and second most populous continent after Asia, with a population nearing 1 billion. It accounts for 14% of the world's population. More than 1,000 languages are spoken across its 53 countries. In addition, Africa covers 20% of the world's total land area and contains about 30% of its mineral reserves.

African governments have indicated a willingness to create investment-friendly environments for Foreign Direct Investment (FDI), and U.S. based multinational corporations would typically be expected to take advantage of such environments to invest and grow their businesses in Africa. So why has Africa not attracted more interest from the U.S. business community?

Key Findings

U.S. executives point out that Africa is only one of many possible destinations that American corporations consider for investment. Investment is highly competitive, and many countries are vying to become the destination of choice for capital. That said, U.S. companies in some sectors, particularly technology, now regard Africa as the last frontier for growth. These companies believe that Africa, with its market of about 1 billion people, can no longer be ignored. Even with this interest, Africa faces tough competition and huge hurdles to attract U.S. investment.

Globally, competition for American FDI is high. Countries from all regions showcase their advantages, align their offers to U.S. needs, clamor for attention, and invest in their own countries to attract additional investment. Consequently, U.S. corporations do not lack investment choices, and they rarely consider African nations.

Further, news about Africa is largely about chaos and unrest. Africa is not active or aggressive enough about attracting investment; the voices of the few countries that are making an effort get lost in the surrounding negative noise. Some African countries are making special efforts to assist foreign companies that invest. For example, Nigeria's president regularly engages with the local leaders of foreign companies to help cut through bureaucratic tape.

A CONVERSATION BEHIND CLOSED DOORS

Inside the Boardroom: How Corporate America Really Views Africa

U.S. corporations need a strong and specific draw from Africa to make investment worthwhile. This can be the lure of a robust market, a big source of critical raw materials, or a belief that there is a competitive advantage to early entry into African markets. The survey data show that few of these pulls exist or are not sufficiently enticing to be effective in the near term.

Investment—Five Influencing Factors

This survey reveals that five factors influence the decision of U.S. corporations to invest in Africa:

- **Rule of law**—A strong consensus exists among the respondents that the rule of law does not prevail to the degree required to make Africa an attractive investment destination. This applies to corporate, societal, and criminal law.
- **Attraction**—Africa does not offer a sufficiently large middle class of consumers or show consistent economic growth that could promise a future market. Most African countries are small and have poor markets, and there are barriers to regional markets—such as taxes and the freedom of movement of people and goods. However, Africa does offer an abundance of natural resources.
- **Risks versus rewards**—U.S. corporations look at "risk adjusted ROI" when considering Africa as an investment destination. Given the currently perceived risks in Africa, the rewards have to be very high to make it worthwhile to invest. Presently, U.S. corporations say that there are very few visible promises of high future returns to justify significant investment.

INSIDER'S VIEW

"We look at the spending power of the country, its political stability, and the corruption index."

"In Africa, it's like playing Russian roulette—it's risky."

- **Supportive business framework**—Transportation and communications infrastructure, trained or trainable human resources, and equitable trade and employment practices are essential elements to support corporate investment. Currently, these elements are insufficient.
- **A welcoming environment**—In order for U.S. companies to employ locals, African countries must do a better job of providing education and health services to the potential workforce. By making it easy for companies to set up and do business, African countries will show a willingness to encourage FDI.

Overall, U.S. businesses do not view Africa as an attractive place to invest. The image of lawlessness, corruption, unstable governments, an inadequate infrastructure, uneducated or untrained people, and an unwelcoming government attitude toward business serve as major deterrents.

INSIDER'S VIEW

"We are a stock market-listed company, so the first thing is return on investment. Can we make money? And can we get the money out? For instance, you can make money in Zimbabwe, but it cannot be repatriated. So it doesn't make sense for us."

Investment Impediments

Respondents to this survey honed in on three major impediments to American investment on the African continent:

- **Difficult business case**—Planning for investment in Africa is fraught with uncertainty because the risks seem too high and the returns too inconclusive to merit significant capital allocation. Executives find that any investment in Africa needs a lot of hard selling within a corporation—the push-back is that it is too much trouble for an unreliable promise of return.

- **Corruption and uncertainty**—The main problems concerning investment in Africa relate to corruption and the apparent lack of political will to curb it. U.S. businesses believe that these practices handicap those who will not or cannot "play the game" by these rules. In addition, returns are not reasonably ensured or sustainable because costs can often escalate for reasons unrelated to business operations and the rules can change unexpectedly. This means that the time and resources already invested could be lost.

INSIDER'S VIEW

"Educate your people so that we can employ them."

"There need to be investments in education and health so that there's a growing layer of the population that eventually can afford to buy our products."

"Are there investments in infrastructure—roads and hospitals and electricity grids and telecommunication grids?"

- **Opportunity cost**—Executives do not yet believe that they are at a competitive disadvantage because they are not investing in African countries. With no competitive traction, there is no sense of an opportunity being missed. Furthermore, since Africa is not selling itself overtly by asking for investment, the continent does not attract enough attention amidst competition for investment from other developing countries or regions. Exceptions to this are China and India.

U.S. Business Wish List

To attract FDI, corporate America asks African nations to do several things:

- Invest in the health and education of the African people to create a large pool of skilled and productive human resources.
- Invest in and maintain infrastructure—transportation, communications, electricity, and security—so that there will be a reliable society in which to operate.

INSIDER'S VIEW

"Create environments in which you feel reasonably confident that your intellectual property rights and other legal protections are in place. Companies need to be able to do business without being blind sided."

"Executives need to feel confident that the government is going to honor contracts and not change the rules of the game when we need to proceed with any kind of business transaction."

- Build a functioning legal system to ensure the rule of law, transparency, and fair play.
- Create a positive climate for foreign investments by reducing bureaucratic processes, eliminating corruption, and reforming tax systems, irrespective of country of origin.
- Ensure stable political environments—that may or may not be based on western democratic principles—that work toward the common good of all stakeholders in society.

Going Forward

The survey results show that Africa is not yet a top investment choice for U.S. corporations. There are several reasons for this: The promised return is not commensurate with the risks; other continents, countries, and regions offer better investment options; and U.S. executives view Africa as needing excessive work to be an attractive investment choice.

Generally, survey respondents see pockets of potential in Africa, and they recognize that some countries are making an effort to change.

Corporate America would be more interested in investing in African countries that are seriously trying to attract investment if the following characteristics were in place:

- Stable political environment
- Educated workforce
- Fair business environment
- Improved infrastructure

INSIDER'S VIEW

"I won't risk my reputation and years of hard work to establish a new facility if risk factors are too high. Our company's internal audit of a country drives decisions."

AFRICA BUSINESS INITIATIVE
U.S. CHAMBER OF COMMERCE

In addition, countries and regions in Africa need to sell themselves more aggressively to corporate America. But even if Africa learns to better market itself to U.S. businesses, investors will hesitate because Africa is regularly portrayed in the media as unstable and violent.

Until the overall picture stabilizes, most African nations will find it tough to attract FDI. Exceptions include northern countries like Morocco and Egypt and sub-Saharan countries like South Africa and Nigeria, with proven business potential. However, the investment jury is still out even for these countries.

Therefore, African government and business leaders should decide how best to overcome the impediments—both real and perceived—to U.S. corporate investment.
A focus on regional harmonization is increasingly necessary for Africa to succeed in attracting investment. This will help overcome the negative images generated by a single country, improve market access for investors, and allow for a more streamlined regulatory environment to encourage business investment.

INSIDER'S VIEW

"For me, Africa is West Africa, East Africa, Central Africa, and South Africa— which are four totally different worlds."

"Once we are in a country, we often look at other opportunities to invest there."

"What is much more essential than building factories is that we are willing to export intellectual capital. Plants can be closed or relocated. It is much more important long term that an investor is willing and committed to sharing intellectual capital."

American businesses also need to consider carefully the opportunity cost of ceding Africa to its European, Chinese, and Indian competitors. If U.S. corporations are able to find ways of overcoming their fears, as they do in other parts of the world, the business case for investing in Africa is increasingly attractive. This is proven by success stories in oil and gas, extraction, telecommunications, retail sectors, and the growth of fast-moving consumer goods companies.

Since Africa offers long-term growth opportunities to U.S. companies, there is clearly a need for the U.S. government to find more innovative ways to help U.S. corporations invest on the continent.

Finally, Africa may want to consider the benefits of encouraging U.S. corporations whose stated desire is to employ Africans, unlike others who merely exploit African mineral resources without contributing to local employment. Africa may also benefit in the long term from the U.S. approach of skills transfer and technology development, provided that intellectual property is protected.

The topic of part two of this study is how Africa prepares to accommodate the concerns of U.S. corporations and compete for U.S. investment.

Acknowledgments

The study was governed by a review panel comprising representatives from the U.S. Chamber of Commerce, Baird's CMC, and independent members. Hema Viswanathan, head of Baird's CMC research practice, led the study. The U.S. Chamber was represented by Scott Eisner and Danielle Walker. Baird's CMC was represented by Baird's Co-Chairmen Mark Chataway and Francois Baird, as well as shareholders Lenore Cooney (board member) and Denise Gray-Felder. The review panel also benefited from the wisdom of Greg Lebedev, chairman of the Center for International Private Enterprise, and from Rosa Whitaker, president and chief executive officer of The Whitaker Group.

BAIRD'S CMC

AFRICA BUSINESS INITIATIVE
U.S. CHAMBER OF COMMERCE

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The United States and Africa

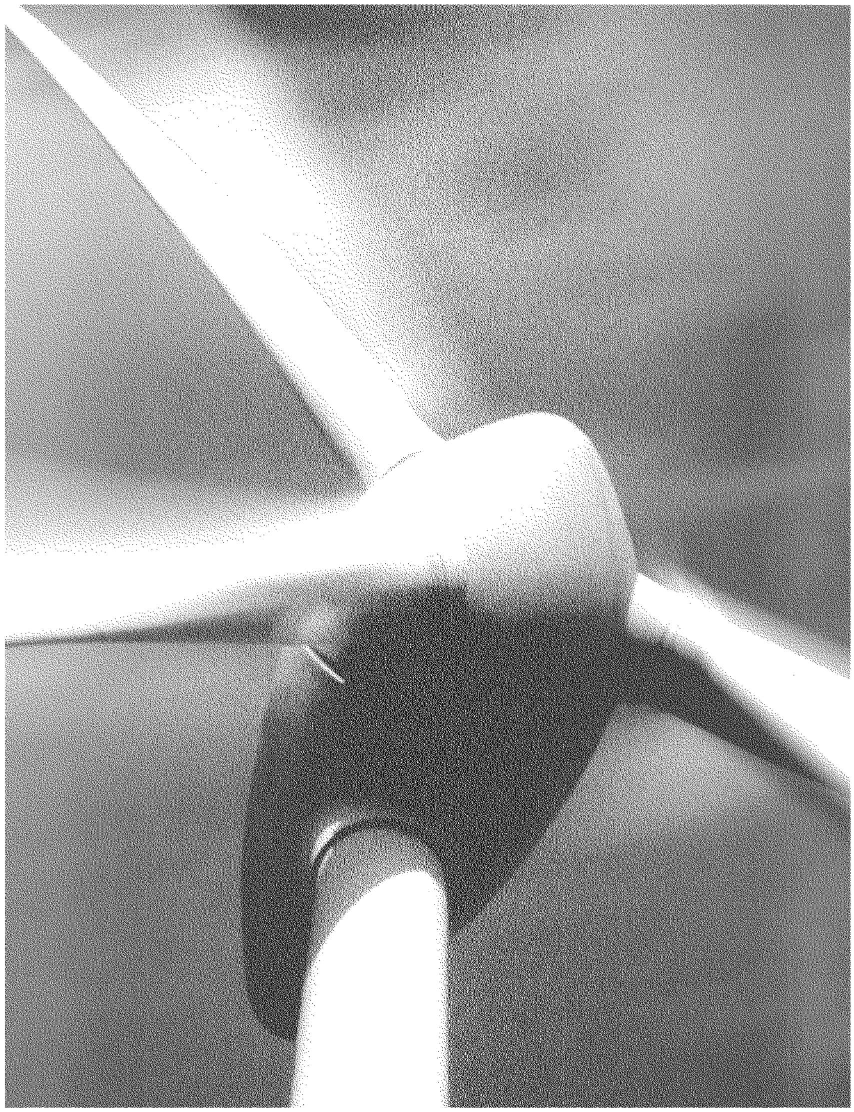
Policy Recommendations from the American Private Sector for the Obama Administration

THE CORPORATE COUNCIL ON AFRICA

WWW.AFRICACNCL.ORG

Presented by The Corporate Council on Africa | Stephen Hayes, President & CEO

March 4, 2009 | The U.S. and Africa – Business Partners in Development



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Acknowledgments

This document is the work of over 100 representatives of member companies, staff and friends of The Corporate Council on Africa. All CCA member companies and other contributors are listed in Annex 4. We would like to offer special thanks to those who led the discussions and drafting in the working groups and steering committee:

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Marc Cavaliere, VP	South African Airways	Chair, Tourism Group
Terry Dunmire, non-ExecDir	Geneva Risk	Chair, Infrastructure Group
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Timothy Richards, VP	General Electric	Chair, Electrical Power
Paul Ryberg, President	Africa Coalition for Trade	Chair, Trade Group
Will Stephens, VP	Johnson & Johnson	Chair, Healthcare Group
Robert C. Perry, VP	CCA	CCA Staff Coordinator

Abbreviations

ACOTA	African Contingency Operations Training Assistance Program
AFRICOM	United States Africa Command
AGCI	African Global Competitiveness Initiative
AGOA	African Growth and Opportunity Act
AU	African Union
B10	10 Percent Bio-fuel Blend
BIT	Bilateral Investment Treaty
CAADP	Comprehensive Africa Agricultural Development Program
CCA	The Corporate Council on Africa
CDM	Clean Development Mechanisms
CNTPO	Counter-Narco Terrorism Program Office
COMESA	Common Market for Eastern and Southern Africa
CSI	Container Security Initiative
CSR	Corporate Social Responsibility
C-TPAT	Customs-Trade Partnership Against Terrorism
DFI	Development Financial Institution
DT	Double Tax
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
EPA	Economic Partnership Agreement
EXIM	Export-Import Bank of the United States
FDI	Foreign Direct Investment
FTA	Free Trade Area
FX	Foreign Exchange
GDA	Global Development Alliance (USAID)
GPOI	Global Peace Operations Initiative
ICT	Information and Communication Technology
IFC	International Finance Corporation
IFI	International Finance Institution
IMET	International Military Education and Training
IMF	International Monetary Fund
IPP	Independent Power Producer
ISPS	International Ship and Port Facility Security Code
LDC	Least Developed Countries
LNG	Liquefied Natural Gas
MAP	Multi-Country AIDS Program (World Bank)

Abbreviations

MCC	Millennium Challenge Corporation
MDG	Millennium Development Goal
MFA	Multi-Fiber Arrangement
MIGA	Multilateral Investment Guarantee Agency
NBIA	National Business Incubation Association
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
OFAC	Office of Foreign Assets Control
OFDA	Office of Foreign Disaster Assistance
OPIC	Overseas Private Investment Corporation
PCL	Passive Coherent Location
PEPFAR	President's Emergency Plan for AIDS Relief
PMI	The President's Malaria Initiative
PNSR	Project on National Security Reform
PPA	Power Purchasing Agreement
PVO	Private Voluntary Organization
REC	Regional Economic Community
SADC	Southern African Development Community
SBA	Small Business Association
SDA	Special Delegated Authority
SFI	Secure Freight Initiative
SME	Small and Medium Size Enterprise
SOLAS	Safety of Life at Sea Treaty
SSFA	Safe Skies for Africa
SSPA	Safe-Sea-Ports for Africa
TCB	Trade Capacity Building
UNSC	United Nations Security Council
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USG	United States Government
USTDA	United States Trade and Development Agency
VAT	Value Added Tax
WTO	World Trade Organization
1206	Authority for U.S. military to train and equip foreign military and maritime forces
$	U.S. Dollars

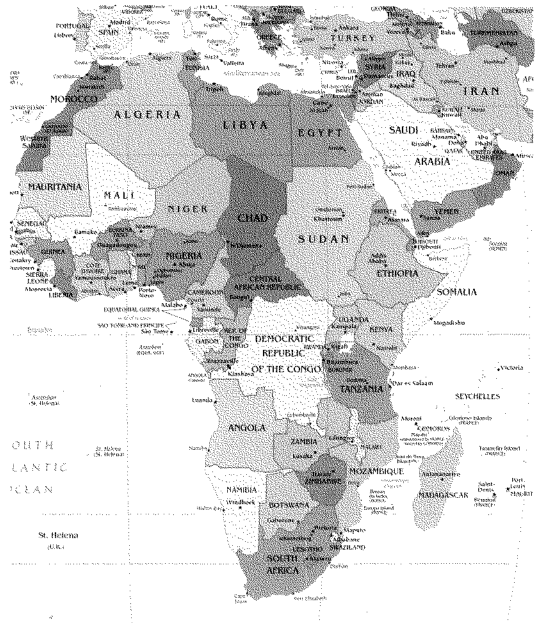
Introduction
The United States and **Africa** Business Partners in Development

The Corporate Council on Africa (CCA), representing more than 160 U.S.-based companies operating in Africa, and friends of CCA, have drawn on our collective experience to offer analysis and recommendations for the Obama administration on how to strengthen American engagement with Africa in the areas of trade and investment for mutual benefit. We are at an important moment: U.S. policymakers have an opportunity to chart a coherent, integrated policy process for U.S.-Africa relations, building on past successes and focusing on strengthening cooperative working relationships among the public sector, private sector and civil society in Africa and America. By creating an enabling environment for increased investment through appropriate incentives, and by ensuring security and stability in the region, the U.S. can help to catalyze sustainable growth and development in Africa.

CCA and its members are committed to working with the administration and other stakeholders to turn these opportunities into reality. We believe that active engagement with the private sector is essential for governments planning for their national interests. Business brings a market-oriented approach to basic development challenges of infrastructure, health and security. Businesses also provide new enterprises and meaningful employment for the citizens of all nations.

This report was drafted with the active participation of more than half of CCA's members working in sector groups over a three-month period. The authors addressed trade, finance, security, agriculture, electrical power, extractive industries, healthcare, infrastructure, and tourism. As our dialogue developed, several cross-cutting issues emerged that affect all sectors.

