INCREASING AMERICAN JOBS THROUGH GREATER EXPORTS TO AFRICA

HEARING

BEFORE THE

SUBCOMMITTEE ON AFRICA, GLOBAL HEALTH, GLOBAL HUMAN RIGHTS, AND INTERNATIONAL ORGANIZATIONS

OF THE

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INCREASING AMERICAN JOBS THROUGH GREATER EXPORTS TO AFRICA

TUESDAY, MAY 7, 2013

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AFRICA, GLOBAL HEALTH,
GLOBAL HUMAN RIGHTS, AND INTERNATIONAL ORGANIZATIONS,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2 o'clock p.m., in room 2172, Rayburn House Office Building, Hon. Christopher H. Smith (chairman of the subcommittee) presiding.

Mr. SMITH. The subcommittee will come to order, and good afternoon to everybody. Today's hearing is intended to examine the issues surrounding U.S. exports to Africa, which are supposed to, at least, balance African exports to the United States. This will include existing obstacles to two-trade trade with Africa.

The hearing will specifically examine the Increasing American Jobs Through Greater Exports to Africa Act of 2013, H.R. 1777. The bill was introduced, as we did previous years, by myself, Ranking Member Karen Bass, and my friend and colleague Bobby Rush, who is joining us on the panel, on April 26th and was introduced in the Senate on April 11th as S. 718.

The purpose of H.R. 1777 is to increase U.S. exports to Africa by 200 percent over the next decade. This bill does not replace AGOA. It complements it by providing for rebalancing that makes it as beneficial to Americans as it is to Africans. The bill intends to reach its ambitious but achievable goal by taking several steps, including the creation of a comprehensive U.S.-Africa trade strategy and a coordinator to ensure that all U.S. agencies involved in trade work in concert with one another.

The legislation also calls for not less than 25 percent of available U.S. financing for trade deals to be devoted to facilitating U.S.-Africa trade. Furthermore, it encourages the descendants of Africa in this country, who largely operate small- and medium-sized businesses to play a greater role in trade with countries in Africa.

Various studies show that every additional $1 billion in exports generates 6,000 to 7,000 new U.S. jobs. According to current data from the United States International Trade Administration, export-supported jobs linked to manufacturing account for an estimated 3.3 percent of my home State of New Jersey's total private sector employment. More than one-sixth or 17.2 percent of all manufacturing workers in New Jersey depend on exports for their jobs.

But U.S. exports have suffered during the global economic downturn because traditional markets, such as in Europe, are buying fewer U.S. products. According to the U.S. ITA, we are the largest importer of African goods, receiving 20 percent of the continent's total global exports. However, U.S. exports to Africa fell sharply during the height of the global recession. From 2008 to 2009, U.S. exports to Africa dropped 45 percent, from $78.3 billion to $42.8 billion.

According to statistics released by the U.S. Census Bureau, African exports to the U.S. since AGOA took effect in 2001 increased from $25.4 billion to $66.9 billion in 2012, an increase, a huge increase of more than 163 percent. By far, petroleum exports from Africa led the way, with more than $28 billion in 2012 alone.

Meanwhile, U.S. Census Bureau statistics showed that the United States' exports to Africa increased from $12 billion to $32 billion from 2001 to 2012, an increase of 166 percent. Consequently, while U.S. exports to Africa showed a robust increase, since the inception of AGOA, the U.S. trade deficit with Africa increased from $13 billion in 2001 to $34 billion last year.

The five most popular import sectors for African countries are machinery and equipment; chemicals; petroleum products, including lubricating oils, plastics, and synthetic fibers; scientific instruments; and food products. That means that small- and medium-sized companies across the United States have commercial opportunities available in exporting goods and services to African countries.

The African Development Bank estimates that one in three Africans is considered to be in the middle class. That is nearly 314 million Africans who have escaped poverty and now buy consumer goods, including those from the U.S. In the supermarkets and department stores that have sprung up across Africa in recent years, there are some American products already on the shelves, but there is space for more contributions from U.S. producers. Companies, such as Procter & Gamble, have long realized the potential of African markets. Two years ago, Wal-Mart, the world's largest retail outlet, purchased South Africa's Massmart and its 288 stores in 14 African countries.

The Economist magazine created a significant buzz within the U.S.-Africa trade community 2 years ago when it announced that 6 of the world's 10 fastest growing economies in the first decade of this century were in Africa: Angola, Chad, Ethiopia, Mozambique, Nigeria, and Rwanda. In the following 5 years, The Economist projected that 7 of the 10 fastest growing economies in the world would be in Africa: The Democratic Republic of the Congo, Ethiopia, Ghana, Mozambique, Nigeria, Tanzania, and Zambia.

Whether or not you agree with the popular slogan "Africa is rising," markets on the continent are attracting foreign trade and investment in increasing amounts. It is not only China that has had its sights set on African markets. Countries as diverse as India, Japan, Brazil, and Turkey all see the potential of selling their products in Africa.

The Anglo-Dutch consumer goods giant, Unilever, has long considered Africa a lucrative environment for consumer sales, earning a fifth of its profits in Africa until the 1970s, when it turned its main commercial attention to Asia. Now Unilever is back in Africa in force, selling $3.7 billion of everything from soap to soup. Frank Braeken, head of Unilever's African operation said African consumers are underserved and overcharged. To meet the continent's need for personal care products, Unilever developed its Motions range of products.

At our hearing on this legislation last spring, we heard from Luster Products, which produces items that fit the description of what Unilever is selling as well. There is little reason why this company and other U.S. producers can't follow suit and meet the needs Unilever says it is now meeting as an unmet need.

We will hear today from four witnesses with expertise on the opportunities and challenges faced by U.S. companies in trade with countries in Africa. We expect to learn why the U.S. exports to Africa have not kept pace with U.S. imports from Africa and find out what Congress can do better to balance U.S.-Africa trade.

I would like to now yield to Mr. Cicilline for any opening comments he might make.

Mr. CICILLINE. Thank you, Chairman Smith.

I also want to acknowledge and thank Ranking Member Bass for holding today's hearing on this very important issue and extend my gratitude to the witnesses for their testimony today and for their important work on this very critical subject. As has been noted in The Economist, between 2001 and 2010, 6 of the world's 10 fastest growing economies were located in Africa, and it is predicted that it will grow to 7 out of 10 by 2015.

In light of this growth, it is critical that the United States remain a strong trading partner with nations on the African continent in order to remain competitive in today's global economy. We must cultivate new and existing trade relations with emerging markets in the African continent, particularly sub-Saharan Africa, to maintain and foster a strong, mutually beneficial relationship to harness this accelerated and exciting growth.

I look forward to hearing your thoughts and recommendations on the United States-African trade relationships and the future of this important partnership, and with the permission of the chair, I would like to yield the balance of my time to the distinguished gentleman from Illinois, Congressman Rush.

Mr. RUSH. I want to thank my friend for yielding his time to me.

And I want to join in the chorus of thanksgiving to the chairman, Chairman Smith, to Ranking Member Bass, and to all the members of the subcommittee for allowing me to participate in this hearing, and I appreciate the opportunity to be with you today to address this most important issue.

Africa as a continent and as nations as trading partners offer U.S. businesses and government unprecedented and significant economic opportunities. I am proud to work with my colleagues in a bipartisan and bicameral effort to remedy a problem that we see. As has been discussed many times, Africa is indeed a continent on the rise, and the African sub-Saharan area region is definitely one of the fastest rising parts of the African Continent. As has been indicated, more than half of the world's 10 fastest growing economies are located in sub-Saharan Africa.

What is even more impressive about that fact is that these economies are located where they are in a region that, as we all know, is traditionally seen as underdeveloped. H.R. 1777 is indeed an important step and not only is happening in cities' vast markets but also an important step in helping correct the trade imbalance that currently exists. In short, this is indeed a win-win move for Africa and the U.S.

I am disheartened by the continuing projection of the image and the consciousness of Africa as only being in need of aid when I think that the most prevailing solution to the problem of Africa, notwithstanding the aid, is also to increase the level of trade. And during my tenure as a Member of this Congress, I have had the opportunity to travel, as many of you have, and when I am there, I am impressed but also disheartened about the amount of global investment that is happening in Africa, particularly Chinese investment. I am gladdened because China and other nations are there, but I am saddened because the U.S. is standing flat-footed as the other nations of the world are standing, are moving fleet-footedly.

