

**Remarks By Ambassador Karan Bhatia
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AGOA Private Sector Forum
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As Prepared For Delivery

Good morning. Thank you for that introduction. And thanks also to the Corporate Council on Africa for inviting me to help open the 2006 AGOA Private Sector Forum. The CCA is a good friend of Africa and an important voice in the ongoing dialogue on AGOA. Steve, we appreciate your leadership in organizing this and previous AGOA Private Sector Forums.

I also want to point out my colleague, Florie Liser, the Assistant U.S. Trade Representative for Africa, whom many of you know and who has been instrumental in advancing our efforts on AGOA.

What I would like to do in my brief remarks this morning is to help set the tone for your discussions today on where we are with AGOA: what we have accomplished, the challenges we face, and what can be done to take the U.S.-African trade and investment relationship to the next level.

Role of Private Sector

First, I want to underscore the central role that the private sector – on both sides of the Atlantic – has played in AGOA’s success and will continue to play going forward.

We in government can make all manner of changes to tariffs and tax regimes. We can provide incentives and can work to improve the business regulatory environment. But in the end, those policies will only be successful if businesses, investors, and entrepreneurs like those in this room make the calculated decision to put their capital and their enterprises at risk by investing, producing and exporting.

That is why the theme of this year’s AGOA Forum – “The Private Sector and Trade: Powering Africa’s Growth” – is so important and so appropriate. We policymakers need direction from you on the ways in which we can help to improve the environment for U.S.-African trade. We also need your help in addressing the trade capacity needs of African countries and companies if we are to sustain and build on AGOA’s successes.

And then, of course, we need your help in making it happen – in investing in those African countries that have adopted sound trade and investment policies and sound macroeconomic policies, that have embraced reform, and are investing in their people.

AGOA’s Impact

It seems hard to believe, but AGOA is now six years old. What can we say we have accomplished in that time?

As you may know, we at USTR are fond of citing the trade numbers for AGOA. And the numbers are impressive by any measure. U.S. imports from sub-Saharan Africa have more than doubled since AGOA was launched in 2000. And that is not just oil: non-oil imports – everything from autos to apparel to agricultural goods – leapt from \$1.4 billion in 2001 to \$2.9 billion in 2005.

And, although AGOA is aimed at increasing African exports to the United States, it has clearly had an impact on trade in the other direction as well. U.S. exports to sub-Saharan Africa have nearly doubled since AGOA went into effect.

This increased trade translates into tens and perhaps hundreds of thousands of jobs, both in African countries and the United States.

But I also think we should consider AGOA's impact in broader terms. AGOA's passage and its implementation have helped to change the way that African and American policymakers, businesspeople, and opinion leaders *think* about trade and its possibilities for improving the lives of average Africans.

In the last few years, coincident with the rise of AGOA, we have witnessed the development of a broad consensus among African leaders and the international trade and development community that increased trade is a key element of our shared efforts to boost African economic growth and development.

I am not claiming that AGOA by itself was responsible for this change – NEPAD, the work of the G-8, the Blair Commission, and even the WTO Doha negotiations have helped to shape this new appreciation of the role of trade. But AGOA, its underlying concept, and its demonstrable success have clearly influenced both African and American thinking about how trade impacts economic development.

By the same token, I think AGOA has helped to change the way American and African businesspeople think about each other, about how they can partner with each other, and about the possibilities in each other's markets.

Admittedly, we still have much work to do to raise the consciousness of American businesses and investors about opportunities in Africa and to help African businesses envision and act on opportunities for trade with the United States. But we've come a long way in the last six years.

AGOA Challenges

We also recognize that AGOA has not met its full potential. Many AGOA-eligible countries have yet to make effective use of AGOA. Indeed, a few have not exported any AGOA products at all. And, as noted in the annual AGOA report that USTR released just a few weeks ago, non-oil AGOA imports declined last year, for the first time, falling 16 percent.

Of course, one year's trade figures do not make a trend. In some AGOA product sectors, such as transportation and minerals, it appears that the decrease was attributable to market shifts and other exogenous factors and not necessarily a decline in African competitiveness.

In other areas, such as apparel – which has been one of AGOA’s big success stories over the last several years – competition has sharpened considerably since the end of the global apparel quotas last year, and many AGOA manufacturers have clearly been affected. I’m glad to see that the Private Sector Forum program includes a workshop to address ways to improve African competitiveness in this sector.

Some of the larger challenges that African countries face in making the most of AGOA are poor infrastructure, difficulty in accessing finance, and unfamiliarity with the U.S. market, among other factors. I’m pleased to note that these are also topics that will be addressed during your discussions today. Many of these challenges were described in greater detail in the AGOA Competitiveness Report that USTR released last year.

