Remarks by Deputy National Security Advisor for International Economic Affairs Mike Froman Before the 12th Annual Africa Growth and Opportunity Act Forum

June 14, 2012

INTRODUCTION

Prime Minister Ahousou, Honorable Ministers, Excellencies, distinguished guests, friends and supporters of AGOA, welcome to Washington and welcome to the 12th annual AGOA Forum. On behalf of President Obama and his Administration, it is an honor to kick off what promises to be two days of lively ministerial discussions. It is a pleasure to see so many AGOA eligible countries represented at such a high level and in such healthy numbers. I am pleased to see the business community and members of civil society, including the African Women's Entrepreneurship Program. And I understand a good number are watching and listening to us in overflow rooms. We warmly welcome you as well. I am happy to be just the first of many representatives of the Administration who will join you today and tomorrow, including Ambassador Kirk, Secretaries Clinton and LaHood, as well as key Members of Congress.

I also want to welcome Deputy Chairman Mwencha of the African Union Commission and note how much we value the leadership being provided by the AU – whether it be by launching the Comprehensive African Agricultural Development Program (CAADP), which helped shape the international food security initiative launched at L'Aquila, and working with us to launch the New Alliance for Food Security and Nutrition at Camp David last month, or by placing regional integration and internal trade on the agenda of AU Summits, the Commission is demonstrating something we all know to be true – that when leaders put political skin in the game, economies grow and countries develop.

IMPRESSIVE ACHIEVEMENTS

The ideas behind AGOA when it was signed into law over ten years ago were three: the first was that it could provide the foundation for building a robust trading relationship between the United States and Africa; the second was that it could serve as a vehicle to help integrate Africa into what was then a rapidly-emerging global economy; and the third was that it could provide another tool – alongside assistance, HIPC, OPIC funds and other initiatives – to spur economic growth and development in Africa.

Our achievements to date are impressive – our relationship has strong roots, a solid core, and we have the potential to take it to new heights. AGOA beneficiary exports are up over 500 percent from 2001. Commodity sales still dominate these exports, but nonpetroleum exports have virtually tripled to nearly $5 billion, particularly in cut flowers, fruits and nuts, wines, cocoa, and footwear. Textiles and apparel exports have doubled, and today about twice the number of eligible countries is shipping non-commodity goods under AGOA than they were a decade ago. And behind all of these numbers stand what matters most – the growth and the hundreds of thousands of jobs for Africans and the families they support.

The successes we see with AGOA have been pushed and pursued by the experts at our three regional AGOA trade hubs in Ghana, Kenya, and Botswana, providing invaluable technical assistance to local producers and exporters of cashews, shea, apparel, and furniture. The West African trade hub alone has facilitated more than $100 million in exports and trained more than 7,000 West Africans interested in exporting under AGOA. AGOA's successes have also been supported by a network of lively sub-Saharan dialogues tailored to each countries' needs, including our Trade and Investment Framework Agreements with Mozambique, Mauritius, South Africa, Nigeria and Liberia, our existing Bilateral Investment Agreements with Rwanda and other countries, or the state of the art BITs we still seek to conclude with Mauritius and Ghana.

Framing our common trade policy successes are facts and trends that are much bigger and even more exciting. Sub-Saharan Africa is set to grow by more than 5 percent this year, and over the past ten years six of the 10 fastest growing economies were in sub-Saharan Africa, driven by growth in the commodities, retail, agriculture, transportation, telecommunications, and manufacturing sectors. U.S. investment in sub-Saharan is up 17 percent, joining a global FDI boon to the continent that is expected to increase to $150 billion in the next two years. As your economies grow, the lives and lifestyles of many of your citizens evolve. One third of Africans are now considered middle class. More investors and entrepreneurs are looking to sub-Saharan Africa not only as commodity demand grows but also as Africans move to cities, grow their discretionary incomes, increase productivity, and demand new infrastructure, different goods, and better services in the years and decades to come.

PERSISTENT CHALLENGES

These are the successes we know, driven by entrepreneurship, smart policy-making and reform, new global economic trends, and the overwhelming will of so many to have a better life for themselves, their children and grandchildren. But anyone who knows Africa's successes also knows the many persistent challenges that we cannot and should not overlook if we want to secure another decade of success.

It is true that we have seen significant growth in AGOA trade, but AGOA exports to the United States represent just 2.5 percent of our imports. Commodities still account for over 90 percent of these exports, and agriculture – despite Africa's rich arable land – represents less than one percent. While U.S. direct investment in Africa is growing, it represents only one percent of our global investments.