. One of the distinctive resources that the U.S. has and places us at a trading advantage to other nations is our Nation's vast diaspora. The ethnic and cultural linkages that have been forged with Africa throughout our own history links inextricably to this continent. Indeed, our economic prosperity was founded, has depended upon, and has grown thanks to Africa's vast resources and to Africa's people.

So, in this bill, we will be able to leverage trade opportunities with Africa. It is an economic prescription that will promote our economic aims and our objectives and give the U.S. a leg up over our competitors.

Once again, Mr. Chairman, I want to thank you for holding this hearing, and I want to thank you and the ranking member for allowing me to participate, and I look forward to hearing the testimony of these expert witnesses, and I will look forward to also asking a few questions of my own.

Thank you, and I yield back the balance of my time.

Mr. SMITH. Thank you very much, Mr. Rush, and you are welcome anytime to join us. Thank you for being here and for your leadership on the bill. It is deeply, deeply appreciated.

We do have, and I say this to our distinguished witnesses, a vote, a few votes on the floor right now, so we will temporarily take a recess and then come back. Again, I want to apologize. We will lead off with Ms. Bass' opening statement, and then go to our witnesses. Thank you for your patience.

[Recess.]

Mr. SMITH. The subcommittee will resume its hearing, and the chair recognizes Ms. Bass, the ranking member.

Ms. BASS. As always, I want to extend my appreciation to Chairman Smith for his leadership in this, on this issue and for calling this hearing and also to my colleague who has left us, Mr. Rush. I want to compliment both of them for moving swiftly to reintroduce H.R. 1777, Increasing American Jobs Through Greater Exports to Africa Act, and holding a hearing on a topic that is a key priority for me personally and for the more than 1 billion people living and doing business on the continent.

Let me also acknowledge Senator Durbin for leading the way in the Senate regarding the bill's reintroduction and also the bill's other cosponsors, Senators Coons and Landrieu and Boozman.

It has been a pleasure to work with them. I think this bill is an example of our bipartisan and bicameral commitment to the continent, and I always tell everybody we only make the news when we are fighting. When we are working on something together that is going along smoothly, that, for whatever reason, is not newsworthy.

I believe that if we focus on the task at hand, strengthening economic opportunities for the U.S. and nations of Africa, we will benefit from the continent on the rise. In Washington, we often hear about Africa's rise and its reemergence. Six of the world's fastest growing economies over the last decade are located in Africa, and that number is expected to increase to seven by 2015, yet this information more often remains a well kept secret to U.S. businesses looking for new profitable markets.

I also think that it is very positive that the legislation calls for the appointment of a special White House coordinator who would focus on an assertive whole of government approach promoting U.S. private sector engagement with the continent.

As the U.S. economy strengthens, we need to seize the moment and recognize that the expanding markets in Africa and the growing middle class who increasingly attend universities in the U.S. present opportunities for engagement by our Government and by the U.S. private sector. These are opportunities that our competitors in China, India, the EU, and Brazil have been quick to exploit. These are opportunities that can and will prove transformative for our economy and the billion Africans eager to be full participants in a global marketplace.

Africa is no longer interested in development aid alone. Africa, with a U.S.-educated middle class, wants to do business increasingly with the United States. We must recognize that Africa itself is in transition and seeks partners that want to provide opportunities for trade, economic growth, and investment. It is time for our Government and the private sector to see Africa through a new prism.

Mr. Chairman, nearly a year ago, President Obama released the U.S. strategy toward sub-Saharan Africa. In this policy directive there are four interlocking pillars: Strengthening democratic institutions; spurring economic growth, trade and investment; advancing peace and security; and promoting opportunity and development. While this hearing may focus on the second pillar of economic growth and trade, our success in accessing African markets will rely on the strength of each of these pillars and their ability to develop and sustain environments that will support the type and quality of business engagement that will attract and retain American businesses.

U.S. companies, such as General Electric, Microsoft, and Firestone, as well as our witnesses today, understand the importance of stability, good governance, and the institutions that encourage and welcome businesses that create jobs and help put an end to poverty of individuals and communities across the continent.

A couple of weeks ago, in Los Angeles, where I represent, I invited representatives from MCC, the Ex-Im, OPIC, and the Department of Commerce to my district in Los Angeles to help educate and raise awareness on how California-based businesses can access U.S. Government resources intended to seek opportunities throughout Africa and to do so safely and with the sense of security that their investments will be safeguarded.

And I am not the only one. I understand that Senator Coons has held forums in his home State of Delaware on doing business in Africa, and last year, Representative Ellison invited me to his district, where we met with the Somalian diaspora, and there are other members, like Chairman Royce, Rush, Isakson, Rangel, and McDermott, all of whom care deeply about strengthening our economic ties with the continent.

To this point, I commend the President for launching Doing Business in Africa last year through the Department of Commerce and holding the Doing Business in Africa Forum earlier this year. This forum and the program aims to leverage the Federal Government's trade promotion financing and strategic communications capacities to help U.S. businesses identify and seize opportunities in Africa.

Mr. Chairman, in closing, I want to acknowledge the bipartisan and bicameral support for AGOA, our lead trade agreement with Africa. The Foreign Affairs Committee has a long history of supporting this legislation, including Chairman Royce, who has been a staunch and ardent supporter, Representatives Rangel, McDermott, and also the chairman have been long champions. I look forward to working with you and our fellow colleagues as we continue to elevate U.S.-Africa policy as well as look for any and all opportunities to strengthen our own economy while also benefiting African nations.

Thank you, and I look forward to your testimony.

Mr. SMITH. Thank you very much, Ranking Member Bass.

Let me now introduce our distinguished panelists.

Beginning first, over his 50-year career at the State Department—talk about a journeyman—the Office of the U.S. Trade Representative, and in private sector work, Mr. Stephen Lande has worked extensively to expand U.S. trade. He has worked as a Foreign Service Officer, a senior trade negotiator, and an assistant U.S. Trade Representative. He has negotiated trade agreements with countries around the world, and he was instrumental in the creation of the Generalized System of Preferences, or GSP, the Caribbean Basin Initiative, and NAFTA. Mr. Lande continues to work with African governments and teaches international trade at Johns Hopkins School of Advanced International Studies.

We will then hear from Mr. Peter Hansen, who is an attorney with 15 years of legal experience and specializes in public international law and African investment law. He has served with the United Nations and World Bank and has taught, lectured, and published on the United States and international law topics. Mr. Hansen advises clients in African investment and the development of commercial projects involving Africa. He has taught, lectured, and published on international legal subjects.

We will then hear from Dr. Sharon Freeman, who is the president and CEO of the All American Small Business Exporters Association. She is an entrepreneur and has undertaken major development assignments in over 100 countries around the world. Dr. Freeman has been appointed to numerous U.S. Government boards, including those of the Department of Commerce, the Ex-Im Bank, the U.S. Trade Representative's Office, the SBA, and the Department of Energy. She has also won awards from leading business institutions and government agencies in recognition of her business and community leadership and business successes.

We will then hear from Ms. Barbara Keating, who is the president and founder of Computer Frontiers, and has 25 years of experience working in Africa bringing technology solutions to the most remote parts of the continent. She has worked for several companies and partnered with USAID in support of various U.S. Government initiatives and has Peace Corps experience as well. She works to provide effective communication services in limited infrastructure environments and adapting technology to improve performance for government agencies, NGO programs, and private companies.

Mr. Lande, if you would begin.

STATEMENT OF MR. STEPHEN LANDE, PRESIDENT, MANCHESTER TRADE

Mr. LANDE. Good afternoon. And thank you very much for the opportunity to speak before you on a very current topic. When you have been in trade policy and investment policy as long as I do, I always begin by saying, This is not the History Channel, but hopefully we are looking forward to other policies that we may be able to discuss.

We have all read the tea leaves about Africa and can almost smell the opportunities that will ooze from collaborating with a continent of over 1 billion increasingly urbanized, more dynamic, better educated, deeper democracy, upwardly mobile, and mostly young. Unfortunately, our private sector has not heard this message. As pointed out, some of the larger companies are involved, and you mentioned the names earlier, and we appreciate that.