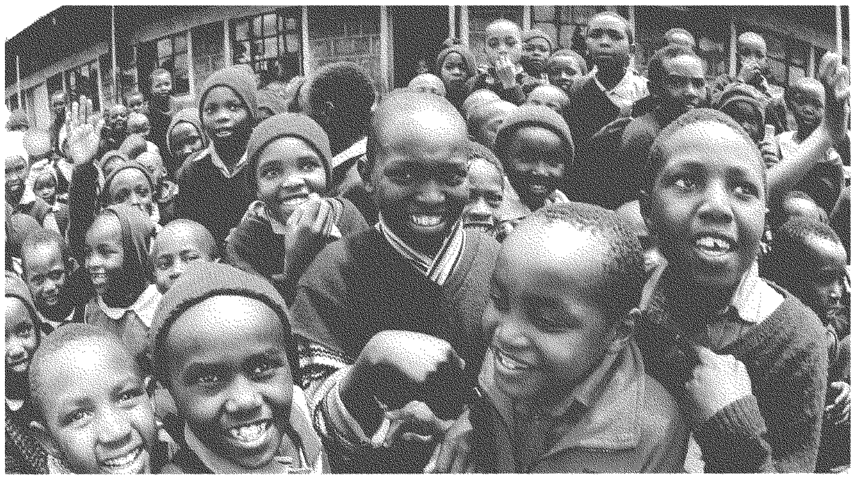
We found that the African Growth and Opportunity Act (AGOA) provided a valuable framework for integrating U.S. economic engagement with Africa, but it should be expanded to foster greater trade and investment and thus spur additional economic benefits for both Africa and America. Available and flexible financing backed by coordinated government policies are key to supporting American competitiveness in Africa's emerging markets. Greater U.S. engagement and cooperation with African governments in strengthening security is key to encouraging greater direct investment and to increasing the benefits for Africans from foreign investment. In most sectors public-private partnerships provide an important means to share expertise, mitigate risks and achieve ambitious outcomes in common endeavors.



The working groups have made many specific recommendations for their respective sectors. However, there are several overlapping key points. These include:

- Strengthen public-private partnerships and increase United States government (USG) technical assistance and capacity building in aid projects.
- Provide financial incentives to encourage investment in Africa that will generate export jobs in the United States.
- Support agribusiness investments to enable Africa to meet its food needs and supply bio-fuels for a green economy.
- Support investment in Africa's electrical power sector to strengthen the base for economic growth.
- Expand USG support for private sector health care in Africa.
- Increase support for American investment in Africa's tourist sector to foster American travel and African job growth.
- Increase senior level advocacy for American trade and investment with Africa.
- Provide risk mitigation measures across all sectors of business investment.

Taken together, CCA's recommendations offer pragmatic prescriptions that can help spark a renaissance in U.S. trade and investment policy toward Africa and facilitate exciting developments across the spectrum of U.S.- Africa business interests. •



Executive Summary

This is the moment when we must build on the wealth that open markets have created, and share its benefits more equitably. Trade has been a cornerstone of our growth and global development. But we will not be able to sustain this growth if it favors the few, and not the many."

Barack Obama, July 24, 2008, Berlin, Germany

The national security, foreign policy and commercial interests of the United States mandate a much stronger relationship with the nations of Africa. While sometimes seen pessimistically as a continent defined by conflicts, crime, terrorism, poverty and disease, Africa is no longer just a humanitarian and development challenge, but rather a growing and vibrant source of energy, export opportunities and international partnerships. CCA and its member companies are optimistic about the prospects for growth in U.S. – Africa economic relations, despite the challenges that now confront the global economy. Following is a summary of key recommendations for the nine sectors – security, finance, trade, agribusiness, electrical power, extractive industries, healthcare, infrastructure, and tourism.

1. Security

Africa offers significant risks and opportunities for U.S. foreign policy and American business interests. The continent hosts stark economic and social contrasts existing side by side, though not always in peace and harmony. While cultural differences must be understood and many business-related factors assessed prior to making decisions on investments and partnerships, the process can be paralyzed at any stage by security-related issues.

Recommendations

A. **Response to Armed conflict:** Designate special envoys to areas of existing conflict; deploy pre-emptive inter-agency "fly-away teams" to developing crisis spots to negotiate with the conflictive parties to calm the situation; initiate early calls for United Nations Security Council (UNSC) action on conflict resolution and peacekeeping; increase funding for the African Stand-by Force; and continue to support the Overseas Security Advisory Council as an effective means to exchange security related information with the private sector.

B. Response to Transnational Security threats: Maintain a regular U.S. Navy presence in the Gulf of Guinea and expand the program to include all African coastal waters; encourage Gulf of Guinea countries to develop a model of regional maritime security and collaborate with U.S. Africa Command (AFRICOM) to develop a coastal surveillance system; assess the effectiveness of the anti-piracy Combined Task Force 151 and adapt it to other regions facing piracy; and expand U.S. law enforcement deployment to ports to coordinate with host country law enforcement and the private sector.

C. The Project on National Security Reform (PNSR): Initiate PNSR reforms as a pilot in Africa to better integrate interagency programs and their collaboration with the private sector.

D. Conflict Mitigation Actions: Task AFRICOM to convene regular meetings with all stakeholders to develop a coordinated plan of security engagement in Africa.

E. The American Private Sector in the Post-Iraq Environment: Convene a team of public/private stakeholders to assess and recommend improvements in U.S. contracting laws and regulations; and include contractors and NGOs in threat specific contingency planning.

F. Professionalization of African Security Forces: Support existing training programs and continue to emphasize civil-military relations; improve coordination between U.S. military and law enforcement; increase police training for other nations; and selectively approve sales of defense and security equipment to qualified African entities.

G. African Women in Security roles: Include African women in military and law enforcement training programs.

H. Relations with African Security Organizations: Engage sub-regional leadership in discussion of mechanisms for regional collaboration, when U.S. law sanctions a member of the region.

I. National Security Forces: Include African military as stakeholders in developing national health and education programs funded by the U.S.

2. Finance

Private capital flows to Africa increased from $15 billion in 2003 to $53 billion in 2008, according to the IMF, however this is insufficient to drive requisite economic development and new investment is now declining. The convergence of the global financial and economic crises and the arrival of the Obama administration provides an opportunity to recommend steps to increase capital flows to Africa. To attract investment, African countries need to continue economic liberalization, reduce foreign exchange controls, maintain competitive labor market policies, create efficient land registration systems, reduce debt and corruption, and improve education and health systems. These recommendations support critical U.S. economic and national security interests in the region. The growth of African economies creates opportunities for American job creation through the export of capital goods to build infrastructure and consumer goods to meet the needs of the emerging middle class.

Recommendations

A. Expand Trade Finance: Improve coordination of U.S. government programs to encourage increased trade financing for African projects; encourage greater use of risk mitigation tools (guarantees and insurance) for Africa; replicate EXIM's Nigeria Medium Term Insurance and Guarantee Facility in other African countries; and consider relief for U.S. banks from restrictive ratings and regulations that limit willingness to lend to Africa.

B. Promote Foreign Direct Investment in Africa: Increase tax-related incentives for U.S. firms doing business in Africa, and provide targeted incentives for agribusiness, infrastructure and financial services; and encourage African governments to reduce corporate and capital gains taxes.

C. Overseas Private Investment Corporation (OPIC): Strengthen the mandate and effectiveness of OPIC to support investments in all sectors in Africa, including "sensitive" ones, such as textiles and apparel, agribusiness, and electronics; nurture African banks by offering long term debt coordinated with sub-regional development banks; and encourage Organization for Economic Cooperation and Development (OECD) credit agencies to increase repayment terms from 10 to 20 years and increase local costs from 15 to 50 percent of export value.

D. Legal and compliance: Review the Patriot Act to strike a reasonable balance between information requirements and promotion of banking in African markets; and encourage African governments to adhere to the rule of law and due process.

E. Strengthen African Capital Markets: Encourage African countries to access capital markets; encourage African governments to use international credit ratings by training key financial staff in use of ratings; create an African Financial Fellowship Exchange Program; promote regionalization of debt and equity capital markets; and expand the Treasury Department's technical assistance program.

3. Trade

Since May 2000, AGOA has been a cornerstone of U.S. economic relations with Africa, aimed at leveraging duty-free access to the U.S. market to create employment, reduce poverty, promote economic and political stability, and develop markets for U.S. goods and services. Despite AGOA's benefits, African countries still face significant barriers to trade, ranging from poor quality control to inadequate infrastructure. Unless a concerted effort is made to address such issues, liberalized market access will mean little.

Recommendations

A. Strengthening Trade Policy-AGOA and Beyond: Provide technical assistance and infrastructure support to AGOA beneficiaries; expand product coverage, by adding duty-free eligibility to certain products that are now ineligible; support regional integration by negotiating regional Free Trade Areas (FTAs) and supporting regional development projects; create a one-stop shop for Africa trade and finance promotion programs; negotiate BITs with more countries or RECs; oppose AGOA-type benefits for non-African countries, particularly in the textile and apparel sectors; and assess the potentially negative implications of the Economic Partnership Agreements (EPAs) being negotiated by the European Union with African countries.

B. Foreign Assistance, Technical Assistance and Capacity Building: Make technical assistance a key component of all U.S. programs in Africa; and support African SMEs with U.S. programs from USAID, EXIM, the National Business Incubation Association (NBIA) and the Small Business Association (SBA).

C. Governance and Transparency: Collaborate with G-20 members to develop and enforce more effective anti-corruption programs; add anti-corruption conditions to U.S. trade preference programs and collaborate with the AU to strengthen enforcement of its Convention Against Corruption; use aid to strengthen anti-corruption technologies in tax/customs programs and national ID registries; and increase funding for USAID's initiative to empower the "watch dog" role of local media and civil society.

4. Agricultural Development and Agribusiness

The recent spike in international food prices created challenges and opportunities in the food and biofuel industries in Africa. The challenge is the coordinated implementation of policies to support sustainable increased productivity in African agriculture. The opportunity is that the Comprehensive Africa Agricultural Development Program (CAADP) provides a framework for the efficient application of capital and technology to increase productivity and reduce poverty.

Recommendations

A. Enhance international collaboration and public-private partnerships: Continue support for CAADP; establish a senior inter-agency group to implement a U.S./African Agricultural Development Initiative; establish an Agricultural Corps within the Peace Corps; and strengthen USG funding for rural African infrastructure. Build on existing successful public-private partnerships and develop new ones with U.S. agricultural industries.

B. Provide technical assistance and capacity building: Link African universities, U.S. land-grant universities and the private sector to support research and extension programs; offer trade incentives to African nations that remove constraints on intra-African trade; support U.S. companies that offer agribusiness technical assistance; offer carbon offset programs to encourage investment in African biofuels, and offer duty-free access for African biofuels to the US market.

C. Increase incentive structures in the U.S. and Africa: Enhance development of value-chains; provide incentives for U.S. private investment in African agribusiness; support the Commercial Law Development Program to increase interstate trade; and increase political risk insurance for U.S. companies investing in Africa.

D. Increase US market access for African agricultural products: Revise AGOA to promote export of semi-processed exports from Africa; strengthen African capacity to meet sanitary and phytosanitary regulations; and complete the Doha Round to foster agricultural trade.

5. Electrical Power

The lack of energy infrastructure, high energy costs, and environmental degradation are major obstacles to development for much of the African continent. U.S. companies and organizations hold much of the expertise needed to address Africa's electricity deficit. This expertise could help Africa leapfrog to green energy.

Recommendations

A. Market-based pricing: Encourage African governments to adopt market-based pricing to encourage investment in the power sector.

B. Enhancing Investment and Trade Finance: Enhance U.S. government financing (OPIC, EXIM, MCC) to support investment through the Overseas Private Investment Corporation (OPIC), the Export-Import Bank of the United States (EXIM), and the Millennium Challenge Corporation (MCC).

C. Carbon Offsets: As the U.S. implements greenhouse policies, U.S. law should create incentives for investment in offset programs that would benefit Africa.

D. Fuels:

a. Biofuels: Launch a United States Department of Agriculture (USDA)-led green lend-lease program to provide financing, technology and training for green fuels and power supplies in Africa; support U.S. export of bio-refineries and power generation equipment; create a tech-transfer program to raise African produced biofuels to a 10 percent (B10) blend; and consider opening the U.S. market to bio-ethanol from Africa.

b. Gas flaring: Fund projects that mitigate gas flaring in African oil/gas production that could be used for power generation and Liquefied Natural Gas (LNG) exports; and make Clean Development Mechanisms (CDM) and offset credits available for reducing gas flaring, if it is used for power generation or other productive purposes.

E. Rural Electrification: Charge the United States Agency for International Development (USAID), MCC and OPIC to support rural electrification projects, including off-grid projects.

F. Renewable Energy: Charge the United States Agency for International Development (USAID), MCC and OPIC to support rural electrification projects, including off-grid projects.

G. Human resources and capacity building: Support programs that train more skilled experts in Africa's electricity sector; fund four regional energy education and policy research hubs; fund entrepreneurial training for Small and Medium Size Enterprises (SMEs); fund training for African civil servants who develop and implement policies that would enable Africa to leapfrog to green energy.

6. Extractive Industries

Africa's oil/gas and mining industries are important to U.S. energy security; the Gulf of Guinea is projected to supply 25 percent of U.S. imports by 2015. Investments in this sector facilitate the building of modern infrastructure, including power stations, rc schools and hospitals. Most investors in the extractive sector also have programs to facilitate the growth of SMEs. However, the realization of broad economic growth is constrained by weak government institutions, corruption, poor infrastructure, and poor security in the Niger Delta.

Recommendations

A. **Transparency and accountability:** The USG should continue to support the Extractive Industries Transparency Initiative (EITI) and advocate for increased revenue transparency and anti-corruption efforts in producing countries; provide technical assistance to countries making progress on revenue transparency; provide training for public officials on accountability standards; and avoid mandating disclosure unilaterally on extractive industry receipts and payments.

B. **Contract sanctity:** Advocate for contract sanctity to encourage more investment; promote effective arbitration and enforcement of property rights; and negotiate additional Bilateral Investment Treaties (BITs).

C. **Security and Human Rights:** Increase training of host country law enforcement agencies; and support the Voluntary Principles on Security and Human Rights.

D. **U.S. government agencies:** Continue funding for MCC, the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), USAID, and the United States Trade and Development Agency (USTDA) programs that support job growth, and encourage partnership with U.S. companies with similar programs.

E. **Increase U.S. Commercial Advocacy:** Encourage Cabinet level visits to Africa, and increase senior level advocacy for U.S. companies to increase American competitiveness for contracts in Africa.

7. Healthcare

The African healthcare market is projected to double by 2016 requiring an estimated $25-$30 billion in new investments in health care assets. About 60 percent of the $16.7 billion spent for health services in 2005 was financed by private parties, and 50 percent delivered by private providers. Given the overburdened national health systems in Africa, it is essential that the private sector play a central role in the growth of health services. Many of the following recommendations are compatible with the Health Infrastructure 2020 Initiative and the Obama administration's SME Fund.

Recommendations

A. **Expand U.S. government support for the private sector role in health in Africa:** Acknowledge key role played by commercial private sector in providing health products and services in Africa, and value of long-term public-private partnerships; reform U.S. regulatory impediments to private sector participation in African health systems development; and advocate pro-market policies to encourage new investment in health infrastructure and services.

B. **Encourage market-based health investment in Africa to promote demand-driven health care delivery models:** Promote pro-investment environments in Africa to support African regulatory bodies, national quality control, and regional trade infrastructure; and encourage financing for health related business in Africa.

C. **Improve U.S. government partnership process with private sector on global health issues:** Collaborate with private sector to make public private-partnerships transparent and predictable; establish a single coordinating entity for international health policy; and promote dissemination of best practices.

D. **Broaden the U.S. government's global health focus:** Incorporate disease-specific programs, including chronic disease prevention, into a comprehensive preventive health systems approach in partnership with the private sector.

8. Infrastructure

Africa's lack of basic infrastructure looms as one of the most important obstacles to its competitiveness, stability, and economic growth. The long-term nature of infrastructure development, both regulatory (soft-side) and physical (hard-side), promotes deeper and more meaningful diplomatic and economic relationships with African nations. This interaction opens up new markets for U.S. goods and services, increases Africa's trade and global connectivity and enhances the economic growth and security of the U.S.

Recommendations

A. Human infrastructure (Soft-side): Strengthen MCC's technical support to African countries for infrastructure; create a USG office, with a staff that has private sector experience, to coordinate infrastructure support in emerging markets; provide technical assistance to strengthen regulatory frameworks; leverage African resources to invest in domestic capital markets for infrastructure; encourage International Finance Institutions (IFIs) to prioritize infrastructure financing; and coordinate infrastructure development with Africa's regional economic communities.

B. Physical infrastructure (Hard-side):

a. **Maritime:** Realign U.S. policy and programs to support maritime infrastructure development; support new USTDA maritime infrastructure activities in key ports; expand the African Global Competitiveness Initiative (AGCI) maritime infrastructure development; and initiate the Safe-Sea-Ports for Africa program.

b. **Air Transportation:** Assist African governments to ratify and implement the Cape Town Convention and Aircraft Protocol; and encourage the African Union (AU) and the Regional Economic Communities (RECs) to collaborate with the private sector in developing national, regional and continental Air Traffic Control and Air Traffic Management Centers under the Safe Skies for Africa Program.

c. **Railroads:** Collaborate with African governments and international donors to improve African rail networks.

d. **Information and Communication Technology (ICT):** Encourage alternative infrastructure providers to foster competition and a competitive environment; and encourage regional collaboration to create an enabling regulatory environment.

e. **Logistics:** Require that all USG funded transportation in Africa be provided by African or American owned companies; and require that USG funded Private Voluntary Organizations (PVOs)/ Non-Governmental Organizations (NGOs) doing humanitarian work in Africa use African or American owned transport services.

f. **Safe water and sanitation:** Prioritize support for sustainable water and sanitation.

g. **Infrastructure in African Post-conflict countries:** Incorporate infrastructure rehabilitation in post-conflict planning to reduce conflicts, create jobs, and provide essential services.