Internal challenges remain as well. The slow pace of integration and so-called "thick" borders continue to make sub-Saharan Africa a relatively difficult place to do business, rob African entrepreneurs of cost-effective access to necessary resources, hamper regional supply chain integration, and keep economies of scale unrealized. This sounds abstract until we consider that a trucker in West Africa spends 37 hours crossing a neighboring country's border. Even remaining in country and not crossing borders, that same trucker will likely hit two control points and pay $75 dollars in bribes for each 100 kilometers travelled. Border delays have the effect of separating neighboring countries by hundreds of additional miles and many hours of travel. Even with progress towards regional integration and reform, it still on average takes 38 days to import goods and 32 days to export goods in sub-Saharan Africa. By comparison, it takes closer to 20 days in the Middle East and North Africa region and closer to 10 days in the OECD. Intra-regional trade is 10 percent – and substantially less in certain regions – compared to 20 percent for ASEAN, 35 percent among NAFTA countries and 60 percent for the EU.

MOVING FORWARD: PRESIDENTIAL POLICY DIRECTIVE

Good and bad, encouraging and discouraging, these are the facts of our growing economic relationship as we know them. We see what our reforms and policies have achieved, and we recognize the distance yet to travel. But with nearly a dozen years of AGOA behind us, we can look back and see that without question, the United States and sub-Saharan Africa are moving forward.

We are moving forward having learned from our experience. We are moving forward with renewed interest and support from businesses and investors. We are moving forward with a growing number of leaders for whom economic growth, good governance and development are priorities and with fresh faces and new ideas, into a world that is more exciting, more competitive, and more full of opportunity than ever before.

Today I am honored to announce that President Obama has just signed a new Presidential Policy Directive for sub-Saharan Africa. This policy directive responds to your achievements and your ambitions, and sets the course for this Administration's policy for sub-Saharan Africa for the next five years. It reflects months of interagency, whole-of-government deliberations, as well as consultations with outside experts, and responds to the President's request for a comprehensive policy that learns from yesterday, sets in motion achievable actions today, and helps shape our relationship for tomorrow and for years to come.

Under this new strategy we will target four strategic objectives: First, we will work to strengthen democratic institutions. Second, we will spur economic growth, trade and investment. Third, we will advance peace and security, and fourth, we will promote opportunity and development. Most importantly, this new strategy commits the United States to act in the face of the numerous challenges and opportunities in sub-Saharan Africa and expands our efforts in the first two of these four pillars – to strengthen democratic institutions and increase economic growth, trade, and investment.

To <u>strengthen democratic institutions,</u> President Obama has long maintained that "Africa doesn't need strong men, it needs strong institutions." This is as true now as ever. In the last three years African countries have taken bold steps to achieve what all men and women want and deserve: the right to freely elect governments that respond to their needs and that pursue peace, justice, and prosperity.

Your progress is clear: the democratic transfer of power in Senegal this year; adherence to constitutional process in Malawi; elections in Nigeria; Cote d'Ivoire's return to democracy in 2011; the process underway in Guinea to establish a full democratic system; and Niger's return to democracy in 2010. This new strategy commits us to strengthen institutions at every level – to support and build upon the aspirations of Africans for more open and accountable governance, promote human rights and the rule of law, and challenge leaders whose actions threaten the credibility of democratic processes.

On peace and security, African states are showing the way and taking the lead. We want to deepen our security partnership with African countries and regional organizations to meet the basic security needs of its people.

For our part, the United States will continue to disrupt, dismantle, and eventually defeat al-Qa'ida and its affiliates and adherents in Africa. And this new strategy calls for comprehensive partnerships that leverage our land border, maritime, aviation, cybersecurity, and financial sector expertise to counter illicit movement of people, arms, drugs, and money. The President's directive also reaffirms our commitment to identify the risk of atrocities at the earliest stage possible to help prevent violence before it emerges, use new tools to respond effectively to atrocities, and bolster domestic and international efforts to bring perpetrators to justice.

On opportunity and development, our efforts and engagement have long centered on Africa. The Global Health Initiative, Feed the Future and the New Alliance for Food Security and Nutrition, and the Global Climate Change Initiative will continue to be heavily weighted toward Africa. In addition, two of the four Partnership for Growth countries are in Africa (Ghana and Tanzania), which underscores both our commitment to the continent and its potential.

When President Obama launched the food security initiative in L'Aquila, it reflected the critically important role agriculture plays in sub-Saharan Africa. Building on that initiative, the New Alliance, announced last month, will move 50 million people out of poverty over 10 years, mostly small farmers and women. But we are already seeing results. Feed the Future has already impacted 2.5 million households, whether through school feeding programs for 400,000 children in Tanzania, by helping Ethiopian farmers acquire landholding certificates, promoting public-private partnerships in Ghana or investing in many of the country plans that now 30 African countries have developed.