We believe that it is a possibility for the U.S. Congress, working together with the U.S. administration, to demonstrate that there is full support for U.S. investment. We are not a Communist society. We don't have state-operated, state-owned enterprises; we don't tell people where to invest. But what we can do as a group, we can work to make sure that there is a level playing field that exists for U.S. investors, U.S. exporters overseas.

To do this, Manchester Trade has come up with their own idea, which we call a new Transatlantic South partnership. As you know, the U.S. is focusing on a Trans-Pacific Partnership involving 12 Asian and Latin American countries. We are working on the Transatlantic Trade and Investment Partnership, the TTIP, which focuses on 27 European countries. However, unlike the other two, which focuses on trade agreements, our suggestion for a Transatlantic South partnership goes well beyond trade agreements and will encompass investment and development goals. It will realize there is significant U.S. national security consideration and will herald the whole of government approach that was mentioned by Ranking Member Bass just before in her comments and so on.

However, what we are talking about, an important component is coordination in Congress, and that is the message that I would like to spend a few minutes and focus on. Just for example, we all know that Ways and Means Committee is going to soon consider, hopefully renew and even more importantly enhance the current African Growth and Opportunity Act. We all know that H.R. 1777, which we are very pleased that Chairman Smith has reintroduced and so on again this year and with bipartisan support and so on, focuses on exports. We all know that last year, Congressman Bobby Rush introduced H.R. 656, the African Investment and Diaspora Act. Between them, they form a perfect triangle for moving into Africa as a group. They must proceed under congressional rules, under their own committees, and so on. That is how it operates. But if there could be coordination—and in this regard, we must recognize the efforts of Ranking Member Bass—to bring together a group of influential Members all with the commitment of Africa, this is the kind of thing that must happen for us to be successful with a coordinated approach.

I guarantee you the Chinese coordinate everything that they do there and so on, and they have the advantage of being able to tell their SOEs and their profits where to invest. We don't have that, but we could certainly coordinate to assure a level playing field.

Let me just use the few minutes that I have been given to just touch a few measures which could help illustrate where this kind of coordination could take place. I want to be clear, there is a lot of ideas out there. The Corporate Council has just come up with 44 suggestions in the trade investment area. The Wilson Center has turned out a very good paper, which we were very pleased to participate in, but so we are putting out these ideas not as exclusive but as ideas for further work and so on.

We have already mentioned the fact that the Ways and Means Committee should focus on imports, and the act to double U.S. exports from this committee can work together very nicely and so on.

Export-Import Bank is the largest source of funding for U.S. business overseas. The bank itself has been committed to increase resources. In fact, under the leadership of Chairman Hochberg and so on, Rick Angiuoni, who runs the African Bureau, and so on, we have seen since the beginning of the Obama administration an increase of Export-Import financing for Africa from $400 million to $1.5 billion last year, almost a four times increase, which is impressive.

Your bill—even better, your bill calls for 10 percent of Export-Import Bank financing to go to Africa or else you should report to Congress why not, which is a good way to push for going there. That will result, if you assume that our financing will be in the neighborhood of $40 billion next year, $4 billion, so that is another doubling. So we support that.

But we have to go a little deeper than that, and that is where you have to work with the Financial Services Committee because Export-Import Bank is very proud of the fact that people pay back the money that it lends to them. And obviously, we don't want to have some recent examples where people didn't pay back money; we know what happens in that case.

But, on the other hand, if you are going to work in a frontier economy, like an African economy, you have no choice but to take greater risk. So I don't know how you are going to work out the 2 percent; we shouldn't lose money, yet you have to take greater risk. One idea we have, which involves some work, is that maybe there could be more coordination with MCC, with USAID, and maybe they could help service the debt, service the loan, so if Export-Import Bank gives a loan and it is entitled to a higher interest rate, maybe they can contribute some money that they can use in order to do business. There are many ideas.

Another idea we have been working on, a little bit separate than this, but it makes sense, is given the need for fiscal probity, Export-Import Bank, OPIC, TDA, all require all kinds of paperwork, it has to be done. Well, a little guy can't do it. An SME can't do it. A diaspora company can't do it. Maybe, it could well be possible that MDBA, SBA can work together with Export-Import Bank, with the other lending institutions, and try to conglomerate investments and put them together and provide the technical assistance. In other words, we must work together.

Regional integration. There is nothing more important to U.S. commercial and political interests than an integrated Africa. We cannot live in the post-colonial era, where a relatively small continent compared to others were sliced into 47, now 48, countries in sub-Saharan Africa. They must come together, and this is in your bill, you promote it. But, again, it has to be done with Ways and Means because it is a trade issue, so they involve both together and so on.

But let me mention what I consider to be the biggest threat we face. AGOA is a good program. It should be renewed. I don't know how much time I have, but it still says 5, and I know you are not supposed to go over 5, so I don't—I will just keep talking.

Mr. SMITH. If you could sum up, I didn't put it on there.

Mr. LANDE. Let me make my three points and end, I didn't want to cut myself off either, but I didn't want to go on. But let me just make three very quick points and make them very specific and so on. Regional integration, extremely important for the U.S. It provides sufficient scope for U.S. multinationals, large U.S. companies to reach the economies of scale, working together with the U.N. in peacekeeping and so on, regional community, peer group pressure is extremely important and so on. U.S. provides AGOA, which basically says nonreciprocal, when you are together as a group, let's negotiate a group. The Europeans have come up with Economic Partnership Agreement; horrible things, from a trade point of view. If you don't sign, we cut off access. The U.S. free access, the U.S. is right; Africa isn't ready to sign until they are a group. What we are suggesting is that together with the relevant committees, we send a signal to the Europeans, excuse me, we are doing a Transatlantic Trade and Investment Partnership with you, let's make sure that extends to Africa, to our southern area, and so on.

The other quick recommendation there, of course, is that you work with European Parliament. European Parliament was just pressured into agreeing to this deadline. It would be good if together with yourselves you could have a consultation, whether a regular scheduled or special, to look at this issue and so on.

President Obama, when he took office, was very specific. He said we cannot do things alone. We have to work with other countries. We have too many unilateral sanctions, conditions. Every committee has something else. Each of the objectives are good, but if you are a U.S. businessman and you suddenly face a condition on whether you use, you know, carbon emission, even though Africa is unfortunately going to have to use fossil fuels; if you have a condition that you can't use U.S. agricultural—you can't promote U.S. agriculture, which promotes things, that you make, have an AGOA benefit, but it could be taken away if it turns out that the country is undemocratic.

We are arguing very basically that there should be some committee within the Congress which would review these conditions and look at them two things: One are they effective in the way they operate. The worst thing we have done is take Madagascar off of AGOA because we didn't like a bunch of colonel thugs for seizing power. Seven years later those thugs are around and 200,000 Madagascan women who are trying to help could have lost their job, so we want this reviewed.

A third quick focus is on agriculture, again beyond Feed the Future. We would want to look at, one, let's give Africa a chance to export the products it can export. It produces tobacco. It produces sugar. It produces peanuts or ground nuts. It sweetens cocoa. All that is not included because of domestic interests, even though if you let Africa ship them, they would have no effect on domestic industry. They would be able to compete against Brazil and displace them if we could give some attention to that.

So, in conclusion, what we are really arguing for is there is a whole area which involves more than one committee that has to be looked upon. The contribution of Congress can be to work together. The time, the tea leaves are in place. For some reason, Mr. Froman, the only NSC adviser who ever went to Africa, but then he spent 2 weeks there—as I said, only went there on an economic mission, and he spent 2 weeks there, going to five, six countries and so on, is now the USTR, also remaining as the Special Adviser to the President, if Congress approves him and so on, et cetera. You have all these ideas coming from the private sector. Every time you read something it talks about Africa is on the way, every magazine article. You cited The Economist, Forbes, all there. I really would hope very much that this Congress could focus on a Transatlantic-South partnership with Africa. Thank you so very much.

[The prepared statement of Mr. Lande follows:]

Testimony to Africa Subcommittee Hearing

Increasing American Jobs through Greater Exports to Africa

Subcommittee on Africa, Global Health,
Global Human Rights, and International Organizations

2172 House Rayburn Office Building, Washington, DC 20515

Tuesday May 7, 2013 2:00 p.m.