9. Tourism

Travel and tourism comprise one of the largest industries in the world (2008 global economic activity forecasted at 9.9 percent of total GDP) and provides a unique basis for development. In 2007 the tourism sector in sub-Saharan Africa generated close to $90 billion in economic activity and is expected to exceed $185 billion in the next seven years. If the African continent is to continue to grow its tourism sector, it must address a number of challenges. Africa continues to lag severely behind all other regions of the world in the number of tourists it receives annually. The Obama administration's attention and support for tourism would reinforce U. S. private sector investments in increasing tourism's contribution to African development.

Recommendations

A. Developing Africa's Tourism Infrastructure: Provide financial incentives to U.S. companies and expertise to support country and regional efforts to upgrade web-based promotion of African tourism.

B. Training for Careers in Tourism: Support the expansion of tourism-focused curriculum at African universities and vocational training centers to encourage students to enter the hospitality industry and to train the next generation of tourism managers and employees.

C. Expanding Air Service from the United Sates to Africa: Increase the U.S. government's participation in the "Safe Skies for Africa" program by broadening available assistance; create incentives for African governments to modernize air traffic control equipment and upgrade staff skills; facilitate the sale and operation of U.S. –manufactured safety and security equipment and provide relevant training; and maintain and expand U.S. programs that provide technical assistance to African civil aviation authorities.

D. Improving Africa's Image in the United States: Take an active role in shaping a more positive image of Africa in the U.S.; use visits of the president, first lady or cabinet officers to Africa to increase American understanding of the cultures and business opportunities in the countries visited; use the visits of African heads of state and government to the White House to promote more comprehensive media coverage of Africa; encourage U.S. government agencies to work with the media to portray more accurately the depth and breadth of America's partnership with Africa; increase the State Department Bureau of Educational and Cultural Exchange's collaboration with American organizations that have strong people-to-people programs with Africans; and create an inter-agency database, in collaboration with the private sector, on American travel to Africa to better define business opportunities in the hospitality sector.

E. Modernizing Travel Advisory Procedures: Review the State Department process of issuing Travel Advisories and Warnings to define more accurately the scope of the area of concern to minimize negative impact on safe areas in the country; and to provide more specific and timely updates on areas of concern.

F. Addressing Crime and Security Issues in Africa: Provide support for training police to deal with crime in key tourist destinations in Africa, including South Africa and Kenya.●

Chapter 1: **Security**

Context

There is arguably no region with more risk and opportunity for U.S. foreign policy—and American business interests—than Africa. The continent's significant scale is home to stark economic and social contrasts existing side by side, though not always in peace and harmony. While cultural differences must be understood and many business-related factors assessed prior to making decisions on investments and partnerships, the process can be paralyzed at any stage by security-related issues.

The United States is Africa's largest single-country trading partner. American businesses are engaged across the continent, but more so in reasonably stable political climates and secure locations. The American private sector, viewing Africa both through the prism of experience and the potential as an investment destination, expresses concern regarding the current ineffective engagement of the USG on important issues related to security.

The recently published Project on National Security Reform (PNSR) represents an excellent starting point for improving institutional organization and professionalism, developing better informed foreign policy and creating more effective security-related mechanisms and arrangements that will benefit U.S. policies and relations with Africa.

Policy Recommendations

Response to Armed Conflict

Armed conflict in Africa continues to be the prime cause of humanitarian suffering, poverty, political and economic destabilization, lack of development and disincentive to foreign investment on the continent. As such, every action taken to prevent, mitigate and/or resolve conflict has a positive, near-immediate impact on affected peoples, societies and economies.

- Designate special envoys to areas of existing conflict. Special envoys can contribute unique perspective and focus that make important differences. Effective coordination and communications linking the State Department, Defense Department, embassies and the AFRICOM are essential. The special envoy may also head a "fly-away team" (see below).

- Deploy pre-emptive interagency "fly-away teams" to developing African crisis hot spots in a manner similar to rapid reaction USAID/the Office of Foreign Disaster Assistance Response Teams. The team leader must have seniority and diplomatic authority to negotiate with parties in a conflict—and AFRICOM must be involved. This action appears compatible with the Interagency Crisis Task Force concept proposed by the PNSR.

- Initiate early calls for expedited UNSC action in conflict resolution and peacekeeping. Active support should also be given to conflict prevention, cease-fire negotiations and monitoring, and peacekeeping activities undertaken by the AU and sub-regional security entities.

- Increase financial and in-kind support for the African Stand-by Force.

- Continue to fund the Overseas Security Advisory Council as a highly effective means of disseminating timely security-related information to the American private sector. It is an example of a highly successful public-private partnership.

Response to Transnational Security Threats

Inadequate maritime, port and border security, organized crime, terrorism, food insecurity, migration and refugees, etc. all represent destabilizing factors in Africa. The protection of off-shore oil infrastructure, shipping, the fishing industry and containerized goods in ports must be high priorities. Actions taken to strengthen the capacities of African law enforcement organizations are cost-effective measures that would contribute to social stability, protect U.S. and African national security and commercial interests and create more attractive climates for American investment.

- Capitalize on the success of the U.S. Navy and Coast Guard Africa Partnership Station. Maintain a regular naval presence in the critical, resource-rich Gulf of Guinea and expand the program to include all African coastal waters.

- Strengthen coordination with Gulf of Guinea countries, including the Gulf of Guinea Commission, and encourage the development of a model of regional maritime security.

- Task AFRICOM with engaging maritime nations and regional security organizations to establish a coastal surveillance system for the Gulf of Guinea.

- Evaluate the effectiveness of anti-piracy Combined Task Force 151 currently operating off the Horn of Africa and adapt the concept to other areas vulnerable to piracy.

- Designate physical security in African ports as a priority for existing assistance programs.

- Expand the deployment of the Naval Criminal Investigative Service, the Army Criminal Investigative Division, FBI legal attachés and other personnel to long-term assignments in cities and ports where agents can establish effective liaison with law enforcement and security personnel, and the private sector.

The Project on National Security Reform (PNSR)

The PNSR was mandated by Congress in FY2008 legislation. A report on the study was submitted in November 2008. It identifies several interwoven problems in the U.S. national security system such as resource allocation by department rather than broader national missions, a lack of effective integrating mechanisms ("stovepiping"), and an over-centralized and overburdened management process at the White House. The study's recommendations have relevance to U.S. security interests in Africa.

- Implement PNSR recommendations, selectively or collectively, as the leading edge of systemic reforms that would benefit security objectives in the complex African environment in which the American private sector seeks to expand its engagement. Use the African laboratory as proof of concept for the PNSR model.

Actions to Prevent or Reduce the Threat of Conflict

The USG has multilateral engagement tools at its disposal in dealing with Africa. Examples are AFRICOM; the Africa Center for Strategic Studies (ACSS); the Global Peace Operations Initiative (GPOI);

African Contingency Operations Training Assistance Program (ACOTA); and the International Criminal Investigations Training Assistance Program. Coordination is improving as AFRICOM takes on its assigned mission, but true synergy is yet to be achieved.

- Task AFRICOM (perhaps as part of the PNSR-proposed Interagency Team) to convene regular meetings with the other security entities and develop a coordinated plan of security engagement in Africa. The U.S. private sector must be included to maximize access to resources and facilitate business involvement in Africa.

- Ensure Congress adequately funds AFRICOM for current and future missions.

- Utilize Foreign Military Financing (FMF), Foreign Military Sales (FMS) and "1206" authorities to facilitate AFRICOM participation in and support of multilateral coastal surveillance, law enforcement and other initiatives.

The American Private Sector in the Post-Iraq Environment

Contractors are an integral and long-established part of the mix of resources used by the USG in training and other functions. Both governmental and contractor elements bring particular advantages. The post-Iraq environment presents unique opportunities to improve on these relationships, apply lessons learned, clarify responsibilities, build combined teams as appropriate and capitalize on the power of each solution set.

- Assemble a team with expertise in government service, the private sector, legislative processes, and the intricacies of U.S. contracting laws and regulations. Task the team to reexamine the relationship from top to bottom and develop specific recommendations for industry, government program and contracting entities, and Congress.

- With contractors and NGOs increasingly targeted to leverage the behavior of government and/or external forces, these organizations must be included in threat-specific contingency planning.

Professionalization of African Security Forces

Few African security organizations possess the capacity to enforce international and national law, maintain peace and domestic tranquility, deal in an effective, preventative manner with insurgency and crime, or inspire the confidence and respect of the people and international businesses. Actions taken to strengthen military and law enforcement capacity and professionalism are cost-effective measures that contribute to social stability and enhance investment climates. *(see also Chapter 9, Tourism)*

- Support ongoing International Military Education and Training (IMET) programs, GPOI, ACOTA and the Defense Department's Distinguished Visitors programs. Continue to emphasize civil-military relations and enhancing the capacity for civilian leadership in security sectors.

- Eliminate "stovepiping" of missions and interests in U.S. military and law enforcement circles that hinder effective cooperation. Integrate defense and police in planning and execution of programs related to Africa.

- Increase support for the training of international constabulary forces, the International Law Enforcement Academy in Botswana being one underutilized example. Encourage the highest standards of professional training of local unarmed security forces by international corporations (in close coordination with host country authorities) for their in-country minimum security needs.

- Approve waivers to existing laws and regulations on a selective basis to permit critical sales of U.S.-manufactured defense and law enforcement equipment and technical services to qualified African entities.

African Women in Security Roles

African culture has denied women access to education, ignored domestic and other abuse, and underutilized women in law enforcement. Through effective training, recruiting, and empowerment, the USG and qualified security contractors may have an opportunity to strengthen security organizations while simultaneously providing women with jobs and the knowledge and skills necessary to change traditional attitudes.

- Specify the inclusion of African women in programs such as Counter-Narcotics Terrorism Program Office (CNTPO), and Department of State managed programs such as Civilian Police (CIVPOL), Worldwide Personal Protective Services (WPPS), Africa Peacekeeping Program (AFRICAP) and (ACOTA). Identify potential public-private partnerships.

Relations with African Security Organizations

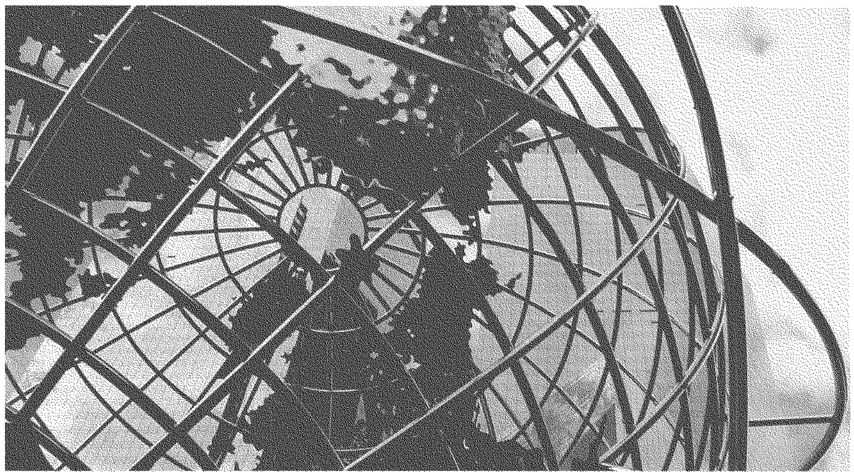
Africa works best in a communal format and Africans frequently choose to operate through consensus-rule alliances rather than bilateral arrangements. Cooperative action involving the U.S. and RECs is hampered if one member country is subject to sanctions or other restrictions by the U.S. government. The impasse with SADC created by Zimbabwe is the most recent example.

- Initiate discussion with relevant sub-regional group leadership to articulate challenges presented by U.S. law. The aim would be to develop jointly a more robust and responsive mechanism to engage when not every country can participate, but when the value of collective engagement outweighs a bilateral approach.

Country Security Forces

Military and public security forces in African countries frequently are engaged by the West only in their security roles. These elements frequently represent the best educated and organized elements of society. Many organizations in civil society would welcome the positive participation of their defense force in other vital social sectors, such as health or education.

- Direct the Departments of State and Commerce, USAID and other USG agencies to include African defense and security sector organizations as contributing stake holders in developing in-country programs in health, education and other sectors. •



Chapter 2: **Finance**

Context

With the arrival of a new U.S. administration, the convergence of the global financial crisis and recent developments in the African financial environment create a timely opportunity to recommend policy changes that will facilitate increased capital flows to Africa. These changes will also support critical U.S. economic and national security interests in the region.

In June 2003, the Commission on Capital Flows to Africa, formed by CCA, the Council on Foreign Relations, the Peterson Institute for International Economics and the Joint Center for Political and Economic Studies, issued a report (the "Commission Report") laying out a comprehensive 10-year strategy for increasing capital flows to Africa.

According to the IMF, private capital flows to Africa have risen since the Commission Report from nearly $15 billion to $53 billion. Despite this increase, Africa still is not attracting a sufficient level of capital to drive the requisite economic development. The continent currently attracts less than half a percent of total cross-border portfolio flows. In light of the ongoing world financial crises, the recent trend of increasing capital flows to Africa may in fact be reversed.

The following recommendations assume a direct correlation between foreign direct investment (FDI) flows and economic growth. However, a favorable investment environment is a critical factor in the ability of FDI to positively affect development in African countries. Therefore, it is essential that African countries continue to: (1) liberalize their economies; (2) remove (or at least reduce) exchange controls; (3) allow foreign participation in the economy (by way of freedom to invest and disinvest); (4) limit labor market policies that reduce competitiveness; (5) permit freer immigration of skilled labor; (6) reduce visa requirements for visiting business people; (7) increase legal and administrative transparency; (8) create effective and competent systems for registering and transferring land or interests in land; (9) reduce debt, bureaucracy, and corruption; and (10) strengthen health and educational systems. This will also serve to increase the attractiveness of African countries as investment destinations.

Recommendations

U.S. commercial banks should increase their lending to support the U.S. private sector exports to and capital expenditures in sub-Saharan Africa. For reasons of perceived credit risk, U.S. banks have a relatively small focus and presence in sub-Saharan Africa that limits American corporate trade and investment and allows African business opportunities to be dominated by other countries.

There is a need to build on examples of programmatic successes of U.S. financial institutions. Of particular note is EXIM's $300 million Special Delegated Authority (SDA) guarantee facility established in June 2006 for 14 Nigerian banks to provide SMEs guarantees for short and medium term transactions on an expedited basis. EXIM's Medium Term Insurance and Guarantee activity in Nigeria has also increased from $35 million in 2006 to over $117 million in 2007. In September 2008, EXIM announced that the SDA facility was increased to $1 billion.

Policy Recommendations

Commercial Banking and Trade Finance

To increase the presence of U.S. banks in Africa and facilitate greater commercial banking and trade finance activity, we recommend that the Obama administration take the following steps:

- Better coordinate on a comprehensive and cost effective basis, all U.S. government programs aimed at helping commercial banks and other financiers increase their financing activities for African projects.
- Encourage use of risk mitigation mechanisms, such as guarantees and insurance from USAID, OPIC, EXIM, MIGA and others, to ensure greater focus on Africa.
- Increase EXIM lending and guarantees for African transactions.
- Replicate the EXIM's Nigerian Medium Term Insurance and Guarantee Facility program in at least two other sub-Saharan African countries by 2010.
- Revitalize the AGOA Forum to increase its effectiveness in fostering U.S. private sector investments.
- Consider relief for U.S. banks from restrictive ratings and other regulations (such as those under Basel II) that have the effect of limiting the willingness of U.S. banks to lend to African borrowers.

Promoting Foreign Direct Investments in Africa

While foreign direct investment in sub-Saharan Africa is rising, the U.S. share remains small and is focused largely, though not exclusively, on the natural resource (including oil) sector. To increase, broaden and deepen FDI into these and other sectors such as agribusiness, consumer products, and services, the Obama administration should do the following:

- Increase tax-related incentives for U.S. firms doing business in Africa *(see Annex 2)*. Given the relatively small size of U.S. investment in Africa, the net cost to the United States government will be minimal. However, the comparative net benefit to African economies could be substantial. Specifically the U.S. should:
  - Reduce the U.S. tax on repatriated earnings on new investments to zero for a ten-year period.
  - Consider waiving U.S. tax provisions that nullify investment incentives provided to U.S. investors by some African countries through such measures as local tax reductions and tax holidays.
  - Provide U.S. tax incentives for investing in Africa for targeted sectors, e.g., infrastructure, agribusiness, health and financial services.
  - Take a more flexible negotiating approach to broaden the network of Double Tax (DT) treaties with African countries.
  - Persuade African countries to improve the transparency, effectiveness, efficiency and fairness of their tax regimes. USAID and MCC funding can be made contingent upon such tax reform programs.

- Encourage African governments to reduce corporate and capital gains taxes.

The Overseas Private Investment Corporation

The mandate and flexibility of OPIC should be strengthened and increased to more effectively promote private investment in Africa. Specifically the Obama administration should:

- Permit OPIC to support investment in all sectors in Africa, including venture capital for SMEs, and sectors currently categorized as "sensitive", such as textiles and apparel, electronics, agribusiness, and industrial products.

- Permit OPIC to support investments that promise to provide net benefits for the U.S. economy, rather than prohibiting it from supporting projects in which American jobs may be lost.

- Encourage OPIC to nurture financial institutions on the ground in Africa by providing long term debt products in coordination with development finance institutions. Assistance should be targeted in particular at sub-regional development banks in Africa such as the East African Development Bank; the West African Development Bank; the African Development Bank; Development Bank of South Africa; etc.

- Provide OPIC with the flexibility to lead in structuring transactions involving other Development Financial Institutions (DFIs) so it can be on par with such institutions globally.

- Encourage OECD export credit agencies to allow 20-year repayment terms (instead of the current 10 years) for African projects, and to raise the ceiling for local costs from 15 to 50 percent of export value.

- Devote a portion of U.S. Overseas Development Assistance funds to establishing long-term debt and equity financing vehicles for SMEs in Africa as well as to providing related technical assistance so the SMEs can make more effective use of such capital.

- Broaden AGOA to incorporate other sectors, including a dedicated initiative in agriculture and agro-processing.

Legal and Compliance

Recent financial market developments clearly illustrate the need for sound regulatory regimes that follow best international practice and are designed to protect market participants while avoiding overly restrictive and unnecessary bureaucracy that suffocates growth and dynamism. Striking the right balance in Africa has been difficult as is clear from initiatives such as the Patriot Act, Office of Foreign Assets Control (OFAC), and Basel II which have had serious unintended negative impact on capital flows from the U.S. to Africa.