Most relevant for the AGOA Forum today is the second pillar of the President's policy directive, to spur economic growth, trade and investment, an effort framed by both the successes and challenges I outlined earlier. Specifically, the President's new strategy will strengthen our economic ties by seeking to (1) promote an enabling environment for trade and investment; (2) improve economic governance; (3) promote regional integration; (4) expand African capacity to effectively access and benefit from global markets; and (5) encourage U.S. companies to trade with and invest in Africa.

Much of the work in many of these areas is already underway, driven by reformers who understand that transparency, certainty, and predictability are low-cost ways to attract the economic benefits of increased trade and investment. We are determined to encourage policy reform and progress where you need it, when you need it, and how you need it, framed by existing TIFA dialogues, BIT discussions, MCC compacts, the Partnership for Growth, the New Alliance and other programs. We will seek to improve the enabling environment for trade and investment by continuing our work in the multilateral and plurilateral contexts, and internationally through the Open Government Partnership and the Extractive Industries Transparency Initiative.

Similarly, we can help improve economic governance by helping build the public sector's capacity to provide services and improve protections against illicit financial activity, including corruption. Better economic governance gives citizens certainty that their public funds are used efficiently and to their nation's benefit, helps donors better allocate their assistance, encourages investment, and broadens the coalition for economic reforms.

To promote regional integration, you have already set high ambitions, including announcing a tripartite free trade area by 2017 between COMESA, the EAC, and the South African Development Community. We share your goals of greater regional integration and will work with you to realize them. Here too, work is already underway. Last year, the United States proposed to the EAC an ambitious work program that will challenge our six countries to work together in new ways, with the goal of anchoring our partnership with the EAC and fostering regional integration. We launched this initiative after frank discussions with EAC officials, examination of our and other countries' experiences, and a realistic assessment of what can drive results.

We recognized early on that no one benefits from an announcement of big negotiations or projects that linger or fail. So we are focusing on concrete, "building block" measures on which we can deepen our relationship, beginning with discussion of a possible regional investment treaty to attract foreign investment to the region and an agreement on trade facilitation to foster imports, exports, and increased regional trade. We will build on our successful work in the East and Central African trade hub in Nairobi to expand trade capacity in the EAC, so exporters and importers know how to take advantage of the policy measures our governments are pursuing. We want to explore what can be done on trade facilitation and customs modernization to reduce the costs of doing business I highlighted earlier. We will focus on the infrastructure needs of the region and what can be done to facilitate infrastructure investment. And we will kick-start a commercial dialogue, which will give U.S. and regional African businesses the chance to compare notes on job-creating opportunities, and offer the private sector the opportunity to weigh with their governments on what works, what doesn't, and what we can be doing better.

While this initiative begins with the EAC, it does not to end there. We will emulate, expand, and build on our support for regional integration as other countries and regional organizations express their interest and show that they are ready to move forward.

In addition to our regional integration work, we will also expand sub-Saharan Africa's capacity to access global markets by seamlessly extending our existing preference programs and boosting your ability to take advantage of them. We know that African entrepreneurs, craftsmen, and farmers produce goods that could be eligible for export under AGOA or GSP. Let's be frank, though: It's not the tariffs that stand in the way of further exports from sub-Saharan Africa to the United States. We need to work together to enhance the prospects that African exports meet the product standards, food safety, sanitary and phytosanitary requirements, and testing and certification issues required for export. We have proven technical assistance programs that can quickly clarify the rules and help get companies export ready, overcome constraints to ramping up production when they do get an order, and help keep and grow their client base as their business develops, and we are prepared to use them.

Finally, we will build on our success with the National Export Initiative to develop a "Doing Business in Africa Campaign" to raise U.S. companies' awareness of economic opportunities in sub-Saharan Africa. We will do this through using existing programs in the Commerce Department, leveraging our embassies and diplomatic resources, as well as exploring new and innovative approaches, like working with diaspora communities interested in doing businesses in their countries of origin.

CONCLUSION

Building on our existing programs, the ideas in this directive, plus the economic realities taking shape in your countries, hold the real prospects of making meaningful progress toward the growth and development objectives we all seek, but they won't happen just because we produce a strategy or give a speech. We need real work programs for putting these ideas into practice, making progress on the initiatives and, as we say, "putting some points on the board." We're committed to do that, including by devoting senior-level engagement to this effort. We trust that you and your colleagues back home are willing to engage as well and look forward to working with you to make this a reality. So, let's commit to honest and productive discussions this week, but also constructive engagement next month, six months, and nine months from now. Next year the AGOA Forum brings us to Ethiopia. Let's make sure that our work over the coming 12 months also takes us closer to our goals and ambitions, and realizes a stronger, healthier economic relationship.