By Stephen Lande | President

Good afternoon to the House Committee on Foreign Affairs; to *Chairman Ed Royce*, to *Chairman Chris Smith*, and to *Ranking Member Karen Bass*; fellow Americans – I believe that I express the expectations of countless Americans and Africans whose lives this hearing could bring positive change to. My ultimate expectation is that all American businesses, both small and medium sized enterprises as well as the big boys, will be able to do business on a level playing field in an economically integrated Africa. We have all read the tea leaves and can almost smell the opportunity that oozes from collaborating with a continent of over 1 billion increasingly urbanized, more dynamic, better educated, upward mobile and mostly young Africans.

Between 1997 and 2004, when your Chairman Royce led the Africa sub committee in the house, the U.S. was Africa's largest singular trading partner. Today, in 2013, this is no longer the case, and Chairman Smith, your tenacity at working to reverse this by introducing the first-ever comprehensive bill to double US exports to Sub-Saharan African (SSA) countries in tandem with AGOA is laudable. Thank you for reintroducing H.R. 1777 on April 26, 2013.

Ranking Member Bass, on top of your passionate engagement with Africa, your working group of influential members is reviewing options for AGOA renewal and enhancement. Interestingly, for the past 7 years, the 37^{th} District of California has exported 46% of her goods to Asia – worth about \$ 601 million dollars in 2012 alone. Hence, opening up

Africa should improve district and U.S. jobs.
Fortunately, I am presenting alongside two experts: Peter Hansen who will, eloquently, address what a lack of accelerated growth in direct investment could mean to U.S.-SSA relations, and Dr. Freeman who will specifically talk about the dynamic African Diaspora in the U.S. In tandem, I focus on something we at Manchester Trade call **the Trans-Atlantic South Partnership.**

We intend for this to be a third leg of the 2 partnerships currently being pursued by Congress and the Obama administration. The ***Trans-Pacific Partnership*** involves 12 Asian and Latin American countries including Japan, the ***Trans-Atlantic Trade and Investment Partnership*** focuses on 27 European countries, and the ***Trans-Atlantic South Partnership***, if adopted could be for Africa. Unlike the other two, *the Trans-Atlantic South Partnership* is not based on a trade agreement but goes well beyond this encompass investment and development goals. It also has significant U.S. national security considerations, and heralds that if we do not craft a coordinated approach to Africa – one that embraces the U.S. government's *whole-of-government* approach - all indications point to a more vulnerable America - one that loses strategic economic ground to the competition.

To stave these negative consequences, we urge that this committee coordinate with other relevant ones to ensure that separate and independent legislative initiatives towards trade and investment with the SSA region reinforce each other. We must begin with the *Ways and Means Committee* considerations to **renew and even more importantly enhance AGOA.** AGOA's emphasis on SSA imports into the US must be coordinated with the U.S. export focus of H.R. 1777. Together, the two elements could, undoubtedly, form an excellent springboard from which the U.S. can increase its commercial footprint in Africa. Also, for example, Rep. Bobby Rush (D, IL)'s H.R. 656 (the *African Investment and Diaspora Act – AIDA* of 2011) ought to be reintroduced as this bill focuses on the African Diaspora. Not only are the Diaspora already U.S. investors in Africa; they are also *cultural brokers*; an invaluable resource China does not have as abundantly.

Secondly, if we are going to be effective global trade competitors, Congress and the Administration must ensure that both the big boys - Coca Cola, GE, Proctor & Gamble or Wal-Mart – and the SMEs have exactly the same opportunities and incentives to do business in Africa. Businesses with between just $ 100K and $ 500K can, effectively, work with Africans, reap rewards, and hire ten or twenty American workers here in the U.S.

Fortunately, unlike our competitors, the U.S. does not, control SOEs or direct private sector where to invest. However, since businesses rush to far-off places if and when

assured of U.S. government support, opportunity awaits in Africa if government commits to stand with American entrepreneurs of all sizes.
Other recommendations notwithstanding,[1] we, thus, recommend a four-point action plan to achieve the Trans-Atlantic South Partnership, and grow the U.S. footprint in Africa's thriving marketplace.

1. Maximize off-budget Resources to Enable US Investors to Effectively Meet Third Country Competition
Measures to Support Regional Integration and Level Playing Field

H.R. 1777 contains provisions that ensure that U.S. exports and investors receive adequate funding and support to compete against third countries. Here, we are strongly in favor of the proposal to modify the Export-Import Bank Act of 1945, directing the bank to increase loans, project insurance and guarantees to Africa.

The requirement to specifically present an annual report to Congress if the bank has not used at least 10% of its facilities as well as to make available money for loans that counter non-OECD compliant arrangements offered by US competitors should help ensure that global trade is not distorted. Objectively this should more than double Ex-Im financing to Africa, and comes on the coattails of a laudable three-year period where Ex-Im Bank Chairman Hochberg and his Africa team almost tripled the bank's lending to the region – financing an impressive 7.5 % of all U.S. exports to Africa.
However, more could be done if the Bank's activities were granted new flexibilities to take advantage of Africa's economic progress and trajectory. We suggest that with the low overall default rate of 2%, Ex-Im could, in effect, charge a special premium with expectation that the rate of return on African investment is greater. In cases where non-OECD countries offer absurdly low interest rates, agencies like MCC, USAID and USTDA, in addition to special funding from Ex-Im bank's own resources, can offset some of the increased servicing costs.
Concurrently, SBA and MBDA could develop special mechanisms to consolidate applications from SMEs and also the Diaspora who would, individually be much too small to meet the financial and paper requirements for EX-Im support.[2]

2. Promoting Regional Integration

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1 There are additional components for inclusion in the Trans-Atlantic South Partnership in the Corporate Council on Africa Recommendations of April 16, 2013, and in ***Beyond AGOA*** by Stephen McDonald, Stephen Lande and Dennis Matanda, published by the Wilson Center.

2 The same should apply to USTDA and OPIC. OPIC has, despite limited funds, done a fantastic job of expanding regional portfolio.

Through Slowing or Delaying EPAs
Many H.R. 1777 provisions including an *increased financing facility*, the *Special Africa Strategy Coordinator*; *Trade Missions to Africa* or *Added Personnel* will do little to offset gains if the EU successfully 'forces' African countries into Economic Partnership Agreements (EPAs).

In his paper,[3] **Sindiso Ngwenya**[4] suggests that EPAs are fatally flawed because they encumber an already difficult path to Africa's regional integration.

As the head of COMESA, a prominent regional economic community (REC), Ngwenya authoritatively suggests that if a majority of African countries sign EPAs, their first casualty will be the hope for a more effective AGOA since these agreements discriminate against American exports to the region.

The *Ways and Means Committee* has jurisdiction over this, and Rep. Devin Nunes (R-CA), who, in the 112th Congress, introduced H.R. 6537 to address this problem, recognized the EPA threat. Now as Chairman of its Trade Subcommittee, he is in the perfect position to work with the Administration, like-minded African countries and regional economic communities (RECs) and the EU to delay the European Parliament imposed deadline of October 2014.[5] African countries will only be in a better bargaining position after the next decade, and thus, EPAs ought to be postponed to after 2025. Then, Africa will be collectively ready for negotiations.
We suggest that when the Administration informs Congress of its intention to negotiate the T-TIP, this Committee should suggest that a common approach be developed on the issue of reciprocity in Africa so as not to undermine regional integration, or start an unnecessary race to obtain preferential entry into African markets between the EU, the US and third countries. Ngwenya has referred to this as 'an unnecessary race to the bottom on a continent with abundant resources.' Since, the U.S. Congress may soon consider extending a non-reciprocal AGOA, this august body could suggest that this be a subject of a specially convened or the next scheduled EU-US legislative consultation.