With respect to the African legal and regulatory landscape, transparency and sustained adherence to the rule of law continue to be a problem for a number of African countries. The challenges of meeting U.S. regulations and the often opaque legal landscape in certain African countries can negatively affect capital flows to those African countries. To assist in mitigating these challenges, we recommend that the Obama administration do the following:

- Review the Patriot Act as it relates to U.S. banks' operations in Africa to ensure the regulations strike a reasonable balance between information and tracking requirements and the goal to promote American banking activity in these growing markets.

- Review current disparities among African commercial banks regarding their compliance with Patriot Act requirements. Offer African countries' central banks accelerated training related to compliance so that most large African banks possess similar levels of compliance.

- Update and review OFAC to ensure the lists are both transparent and current, as living documents should be.

- Encourage African governments to be more committed to and effective in applying the rule of law and due process.

- Persuade African governments to promote systematic and effective legislation to enable external judicial and arbitral settlements to be enforced domestically, e.g., through adherence to the New York Convention and systematic entry into foreign judgment enforcement conventions with all capital-surplus countries.

- Encourage African governments to use the World Bank Group's arbitration mechanism, International Centre for Settlement of Investment Disputes.
- Encourage MCC to incorporate key financial, legal and regulatory measures into its programs supporting private sector growth.
- Promote free trade zones based on international or U.S. law rather than local law.

African Capital Markets

Strengthening local African debt and equity capital markets is critical to attracting and sustaining long term capital flows to Africa. Private sector interest in Africa is, in part, predicated on strong macro-economic performance and outlook, improved governance, debt relief, and a stable political landscape, leading to improved external and fiscal balances. About 20 African countries have formal credit ratings. However, they are low and the countries and capital markets do not use them effectively. To facilitate strengthening of the African capital markets, the following are recommended to the Obama administration:

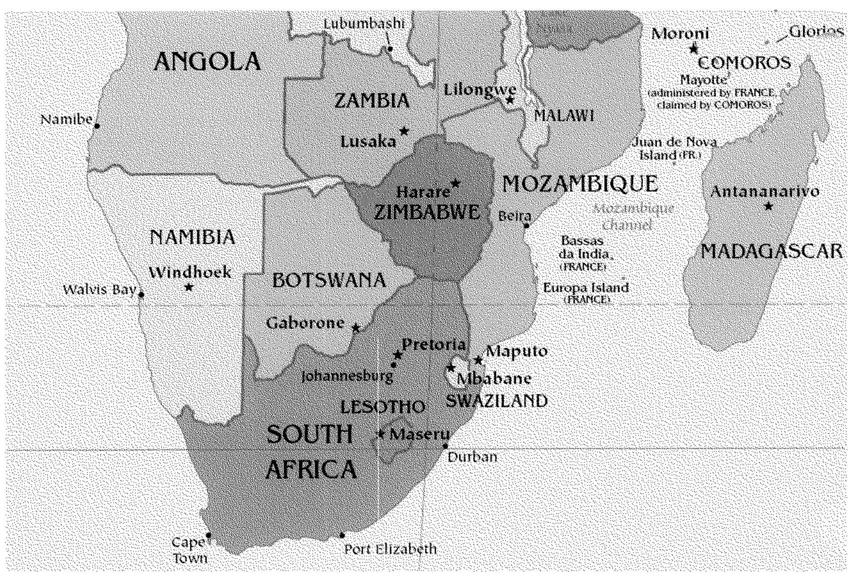
- Utilize American influence at the IMF to incorporate ratings as a part of the Highly Indebted Poor Countries process to encourage African countries to access capital markets. IMF restrictions with respect to public sector commercial external debt should be relaxed selectively for credit-worthy borrowers.
- Encourage African governments to make better use of international credit ratings to access long term debt and equity capital, including the following:
  - Train staff of finance ministries, central banks and commercial banks to better understand how to use ratings to access international capital markets and to develop local capital markets.
  - Establish a U.S. Treasury African Finance Forum for African governments and U.S. public and private sector counterparties to share on a regular (e.g., annual) basis experiences of African governments and businesses in accessing debt and equity markets.
- Create an African Financial Fellowship Exchange Program, in conjunction with other OECD governments and private sector entities, which would send professionals with financial, capital markets, corporate finance, or economic policy experience to African countries to work in public and private institutions for a certain period. In exchange, each participating African country would send two individuals for training for up to two years at qualified private sector financial institutions the U.S. and each of the other participating OECD countries.
- Promote regionalization of debt and equity capital markets, where appropriate, to enhance liquidity and ensure effective management and scalability.
- Encourage African governments to continue liberalizing capital accounts to foster longer term investments and the development of the local capital market infrastructure. The introduction of foreign capital in the form of Central Bank foreign exchange (FX) swaps can deepen local liquidity and provide funding transparency.
- Encourage better local financial market and banking supervision and regulation to minimize banking crises.
- Strengthen operations of the U.S. Department of the Treasury's Office of Technical Assistance by doing the following:
  - Continue promoting capacity development of local central banks and financial institutions for asset/ liability management. Stronger management capacity promotes both foreign and domestic financial confidence, enabling longer term debt for capital expenditures.
  - Expand, in conjunction with Treasury's Office of African Nations, the program to support the further development of domestic yield curves, and help broaden both the foreign and local investor base, following the example of the World Bank Group, where the International Finance Corporation has:

- Employed 3 to 5 year FX swap lines using derivatives and offshore investor interest to encourage the development of the domestic yield curve.
- Used its Triple-A ratings to provide local currency financing.
- Mitigated African borrowers' foreign exchange risks by structuring local currency loan participations for international investors.

- Provide and/or facilitate technical assistance to African countries in designing and implementing good tax policies and in improving tax administration. Revenue authorities need staff training in technical issues such as auditing and investigations, methods to monitor work done by their staff (for example, the time and effort as well as yield from investigations, the yield from queries addressed to taxpayers, and efforts to ensure that all those that should be paying tax actually do so) and in monitoring staff honesty and freedom from corruption.

- Strengthen the resources and ability of USTDA, USAID (e.g., its African Infrastructure Program) and other USG agencies to provide technical assistance for African government officials in such key areas as:

- Contract drafting.
- Development of appropriate regulatory frameworks for infrastructure and other investments (e.g., to include strong cost recovery clauses).
- Best practices in procurement processes (e.g., the World Bank process).
- Contract administration.
- Pre-investment project preparation.
- Project finance ●



Chapter 3: **Trade**

ntext

Since May 2000, the African Growth and Opportunity Act (AGOA) has been a cornerstone of U.S. economic relations with Africa, aimed at leveraging duty-free access to the U.S. market to create employment, reduce poverty, promote economic and political stability, and develop markets for U.S. goods and services.

Africans enthusiastically welcomed AGOA, and U.S. imports have risen by more than 200 percent, creating 200,000 African jobs that did not displace U.S. jobs *(see Annex 3)*. U.S. exports also increased, by 149 percent, to $13.9 billion in 2007. Yet most of the growth in imports was in petroleum and minerals, which would have occurred without AGOA. Non-extractive product trade grew by 50 percent—significant, but less than had been hoped. There is growing consensus that more is needed if Africa is to reach its full potential as a U.S. trade partner.

Despite AGOA's benefits, African countries still face significant barriers to trade, ranging from poor quality control to inadequate infrastructure. Unless a concerted effort is made to address such issues, liberalized market access will mean little. A particularly important example is textiles and apparel, African exports of which more than doubled under AGOA. But these successes were tarnished upon expiration of the Multi-Fiber Arrangement (MFA) in 2005, exposing Africa's infant industry to competition from well-established Asian producers. U.S. apparel imports from Africa subsequently declined by 25 percent with the loss of an estimated 50,000 African jobs.

Other sectors also display unmet potential, particularly agriculture – the largest economic activity and one in which roughly three fourths of Africans make their living. U.S. agricultural imports have grown by just 38 percent under AGOA, although virtually all products in the sector enter duty free. More investment and value-added in Africa's agricultural sector are needed if the developmental benefits of AGOA are to be realized. (Agricultural development and agribusiness opportunities are assessed in more detail in the next chapter.)

Policy Recommendations

Strengthening Trade Policy: AGOA and Beyond

AGOA is based on generous market access and simple rules of origin. Extensions to AGOA have given African and American businesses more time to take advantage of its provisions, but the extensions usually have come in two-or three-year bursts that are too short to permit more than incremental responses.

Trade preferences like AGOA suffer diminishing returns in the face of reciprocal FTAs or Doha Round trade liberalization. While Doha offers significant opportunities for African agriculture, some of Africa's fragile manufacturing sectors—especially apparel—almost certainly will lose out to stronger Asian producers without significant capacity building and a grace period in which to become competitive.

As the Doha negotiations unfolded, African nations frequently supported the positions of India and other advanced developing countries against the United States, even where those positions appeared contrary to their own interests. The Obama administration should forge alliances with the Africans in the Doha Round, including via consultations with the African Union. An important step would be a U.S.-led effort to eliminate the WTO distinction between least developed countries (LDCs) and non-LDCs in Africa, which undermines African efforts toward regional integration.

African countries need to trade more with their neighbors before they can trade effectively with the world, and regional integration can advance that effort. Free Trade Agreements (FTAs) between industrial countries and African regional groupings can help by pushing the Africans to coordinate policies, rules of origin, and trading rules. U.S. support for such FTAs also would help resolve issues of WTO compatibility that have not yet arisen in relation to AGOA, but which contributed to the European Union's decision to terminate the Cotonou Agreement in favor of regional Economic Partnership Agreements (EPAs). But these EU EPAs have serious implications for regional integration and the competitive position of U.S. exports to Africa.

A policy of dealing with African regional groups must begin by both realizing the benefits to African and U.S. policy makers of their success and recognizing their current limitations. Regional integration is fervently desired by Africans and is necessary for creating more competitive economies; in certain areas —particularly achieving economies of scale, large infrastructure projects such as air traffic control or regional power pools, and some environmental projects—it is essential. As with national governments, however, the legal, institutional, technical and educational foundations of regional groupings generally are weak and may require donor assistance to meet the challenges inherent in deeper integration. The challenge for the U.S. is to work with regional groups and national governments to design policies that do not create new barriers to future integration.

- Combine AGOA benefits with technical assistance and infrastructure support.
- Make AGOA permanent to support longer planning horizons, but use annual reviews of benefits and country eligibility to move toward reciprocity.
- Expand AGOA's product coverage, including by adding duty-free eligibility for certain products now excluded and by eliminating limitations on duty-free treatment for products currently designated as non-apparel textile products, tobacco and groundnuts.
- Support regional integration by consultations with the African Union, negotiating FTAs with Regional Economic Communities (RECs) where feasible, and backing regional projects by U.S. and in international financial institutions and development institutions.
- Work to complete talks at the Doha Round to deliver a multilateral trade environment that will foster an export market for African agricultural products and thereby incentive for U.S. companies and financing to invest in Africa.
- Create a one-stop shop for Africa trade finance and trade promotion programs.
- Negotiate Bilateral Investment Treaties (BITs) with individual countries or RECs.
- Place special priority on ensuring the competitiveness of Africa's apparel sector following the end of safeguard quotas on imports from China on January 1, 2009.

- Oppose extension of AGOA-type benefits to non-African countries, particularly in the textile and apparel sectors.

- Seek elimination or modification of WTO policies and practices that differentiate between LDCs and non-LDCs, there by impeding regional economic integration, by treating the entire Sub-Saharan Africa region as a single development zone for purposes of deepening and expanding regional economic integration.

- Devote immediate attention to the potential negative implications of the EPAs being negotiated by the EU with the ACP.

Foreign Assistance, Technical Assistance, and Capacity Building

Congress and the Obama administration are likely to initiate a comprehensive review of U.S. foreign assistance policies and institutions. The importance of MCC and its capacity-building initiatives in recent years has complemented AGOA preferences and additional USAID programs, but there is a need for better integration of U.S. development activities.

A mantra of the past decade has been "trade not aid". These are, however, complementary responses to the same issues. U.S. aid programs should continue support for the African private sector, encourage the U.S. private sector to invest in developing economies, and promote accountable fiscal, regulatory, tax, trade and governance policies in partner nations. The MCC's focus on performance and ownership by those nations, and its use of all-grant programs, are important innovations that should be retained.

All observers of sub-Saharan Africa note its weak capacity. Whether in government, health, education, finance, or business, resources tend to be inadequate, legislative underpinnings outdated, and staff education levels and technical competence well short of global standards. Even the strongest economy, South Africa, suffers from the low levels of educational attainment of the last apartheid generations.
Technical assistance (TA) has received increasing emphasis by aid donors since the Cold War ended. Most TA from the United States is Trade-related Capacity Building (TCB) designed to help recipients take advantage of AGOA. Nearly one-third of all such support since 2001 occurred in FY2007 alone, primarily from the MCC and USAID. Other programs are operated by many agencies, usually with USAID financing, in areas from food safety to law enforcement, bank regulation, and health. In a global economy, Africa's need for TA will only become more pressing, and the most basic and effective form of TA is for education.

SMEs constitute an under-utilized growth sector. SMEs are strong job-creating mechanisms, yet they suffer disproportionately from official red tape, counterproductive tax regimes, corrupt tendering processes, and lack of finance. They tend to be too large for micro-finance but too small for commercial borrowing. Fragmented programs often leave pioneer SMEs operating without adequate knowledge, skills and support. USAID and other institutions have taken remedial steps, but much more is needed.

- Make TA a fundamental component of all U.S. programs in Africa.

Support the SME sector, e.g., via USAID's Trade Hubs, EXIM's working capital loan guarantees, National Business Incubator Association (NBIA) programs, and Small Business Administration resources.

Governance and Transparency

Corruption costs Africa some $175 billion per year, and hits the poor hardest. In polls, 75 percent of Africans cite control of corruption as a priority, along with jobs, healthcare, and education. Corruption adds substantially to import/export costs for U.S. companies, and to costs of transportation, production, regulatory regimes, labor—all aspects of business. Yet official corruption is not a disqualifier for trade preferences, although such requirements are prominent in other U.S. programs like MCC.

- Work with the G-20 to develop and enforce more effective anti-corruption programs.

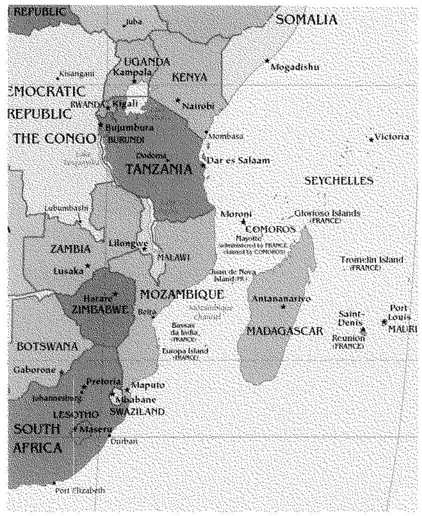
- Add anti-corruption conditions to U.S. trade preference programs.

- Work with the African Union to put teeth in its Convention against Corruption.
- Place increased focus in U.S. foreign assistance on anti-corruption technologies in, e.g., tax/customs programs and national ID registries.
- Encourage creation of independent anti-corruption bodies in Africa with enforcement and prosecutorial authority.
- Provide additional funding for USAID's 2005 initiative to empower local media and civil society to play a "watch dog" role.

Corporate Social Responsibility

U.S. businesses have long promoted and valued a CSR culture, which posits that corporations have an obligation to consider the interests of customers, employees, shareholders and the communities in which they operate. As a global business leader, the United States should set a standard in Africa of responsible corporate behavior. In an era of increasing international commercial competition and expansion in Africa, particularly in the area of infrastructure development, U.S. businesses need to use their commitment to effective CSR practices to create a competitive advantage.

- Encourage U.S. businesses to develop CSR investments as part of the investment strategy. Focus on measurable initiatives such as infrastructural and service projects in healthcare, education and the environment, including student scholarships, particularly for rural populations.



- U.S. businesses should be encouraged through tax incentives—similar to those they have at home in the U.S.—to sponsor community infrastructural projects in rural Africa. •

Chapter 4: **Agricultural Development and Agribusiness**

Context

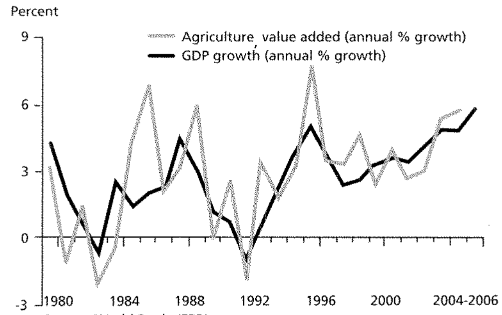
The recent spike in international food prices has placed food security near the top of the U.S. national security conversation. This sharpens the opportunity for investments in the food and biofuel industries in Africa, while offering both challenges and opportunities for U.S. policy towards Africa.

A major goal of U.S. support in Africa should be the acceleration of economic growth to reduce poverty across the continent. The most effective and sustainable way to accomplish this is to raise the productivity of the African agricultural sector, on which 60 to 70 percent of Africans depend for their livelihood, support Africa's formation of RECs, and further develop agriculture value-chains. The U.S. has experience assisting countries in raising productive capacity, leading to sustained economic growth.

The U.S. contribution to the Asian green revolution and the institutional elements of U.S. agriculture and agribusiness sectors are the closest examples of what is needed in Africa today. In addition to technology and financial assistance from the U.S., a major contributing factor to the success of the green revolution was strong leadership and ownership by Asian governments, in particular India. The U.S. should seek and nurture a similar level of leadership and ownership from African governments to accompany a scaled up involvement in Africa. The Alliance for a Green Revolution in Africa (AGRA) established with support from the Rockefeller Foundation and the Bill and Melinda Gates Foundation in 2006, and led by former U. N. Secretary-General Kofi Annan, has also begun to take steps towards promoting a green revolution similar to that of Asia. It is currently implementing a comprehensive agricultural development program for Africa with a focus on connecting African farmers and markets to the latest technologies and methods.

New developments give reason for hope. The CAADP, which has been adopted by the AU and is currently being implemented in several countries in Africa's largest RECs, offers a real framework that would ensure such leadership and ownership. The USAID has played a critical role in supporting the CAADP agenda and mobilizing the

GDP and Agricultural Growth in Sub-Saharan Africa 1980-2006



Source: World Bank, IFPRI

development community to align with it. The U.S. should continue to strengthen the CAADP process and work through it to scale up its investment in support of broad-based economic growth for poverty reduction in Africa.

