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U.S. CHAMBER OF COMMERCE

Statement of the U.S. Chamber of Commerce

ON: "**The Increasing American Jobs Through Greater Exports to Africa Act**"

TO: **House Committee on Foreign Affairs Subcommittee on Africa,
Global Health, and Human Rights**

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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.

The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

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. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business — manufacturing, retailing, services, construction, wholesaling, and finance — is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 115 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

Chairman Smith, Ranking Member Bass, and distinguished members of the House Committee on Foreign Affairs Subcommittee on Africa, Global Health, and Human Rights, thank you for the honor of allowing me to testify in this hearing. My name is Scott Eisner, and I am Executive Director of the Africa Business Initiative at the U.S. Chamber of Commerce, the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. Today, I would like to speak in support of "The Increasing American Jobs Through Greater Exports to Africa Act."

Against the backdrop of sagging economic activity in a number of global markets, Sub-Saharan Africa is a trade and investment destination that can no longer be overlooked. Regardless of the sector — and with a few exceptions — Africa was largely sheltered from the global economic crisis, and now six out of the ten fastest growing economies in the world over the past ten years have been in Sub-Saharan Africa. Moreover, demographic trends suggest that by 2050, one in four workers in the world will be African. Compare this to China's one in eight workers (and the buzz over China's "untapped market"), and one can begin to see the magnitude of the economic opportunity at stake.

It is no longer enough simply to advance the general message that business development and investment is good for Africa or that Africa is "open for business." The U.S. Chamber of Commerce strongly believes that we must work to develop specific strategies and mechanisms to promote and facilitate U.S. business engagement in Africa, or risk being left behind as international businesses and investors make capture major segments of Africa's market. Accordingly, the U.S. Chamber specifically founded its Africa Business Initiative (ABI) to encourage the U.S. government to pursue policies that facilitate U.S. trade with African countries, foster foreign direct investment in Africa, and expose U.S. companies to the continent's vast economic opportunities.

Overall, ABI represents the growing U.S. business interests in Africa. Our work consists of facilitating U.S. export and import opportunities, responding to requests for advice, providing expertise on specific sectors in Africa, and developing a cache of knowledge on best practices and experiences on how to most effectively engage with African countries and businesses. ABI also represents the U.S. Chamber's dedication to growing free and mutually beneficial trade between the United States and the 48 countries in sub-Saharan Africa. We are working to advance policies that reduce the cost of doing business for both U.S. companies in Africa and local African entrepreneurs. We believe this type of initiative is critical to leveling the playing field for U.S. companies in Africa, particularly as major developing countries like China and India are increasingly present in these markets.

Recent Developments in U.S.-Africa Commercial Engagement

It will come as no surprise that China's rising role in shaping Africa's commercial landscape has been identified as one of the strongest concerns for U.S. businesses over the past year. A growing perception exists within the U.S. business community that China's posture has been underestimated, with the result that a competition strategy has never been fully developed — hurting both U.S. businesses and our political influence throughout the continent.

This much is clear: Access to African markets is by no means assured. To illustrate the change in Africa's commercial composition, over the last 10 years countries such as China, India, and Brazil have increased trade with Africa eight-fold. Over the same period, U.S. trade with Africa has increased three-fold. The U.S. Export-Import Bank's support to projects in sub-Saharan Africa has improved markedly over the past decade, increasing from an average of \$455 million annually in FY2006-2009 to over \$1.4 billion in FY2011. But even at this rate of growth, the United States is still playing a distant second fiddle to China's export credit agencies, which are committing approximately \$6 billion annually to Africa alone.

The U.S. Chamber welcomes the recent Congressional focus on Africa. "The Increasing American Jobs through Greater Exports to Africa Act," introduced last month in the House with a matching bill in the Senate, has sent a clear signal that the U.S. government takes seriously its role in stimulating greater foreign direct investment by U.S. firms in Africa. In light of increased competitive pressures from other global players, the U.S. business community appreciates this new attention focusing on Africa.

Over and above the specific measures included in this Act, the U.S. Chamber continues to support more Africa-targeted funding for U.S. government agencies which are already entrusted with — and are quite successful at — supporting U.S. investment in emerging markets.

Ex-Im's Key Role

In addition, the Chamber strongly urges that Congress approve a four-year reauthorization for the Export-Import Bank of the United States (Ex-Im) that also sufficiently increases its lending cap. Ex-Im's temporary reauthorization will expire on May 31, and failure to reauthorize its operations at an internationally competitive level would seriously disadvantage U.S. companies—small and large—in foreign markets, costing thousands of U.S. jobs.

Ex-Im has a proven record of success. Far from being a burden on the taxpayer, Ex-Im turns a profit for the American taxpayer. Since 2005, Ex-Im has returned more than \$3.4 billion to the Treasury above all costs and loss reserves, including \$700 million in FY 2011 alone. Failure to reauthorize Ex-Im would amount to unilateral disarmament in the face of other nations' aggressive trade finance programs.