Secondly, it is widely accepted that deeper regional integration allows for indigenous peacekeeping, peer pressure against aberrant behavior and free movement of goods and factors of production. These attributes contribute to American ideals of growth, stability,

3 *Why Economic Partnership Agreements Undermine Africa's Regional Integration*, Published on the Wilson Center, and co authored with McDonald, Lande + Matanda

4 Secretary General of the Common Market for Eastern and Southern Africa (COMESA)

5 Recently, the European Parliament under pressure from EU trade negotiators ignored previous protestation never to force African countries to sign onto EPAs. The Parliament agreed to an October 2014 deadline under which African countries would lose most preferential access to the EU markets if unless they concluded EPAs by that date.

and democratic reform in Africa. From a commercial standpoint, regional integration allows multinational corporations to optimally operate their world-class supply chains and distribution networks. Integration also ensures that Africa is less reliant on China for instance, and less susceptible to cajoling from the EU. In working to delay EPAs, Congress not only assures U.S. competitiveness but also allows Africa to complete its negotiations for a continental FTA by 2017 and even the African wide customs union by 2019 as foreseen in the Abuja Treaty. This treaty lays out the architecture for completing Africa's Union.

To help this process along, Congressional Committees could:[6]

i. *Urge that USAID offer technical assistance for these negotiations, while the USTR and State Department provide polite diplomatic pressure urging African countries to meet integration goals and to remove impediments to the actual free flow of trade.*

ii. *Work with African led efforts at the WTO to extend the AGOA waiver until the next decade and let it cover all preferential schemes as long as progress is being made towards regional integration. It would treat all REC members the same for beneficiary status under DF/QF schemes for at least a few years, to allow this goal to be accomplished.*

iii. *Banking committees can review their mandates to maximize support for regional integration through the use of Special Purpose Vehicles. These could be operationalized in tandem with other donors and multinational banks to support regional projects with guarantees going beyond national sovereignty. In addition, this Committee can consider recommending that 20% of MCC financing be reserved for projects that are deemed regional in their scope, which would, in essence, be increased access to sub Saharan Africa through business facilitation rather than premature reciprocity.*

3. Reviewing unilateral US Actions

The kind actions that inhibit U.S. investment and trade

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6 We realize that this would require the US to delay its own requests for formal reciprocity. However rather than focusing on premature reciprocity which undermines regional integration – something that is, ultimately, of greater value to the US commercial presence and US diplomatic goals - it makes more sense to continue and even intensify efforts with African countries and regional economic communities to ensure a conducive atmosphere for US commercial activities to thrive. One area of particular focus should be on removal of Non Tariff Barriers (NTBs), which not only limit US exports but also impede the free movement of goods between countries even when duty-free movement is assured under regional FTAs. Our recommendation is for the TIFA structure to be deepened, afforded adequate staffing, Federal Register Notice of meetings, private sector participation, and formal reports on results removing impediments to US exports and investment.

US investors face a major inhibition based on the unilateral penalties and sanctions the U.S. applies to various entities in an attempt to promote responsible behavior or observance of law. The U.S. removes countries from AGOA or GSP eligibility; withdraws USAID or MCC programs and penalizes U.S. investors for reasons ignored by US competitors.

While there appears to be no coordination when these decisions are made,[7] each sanction places a low priority on their impact on US competitiveness and commercial presence, and can sometimes prevent U.S. businesses from achieving their optimal potential.[8]

Considering the disparate and random nature of sanctions, we suggest that specially constituted congressional committees review such conditionality to determine appropriateness in this multipolar world.[9] Congress could then suggest how to make them more effective, limiting collateral damage to US investors and innocent groups - as well as the long-term economic growth of the region.

4. A Specific Focus on Agriculture

Without discussing the *Grow Africa/Feed the Future* programs, Congressional committees can take specific measures to promote agricultural production in Africa and encourage export of agricultural products to the U.S. Congress could work towards removing impediments to African agricultural exports to the U.S. and regulating SPS assistance for so-called *competitive agricultural production.*

Agricultural products currently excluded from duty-free treatment under AGOA due to exclusion of high duty-tranche portion of the Tariff Rate Quotas (TRQs) could be designated as part of the program. American cotton subsidies could be reviewed, not only for consistency with WTO rules but also for impact on the prices received for African cotton production.

Conclusion – Understanding the African Landscape

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[7] Different Congressional committees mandate their own sanctions and enforcement is usually left to different agencies including State, USAID, MCC, USTR, the Department of Justice and even the Security and Exchange Commission.

[8] Following a military coup in Madagascar, the U.S. took unilateral action in removing that country's AGOA eligibility. However, this very action not only affected the economy, but especially the Malagasy women producing under AGOA. It is also important to note that African institutions like the African Union have their own peer review mechanisms. The AU already penalizes 'rogue' nations and the U.S. could piggyback on some of these actions.

[9] In addition, the U.S. also denies assistance to power projects utilizing fossil fuels via OPIC's Carbon Gap, to agricultural pre-programs promoting production of agricultural commodities produced in the U.S. and to the use of certain GMO seed. There are also requirements to transport government supported agricultural exports in U.S. bottoms and this extends to satisfying very sophisticated financial requirements under the Dodd-Frank law and SEC regulations.

We must endeavor to adjust how we engage with Africa. Gone are the days when the continent was a basket case of drought, disease and starvation. Today, although there are still pockets of violence and negativity, 6 of the world's fastest growing economies are in Africa – the Congo alone is roughly estimated to hold up to $ 21 trillion dollars of valuable natural resources.

In short, the clear understanding of the commercial threat from almost unlimited Chinese funding of their activities in Africa; the challenge of mercantilist EU policies to gain preferential access into the African market; the importance to political stability in fragile states; the importance of free flow of goods to US led supply chains and distribution networks, all argue for the type of concerted approach to grow American jobs + exports to Africa.

Stephen Lande, Manchester Trade
May 7, 2013

Mr. SMITH. Thank you so very much.
Mr. Hansen.

STATEMENT OF MR. PETER C. HANSEN, PRINCIPAL COUNSEL, LAW OFFICES OF PETER C. HANSEN, LLC

Mr. HANSEN. Thank you very much.

I have been told I am a firebrand, so I hope I don't disappoint without alienating anyone.

I would just like to start by saying I think the bill is an excellent step in the right direction. In my written testimony, which is fairly extensive, I made some minor suggestions as to wording to emphasize investment, and I would like to request at this time that my written testimony be put in the record.

Mr. SMITH. Without objection, your full statement will be made a part of the record and that of all of our distinguished witnesses.

Mr. HANSEN. Thank you. I would like to start off with a few relevant figures that could put matters into context. Unfortunately, they are surprising, perhaps humorous, and all the more horrifying for being so. First off, sub-Saharan Africa's entire GDP of $869 billion is 79 percent of the U.S. budget deficit in 2012. So it is less than our budget deficit. In other words, close to 900 million people in the region of sub-Saharan Africa, that is almost three times the U.S. population, live on a little under 6 percent of our GDP. So when we ask Africans to buy more U.S. products, it is like asking Americans to buy more U.S. products after losing 98 percent of their income.

As for trade, U.S. apparel imports, about which there has been a great deal of talk and legislation over the years, apparel imports under AGOA now roughly equal Americans' consumption of over-the-counter teeth whiteners, which is sad.

U.S. food imports from rural agricultural Africa, filled with farmers, in 2011, were about half of what America spent on Twinkies, and even less than what Americans spent on Halloween costumes for their pets.

As for investment, which is critical, U.S. investment in Africa, after decades of amassing assets there and operations there, is a little bit more than what Americans waste on gambling in a year and little more than twice what Americans spend on Easter.

This is quite sad, which brings me to one of my two points, which is that the U.S. is losing Africa because it will not invest in Africa. It is a cold fact that U.S. investment must precede U.S. exports, as my written testimony made clear with examples of Taiwan and the People's Republic of China.

As things stand, the U.S. has almost no economic relationship with sub-Saharan Africa beyond oil. If the U.S. were to level sanctions against sub-Saharan Africa in every non-oil sector, it could hardly be more effective than present U.S. indifference. The U.S. wants to sell to Africa but has not wanted to date to buy or to invest there. The U.S. Government has done almost nothing to secure treaty protections for U.S. investors in sub-Saharan Africa, and by that, I mean bilateral investment treaties, or BITs, or double tax treaties, which are known also as DTTs or DTAs. By contrast, the People's Republic of China wants to sell, wants to buy, and wants to invest in sub-Saharan Africa. This is why China is ascendant in Africa.