We at USTR have always understood that the market access provided by AGOA is not enough by itself to boost trade and have focused a great deal of our AGOA-related efforts on trade capacity building on the continent. Much of this work is carried out by the four USAID-managed regional trade hubs – in Botswana, Kenya, Ghana, and Senegal. Trade capacity building is also integrated into our bilateral aid programs and, increasingly, in the compacts that countries are developing under the Millennium Challenge Account, though it is up to the compact countries to make trade capacity building a part of their MCC compacts.

The five-year, \$200 million African Global Competitiveness Initiative which begins this fiscal year will involve a number of activities aimed at increasing Africa’s ability to use trade as a means to fuel economic development.

Of course, African governments themselves also have responsibilities in this realm. They must do more to improve the business environment and to remove the barriers that hinder trade, including with their neighbors. They must also prioritize trade in their national development strategies.

I am encouraged by the efforts that many African governments are already undertaking to reform their economies and to make the most of AGOA. At last year’s Forum, I understand that trade ministers took upon themselves the responsibility to identify what they themselves needed to do to improve their utilization of AGOA. And they have followed up. They’re meeting in this very building as we speak to continue this collective effort and I’m looking forward to meeting with them shortly after I leave here.

Looking Ahead

So where do we go from here on AGOA? First, you can expect that USTR will continue to work with the private sector, African governments, civil society, and all AGOA stakeholders to find ways to improve the implementation and utilization of AGOA.

We are aware of the concerns many have expressed about the impending end of AGOA’s third-country fabric provision. That is a topic about which I look forward to learning more about from you and others this week. It is not a simple issue and there are different views about what should be done. Certainly part of the answer must be to find ways to promote greater cross-border production-sharing within Africa – in the long-term, this is the only way that African firms in this sector will remain competitive.

We must also find a ways to promote greater export diversification under AGOA. Up to now, AGOA countries have exported only a fraction of the nearly 6,500 products covered by AGOA and the Generalized System of Preferences. We believe that there is particular potential in the agribusiness sector. USTR is working with USAID and the regional hubs to organize regional export diversification workshops in western, southern, and central Africa over the coming months, building on the success of the first such workshop, for eastern Africa, held in Ethiopia last October.

Beyond AGOA, the Administration will be exploring opportunities to expand and intensify our trade and investment relationships with those African countries and regional organizations that have demonstrated a commitment to market-oriented economic policies. The objective is ultimately to transition from relationships based on one-way preferences to broader partnerships involving two-way commitments.

Preference programs such as AGOA are and will continue to be important tools for giving African countries a special advantage. However, the value of these preferences is steadily declining as a result of free trade agreements, autonomous liberalization, a prospective Doha Agreement, and changes such as the end of global apparel quotas.

So to preserve and build on the momentum created by AGOA, we must find other ways to strengthen and deepen our trade and investment relations with African countries.

We have several tools to accomplish this, including Free Trade Agreements, Bilateral Investment Treaties, and Trade and Investment Framework Agreements (or “TIFAs”).

At this time, most African countries are probably not yet ready for the comprehensive set of commitments included in the Free Trade Agreement model that the United States has pursued under the current Trade Promotion Authority provided by Congress. Nonetheless, we want to work with those key African partners that are interested in taking steps toward a more meaningful trade relationship characterized by mutual commitments. Therefore, we will be exploring the possibility of entering into Bilateral Investment Treaties and TIFAs with new partners and hope to make some announcements about such new prospective partners very soon.

We are also examining new mechanisms that would allow us to progressively build new trade-related commitments, short of a Free Trade Agreement, with selected African trading partners.

Africa's Stake in Doha

Finally, we want to continue to work with our African partners to conclude a new global trade agreement under the WTO. The greatest single potential welfare-enhancing opportunity that the United States, Africa, and the rest of the world have is to successfully conclude the WTO Doha negotiations. A robust outcome to the Doha Round, with market-opening at its core, would be a major boost to African countries' ability to use trade to bolster development and tackle poverty.

We are at a crucial stage in the Doha negotiations and African countries will play a big role in

whether we succeed in reaching an agreement. We would like to see African Members of the WTO speak out more clearly and forcefully in favor of an ambitious, market-opening outcome.

There is much at stake for us all, but African countries have the most gain from a successful Doha Round, and the most to lose if we do not succeed.

Moving Forward

As we move forward on all these fronts – improving implementation of AGOA, increasing African capacity to trade, exploring new trade and investment partnerships, and opening up global trade via the Doha negotiations – we will be looking for input from all quarters, but especially from the private sector.

We don't underestimate the many challenges involved in building a stronger U.S.-Africa trade relationship. But we are convinced that, working together, we can come closer to realizing the full potential of AGOA.

I look forward to hearing back from you about the results of your discussions today and hope that many of you will also be able to participate in the events in the ministerial and civil society aspects of the Forum later this week.