Recommendations

We strongly recommend that the Obama administration give the highest priority to agricultural and agribusiness development in Africa. We propose a set of policy recommendations that address a broad range of issues facing the African agricultural and agribusiness sectors. The key issues these recommendations address are the following: (1) international collaboration and public-private partnerships; (2) technical assistance and capacity building; (3) incentive structures in the U.S. and Africa; and (4) increased U.S. market access for African agricultural products.

Policy Recommendations

International Collaboration and Public-Private Partnerships

- Elevate agriculture and agribusiness as a leading priority in U.S. developmental assistance to Africa.
- Evaluate existing successful public-private partnerships in Africa for possible scale up, and identify new opportunities for pilot programs in African countries that meet MCC criteria.
- Support the implementation of the AU's CAADP as an African solution to African agricultural development and broad-based, sustained, economic growth.
- Establish an inter-agency group, headed by the White House and supported by the USDA, USAID, OPIC, U.S. Department of Commerce, and other relevant agencies to implement and oversee a newly developed U.S./African agricultural development initiative. This inter-agency group should also regularly meet with representatives from the private sector to orchestrate a coordinated effort to attain sustained growth in Africa's agricultural value-chains.
- Strengthen African agricultural and agribusiness institutions through expanded ties to land grant colleges and universities and agricultural research institutes in the U.S.
- Establish an "Agricultural Corps" within the U.S. Peace Corps to bring U.S. agricultural and entrepreneurship expertise to Africa's RECs.
- Strengthen MCC and other USG agencies to support the development of rural agricultural marketing infrastructure, including feeder roads, cell phone towers, and small-scale storage facilities for tree and field crop and livestock farmer associations.

Technical Assistance and Capacity Building

- Fund a breeding research and farmer outreach program for selected food and cash crops, as well as livestock, including equipping selected African sub-regional research organizations and national agricultural research systems that are working with the Forum for Agricultural Research in Africa and African Agricultural Technology Foundation. Link these African institutions with U.S. land grant colleges and universities. This program would develop a mechanism for research and knowledge development in collaboration with African research institutions and the farmers and commodity transforming value-chains they serve.

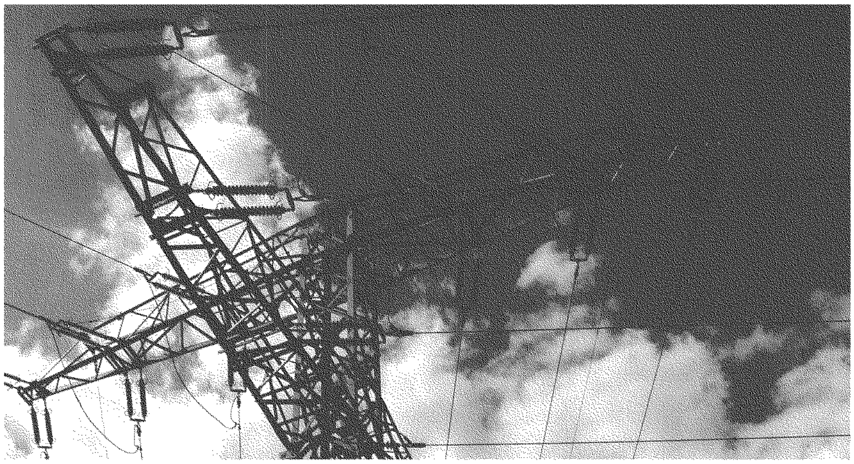
- Offer trade incentives and technical support to African nations that remove constraints on the free movement of agricultural goods throughout Africa via existing RECs such as the Economic Community of West African States (ECOWAS), the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC).
- Strengthen Africa's sub-regional web-based message centers to allow farmers access to real-time commodity prices.
- Charge the USDA and relevant agencies with providing technical assistance to expand and enhance market channels for rice, corn, livestock, tree crops, and aquaculture production, processing and storage.
- Support U.S.-headquartered companies that have research collaboration with U.S. land grant universities, in providing technical mentoring programs. A targeted program similar to the Fulbright Scholars program would be ideal.
- Increase investment in existing agribusiness programs in African university networks and expand tertiary agribusiness programs in Africa to raise African skill levels in agricultural commodity trading, commodity exchange contract design, financing, and smallholder business entrepreneurship. U.S. land grant and other leading U.S. education and trade organizations are very capable of providing the requisite long-term technical assistance.
- Implement U.S.-Africa carbon offset programs to encourage investment in the production and processing of African biofuels for regional use and for export to the international market.
- Develop a duty-free agreement on biofuel imports made from agricultural sources such as jatropha and sugarcane from Africa into the United States.

Incentive Structures in the United States and Africa

- Place priority U.S. attention on agricultural value-chain development from farmers and farmer associations to agro-processors through coordinated efforts between USAID, U.S. Department of Commerce, and CAADP to expand local storage, irrigation, transportation and processing capacity and to enhance local logistical management and coordination, particularly crops such as rice, cassava, gum Arabic, tree crops, yam, cocoa, coffee, cashew, and shea butter.
- Design and implement a range of incentives, such as tax credits, for U.S. private sector investment in African agricultural production, processing, and marketing infrastructure.
- Support implementation of recommendations of the Land Policy Initiative by the AU and the U.N. Economic Commission for Africa, including establishing a legal aid program for adapting land laws to promote integration of small scale farmers into the formal economy.
- Support the Commercial Law Development Program of the U.S. Department of Commerce to work with Africa's regional economic communities and commodity trade associations to develop the legal underpinnings for warehouse receipting, and interstate commercial trade.
- Adapt African agriculture to climate change with a jatropha development program on marginal lands; a mine slag reclamation program, using biofuel feedstocks; and a start-up credit facility for adopters of integrated conservation agriculture.
- Offer increased levels of agricultural and political risk insurance for companies interested in doing business in Africa by coordinating the efforts of OPIC and the USDA who both have experience in issuing insurance for companies working in emerging economies.

Increased U.S. Market Access for African Agricultural Products

- Revise the AGOA to promote high-value agricultural and semi-processed exports from Africa.
- Strengthen African sanitary and phytosanitary regulations and technical capacity to implement and enforce the regulations to meet international standards by offering funding and expertise to African agricultural exporters to develop quality food supply-chains by way of USDA's Food Safety & Inspection Service and Animal and Plant Health Inspection Service. This will help African exporters by lowering compliance costs, which are often prohibitively high. Similar efforts should also be made to align African producers and processors with Codex Alimentarius regulations, particularly those that are producing items for direct consumer consumption. •



Chapter 5: Electrical Power

Context

Of the more than 1.6 billion people living without access to electricity worldwide, over one-third lives in Africa. Excluding South Africa, only 20 percent of sub-Saharan Africa's population has direct access to electricity. This number plummets to five percent in rural locations. The nations of sub-Saharan Africa currently generate less than 70 gigawatts of electricity, roughly equal to that of Spain alone.

Many African businesses must purchase diesel generators to have access to reliable and consistent power, tripling their power costs per kilowatt-hour and thereby depressing profit margins, limiting business investment, and decreasing export competitiveness. In addition, the two major sources of energy in Africa today, coal and biomass, are often used in an unsustainable fashion that contributes to carbon emissions, deforestation, erosion of farmland, and other environmental problems.

The lack of energy infrastructure, high energy costs, and environmental degradation are major obstacles to development for much of the African continent. These problems offer both challenges and opportunities for U.S. policy towards Africa. Traditionally, U.S. policy towards Africa has focused on urgent strategic issues arising from conflict and humanitarian emergencies, along with major social sector issues, such as health and education, but investment in the continent's electricity sector is essential if sustainable economic growth is to take hold. Underinvestment in Africa's value-chain, and in the infrastructure necessary to bring much needed electricity to the end user, has left Africa in a perpetual state of dependency.

U.S. companies and organizations have significant expertise relevant to address Africa's electricity deficit. This expertise could be deployed to help the continent move beyond 20th century technologies and leapfrog to green energy. U.S. policy must empower those African countries with proven track records of development to take ownership of their energy needs and, with the assistance of U.S. companies and organizations, develop African solutions to address African problems.

Just as Africa's telecommunications industry was able to skip a generation of technology and install wireless networks to bring telecommunications service to millions of Africans for the first time, so too can Africa's energy sector jump beyond traditional, higher emissions technologies and move directly to more environmentally friendly and renewable solutions.

Recommendations

We strongly recommend that the Obama administration place high priority on Africa's electricity sector. The policy recommendations below address a broad range of electricity challenges that will drive Africa towards a greener and more sustainable future that will not only serve to lower poverty on the continent, but also generate significant value for U.S. interests. The key issues these recommendations address are: (1) developing market-based pricing for power; (2) enhancing financing opportunities for African countries through the strengthening of OPIC, EXIM and USAID programs; (3) utilizing carbon offset programs to promote the development of green energy projects in Africa; (4) harnessing Africa's vast fuel potential by limiting the flaring of natural gas and developing the African biofuels market; (5) expanding al electrification; (6) expanding Africa's renewable energy sectors; and (7) developing capacity building programs that deal with the lack of human resources across the continent.

Policy Recommendations

Market-based Pricing

Subsidies on inputs and electricity in many African countries distort prices and discourage investment in capital-intensive electricity projects.

- In all U.S. government programs, encourage and provide the institutional support to African governments to transition, carefully and gradually, away from state-controlled fuel and electricity prices, thereby allowing investors in power generation to earn a return on their investments. This transition should also supply a safety net for the very poor as well as education of the public about the benefits of market-based pricing leading to a sustainable transition free of socio-economic problems.

- As a transitional mechanism, charge OPIC and the Multilateral Investment Guarantee Agency (MIGA) with developing special Power Purchasing Agreement (PPA) guarantee programs to assure private sector investors that PPAs will be honored for their full life, even after changes in the political landscape of a given country.

Enhancing Investment and Trade Finance

U.S. government financing appears available on less favorable terms in many African countries as compared to other developing nations.

- Launch a special U.S. export credit program for electricity infrastructure projects in Africa, which includes the following two primary elements:

- Significant decrease or elimination of country limitations on sub-Saharan African countries in EXIM programs.

- Development of a comprehensive bilateral package of USAID (or MCC) funding (grants, development funding, and permanent financing) for cleaner electricity technologies that will cover incremental costs of cleaner versus traditional energy systems.

Carbon Offsets

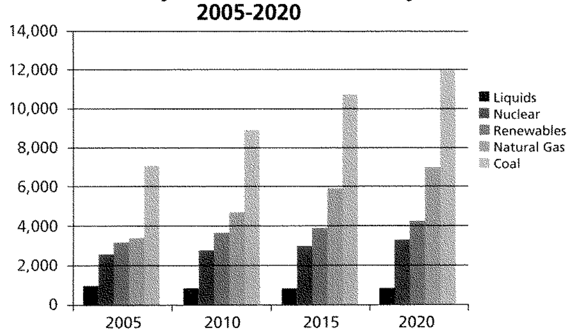
As the Obama administration implements a carbon policy in the U.S., it should consider incentives to provide opportunities to develop infrastructure in Africa while lowering overall costs of abatement by including offsets specifically for investment in Africa.

- Ensure that Africa receives a share of any U.S. offset program, recognizing that such offsets are a way to promote U.S. investment in African clean energy infrastructure.

- Provide credits for renovation of existing facilities and for greenfield renewable energy projects.

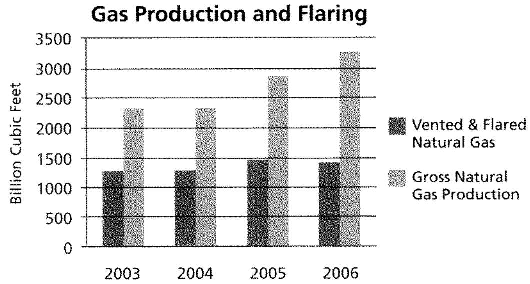
- Work with the international community to promote an international carbon credit exchange that will allow African companies to receive much-needed capital through the sale of carbon credits.

Net Electricity Generation in Africa by Fuel 2005-2020



Source: Energy Information Administration of the U.S. Department of Energy, International Energy Outlook 2008

Sub-Saharan Africa's Gross National Gas Production and Flaring



- Charge USDA with utilizing its human capital, training capacity, farm support programs and hybrid seed research to implement a green lend-lease program that provides financing, technology, and training to model green fuels and renewable power supplies.

- Promote U.S. manufacturing by supporting the export of modular bio-refineries and power generation equipment, which provide fuel and power for plant operations and independent power producers (IPPs) in Africa.

- Create an investment and technology transfer program that brings emerging sub-Saharan African markets up to a locally-produced 10 percent biofuel blend (B10) mandate.

- Assess opening the American market, either wholly or through a tariff rate quota, to imports of bio-ethanol from emerging African nations.

- **Gas Flaring**
  Due to security risks, weak local demand for natural gas and inadequate access to international gas markets and funding, African gas resources have not yet been turned into a viable business opportunity.

Fuels

The Obama administration should encourage the use of African fuel sources to power African development and offset deforestation caused by the use of wood as a primary fuel.

- **Biofuels**
  Harness Africa's vast biomass resources to address food security, energy security, and sustainable development on the continent.

- Use existing institutions such as OPIC and MCC to fund projects that mitigate gas flared by oil companies in Africa. These funds should be invested in projects (potentially including those managed by non-traditional oil companies) to use previously flared gas for power generation and liquefied natural gas exports.

- Make CDMs and U.S. offset credits available for gas flaring reduction programs, whether or not also required by law, but only in cases where gas is utilized for power generation or other productive purposes.

Rural Electrification

- The Obama administration should assist Africa in the development of rural electrification projects.

- Charge USAID and OPIC with utilizing U.S. experience in rural electrification to provide electrification in rural areas where grid-based electrification does not yet extend.

Renewable Energy

- The Obama administration should support the increased adoption of renewable energy in Africa.

- Establish within MCC a program that provides financial and technical support to African governments that create effective incentive structures promoting renewable energy projects

  The U.S. executive director of the World Bank Group Board should request, on behalf of the entire board, that World Bank senior management modify the rules and procedures governing the Clean Technology Fund such that the fund provides effective incentives to encourage private investment by American and other companies to participate in green energy projects in the nations of Africa and in other developing countries.

Human Resources and Capacity Building

- The Obama administration should promote and support projects or programs that result in significant increases in the number of skilled experts in Africa's electricity sector.

- Provide funding for the establishment of four regional energy education and policy research hubs at universities in western, eastern, central, and southern Africa.

- Provide assistance for training entrepreneurs in rural communities on how to establish and operate electricity-focused SMEs.

- Require that all USAID projects with an electricity component increase the share of resources that are dedicated to human capacity building and practical knowledge transfer, including advanced electrical system management training in the United States.

- Promote informational campaigns in Africa that seek to increase overall public awareness of electricity production and consumption as well as best practices to help in the fight against climate change.

- Supply training for African civil servants as a primary goal to develop robust local government departments that can effectively put into action the policies necessary to allow Africa to leapfrog to green. In addition, the U.S. government should encourage African governments to install incentives for improved job performance, develop stronger checks and balances, and increase accountability and transparency.

- Deliver a secure online learning forum between the U.S. and African governments on energy policy. •

Chapter 6: **Extractive Industries**

Context

Africa's extractive industries, including crude oil, natural gas and mining, are of significant importance to U.S. energy security. The African region, and especially the Gulf of Guinea, is emerging as an important supplier of crude oil and natural gas to the United States. The region contributes more than 19 percent of U.S. crude oil imports and many analysts predict that it will provide more than 25 percent of U.S. imports by 2015.

Sub-Saharan Africa Natural Resource Production

Commodity	SSA Production as % of world	Major Countries
Bauxite	9%	Guinea, Mali
Copper	5%	DR Congo, Zambia
Gold	21%	South Africa, Mali, Ghana, Tanzania
Manganese	39%	South Africa, Gabon
Zinc	4%	Namibia, South Africa
Diamonds	46%	Botswana, DR Congo, South Africa
Uranium	16%	Namibia, Niger

Source: Bloomberg, CRU, Morgan Stanley Research

Africa's strategic value to the U.S. is enhanced by the quality of its light crude oil, proximity to the U.S. market relative to the Middle East and the absence of narrow maritime shipping lanes. Sector experts project that, from 2006 – 2012, the cumulative capital investment in exploration and production activities in countries bordering the Gulf of Guinea and the Congo Delta will be close to $74 billion. According to Oil and Gas Journal, this amount is 60 percent higher than the cumulative exploration and production investment seen from 2001-2005. Approximately one-third of this investment will come from the United States.

The American private sector engaged in Africa's extractive industries is an essential catalyst for investment and job creation in Africa. Because of the massive capital required for African resource extraction projects, these investments help facilitate the building of modern infrastructure, including power generation stations, roads, schools and hospitals. Most investors in Africa's extractive industries also have programs to facilitate the growth of SMEs. In Equatorial Guinea, Chad, Democratic Republic of Congo, Nigeria and Angola, the American private sector is engaged in an array of development projects, ranging from resettling ex-combatants, to training teachers, to eradicating malaria, to creating micro-finance institutions.

Despite the opportunities for economic growth presented by resource extraction in Africa, there are considerable obstacles to development and prosperity. These include: (1) weak government institutions; (2) inadequate health care facilities; (3) insecurity in the Niger River Delta; (4) poor infrastructure; and (5) corruption.

Insecurity in some countries where extractive companies are currently engaged has imposed massive costs on the host government, the private sector and local populations. In 2006, Nigeria lost more than 600,000 barrels daily of crude oil as a result of militant group activities. This decline was offset by production from new oil streams. Lack of effective control over maritime waters in the Gulf of Guinea has encouraged high levels of piracy (second only to the Strait of Malacca), illicit trafficking of weapons and drugs, kidnappings, illegal oil bunkering and attacks by militants against energy infrastructure.

Recommendations

The Obama administration should support important initiatives in Africa that enhance local and regional stability and prudent utilization of funds gained from the extraction of resources. Gains from stable conditions and improved investment activity in Africa's extractive industries by American companies will help advance U.S. national security and promote economic growth in African countries.

Policy Recommendations

Transparency and Accountability

Many countries in Africa lack the human capital to prepare, audit and monitor public finance and to manage funds gained from the extraction of resources.