Finally, as the stats on the rise of China show, AGOA is an economic irrelevance and a strategic distraction of disastrous proportions. This is not to say, incidentally, that AGOA should be set aside, but it is a major distraction. So this brings me to my last point, which is that the U.S. must get serious about investing in Africa if it wants to export to Africa and influence Africa, indeed to retain any kind of strategic position on the continent.

The U.S. has got to quit arguing about AGOA and see it as but a small part of a far larger Africa strategy. The U.S. has to treat African countries like other countries, especially as we do the People's Republic of China. We have to accord African countries what I would call "most favored investment partner" status or to adapt a more current trade law term to have "normal investment relations," as with other countries. African countries should not uniquely have to earn U.S. economic partnership by jumping through hoops and meeting or passing ever-moving goalposts.

The U.S. Government should seek to turn Africa and African countries into economic partners. In earlier writings referenced in my written testimony, I have called this the Mature Market Model or M3. The U.S. has to quit worrying about closed economic sectors, whether it is mining or hotels. The U.S. has closed economic sectors as well. What the U.S. Government has to do is engage with Africa and allow U.S. investors to penetrate those markets and gradually crack open those closed sectors by gaining trust on the continent.

The U.S. Government has got to conclude BITs and DTTs, that is bilateral investment treaties and double tax treaties, across the continent. Arab North Africa along the Mediterranean rim has 60 percent coverage of both BITs and DTTs. Once you get down to Black Africa, sub-Saharan Africa, BIT coverage drops to a mere 11 percent and double tax treaty coverage to 2 percent. In other words, one double tax treaty with South Africa. This is ridiculous. We need to conclude those treaties forthwith.

Also, if a stunning gesture is looked for, a sensible approach would be to have a multilateral, continent-wide, multilateral investment treaty and multilateral double tax treaty.

And very finally, U.S. aid should reform whole industries and embrace private projects as well. This is in my writings called the Aid and Investment Model, or AIM, approach rather than ineffective, one-off, isolated and useless projects and studies. Thank you.

[The prepared statement of Mr. Hansen follows:]

LAW OFFICES OF PETER C. HANSEN, LLC
www.peterhansenlaw.com

1725 I Street, NW, Suite 300, Washington, DC 20006
(202) 349-3780 / 3915 (Fax)

MEMORANDUM

TO:	House Subcommittee on Africa, Global Health, Global Human Rights and International Organizations
FROM:	Peter C. Hansen
DATE:	May 7, 2013
RE:	Increasing U.S. Exports to Africa: Why U.S. Investment Is First Necessary

This memorandum has been prepared to accompany my oral testimony before the Committee on May 7, 2013. I am grateful to Chairman Chris Smith for his invitation to provide views and insights on U.S. exports to Africa from the often overlooked perspective of U.S. investors.[1]

Before proceeding to the substance of my testimony, I would like to bring to the Subcommittee's attention the efforts of the Working Group on U.S. Investment in Africa, which I have had the honor to chair. This informal and non-partisan group of technical experts was assembled to advise the Romney Campaign's Advisory Committee on Africa, a policy-development body co-chaired by Ambassador Tibor Nagy. The Working Group provided a wealth of briefing memoranda and action plans grounded in their experiences in corporations, law practices, relief organizations and other capacities. Their work, which dealt with almost every aspect of U.S. engagement with Africa, is being transmitted to the second Obama Administration in the spirit of non-partisanship. Moreover, the Compendium of their work has been widely circulated online, having been downloaded over 1,250 times from my firm's website alone.[2] The Working Group remains active, and its members would make extremely useful witnesses for the Subcommittee given their profound real-world experiences working with Africa.

I would also like to draw to the Subcommittee's attention two of my other recent publications on the topic of Africa, as they supplement and expand on my testimony today. The first is my Heritage lecture, "Unleashing the U.S. Investor in Africa: A Critique of U.S. Policy Toward the Continent."[3] The second is my interview with the New York City Bar, "Legal Considerations for Investing in Africa."[4]

[1] All references to Africa in this testimony refer exclusively to Sub-Saharan Africa unless expressly stated otherwise.

[2] Working Group on U.S. Investment in Africa, *Compendium* (published Jan. 1, 2013), *available at* http://www.peterhansenlaw.com/Publications/Members/WorkingGroupOnAfricaCompendium.pdf (accessed Apr. 29, 2013).

[3] Hansen, "Unleashing the U.S. Investor in Africa: A Critique of U.S. Policy Toward the Continent" (Heritage, Feb. 4, 2013), *available at* http://www.heritage.org/research/lecture/2013/02/unleashing-the-us-investor-in-africa (accessed Apr. 29, 2013).

[4] Hansen, "Legal Considerations for Investing in Africa: An Interview with Peter C. Hansen, Esq." (New York City Bar, July 2012), *available at* http://www.nycbar.org/african-affairs/business-in-africa-law-project/1633-legal-considerations-for-investing-in-africa-an-interview-with-peter-c-hansen-esq (accessed Apr. 29, 2013).

My testimony today takes place in the context of the "Increasing American Jobs through Greater Exports to African Act of 2013" introduced by Chairman Chris Smith and currently under consideration by the Subcommittee. Having read the Act, I think it is a strong step in the right direction. It is refreshing to see that the Act acknowledges the role of U.S. investors in drawing U.S. exports to Africa. If signed into law, and particularly if some minor modifications are made, it would not only be helpful in itself, but it would also serve as a solid platform for further reforms. To assist the Subcommittee in its review of the Act, I have organized my contributions under rubrics that track the Act's sections.

1. THE ACT'S FINDINGS AND PURPOSE - § 2

The Act properly points out many of Africa's highly positive economic factors, but its call for a 200% increase of U.S. exports to Africa over ten years (at p. 1) is hardly ambitious enough.

U.S. Exports to Africa Are Miniscule

U.S. exports to Africa are currently valued at a mere \$21.1B.[5] This is slightly more than sportswear company Nike's annual revenues.[6] In other words, if all U.S. exports to Africa ceased, we would lose the equivalent of the revenues of one company, our 136th largest, which amounts to less than 2% of the 2012 U.S. budget deficit, or just over 1/10th of 1% of our GDP in 2012.[7] The insignificance of such a loss is highlighted by the fact that the U.S. Postal Service lost \$15B in FY12. That deficit – irritating but hardly deemed a national priority let alone calamity – equals 71% of our annual exports to Africa.[8]

Taiwan Imports More than Does Africa, Despite Having a Far Smaller Population

The U.S.'s woeful export performance vis-à-vis Africa is painfully revealed by the fact that Taiwan, which has 1/38th of Sub-Saharan Africa's population,[9] imports more in absolute terms from the U.S. – \$26B of goods, which is equivalent to Macy's annual revenue.[10] (This leaves aside a further \$11B in U.S. services exported to Taiwan, which would make a total \$37B that is slightly higher than Goldman

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[5] *See* "Africa" (meaning Sub-Saharan Africa), U.S. Trade Representative's Office website, *available at* http://www.ustr.gov/countries-regions/africa (accessed Apr. 29, 2013).

[6] The revenues of Nike (our 136th largest company) in 2012 were \$20.86B. *See* CNN's list of Fortune 500 companies, *available at* http://money.cnn.com/magazines/fortune/fortune500/2012/full_list/101_200.html (accessed Apr. 29, 2013).

[7] *See* Table S-1 ("Budget Totals"), FY2014 Budget, *available at* http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/tables.pdf (at p. 3, accessed Apr. 29, 2013).

[8] Ron Nixon, "Postal Service Reports Loss of \$15 Action," NY Times, available at http://www.nytimes.com/2012/11/16/us/politics/postal-service-reports-a-nearly-16-Action-loss.html?_r=0 (accessed Apr. 29, 2013).

[9] Taiwan has 23.3 million people, and Sub-Saharan Africa 874,841,049 in 2011. *See* "Taiwan," CIA Factbook, *available at* https://www.cia.gov/library/publications/the-world-factbook/geos/tw.html (accessed Apr. 29, 2013); and Trading Economics, "Population; Total in Sub Saharan Africa," *available at* http://www.tradingeconomics.com/sub-saharan-africa/population-total-wb-data.html (accessed May 1, 2013).