While Ex-Im is addressed in this legislation, the Overseas Private Investment Corporation and the U.S. Trade and Development Agency are also crucial instruments for encouraging U.S. commercial engagement in Africa by providing a point of market entry, replete with tools for risk-mitigation and concessional financing. Ex-Im in particular has demonstrated innovation and flexibility in supporting investments by U.S. firms around the world, and this flexibility should be mirrored by other U.S. agencies tasked with boosting U.S. competitiveness. The U.S. Chamber encourages Congress to strengthen its support for these and other business-promotion initiatives, and to consider expanding the existing mandate for Africa-specific activities to assist U.S. companies investing in Africa in one way or another.

Action Items for Congress

While we applaud this renewed attention by Congress to address the competitive challenges facing U.S. firms in Africa, we are concerned by the erosion of one of the most useful

sources of commercial intelligence available for U.S. investors. For years, the U.S. Foreign Commercial Service (FCS) offices in U.S. embassies across the continent have provided valuable advice and assistance for American companies on the ground in Africa. Now, just as many in the U.S. business community are beginning to focus on Africa in earnest, we are concerned that budgetary tradeoffs are forcing the FCS to shrink its footprint in Africa.

The FCS has not only been critical to the successful introduction of large U.S. firms in markets across Africa, but it has also been an invaluable resource for the small and medium-sized U.S. businesses that have less experience in complex emerging markets. The FCS presence has a demonstrated impact on U.S. exports to the region and associated jobs in the United States. U.S. competitiveness will be undermined and deals potentially lost to foreign competitors if the FCS is not meaningfully sustained, if not boosted, over the next decade.

The U.S. Chamber also encourages the U.S. government to continue supporting the establishment of formalized trade and investment treaties with Africa's Regional Economic Communities (RECs). As you may recall, the 2011 ratification of the U.S.-Rwanda Bilateral Investment Treaty represents the first such treaty signed with an African country in over a decade. These agreements send a strong signal of confidence to the U.S. business community and to our potential business partners in African countries.

However, due to the small size of individual economies and the regional integration efforts underway, the U.S. Chamber urges Congress to consider widening the U.S. government's approach to encompass entire regional groupings, rather than individual countries. The reduction of non-tariff barriers to trade and the rationalization of unworkable customs regimes are central to making African nations attractive U.S. business partners and to spurring export-driven job creation for both the United States and our African partners.

The United States should begin working to outline what trade accords could encompass with the more integrated RECs, such as the Common Market of East and Southern Africa (COMESA) and the Economic Community of West African States (ECOWAS). While the technical issues around such an agreement may seem daunting at first glance, we urge Congress to begin these investigations now so that the United States is not eclipsed by competitors from Europe and Asia that are making dramatic inroads in African markets. The gains from these kinds of agreements are indisputable: Following the Trade and Investment Framework Agreement signed between the United States and the East African Community in 2008, U.S. exports to this bloc shot up by 33%.

Just to highlight what is at stake, the EU, for example, has an aggressive strategy to enact new trade accords with African nations. These Economic Partnership Agreements (EPAs) give exports from the EU a distinct advantage over goods produced in the United States; the preferential treatment they receive all but ensures that U.S. firms will be at a disadvantage for the foreseeable future. We need a trade agenda now that will level the playing field for U.S. companies.

Finally, the U.S. Chamber urges Congress to extend and expand the African Growth and Opportunity Act (AGOA) and its associated provisions. AGOA is not only good for the economies of Sub-Saharan Africa, but it also offers tangible economic benefits for U.S. companies here at home. More importantly, AGOA is the first and only economic policy

platform that exists between the United States and Sub-Saharan Africa, and its looming expiration in 2015 threatens to undermine the significant gains that African economies have made under this program.

As many in Congress are already aware, AGOA's 3rd Country Fabric provision is expiring in September, directly threatening hundreds of thousands of jobs across the continent — impacting not only Africa-owned businesses and jobs but also the good standing of the United States as a reliable partner in Africa's development. The U.S. business community has already taken up this issue with Congress, but we would be remiss if we did not raise with this Committee the urgent need for resolution.

In the medium to long term, U.S. and Africa businesses alike need more certainty around AGOA's broader renewal, and we encourage Congress to find ways of productively expanding AGOA's breadth and reach beyond 2015. Congress should extend AGOA for a meaningful period of time in order to rationalize the time horizons necessary for investment. Additionally, Congress should consider expanding the tariff lines eligible for duty-free/quota-free access to U.S. markets, thereby creating greater incentives for U.S. firms to do business in Africa.

Conclusion

Mr. Chairman, I would like to close by thanking this Committee for the opportunity to be with you today, and I look forward to working with the Members to ensure a robust discussion on U.S.-Africa policy as Congress examines trade preferences, foreign assistance, and other U.S.-Africa issues. The U.S. Chamber also looks forward to working with our partners in Africa to share ideas and work to promote greater U.S.-Africa trade and investment.

Thank you.