- The United States should continue to strongly support the EITI *(see Annex 1)*.
- U.S. representatives in international organizations, such as the G-8, World Bank and the International Monetary Fund (IMF), should advocate for continued progress on revenue transparency and anti-corruption efforts and encourage member countries in these organizations to become part of the EITI process.
- The U.S. government, working with the World Bank, should establish a multinational forum to work with the EITI secretariat. The forum should provide technical expertise to nations moving forward on revenue transparency.
- Efforts should also be made to link U.S. and African academic institutions in the training of public officials on accountability standards.
- Avoid mandating disclosure unilaterally on U.S. extractive industry receipts and payments. This will severely hamper U.S. commercial competitiveness and create an uneven playing field for U.S. companies against some of the world's largest players, including some that are not listed on U.S. exchanges.

Contract Sanctity

- The U.S. in its engagement with African countries should advocate for contract sanctity as a means towards encouraging greater investment by U.S. firms.
- Advocate for reliable long-term contracts and clear tax rules.
- Insist that contractual agreements include provisions for effective arbitration of contract disputes and enforcement of property rights.

- The use of BITs between the U.S. and African countries should be encouraged. (The U.S. has BITs with five sub-Saharan African countries; the last was signed with Rwanda in February 2008).

Security and Human Rights

- The U.S. government should increase its assistance in the training and equipping of civilian law enforcement agencies and government security agencies in host countries. *(see Chapter 1. Security).*

- Continue to strongly support the Voluntary Principles on Security and Human Rights *(see Annex 1).*

- Help train and improve the capacity of law enforcement and security agencies in Africa, and especially in the Gulf of Guinea. Improved capacity and training will strengthen the ability of security agencies to tackle crime and to effectively police borders and territorial coastal waters.

USG Agencies

Some USG agencies operating in Africa have successfully helped to build the capacity of local institutions to tackle infrastructure and health challenges.

- Continue to support funding for agencies such as MCC, PEPFAR, USAID, and USTDA. These agencies should develop mechanisms to stimulate job creation with a priority focus on the youth entering the workforce. Encourage partnership of these agencies with U.S. companies, some of whom already have successful local initiatives.

Increase U.S. Commercial Advocacy

U.S. private sector investment promotes the use of the best technological and environmental practices, high ethical business standards, and long term sustainability programs—drivers for long term and positive change.

- Encourage more high-level cabinet visits between the U.S. and Africa, including Agriculture, Commerce, Energy, HHS, State, Treasury and USTR.

- Increase engagement by senior USG officials in advocating for U.S. companies. This will help counter aggressive engagement by other governments actively seeking to advance the interest of their national companies. To accomplish this efficiently and effectively, and to ensure that there is an integrated and coherent policy across the USG, there should be a designated senior White House official who is mandated to lead the interagency process. •

THE CORPORATE COUNCIL ON AFRICA

Chapter 7: **Healthcare**

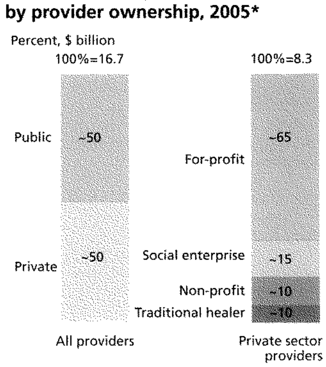
ntext

The International Finance Corporation, in its 2007 study, *The Business of Health in Africa*, predicts a doubling of the African health care market by 2016. This will require an estimated $25 billion to $30 billion in new investments in health care assets, including hospitals, clinics, and distribution warehouses to meet the growing health care demands of sub-Saharan Africa. Total health expenditures on the continent in 2005 were estimated to be $16.7 billion. Sixty percent of this expenditure—predominantly out-of-pocket payments by individuals—was financed by private parties, while about 50 percent was captured by private providers.

Despite the international community's attention to public health systems, in many circumstances, the private sector—which includes both the commercial, for-profit sector and not-for-profit NGOs—is the primary channel through which the majority of Africans pay for, obtain access to and receive health care. In this chapter, the term "private sector" is used to refer specifically to the commercial sector.

Much of the unprecedented growth in demand and

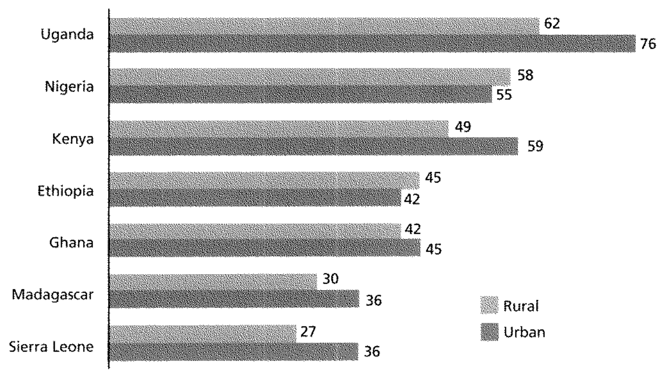
Approximate expenditure on health care by provider ownership, 2005*



*Data for Sub-Saharan Africa (excluding South Africa) is exstrapolated from the most recently available data (1995-2002) from national health accounts for Ethiopia, Kenya, Malawi, Namibia, Nigeria, Rwanda, Tanzania, Uganda, Zambia, Zimbabwe, and additional data available for 13 other individual nations.

Source: NHA reports; country interviews, literature serach; McKinsey analysis

Population using private, for-profit providers of modern medicine
Percent of population*



*Data based on usage, not expenditure (most recent survey year available between 1995-2004); data not available for all countries.
Source: Africa Development Indicators, World Bank 2006.

services is driven by the historic marshalling of resources for health undertaken by the global response to HIV/AIDS, TB and Malaria. The major donors in this effort are the U.S. government via mechanisms such as PEPFAR and the President's Malaria Initiative (PMI), other bilateral donors, the Global Fund to Fight AIDS, Tuberculosis and Malaria, the World Bank's Multi-Country AIDS Program (MAP) and the philanthropic efforts of The Bill and Melinda Gates Foundation.

While fiscal resources expand, the national health systems that support these efforts are vastly overburdened and understaffed. They are characterized by a multitude of actors (government agencies, donors, and local and international non-governmental organizations, faith-based organizations, and private sector entities) and stymied by systemic redundancies, management and supply chain inefficiencies, and human resource and information systems constraints.

When these inefficiencies are coupled with the largely invisible African epidemic of growing chronic diseases such as heart disease and diabetes, it becomes clear that the pandemics of today will require creative thinking, coordinated responses across implementing partners, and reinvigorated donor and government policies. As the Obama administration seeks to reshape U.S. diplomatic and development policies, it will be critical to ensure a greater role for the private sector.

A number of programs and policy shifts have been proposed, including the Health Infrastructure 2020 Initiative and the Obama administration's SME Fund. The SME Fund, for example, would be an ideal vehicle through which the administration could promote market-based approaches in the health sector. Through this fund, local entrepreneurs could access the seed capital and technical assistance through the OPIC that is needed for partnerships with U.S.-based companies.

These initiatives, together with the following policy recommendations, will contribute to the development of large-scale public-private partnerships and private sector investment opportunities that will help set the stage for a more vigorous and productive participation of the private sector in addressing Africa's health care constraints.

Recommendations

We strongly recommend that the Obama administration give high priority to the role of the private sector in fulfilling its African health agenda and to expanded best practices shaping public-private partnerships addressing the range of health requirements facing Africa. The key issues these recommendations address are to (1) expand U.S. government support for the role of the U.S. private sector; (2) facilitate market-based health initiatives in Africa; (3) improve partnership models to facilitate work with the private sector; and (4) broaden the USG's global health focus.

Policy Recommendations

Expand USG support for the private sector role in health in Africa

- Acknowledge that the commercial private sector is a key player in providing health products and services to Africa and that USG programs would benefit from long-term partnerships with the private sector, particularly through market-based initiatives established on the principle of joint risk/joint investment, in order to sustain international health engagement.

- Identify and reform U.S. regulatory impediments to private sector participation in African health systems development including burdensome tax and tariffs on all U.S.-made medicines, vaccines and medical devices.

- Use the Health Infrastructure 2020 Initiative as a platform to create policy incentives for the U.S. private sector to leverage their core competencies and support government health programs that contribute to human resource development in the African health sector, including pre-service and in-service technical and management training programs for physicians, nurses, and technicians.

- Strengthen the involvement of the private sector in achieving the Millennium Development Goals (MDGs) 4, 5, & 6 by embracing market-based approaches which are sustainable and increase revenue for communities (e.g., involving local manufacturers and distributors).

- Establish a consistent USG policy for private sector engagement in health in multilateral agencies and development banks, and encourage a coordinated and consistent set of policies across these institutions as they seek to engage the private sector in addressing health issues for Africa.

- Regularly engage U.S. health industry leaders to better gauge their perspective on partnering with the government on various health initiatives, such as Health Infrastructure 2020.

- Advocate pro-market policies to encourage new investment in health infrastructure and the introduction of new technologies and services.

- Strengthen partnerships with networks of U.S. institutions of higher education to provide access to health and medical education in areas with limited resources.

Encourage market-based health investment in Africa resulting in demand-driven models of healthcare delivery

- Promote pro-investment environments in Africa including robust support for capacity building of African regulatory bodies, national quality control mechanisms, and regional trade infrastructure.

- Give specific consideration to local health priorities and cost-effective use of resources through market segmentation.

- Use public money to wholly fund or subsidize health services and treatment to those who cannot afford it while supporting policies that allow those with higher incomes to pay market prices for care. Such segmentation will mitigate unnecessary market distortions caused by large-scale U.S. government engagement in health.

- Expand access to health financing mechanisms that encourage long-term growth and investment partnerships particularly access to funds supporting health-related businesses in Africa, including encouraging micro health insurance, health savings accounts, or health credits.

Improve USG relationships and partnership processes with private sector on global health issues

- In collaboration with members of the U.S. private sector, review and revise the process/mechanisms for public-private partnerships so that they are simple, transparent, predictable, and replicable.

- CCA endorses the Institute of Medicine's recommendation to establish a single coordinating entity for international health policy at the highest level to ensure coordination across the government, thereby minimizing redundancies among USG agencies that implement health program in Africa and achieving greater efficiency in the use and flow of resources.

- Task senior USG officials (namely ambassadors and USAID mission directors) at the country level with giving priority to health issues and encouraging private sector participation in resolving national health constraints.

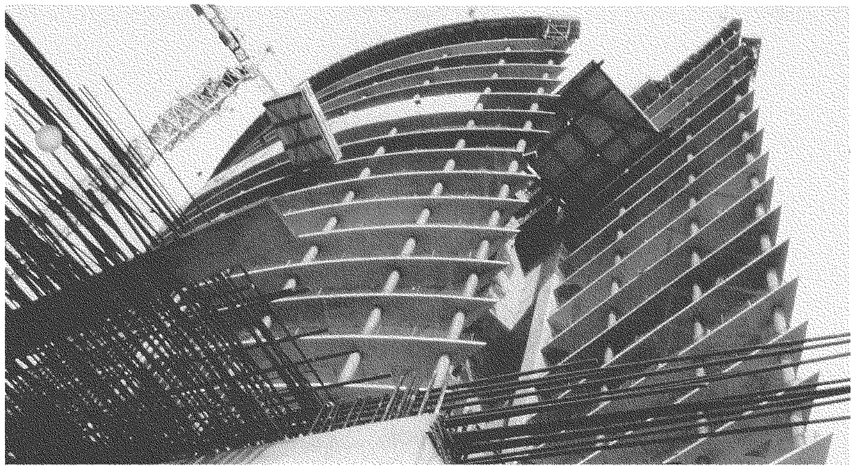
- Promote greater dissemination and implementation of best practices including partnerships models such as USAID's Global Development Alliance (GDA) and PMI.

- Adjust USG policies at the agency and program levels by modifying the metrics of success to include incentives for public-private partnerships and health systems development.

Broaden the USG's global health focus

- Incorporate disease-specific programs into a comprehensive preventative health systems approach in partnership with the private sector. The approach should include human capacity development, healthcare financing, supply chain management, and health information systems development.

- Give attention to the role of the private sector in better addressing neglected tropical diseases and chronic disease prevention and mitigation not included in infectious disease strategies and policies. •



Chapter 8: **Infrastructure**

Context

The United States is Africa's largest trading partner, but its foreign assistance towards Africa is inconsistent with that role. Infrastructure, referred to as "the backbone of Africa's development" at the January 2009 AU Summit, is a critical aspect of U.S. foreign policy towards Africa. Unfocused and minimal USG resources promoting infrastructure development dampen and inhibit U.S. private sector engagement in Africa.

Africa's lack of basic infrastructure looms as one of the most important obstacles to its competitiveness, stability, and economic growth. The long-term nature of infrastructure development, both regulatory (soft-side) and physical (hard-side), promotes deeper and more meaningful diplomatic and economic relationships with African nations. This interaction opens up new markets for U.S. goods and services, increases Africa's trade and global connectivity and enhances the economic growth and security of the U.S.

Current U.S. foreign assistance to Africa is primarily focused on aid, not development. The Bush administration increased aid to Africa from $2.5 billion to $5.5 billion. Most of this increase was for mitigating the scourge of HIV/AIDS. USG assistance pales next to the European Union Commission's total aid of $20.3 billion and the United Kingdom DFID's $5.2 billion. China and India have combined aid-linked investments in Africa worth more than $20 billion.

These figures consist largely of investments in infrastructure, which has brought African nations closer to non-American investors. In turn, the investments have provided a major boost to economies by encouraging European, Chinese and Indian firms to work in Africa, a phenomenon that leads to job creation at home. The Obama administration can do the same for the United States.

Recommendations

The following recommendations suggest concrete ways for the Obama administration to promote U.S. investment in infrastructure to enhance partner nation stability and job creation in both the U.S. and in Africa. The document is divided into "soft" and "hard" infrastructure recommendations. We recommend a change in the way the USG and the U.S. private sector interact to encourage long-term relationships/partnerships and to increase significantly the presence of American companies on the continent.

Access to Infrastructure (Source: World Bank Sustainable Infrastructure Action Plan, 2008)							
REGION		EAP	ECA	LAC	MNA	SAR	SSA
Population (in millions) (WB 2006) (1)		1,899	459	555	310	1492	770
Living population with less than $1 per day (in millions) (WB 2007) (2)		169	4.4	47	4.4	446	298
Urban population (%) (WB 2006) (3)		42	64	78	57	29	36
Urban population in 2030 (%) (WB 2006)		70	63	92	61	40	52
Access to electricity (%) (EIA 2005) (4)		89	99	90	78	52	26
Access to water supply (%) (wssinfo.org) (5)	Urban	93	95	94	95	94	83
	Rural	67	82	66	77	80	44
Access to sanitation (%) (WB 2006) (5)	Urban	73	91	86	93	67	73
	Rural	35	81	52	70	22	43
Access to telephone per 100 population (WB-2006) (6)	Fixed	23	25	18	17	3	1
	Mobile	35	63	55	36	15	14
Access to rural transportation (%) (WB 2002-4) (7)		90	82	59	59	57	34

1 World Bank Development Database, 2006.
2 World Bank Development Economics Data Group (DEC), October 2007 – Data from 2004.
3 World Bank Development Database, 2006.
4 International Energy Agency (IEA), 2005. EAP data includes China, while MNA does not include Northern African States.
5 Joint Monitoring Program Database (wssinfo.org), 2004 Data.
6 World Development Indicators, 2006.
7 Rural Access Index (RAI) estimates the proportion of rural population, which has access to an all-weather road, based on household survey data: 2002–04.

Policy Recommendations

Soft-side

- Strengthen MCC's technical support to African countries for infrastructure. This can be accomplished by incorporating a technical unit within the various compact countries enabling ministries to facilitate contracting and project development.

- Create an office within the U.S. government to coordinate infrastructure support that is staffed by individuals with significant private sector experience in emerging markets.

- Provide U.S. technical assistance to strengthen regulatory frameworks that promote infrastructure investment. Five specific examples include:

  - Support for land and private property rights legislation that levels the partner nation's domestic playing field while encouraging FDI.

  - Support for the professionalization of civilian security mechanisms, including police, customs and other related security services, that provide a safe and stable economic and political environment for investment. For example, the Department of Homeland Security's Customs and Border Protection agency should expand its security focus in Africa, with bilateral, regional and industry promotion of trade security programs, including the Secure Freight Initiative (SFI), the Container Security Initiative (CSI) and the Customs-Trade Partnership Against Terrorism program (C-TPAT).

  - Recognition of African nations' exclusive economic zone resources, such as fisheries and oil/gas development, as critically important components of national infrastructure that require development plans for safety and security, with a special view to avoiding the depletion of renewable resources.

  - Elevation of Trade Capacity Building Assistance (TCB), which includes promoting economic growth through trade and enables partner nations to negotiate and implement market-opening and reform-oriented trade agreements. A new Africa policy should encourage increases in maritime transportation competition and capacity spurred by an increase in the TCB budget commitment to a $3 billion - $4 billion level. EXIM export financing services for U.S. firms should be expanded to develop the maritime sector in Africa as fundamental to TCB assistance.

- Leverage African resources to create and invest in domestic capital markets related to infrastructure.
- Encourage the international donor community, especially the World Bank and the African Development Bank, to prioritize infrastructure financing.
- Expand support for technical exchanges between U.S. institutions, businesses, and professional associations and African infrastructure organizations.
- Coordinate infrastructure development in Africa both bilaterally and with RECs (ECOWAS, COMESA, SADC, etc.).
- Encourage innovative solutions through the State Department's Global Partnership Program as well as USAID's GDA that bring together funds from various private sources, including sovereign funds.
- Consider using the U.S. Tax Code to provide tax incentives for U.S. companies that undertake community stability programs in Africa

Hard-side

Transportation and other infrastructure constraints are major impediments to trade and investment in Africa. Transport costs to and from Africa are 2.5 times higher than to any other continent, and within Africa are as much as ten times higher. After decades of under-investment, major infrastructure improvements are essential and provide enormous commercial opportunities, yet U.S. firms have been slow to respond because Africa is unknown territory and has a reputation for crime and corruption. In the current global economic environment, there is a strong argument that American business, with Administration support, should mount a much more aggressive push into the "Frontier Economies" of Africa.

- **Maritime**

  African economies increasingly depend on maritime transport and require more efficient maritime transport and ports. An essential pillar of international maritime trade competitiveness is maritime security. The International Maritime Organization has mandatory standards for ship and port facility security in the International Ship and Port Facility Security Code (ISPS) of the Safety of Life at Sea Treaty (SOLAS). The U.S. Department of Homeland Security has a number of international security initiatives that can pre-position African ports for growth through meeting international maritime/port security standards.