[10] *See* "U.S.-Taiwan Trade Facts," U.S. Trade Representative's Office website, *available at* http://www.ustr.gov/countries-regions/china/taiwan (accessed Apr. 29, 2013). The revenues of Macy's (the 110th-largest U.S. company) in 2012 were \$26.4B. *See* CNN's list of Fortune 500 companies (Nos. 101-200), *available at* http://money.cnn.com/magazines/fortune/fortune500/2012/ full_list/101_200.html (accessed Apr. 29, 2013).

Sachs' annual revenues.[11]) If Africans imported goods alone at the same rate as Taiwan does, we would export $988B worth of goods annually to Africa. This is more than twice the revenue of the largest U.S. company in 2012, Exxon Mobil.[12] An increasingly prosperous Africa – certainly no pipe dream and indeed a process already underway, as the Act points out – could be an amazing boon for U.S. exporters.

The U.S. Built Taiwan's Consumption by Building Its Economy, but Has Not Done So in Africa

Why should African consumers be compared to the Taiwanese? The Africans are poor, after all, while the Taiwanese are prosperous. The answer is that the Taiwanese were not always rich. They have become so partly because of U.S. "development exports" that gave the island ever-greater economic capacities, and a corresponding ability to absorb U.S. exports. By way of illustration, the USTR's office observed that the "top export categories … [for Taiwan in 2011] were: Electrical Machinery ($5.0[B]), Machinery ($4.6[B]), Iron and Steel ($1.9[B]) Optic and Medical Instruments ($1.9[B]), and Organic Chemicals ($1.4[B])."[13] Moreover, the U.S. by 2010 had also invested $21B in Taiwan, "mostly in the finance/insurance, manufacturing, and wholesale trade sectors."[14] With such economic engagement, it took a compound U.S. export increase rate of just under 6% annually from 1980 to 2011 to produce a Taiwan that, with little more than 2.6% of Sub-Saharan Africa's population, consumes more U.S. imports than Africa, plus an amount of U.S. services almost half again as large.[15]

If the U.S. had engaged Africa as it has Taiwan since 1980, Africa would today have a far larger ability to consume U.S. exports. Given Africa's low standing in the economic firmament, it is perhaps unsurprising that it is difficult to find online any U.S. export data for Africa running back to 1980. After a lengthy online search, a figure for U.S. exports in 1995 turned up: $5.3B.[16] Depending on which end-year is selected, the compound annual growth rate of U.S. exports to Africa is between 8.2% and 9%.[17] This is not far from the Act's call for an 11.62% growth rate with ten years.[18] It is also rather faster than the 6% growth rate of U.S. exports to Taiwan.[19] U.S. exports to Africa by 1995 were, however, less than

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[11] *See* "U.S.-Taiwan Trade Facts," *supra* n. 10. The Goldman Sachs Group is the 80th-largest U.S. company. *See* CNN's list of Fortune 500 companies, *supra* n. 6.

[12] The 2012 annual revenue of Exxon Mobil, No. 1 on the 2012 Fortune 500 list, was $452.9B. *See* CNN's list of Fortune 500 companies, *supra* n. 6. The $988B sum comes from Taiwan's $21B import rate multiplied by its 38-fold population differential with Sub-Saharan Africa.

[13] *See* "U.S.-Taiwan Trade Facts," *supra* n. 10.

[14] *Id.*

[15] *See* calculator provided by Moneychimp, *available at* http://www.moneychimp.com/calculator/compound_interest_calculator.htm (accessed Apr. 29, 2013). For the export figures (rising from $4.3B in 1980 to $25.9B in 2011), *see* "U.S.-Taiwan Trade Facts," *supra* n. 10. It is unclear if the dollar amounts are stated in real or nominal terms.

[16] USITC, "U.S. Trade and Investment with Sub-Saharan Africa: First Annual Report," USITC Pub. 3371, Inv. No. 332-415, p. 6, Table 1-1, *available at* http://www.usitc.gov/publications/docs/pubs/332/pub3371.pdf (accessed Apr. 29, 2013).

[17] To reach the U.S. export figure of $21.1B for 2011 requires a 9% compound annual export growth rate. *See* Moneychimp calculator, *supra* n. 15 (over a period of 16 years). This is perhaps overly fast, however, since U.S. exports to Africa are so erratic that they jumped up 23% from 2010. "Africa," *see supra* n. 5. If 2010 had been the target year instead, the increase rate would have been a bit less than 8.2%. *See* Moneychimp calculator, *supra* n. 15 (to reach $17.15B over 15 years).

[18] This growth rate assumes a 200% rise from $21.1B over 10 years. *See* calculator provided by Moneychimp, *supra* n. 15.

[19] *See supra*, n. 15 and accompanying text.

a third of U.S. exports to Taiwan,[20] so that Africa had a lot of catching up to do. Thus, despite nearly two decades of a higher African import growth rate, Taiwan today remains significantly ahead of Africa as a U.S. export destination.[21] Thus, given the corporate comparators used above, one could say that if the Taiwanese all shop at Macy's, a crowd of Africans still have to share one pair of Nike sneakers.

The U.S. Has Ignored Africa as an Investment Destination, Which Severely Limits U.S. Exports

Africa lags so badly against Taiwan as an export destination in large part because its U.S. export bundle is not growth-boosting as it is for Taiwan. The U.S. export bundle sent to Africa consists mostly of vehicles and raw materials rather than industrial goods: "Machinery ($4.0[B]) Vehicles and Parts ($3.5[B]), Non-Crude Oil ($1.8[B]); Cereals ($1.7[B]); and Aircraft and Parts ($1.5[B])."[22] As for U.S. investment, the USTR's website does not even bother to mention it.[23] The CRS for its part observes that 77% of all U.S. investment in Africa (including North Africa) is in mining, with only 10% in manufacturing.[24] The CRS also notes that the U.S. has invested $36.6B in Sub-Saharan Africa.[25]

While the U.S. investment position in Africa is 74% higher in absolute terms than the U.S. investment position in Taiwan, it is comparatively smaller and less productive. First, it is concentrated in resource-extraction rather than in resource-use. Second, Sub-Saharan Africa's population is around 3,800% that of Taiwan's, its land area is 65,500% that of Taiwan,[26] and even its GDP is 86% larger.[27] Africa would be getting over $2.4B more in U.S. investment than it does currently if the U.S. simply distributed its investments equally on the basis of GDP.[28] The U.S. investment position in Africa would also be shifted away from resource extraction and toward Taiwan-style industrialization. Even such a dramatic change would be only a tiny first step in meeting the continent's potential. If U.S. investments were distributed equally by population at the Taiwanese rate, Africa would have received $761.4B more than it actually

[20] "U.S.-Taiwan Trade Facts," *supra* n. 10. U.S. exports to Taiwan in 1994 had already reached $17.1B.

[21] *See supra*, pp. 2-3.

[22] "Africa," *supra* n. 5. Since a Boeing 747-8 cost an average of $352M in 2012, U.S. "aircraft and parts" exports to Africa were equivalent to about 4 passenger jets and some parts, which is hardly impressive. Boeing, "Commercial Airplanes: Jet Prices," *available at* http://www.boeing.com/boeing/commercial/prices/ (accessed Apr. 29, 2013).

[23] "Africa," *supra* n. 5.

[24] Hansen, Briefing Memorandum in Compendium, *supra* n. 2, at p. C135.

[25] *Id. See also* CRS (Vivian C. Jones), "U.S. Trade and Investment Relationship with Sub-Saharan Africa: The African Growth and Opportunity Act" (Feb. 4, 2010), p. 10, *available at* http://fpc.state.gov/documents/organization/138718.pdf (accessed Apr. 29, 2013). This was but 1% of all U.S. foreign direct investment in 2008. *Id.*

[26] Sub-Saharan Africa is 9,107,600 square miles in size, and Taiwan is 13,892 square miles including its water territory. *See* Trading Economics, "Sub-Saharan Africa – World Bank Data," *available at* http://www.tradingeconomics.com/sub-saharan-africa/indicators-wb (accessed May 1, 2013, and converting 23,587,900 sq. km to 9,107,600 sq. miles), and World Atlas, "Taiwan – Land Statistics," *available at* http://www.worldatlas.com/webimage/countrys/asia/taiwan/twlandst.htm (accessed May 1, 2013).

