

**Statement by Deputy U.S. Trade Representative Karan Bhatia
at the African Union Trade Ministerial
Nairobi, Kenya
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[as prepared for delivery]

First, on behalf of the United States, I would like to convey our deepest condolences to the government and people of Kenya on the recent air crash tragedy. Our thoughts are with the families of those who were affected.

I want to thank our co-hosts -- African Union Trade Commissioner Tankeu and Kenyan Trade and Industry Minister Kituyi -- for inviting the United States to participate in this ministerial meeting. Let me convey warm greetings from President Bush and from Ambassador Portman, who very much wanted to be here today but was unable to do so.

While I know that the main focus of this session is to examine our work together in the WTO Doha negotiations, I thought it might be helpful if I stepped back for a moment to survey the larger context of the U.S.-African trade and investment relationship.

Consensus on Trade and Development

I believe that African countries and their international partners, including the United States, now find ourselves at a special moment in our work together to help Africa participate more effectively in the global market and reap the benefits of increased trade.

As reflected in the work of the African Union, NEPAD, and the G-8, as well as in the Doha negotiations, there is 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 and alleviate poverty.

The challenge before us is to make the most of this moment: to secure ambitious results from the Doha Round that will open up new opportunities for Africa, and to assist your countries in undertaking the reforms and building the trading capacity that will help them to grasp these opportunities.

And I should note that many of your countries are already doing many of the right things to spark investment, reduce barriers to trade, and empower the private sector.

The World Bank and other institutions have found that those economies in Africa and elsewhere that are doing the most to open their markets and participate more fully in the global trading system are growing at a faster rate than those countries that are not undertaking such reforms.

U.S. a Strong Partner of Africa

The United States has been a strong partner of African countries on trade and development issues.

I do not believe any U.S. President has been a more forceful and stronger advocate for Africa than George W. Bush. Under his administration, the United States has tripled aid to Africa and has committed now to doubling development assistance again by 2010. He has also launched such historic initiatives as the Millennium Challenge Account and the Emergency Plan for HIV/AIDS Relief, and has been a leader in securing international debt relief.

The United States has also strongly supported African efforts to use trade to grow your economies and reduce poverty.

- o We offer African countries generous access to our market via AGOA;
- o We are the largest single-country donor of trade capacity building assistance; and
- o We are committed to ensuring that the Doha Round delivers benefits for the poorest and least developed countries.

We want to intensify our work with African countries to help you increase your trade *bilaterally* with the United States, *regionally* with your neighbors, and *globally* with the rest of the world.

AGOA Opens U.S. Market to Africa

AGOA is at the center of our efforts to increase U.S.-African trade. Since AGOA's enactment in 2000, U.S. imports from Africa have more than doubled. While much of the increase is accounted for by oil imports, we have also seen big increases in apparel, manufactured goods, and processed and non-traditional agricultural goods.

AGOA has helped to create tens of thousands of jobs in Africa – including an estimated 50,000 here in Kenya – and has sparked hundreds of millions of dollars in new investment across the continent.

The market access we offer our AGOA partners is among the most generous we offer any of our trading partners. Indeed, over 98 percent of African imports now enter the United States duty-free.

A World Bank/IMF study found that AGOA and other trade preference programs for developing countries have helped make the United States the most open big market in the world to the products of developing and least developed countries, creating opportunities for millions.

- o And we do this, I should note, even in the midst of very large trade deficits that have been politically problematic for us at home.

Speaking of AGOA, I want to note that the United States is seeking a waiver for AGOA within the WTO and I would stress that securing this waiver from the WTO Membership will require your active and vocal support in Geneva so that the program's benefits can continue, within WTO rules.

U.S. Supports African Regional Economic Integration

On regional trade, we are working closely with partners such as the Common Market for Eastern and Southern Africa (COMESA), the West African Economic and Monetary Union (UEMOA), and the Southern African Customs Union (SACU) to support their efforts to reduce tariff and non-tariff barriers, harmonize policies and regulations, and address transportation and trade facilitation challenges.

The United States strongly supports African regional economic integration and has been pleased to support the work of these organizations as they create strong, unified sub-regional markets, harmonize their policies on services, investment, and telecommunications and work toward free trade areas and customs unions.

