HOLLY VINEYARD
DEPUTY ASSISTANT SECRETARY
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
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SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH
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"U.S.-Africa Trade Relations: Creating a Platform for Economic Growth"
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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.