- Realign U.S. Africa policy and strategy policy tools to support maritime infrastructure development.
- Support new USTDA maritime infrastructure activities in key ports such as those in Nigeria, Tanzania and Angola.
- Expand African Global Competitiveness Initiative (AGCI) maritime infrastructure development. Strengthen the existing AGCI strategy to promote economic growth, create jobs, and raise living standards in Africa. Currently, AGCI has four regional Global Competitiveness Centers or Trade Hubs in Ghana and Senegal (for West Africa), Botswana (for Southern Africa), and Kenya (for East and Central Africa). The AGCI hubs should be expanded to include Nigeria, Angola and Tanzania to better align with Africa's NEPAD Spatial Development plans.
- Assist African governments, the AU and the International Maritime Organization to ensure compliance with ISPS as a means of positioning port infrastructure and maritime safety and security standards compliance as a new partnership priority. Nations failing to meet these standards will encounter trade limitations and will lose competitive edge to nations with appropriate security for their ships and ports.
- Initiate the Safe-Sea-Ports for Africa (SSPA) Program, a companion to the Safe Skies for Africa Program that brings in African ports and infrastructure development into the transportation strategy. The goal of SSPA technical assistance would be to improve the maritime safety, security,

marine navigation, and port efficiency of maritime ports in sub-Saharan.

- **Air Transportation**

The nations of sub-Saharan Africa are heavily dependent on their aviation industries to move people and products. Most airlines in sub-Saharan Africa fail to provide the needed lift to support international, national or regional requirements. Consequently many African countries suffer high passenger fares and cargo charges. This in turn leads to diminished competitiveness, both for the air services industry and for the economies as a whole.

Among the air transport sector weaknesses that can be corrected are: (1) a lack of capital and mismanagement; (2) insufficient air transport infrastructure such as airports, maintenance, repair and operations facilities; (3) lack of trained personnel; and (4) inadequate governmental oversight of aviation safety and security, including air traffic control *(see Chapter 9, Tourism)*.

Liberalization of African aviation markets is the goal of the Yamoussoukro Declaration, which should be more broadly ratified and implemented. The Department of Transportation's technical assistance and training programs under the Safe Skies for Africa (SSFA) Program, funded by the Department of State, strengthen safety, security, and navigation for air services. Aviation security and related counter-terrorism activities help to fight terrorism, narcotics trafficking, and smuggling. In countries that ratify and implement the Cape Town Convention and Aircraft Protocol, EXIM offers financing that has saved approximately $40 million in costs for seven client airlines in seven African countries. There are no fewer than nine additional African countries that could benefit immediately from ratification *(see Chapter 9, Tourism)*.

- Assist African countries to ratify and implement the Cape Town Convention and Aircraft Protocol.
- Urge African governments to implement the Yamoussoukro Declaration.
- Support and expand the SSFA program.
- Encourage the African Union and the regional economic communities to partner with the private sector to develop national and regional and continental Air Traffic Control and Air Traffic Management Centers under the Safe Skies for Africa Program. Regional organizations under the auspices of the African Union could be provided satellite navigation equipment as has been done for the United States (WAAS), Japan (MSAS), and soon over India (GAGAN). Development and use of Passive Coherent Location (PCL) sensing technologies could be leveraged.

- **Ground Transportation and Warehousing**

High transport costs and limited availability of ground facilities render intra-African commerce infeasible except over short distances. Even if road, rail, warehousing, and port infrastructure are available, they may be seriously dilapidated or traffic may be impeded by crime, corruption, and rent-seeking by local officials or entrenched interests.

- Support more concessional U.S. financing for purchase of transportation equipment by smaller African firms with American partners, investors, or mentors.
- Support higher priority and more innovative design for infrastructure projects, including on a regional basis, by IFIs.
- Encourage U.S. business to take more advantage of African opportunities, by use of trade missions, public information programs, business seminars, etc.
- Give higher priority to participation by African/American-owned enterprises in providing transportation/logistics services for U.S.-funded NGO programs.

- **Railroads**

Railroads provide a stimulus for economic development and Africa lags behind in rail infrastructure. The movement of goods and people by rail is more cost effective and more energy efficient than by road. Urban rail mass transit systems reduce pollution and traffic congestion.

- Assist in collaboration with partner nation governments and other donors to improve African rail networks through public-private partnerships.

- Encourage the multi-lateral donors to make rail transport funding and construction a priority for investment.

- **Information and Communications Technology (ICT)**

  Fiber optic backbone and broadband connectivity ICT infrastructure are critical tools for the integration of African economies into regional and global markets. International companies seeking to invest are looking for the availability of modern telecommunication infrastructure. Broadband connectivity or high capacity backbone networks are the foundation for developing a vibrant and cost effective ICT infrastructure *(see also Chapter 9, Tourism)*.

- Encourage the entry of alternative infrastructure providers. Leverage existing infrastructure projects, such as railway systems, oil pipelines, electricity transmission networks and road systems, to develop fiber optic backbone operations. This will provide cost effective investments and foster competition. It could be either a condition of USG aid to fund these projects or to provide special incentives for the U.S and African private sectors to partner with these service providers.

- Encourage regional approaches to creating an enabling regulatory environment. The coordination and the development of regulations on a regional basis will remove some of the obstacles that constrain competition, such as the limits on the number of network licenses granted. Regional coordination will also improve the quality of regulation, contract enforcements and service level agreements.

- Emphasize investments in long term infrastructure such as fiber optic networks through OPIC and MCC.

- **Logistics**

  The Obama administration's Africa policy should encourage increases in transportation competition and capacity. The administration should encourage OPIC and other agencies to make available low interest rate loans to African SMEs involved in transportation and logistics, with a preference for those companies that have American partners, investors and/or mentors. These loans should focus on equipment (trucks, rail wagons, aircraft, trailers, material handling equipment) and facilities (offices, warehouses, silos).

- Require that all transportation conducted within Africa that is paid for directly or indirectly by the USG is performed by African- and/ or American-owned companies in partnership with African companies.

- Require that PVOs and NGOs doing humanitarian work in Africa funded by the USG utilize African- and/ or American-owned enterprises to perform transportation and logistics services.

- **Safe Water and Sanitatio**n

  With the increasing urbanization of Africa, water delivery capabilities are overextended and overburdened. The consequent shortage of water and of adequate water quality standards requires significant attention from regional and national authorities. Uganda, Senegal and several other countries have implemented water management policies that successfully address quality, delivery and sustainability, which can serve as models for other jurisdictions.

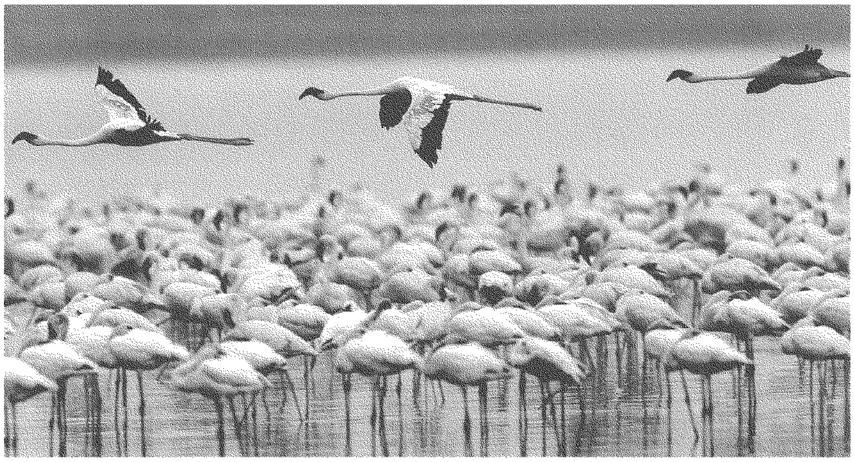
- Strengthen and expand the existing USAID programs that focus on water regulations, water policy reforms, and technical assistance to implement these reforms.

- Provide technical assistance for water management at the regional, national and local levels, and house a technical water resource management capability at the AU.

- **Infrastructure in African Post-Conflict Countries**

  A large portion of U.S. assistance is for post-conflict recovery. Infrastructure should be a significant component of this policy, as it provides the essential framework for stabilization.

- Incorporate all aspects of infrastructure rehabilitation and construction as part of post-conflict assistance to reduce conflicts, create jobs and provide essential services. •



Chapter 9: **Tourism**

Context

Travel and tourism comprise one of the largest industries in the world (2008 global economic activity forecasted at 9.9 percent of total GDP) and provides a unique basis for development. In 2007 the tourism sector in sub-Saharan Africa generated close to $90 billion in economic activity and is expected to exceed $185 billion in the next seven years. Tourists bring money into local economies and have a profoundly valuable multiplying effect by creating jobs in the hospitality and airline industries, as well as in restaurants, shops and a range of upstream suppliers. Tourism is a path to the diversified development of national economies and a successful anti-poverty strategy for remote areas in less-developed nations.

Africa possesses a staggering wealth of unique tourism opportunities, including the increasingly popular areas of nature-based, cultural and heritage tourism, as well as the 2010 World Cup. According to the World Travel and Tourism Council, the travel and tourism economy in 2007 accounted for more than eight percent of Africa's total GDP and generated more than 10 million jobs on the continent. Though tourism is generally viewed as the exclusive domain of the private sector, it is directly affected by government policies and will flourish in Africa only where there is strong senior-level leadership and a commitment to partnership between the public and private sectors, both in the United States and in Africa.

If the African continent is to continue to grow its tourism sector, it must address a number of challenges. Africa continues to lag severely behind all other regions of the world in the number of tourists it receives annually. For several reasons, visitors from the United States make up a very small percentage of Africa's tourists. However, clear evidence shows that nearly half of all Americans have a desire to travel to Africa to learn more about the continent.

Recommendations

The primary challenges faced by the tourism sector in Africa as it seeks to attract more American tourists include **insufficient infrastructure, image/perception problems among potential**

American visitors, and relatively few direct air routes between Africa and the United States. These challenges are addressed in five distinct sections below. Inherent in these challenges, of course, are opportunities for the Obama administration and for the American private sector to contribute to the development of Africa's tourism sector in a manner that benefits both the United States and the nations of Africa.

Policy Recommendations

Developing Africa's Tourism Infrastructure

"Hard" infrastructure, such as reliable road and railroad networks and airport facilities, are critical components to the tourism sector because they deliver tourists and, in the case of roads and railroads, provide essential goods to support the travel and tourism industry. Hard infrastructure issues are addressed elsewhere in this report. Two of the most important components in the development of tourism are communications and the availability of trained professional staff that provide high standards of customer service. These two components of tourism infrastructure are emphasized here. *(see Chapter 8, Infrastructure)*

Communications Technology

Failure to employ modern information technology severely impedes—if not eliminates outright—a country's ability to develop its tourism industry. No longer is it sufficient to post telephone numbers and mailing addresses on rudimentary websites. Event calendars, press releases, proposed itineraries and online reservations capabilities are necessary standard features for any tourism-focused web presence. American travel retailers, wholesalers, suppliers and tourists demand instant responses to maintain interest in tourism products and, therefore, consider functioning email addresses (listed on websites) to be their essential contact points.

- The Obama administration should provide financial incentives to U.S. companies and expertise to support country and regional efforts to upgrade the web-based promotion of African tourism opportunities.

Training for Careers in Tourism

The tourism sector depends heavily on its labor force and its success frequently rides on a visitor's customer service experiences. In some high destination countries, laudable efforts are already underway to provide university-level courses in tourism. With funding from USAID, American universities, including the University of Florida, have entered into partnerships with African universities to develop curriculum and train African faculty and future African managers in the tourism sector. Universities also are well equipped to provide accessible and affordable vocational training for others planning careers in the hospitality industry.

However, many sector experts continue to report shortfalls in both numbers and quality of trained staff. Ensuring high levels of service can best be achieved when private sector companies partner with governments and academic institutions, both in the United States and in Africa, to invest in appropriate training for local people, beginning at the secondary school level and continuing through universities.

- The Obama administration should support the expansion of tourism-focused curriculum at universities in African tourist destinations, as well as the expansion of vocational training programs, to encourage students to enter the travel/tourism service industry and to train a future generation of tourism service providers and managers.

Expanding Air Service from the United States to Africa

Although airlines will usually only open or expand routes as a function of profit potential, there are a number of emerging markets in Africa that have either already reached, or are just about to reach a point of economic justification. However, they do not have adequate air service because of: a) substantial deficiencies in aviation infrastructure, and b) the inability of any airline companies to privately fund the necessary infrastructural requirements.

Many African nations have civil aviation authorities that are small, under-financed, inadequately trained, and inadequately staffed to effectively oversee the activities of their own flag carriers. This lack of manpower and training is acute and has dire consequences. Africa as a region has the world's highest rate of aircraft accidents per number of miles flown.

In existence since 1998, the "Safe Skies for Africa" program, funded by the Departments of State and Transportation, has received only modest funding. *(see also Chapter 8, Infrastructure)*

- The Obama administration should increase the U.S. government's participation in the "Safe Skies for Africa" program. The administration should consider amending the "Safe Skies for Africa" program to broaden potential areas of assistance (initially identify and concentrate on top six markets with greatest potential for economic growth) and then provide additional support (funding, skills, oversight and training) for the programs. Focus should be to:
  - Create incentives for African governments to invest in modernized air traffic control equipment, and provide relevant training and technical support.
  - Promote programs that facilitate the sale and operation of U.S.-manufactured safety equipment, and provide relevant training.
  - Promote programs that facilitate the sale, operation and maintenance of American manufactured security equipment, and provide relevant training.
  - Maintain and expand programs through which U.S. companies and government agencies provide technical assistance to African civil aviation authorities. Such assistance can be given in the form of direct grants for training, manpower assistance, and to organizations that supply manpower and/or technical assistance.

Improving Africa's Image in the United States

American mass media too often defines Africa with the vocabulary of despair: poverty, conflict, disease, corruption and natural disaster. This conclusion negatively impacts tourism and business decisions. In 2005, Media Tenor, a German-based consulting firm, evaluated news coverage of Africa throughout the world. The firm categorized the Africa news stories of that year as positive, neutral or negative. In the United States, more than 62 percent of the news on Africa was negative, 11 percent positive, and 27 percent neutral. Conversely, South Africa's news coverage of the entire continent was dramatically different: almost 80 percent of the stories were neutral.

- The Obama Administration should take an active role in helping to improve Africa's image among Americans.
- President Obama, First Lady Michelle Obama and cabinet members should travel to Africa. In conjunction with such visits, the U.S. State Department, through America's embassies, should coordinate closely with host-government ministries of information and tourism to provide the press with opportunities to capture a variety of images and chronicle a multitude of activities and events occurring in the country.
- The Obama Administration should invite African Heads of State to meet with President Obama and key cabinet members to address issues ranging from the economy to the environment. Before these meetings, the Obama administration should provide the White House Press Corps with detailed information about the country to encourage broader and deeper reporting and understanding.
- The Obama administration should proactively disseminate to the U.S. media images from the White House and other federal agencies that accurately portray the depth and breadth of America's engagement with Africa's nations and its peoples, from mere recipients of philanthropy that help combat Africa's problems, to partners in promoting Africa's progress across multiple sectors.
- The Obama administration is encouraged to bolster existing initiatives administrated through the Department of Education that enhance classroom curriculums that promote a greater understanding of other cultures and encourage proficiency in a foreign language by students before they exit secondary school.

- The Obama administration should expand support for the State Department's Bureau of Educational and Cultural Affairs, working in concert with efforts administered through Sister Cities International, Africare, the Africa-America Institute and the Peace Corps. These initiatives should be expanded to bring in the expertise and experiences of other American organizations, including churches and other community groups, that have built significant people-to-people relationships with Africans.

- The Obama administration should allocate resources for the creation of a central inter-governmental agency database to gather reliable statistics on American travel to the continent. Statistics help drive the tourism industry and inform the private sector about investment opportunities. Research for the database could be undertaken in partnership with university-level tourism research centers and in collaboration with other private sector concerns engaged with Africa. Such an effort should be designed to increase the accuracy of statistics provided by the Department o f Commerce's Office of Travel and Tourism Industries.

Modernizing Travel Advisory Procedures

The U.S. Department of State's travel advisories and warnings are intended to make sound recommendations and provide concise travel advice to Americans about specific destinations around the world. Once issued, a travel warning holds for six months and is then either reissued with new or unchanged verbiage, is revoked or is reissued as a travel advisory.

If the travel warning is reissued with new or unchanged verbiage, an email alert is sent out to all Americans currently registered with the Department of State. The email does not always state that the warning is a continuance of a previous travel warning. This email is sent out regardless of a change in verbiage and does not clarify for the reader any distinction(s) between the changes from the previous warning and the reissued one.

- Review of the manner in which Department of State travel advisories are issued, including the regularity with which updates on specific locations are issued.

- Review procedures for drafting travel warnings to ensure that such warnings' verbiage is concise and specifies regions or areas within a country where travelers should avoid and/or exercise caution, so that an entire country is not needlessly characterized as being unsafe.

- Direct the State Department to provide up-to-date and specific information on the on-ground situation on a timelier basis, versus a blanket six-month warning to steer away from a destination.

Addressing Crime and Security Issues in Africa

Crime, regardless of its location, negatively impacts tourism. South Africa and Kenya, two of the continent's top destinations, are prime examples of this fact. The U.S. Federal Bureau of Investigation (FBI) has assisted in training South African police to address terrorism financing and money laundering ahead of the 2010 FIFA World Cup. According to reports, African National Congress President Jacob Zuma met with the FBI during his recent visit to Washington to discuss what assistance the FBI can provide to support South Africa's crime fighting efforts *(see Chapter 1, Security).*

- Provide support for the training of crime-fighting agencies at all levels of crime, including street and violent crime, in key tourist destinations, including those in South Africa and Kenya. •

Annex 1:

Background on Voluntary Principles on Security and Human Rights (VPSHR) and Extractive Industries Transparency Initiative (EITI)

A. Voluntary Principles on Security and Human Rights (VPSHR)

The Voluntary Principles on Security and Human Rights (VPSHR) is a set of non-binding principles developed in 2000 to address the issue of balancing safety needs while respecting human rights and fundamental freedoms. VPSHR fills a critical void for companies seeking guidance about managing potential exposure to risks related to their security and human rights practices, especially in countries that are often associated with conflict or alleged abuses. VPSHR also provides guidance for companies on identifying human rights and security risk, as well as engaging and collaborating with state and private security forces. VPSHR was developed through multi-stakeholder participation from governments, extractive industries and non-government organizations (NGOs).