Aid for Trade is Crucial

Trade capacity building assistance -- or Aid for Trade -- is an integral element of our efforts to support greater African trade with all of its global partners. We recognize that market access is not enough. Our commitment to Aid for Trade is reflected in the announcement we made in Hong Kong to double such assistance, from the current \$1.3 billion to \$2.7 billion worldwide by 2010. African countries will receive a significant share of this assistance. President Bush's African Global Competitiveness Initiative, which is being launched this year, is part of this effort.

The United States is pleased to participate in the Aid for Trade Task Force that was set up after Hong Kong and will work with the other members of the task force to develop a consensus on the way forward.

But your countries need to do your part as well. It is vital that your trade and finance ministries fully integrate and prioritize your country's trade needs within their overall development plans. Aid for Trade will not work without this important integration into your countries' development. There must also be adequate focus on transport, energy, and other sectors that have a major impact on Africa's trade competitiveness.

We also see a valuable role for the private sector to play in Aid for Trade. Getting business-to-business linkages started early is key. We are reaching out to companies interested in building the capacity of developing countries. We also think that involving your private sector in the design of your Poverty Reduction Strategy Papers or national development plans will also help to fully integrate trade into development activities.

New Directions for U.S.-Africa Policy

Looking ahead, the United States will be exploring opportunities to expand and intensify our trade and investment relationships with African countries and regional organizations that have demonstrated a commitment to market-oriented economic policies. We do so with an eye toward moving from relationships based on one-way preferences to two-way commitments and partnership.

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.

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.

I hope to discuss these and other aspects of our bilateral and regional trade relationships with you here in Nairobi and moving forward.

Doha Opens New Trade Opportunities

Let me finally turn to Doha. 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.

The benefits of an ambitious Doha agreement to African countries are clear. The World Bank has estimated that full global trade liberalization would increase the income of sub-Saharan African countries by 1.1 percent, which is greater than the benefit for high-income countries and higher than the developing country average.

In part, these gains will derive from greater and more secure access to developed country markets in agriculture, industrial goods, and services. Securing the duty-free/quota-free result from Hong Kong, for example, will only be possible through a successful Doha Round.

Perhaps even more important are the opportunities for greater South-South trade. Indeed, as Vice President Awori noted this morning, some of the greatest potential economic opportunities through Doha are to be found in new market openings in key large emerging economies such as Brazil and India.

- o These emerging economies represent some of your top trading partners. They are also economies with relatively high tariffs and significant non-trade barriers in many sectors of special interest to you, including agriculture and light manufactures.

The benefits to be derived in other areas are valuable, too. For example, in the area of Trade Facilitation, improved border procedures could greatly improve intra-African trade which most reports indicate accounts for less than 10 percent of the continent's total trade.

A successful conclusion to Doha is also needed if we hope to achieve the objectives laid out in Hong Kong on cotton. Since Hong Kong, my government has followed up on the commitment to end export subsidies on cotton by enacting legislation to eliminate our Step-2 cotton marketing program. However, other work related to market access and domestic support for cotton will not be accomplished absent an ambitious Doha agreement.

As all of us here are aware, we are now at a critical juncture on Doha. After a Hong Kong Ministerial that was productive, particularly in addressing key development issues, we now approach the April 30 benchmark for achieving modalities in the core areas of agriculture and industrial goods. I must tell you that the United States shares the concern expressed by many here today about where we collectively stand on Doha. We face a significant challenge in meeting the end-of-April deadline for establishing modalities in agriculture and NAMA. Even more troubling, we do not see a depth of commitment to the goal of an ambitious outcome that we – both Africa and the United States – must have to make a deal that is politically saleable and meets the development promise of Doha.

There is much at stake for us all, but the greatest losers from a failed Doha Round would, I fear, be the least developed countries, including those in Africa – those who need a strong multilateral system to safeguard their interests.

All WTO members from all development levels need to come together to ensure that we do not lose this once-in-a-generation opportunity to achieve significant trade reforms and market openings.

We look to African ministers to join us in working to advance the Doha negotiations toward an ambitious outcome. We ask that you join us in calling on some of our fellow WTO Members to take overdue steps to break the current logjam in the core negotiating areas of Agriculture, NAMA, and Services. Your voices represent the conscience of the world – and you will be heard.

The United States does not underestimate the many challenges that African countries face, but we remain optimistic about Africa's economic prospects and convinced that, working together with you, we can help you to realize the full potential of trade for lifting millions of Africans out of poverty. Thank you.

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