VPSHR has been successful in creating a platform for addressing complex human rights issues through collaboration between government, business and civil society organizations. Going forward, a strengthened governance framework will support and encourage participation of new host and home governments, companies and NGOs and facilitate dialogues on issues related to VPSHR in host countries.

B. Extractive Industries Transparency Initiative (EITI)

Since 2002 a number of countries, led by Britain and Norway, have promoted the Extractive Industries Transparency Initiative (EITI), a voluntary program that aims to "strengthen governance by improving transparency and accountability in the extractive sector." Currently there are thirty nine major oil, gas and mining companies, as well as several civil society groups, in support of the EITI, which sets a "global standard for companies to publish what they pay and for governments to disclose what they receive." The initiative is aimed at providing a mechanism to break the so-called "resource curse" where a generation of wealth in resource rich but poor and undeveloped countries has led to fraud, corruption, wasteful spending, and regional instability.

To date, the Extractive Industries Transparency Initiative has the support of twenty four "candidate countries," seventeen of which are in Africa. Once a country has obtained the Candidate status, it has two years to be validated as a "Compliant" country. While no country has yet received a compliant validation several are working towards that goal.

A major hurdle towards validation has been the lack of capacity and technical expertise of candidate nations, framed by weak institutions and fledgling governments. In addition; there has been inadequate assistance from international donors, including the United States. Critics of the EITI process have also cited a "lack of political will" as a problem with implementation. •

Annex 2:

Improving U.S. and African Tax Regimes to Encourage Capital Flows to Africa

1. To encourage U.S. investors to invest in African countries, the incoming Obama Administration should promote an expanded network of Double Tax (DT) agreements with African countries. This would reduce the withholding tax rates suffered on flows to U.S. of dividends, interest and probably management fees. For example, the normal rate of withholding tax in Nigeria is 10%, but this is reduced to 7.5% for payments made to companies which are resident in DT agreement partner countries. The U.S. has the reputation of being a "difficult" country with which to negotiate DT agreements, as it insists on provisions that many African countries may not like. Given the benefits to the U.S. and to Africa, the Obama administration should be more flexible in its negotiations.

2. The Obama administration should consider adopting "tax sparing" clauses to avoid undermining tax incentives given by African governments to U.S. investors. If a U.S. investor builds a factory in, say, Uganda, and is exempted from Ugandan tax for, say, five years but during that time makes profits and declares dividends, then the U.S. tax on those dividends should give credit not only for withholding taxes actually suffered but also for the taxes not paid on account of the tax exemption given by Uganda to attract investment so as not to invalidate and render ineffective the Ugandan tax incentives with higher U.S. taxes.

   Some countries address this with "tax sparing" clauses in their DT agreements, however the U.S. seems to object to such clauses that give a U.S. tax credit for taxes that would have been paid by a U.S. tax payer in the African host country.

3. The Obama administration should encourage African countries to develop more business friendly and effective tax regimes. U.S. support for each country should be tied to making progress on this goal over a period of time. We can not expect a country like Sierra Leone, when emerging from civil war, to have a fully functioning tax or commercial law system; but a few years post-bellum, legal and tax systems should be expected to progress and should be encouraged and enabled.

   a. African countries should be encouraged to simplify tax regimes in the following ways: (1) codify all tax laws in tax statutes rather than having tax rules buried in other laws, (2) discourage lower levels of government (such as states, provinces, or even local governments) from imposing corporate taxes; (3) reduce effective aggregate corporate tax rates taking into account all levels of government.

      Even if the national corporate tax rate appears to be comparatively low, investors are sophisticated enough to discern the hidden added costs of multiple taxes at different levels of government, additional taxes on profits or sales, significant disallowances of business expenses, restrictions on the use of capital allowances and distortions in the VAT system -- all of which increase the effective tax rate.

   b. African countries should be encouraged to reduce inflation and adjust or eliminate capital gains taxes because they are complicated, often unfair and generally produce little revenue. Kenya suspended the tax some time ago and Nigeria exempts all share transactions from capital gains tax. Often the taxed capital gains are mostly nominal resulting from high inflation or exchange rate depreciation rather than from a "real" return on investment.

   c. African countries should be encouraged to revamp their VAT systems (and other taxes) to encourage exports of goods and services, and to avoid disadvantaging domestic industry. For example, the VAT system in Nigeria is unfair, particularly to the service sector. While the rate is reasonably low currently at five percent, there are proposals to triple it. Relief from input taxes (i.e., VAT suffered on purchases of material, services or capital equipment) is only allowed as a credit for manufacturers (who can only use it on the VAT on raw materials used in manufacturing) and for retailers (who can only use it on the VAT on goods acquired for re-sale). Purchasers of services do not have a deduction for input taxes, as the effective rate cascades up where one service company uses another service company as an input.

d. African countries should be encouraged to ensure that tax laws are transparent, tax incentives or exemptions are granted with proper costing to assure that benefits and costs are quantified in advance, and their actual impacts are monitored to achieve the desired effects.

4. The Obama administration should provide and/or facilitate technical assistance to African countries to design and implement sound tax policies and improve their tax administration. Revenue authorities need staff training in technical issues: 1) auditing and investigations, 2) methods to monitor staff efficiency (the time and effort as well as yield from investigations, the yield from queries addressed to taxpayers), and 3) efforts to ensure tax payer compliance; and 4) monitoring the honesty and freedom from corruption of their staff. •

Annex 3:

Total U.S. Imports from Sub-Saharan Africa by Major Commodity Sectors (in million $)

	Total Imports 2001	Total Imports 2007	Total Imports 2008	% Change Total Imports 2001-2008	% Change Total Imports 2007-2008
Energy-related products	$14,271	$54,238	$71,727	402.61%	32.24%
Minerals and metals	$3,082	$7,391	$7,274	136.02%	-1.58%
Textiles and apparel	$998	$1,334	$1,184	18.64%	-11.24%
Chemicals and related products	$660	$992	$1,415	114.39%	42.64%
Agricultural products	$836	$1,157	$1,375	64.47%	18.84%
Transportation equipment	$400	$669	$2,052	413.00%	206.73%
Machinery	$263	$423	$359	36.50%	-15.13%
Miscellaneous manufactures	$109	$183	$140	28.44%	-23.50%
Forest products	$119	$183	$169	42.02%	-7.65%
Electronic products	$53	$94	$95	79.25%	1.06%
Footwear	$1	$5	$2	100.00%	-60.00%
Subtotal non-energy	**$6521**	**$12,431**	**$14,065**	**115.69%**	**13.14%**
Total	**$20,792**	**$66,889**	**$85,792**	**312.62%**	**28.26%**

Source: Annual AGOA Trade Data 2008, International Trade Commission.

Annex 4:

CCA Members and Other Contributors to the Report*

Abbott
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Starbucks
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U.S. TRADE AND DEVELOPMENT AGENCY

August 3, 2009

The Honorable Bobby Rush
Chairman
Subcommittee on Commerce, Trade and Consumer Protection
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Rush:

The U.S. Trade and Development Agency (USTDA) is pleased to present its responses to the questions received from the subcommittee following the "U.S. – Africa Trade Relations: Creating a Platform for Economic Growth" hearing. I appreciate the opportunity to respond to your inquiries and look forward to continuing our dialogue on economic growth in Africa.

As you will see in the attached responses to your questions, there are a variety of challenges to sustainable economic growth in Africa. USTDA is uniquely equipped to confront these challenges by providing feasibility study analysis for projects designed to advance economic development and improve the infrastructure for trade in the energy, transportation and communications sectors. By providing funding for these types of projects, USTDA is playing an essential role supporting Africa's economic development.

I appreciate the support USTDA has received from both you and Chairman Payne, and I look forward to working with you and your colleagues in the future. Should you need anything further, please do not hesitate to contact me or Amy L. Wren, Congressional Liaison, at 703-875-4357. Again, I thank you for the opportunity to participate in the hearing.

Sincerely,

Leocadia I. Zak
Acting Director

Attachment

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1. The U.S. Trade and Development Agency (USTDA) is a catalyst for development and export of U.S. manufactured goods and services to Africa. This agency supports private sector participation in the development of high priority infrastructure projects and creating jobs in the U.S. while spurring economic development in Africa.

   a. What is the return of investment for every dollar spent in project overseas?

   One way USTDA measures its success is thorough its export multiplier. The export multiplier is defined as the dollar amount of U.S. exports that have been associated with USTDA program funding, divided by the dollar amount of USTDA core budget obligations.

   For the most recent ten-year period for which information is complete (1996-2005), USTDA has identified $10.3 billion in U.S. exports from completed projects for which USTDA obligated $292.8 million. This results in an export multiplier of $35 for every program dollar invested.

   b. How many jobs have been created in the U.S.?

   It is difficult to calculate how many U.S. jobs have be created as a result of USTDA's program since there is not a universal formula to calculate such a number. However, where USTDA funding has opened export markets for U.S. goods and services there are clearly benefits for the U.S. labor market. For example, as I discussed at the hearing, I recently had the privilege to travel to Red Bud, IL to meet with the 200 manufacturing employees that directly benefited from USTDA's feasibility study funding for the Nigeria can manufacturing line. As described by the owner of Roeslein and Associates, without USTDA's support to develop the Nigerian market, there was no way they would have secured a $30 million contract to design and manufacture in Illinois a can making facility to be exported to Nigeria.

   c. How many of these are in small business?

   Just as it is difficult to calculate how many jobs have been created as a result of USTDA's program, it is similarly difficult to quantify jobs associated to small business. However, USTDA awards approximately 94% of its Federal Acquisition Regulations (FAR), contracts to U.S. small businesses. In addition, approximately 50% of all contracts with U.S. companies to conduct feasibility studies and technical assistance programs are awarded to U.S. small businesses.

   d. Have any jobs been lost due to trade with Africa?

   USTDA undertakes significant due diligence to ensure that the projects we support will not result in a loss of U.S. jobs. In particular, USTDA's due diligence process ensures that all USTDA-funded activities fully comply with all legislative restrictions on the use of foreign assistance funds; USTDA's due diligence process ensures that USTDA-funded projects do not provide financial incentives for U.S. companies to relocate abroad; do not assist projects that contribute to the violation of internationally recognized workers' rights; and do not assist the establishment or expansion of any production capacity that may cause substantial injury to United States producers.

USTDA's due diligence process includes consultations with the U.S. International Trade Commission and relevant U.S. trade associations and firms to ensure that the USTDA-funded activities support their objectives. The vast majority of USTDA projects in Africa focus on infrastructure development, which bolsters trade capacity and helps to support long-term economic growth, but do not support the production of goods or services that can be exported or compete with U.S. suppliers.

2. **The Trade and Development Agency (TDA) contributes to trade capacity building in Africa by funding project planning studies, feasibility studies, training programs and orientation visits. TDA targets activities that could facilitate access to natural resources important to the United States and generate significant U.S. export potential. USTDA also focuses on the developmental needs of the host nations**

   a. **In which sectors are USTDA's activities most concentrated?**

   The economic sectors where USTDA has been most active represent the areas of greatest need and greatest opportunity. Consequently, USTDA has concentrated its resources in Africa on the sectors of energy, transportation, and information and communication technology (ICT).

   b. **What sectors or product categories hold the most promise for simultaneously increasing U.S. private sector market share in Africa and boosting African exports?**

   USTDA is focused on advancing the development of Africa's infrastructure across all sectors, including transportation, energy (particularly clean energy technologies), and ICT, as these sectors present significant trade and investment opportunities for U.S. firms in Africa. For Africa, boosting exports will require investing in the infrastructure for trade and ensuring a business environment that is conducive to investment and private sector growth. USTDA is active throughout Africa in supporting these goals.

   c. **Are there any promising sectors other than energy?**

ICT and transportation are equally important in terms of building the infrastructure for trade and offering business and investment opportunities for the U.S. private sector in Africa.

For example, the newly installed undersea fiber optic network along Africa's east coast is boosting international connectivity and opening innumerable opportunities for U.S. companies to expand their presence in Africa. This successful project is the first undersea fiber optic cable along the east African coast and is providing affordable, high quality broadband capacity to east African economies. USTDA is proud to have played an important role of funding a visit by the African developers of this project that introduced them to the U.S. technology and service providers who ultimately played a critical role in the deployment of the cable.

d. To what extent do U.S. firms that are associated with TDA partner with African firms to transfer training and technical skills?

U.S. firms often partner with local African firms to complete portions of USTDA-funded assistance activities. In addition, USTDA's grantees in Africa work closely with U.S. contractors throughout the duration of each assistance activity. In each of these cases, the working relationship with U.S. firms facilitates technical skill-set development and transfer to Africa.

e. How, if at all, does the operating environment in Africa affect your agency's work in the region?

One of the primary impediments for U.S. companies in Africa is the presence of foreign competitors that are heavily subsidized by their home governments. Also, some countries are accustomed to the way other countries deliver development assistance, such as offering a start-to-finish package that includes implementation financing. While we work closely with our partners in the U.S. government to support projects throughout the subsidized competitors and development cycle, it can be a challenge to compete against turnkey solutions offered by other countries.

f. What makes the African region distinct from other regions where USTDA is active?

Given the sheer multitude of countries in Africa, many infrastructure development priorities cross several countries. While a challenge, this reality allows USTDA to focus on one of its strengths, which is the ability to operate on a regional basis (versus strictly on a country-specific basis). Although USTDA has supported regional activities in all other regions where we are active, Africa stands out as a region where supporting transnational activities is most essential to our program and the region's economic development.

In addition, Africa's level of poverty is generally worse compared to other regions. In this respect, the economic development and infrastructure needs of the region require investments on a much broader scale.

3. **One of Africa's economic weaknesses is its reliance on oil exports. There is an understanding that the African Growth and Opportunities Act (AGOA) can only be successful if accompanied with trade capacity building assistance, infrastructure development, and investment. It is only then that economic growth can follow.**

    a. **What are the leading challenges with regard to expanding Africa's capacity to significantly increase value added exports?**

    In order for Africa to fully benefit from providing value-added processing to its exports, significant investments are needed in its transportation and energy sectors. Without this infrastructure, African exporters are at a significant cost and time disadvantage compared to manufacturers elsewhere in the world. Another challenge is the development of appropriate legal and regulatory environments that facilitate investment and private sector involvement in Africa. Recognizing these important needs, USTDA's program is laying the foundation for African project sponsors to make informed decisions on the best solutions to achieve their goals of stronger economic growth and greater prosperity.

    b. **Given that farming is at the core of so many African economies, what types of agricultural processing do you view as having the highest export and job creation potential in the region?**

    The answer to this question will vary across the continent. In USTDA's experience, most African countries are looking to provide value-added processing as a means to create jobs in their agricultural sectors. Food processing is also a means for countries to enhance their food security, since processing can help prevent spoilage where there is little access to electricity and refrigeration. Any agricultural processing will facilitate job creation, but the ability to maintain these jobs and export these items will depend on the adequacy of Africa's transportation and energy infrastructure. USTDA is active in supporting activities that address U.S. private sector solutions to these challenges.

    For instance, USTDA is currently funding a feasibility study that will support the development of a fruit and vegetable processing facility in Burkina Faso. To help build the infrastructure for the trade of such value-added agricultural products (as well as other commodities and industrial goods), USTDA is funding a master plan for the development of the Port of Tema in Ghana, which is a critical facility for the region's exporters, including those in Burkina Faso. As a landlocked country, Burkina Faso would also benefit from a USTDA-funded regional railroad integration study in West Africa that will help create rail links and provide exporters with access to a greater number of the region's seaports. Through building this infrastructure for trade, Africa's exporters will benefit from greater efficiencies and lower transport costs, which will result in economic growth and job creation.

c. **What is your assessment of the economic growth potential in emergent sectors, such as light manufacturing and information processing services (e.g., call service and data processing centers)?**

The potential for expanded information processing centers and light manufacturing will depend largely on the quality of Africa's transportation, ICT, and energy infrastructure. Call centers and other high-tech industries require significant investments in ICT expansion as well as energy to guarantee a steady and reliable source of electricity. While USTDA does not support manufacturing of products that compete with U.S.-manufactured goods, in order for Africa to become competitive in light manufacturing will require significant new and reliable energy; a robust transportation infrastructure network (roads, ports, airports, etc.); and efficient customs systems. Appropriate legal and regulatory environments are also needed.

4. **Africa's growing importance is reflected in the intensifying efforts of China, Russia, India, Iran, and other countries to gain access to African resources and advance their economic ties in the region. Those countries' policies are ideologically different from the U.S. However, most recently, we have seen the European Union, who has a similar business ethical standard, also negotiate a series of trade pacts with African countries. Earlier this month, as a result of discussions, three Southern African countries (Lesotho, Swaziland and Botswana) signed an interim Economic Partnership Agreement with the European Union (EU). The pact gives those countries access to the European market.**

a. **How do you believe those trade deals will affect our trading policy with Africa?**

While USTDA does not have a trade policy mandate, these trade deals do not necessarily infringe on our ability to identify infrastructure development projects that are of mutual economic benefit to the United States and Africa. For any trade deal to be effective for Africa (whether the Economic Partnership Agreement or AGOA), the continent will still need to invest heavily in its transportation, energy, and ICT infrastructure. USTDA's program helps to build the essential infrastructure required for trade.

b. **What could the U.S. response be?**

As USTDA is not a trade policy making agency, we believe it is most appropriate for USTR to address what may be an appropriate response to European countries signing Economic Partnership Agreements.

c. **How do African countries view Chinese infrastructure construction compared to those started by the TDA?**

   In USTDA's experience, the Chinese have allocated significant financial resources to the region, which has made African countries generally amenable toward Chinese investment and participation in their economy. While we do not often hear Africa's views of Chinese construction, we do often hear an overall preference for working with the United States and with U.S. firms. USTDA's program helps to satisfy this preference by identifying U.S. technical and financial solutions necessary for African countries to achieve their economic development goals.

d. **Do you see any possibility for U.S. or TDA collaboration with Chinese firms in Africa?**

   USTDA's mandate is to support mutually beneficial partnerships that benefit both the United States and Africa. At this time, USTDA is not aware of any opportunities to partner with Chinese firms to advance Africa's development.