[27] Sub-Saharan Africa's GDP is $869,151,248,478. *See* Trading Economics, "Sub-Saharan Africa – World Bank Data," *supra* n. 26. Taiwan's GDP in 2011 was $466,830,000,000. *See* Trading Economics, "Taiwan – National Statistics," *available at* http://www.tradingeconomics.com/taiwan/indicators (accessed May 1, 2013).

[28] Africa's $36.6B investment from the U.S. is 174% that of Taiwan's $21B. An investment position that is 186% of Taiwan's is just over $39B.

has.[29] One can imagine how such an influx of U.S. productive capacity (only 69% of one year's U.S. budget deficit, incidentally[30]) would transform the continent's economic capacities and ability to absorb U.S. exports, not to mention how many U.S.-taxable profits it would generate for U.S. investors.

Unfortunately, the U.S. has ignored Africa in terms of investment, which renders the present discussion about boosting U.S. exports to Africa largely moot. Africa is not hiding money in the mattress. Africa is poor because the U.S. gives it no way to earn serious money in the way the U.S. did for Taiwan. Africa is not paying for its U.S. imports out of the proceeds of a growing industrial economy, as Taiwan does. Instead, Africa relies on its sales of raw material exports, as if it were still 1913 rather than 2013. AGOA, intended to boost African industrialization (without corresponding U.S. investment), has ironically facilitated the continuation of ancient African trade patterns, with fully 91% of AGOA imports to the U.S. consisting of crude oil.[31] Moreover, of a total $74.2B in African exports to the U.S. in 2011 (*i.e.* both AGOA and non-AGOA exports), fully 87.8% were of raw materials.[32] Meanwhile, the remaining top categories of U.S. imports from Africa – apparel and vehicles plus vehicle parts – came to just over $3B, or a mere 4% of all African exports to the U.S.[33] This bodes ill for Africa's ability to achieve prosperity through industrial production, and for Africa's ability to absorb more U.S. exports.

From a Rostowian perspective,[34] largely rural Africa does not even have the opportunity to reach an economic take-off point by becoming an agricultural exporter to the U.S. Subsidized U.S. cereal exports aggressively squelch that market.[35] Rather than engage in a Ricardian division of labor,[36] importing food and exporting manufactured goods (as the U.S. does in reverse with Taiwan),[37] the U.S. seeks to export both food and manufactured goods to Africa. In other words, the U.S. endeavors to be the winner in every high-end industry and in a natural African growth sector. This leaves Africa little choice other than to export resources such as oil, in the extraction of which Africa has some competitive advantage.

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[29] A U.S. investment position 38 times larger than Taiwan's $21B is $798B, which after subtracting the current U.S. position in Africa of $36.6B leaves $761.4B.

[30] The U.S. budget deficit in 2012 was $1.1T. *See* Annie Lowrey, "Federal deficit for 2012 falls to $1.1 trillion," New York Times (Oct. 12, 2012), *available at* http://www.nytimes.com/2012/10/13/business/federal-deficit-for-2012-fiscal-year-falls-to-1-1-trillion.html?_r=0 (accessed May 1, 2013). The $761.4B figure is also close to Sub-Saharan Africa's GDP today in the region's present state of extreme underdevelopment and isolation from U.S. investment flows. *See supra*, n. 27.

[31] Hansen, Briefing Memorandum in Compendium, *supra* n. 2, at pp. C136-C137.

[32] "Africa," *supra* n. 5. Of the 87.8%, $59.8B (80.4%) consisted of crude oil, $4.3B (5.8%) of precious stones and metals, and $1.2B (1.6%) of cocoa products.

[33] *Id.*

[34] This refers to the theory developed in 1960 by W.W. Rostow, a political economist, who posited that surplus agricultural production provides fuel for economic diversification and "take-off" to higher planes of economic development. *See* http://en.wikipedia.org/wiki/Rostow %27s_stages_of_growth (accessed Apr. 29, 2013).

[35] The U.S. exported $1.7B in cereals to Africa in 2011. "Africa," *supra* n. 5.

[36] David Ricardo (1772-1823) devised the theory of comparative advantage, which holds that trade is maximized when the parties concentrate on making items which they are relatively better at producing. (U.S. agriculture subsidies distort this process.) For an informal introduction to Ricardo's theory, *see* "Ricardian Economics," *available at* http://en.wikipedia.org/wiki/Ricardian_economics#Comparative_advantage (accessed May 1, 2013).

[37] *See* "U.S.-Taiwan Trade Facts," *supra* n. 10. Ironically, industrialized Taiwan – otherwise the 6th largest importer of U.S. food – in 2011 also exported $294M in agricultural products to the U.S., including nursery products, cut flowers (sent across the Pacific), snack foods (including chocolate, unlike Africa's "cocoa products"), and processed fruits and vegetables. *Id.*

This economic cornering of Africa largely explains the present U.S.-Africa trade situation, and why Africa remains a severely limited trade partner.

The Contrasting U.S. Approach to Developing the PRC Has Created a Strategic Rival in Africa

One country that has been able to rely on U.S.-supported growth and diversification to backstop a high rate of importation from the U.S. is the People's Republic of China ("PRC"). U.S. goods exports to the PRC rose from $3.8B in 1980 to an astounding $104B by 2011,[38] at a compound annual growth rate of just under 11.3%.[39] In other words, the PRC has already enjoyed for 31 years the U.S. export growth rate which the Act wishes to achieve for Africa ten years from now. As anyone familiar with compound interest knows, the out-years provide the greatest gains. Thus, rising from a comparable start, China has blown past Africa to afford nearly five times as many U.S. exports today as Africa does. Indeed, all U.S.-Africa trade today is equivalent to only about one-third of the U.S. trade deficit with the PRC.[40]

What makes possible the PRC's massive consumption of U.S. exports is China's industrialization, which has been spurred to breakneck speed by $60.5B in U.S. investment "led by the manufacturing and banking sectors."[41] This sum is far greater than the $36.6B that the U.S. has invested in Africa, and has been put into sectors that are far more profitable and sustainable than Africa's gradually depleting mines.[42] The PRC's massive enrichment has now been turned into capital for investment – in Africa:

> Exacerbating the strategic situation [facing the U.S.] is the fact that while the U.S. seeks through gifts to build Africa's "capacity" to absorb industrial investment, it is China which is actually supplying such profit-seeking projects. In other words, we are training and medicating China's workers. This arrangement is not just foolish, but fatal. China has a clear profit motive to expand its strategic interests and positions on the continent, while U.S. "aid" allows it to ignore Africa's non-business needs. (In other words, China can treat Africa in the same cold-eyed business fashion as the U.S. has treated China.) Meanwhile, the U.S. bureaucratic-industrial "aid" complex – being essentially parasitic on U.S. taxpayers and not intended ever to repay its costs – can expand only insofar as a prudently grudging Congress will sanction new giveaways. Thus, the very structure and nature of the "aid" model is a recipe for U.S. decline and disappearance from the continent in the face of a commercially imperialist China.[43]

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[38] For U.S. exports to the PRC in 1980, *see* Wayne M. Morrison, "China-U.S. Trade Issues," CRS Report for Congress (updated March 7, 2008), *available at* http://fpc.state.gov/documents/organization/102624.pdf (accessed Apr. 29, 2013). The 2011 figure is drawn from "The People's Republic of China," U.S. Trade Representative's Office website, *available at* http://www.ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china (accessed Apr. 29, 2013).

[39] *See* Moneychimp calculator, *supra* n. 15. Exports of $104B fall between the annual revenues of Citigroup and IBM, the 20th and 19th largest U.S. companies, respectively. *See* CNN's list of Fortune 500 companies, *supra* n. 6.

[40] *See* Hansen, Briefing Memorandum in Compendium, *supra* n. 2, at pp. C140-C142 (observing that the U.S. trade deficit with the PRC is $282B on $539B in annual trade, while all U.S.-Africa trade comes to only $95.3B, which is a mere 17.7% of U.S.-China trade).

[41] "The People's Republic of China," *supra* n. 38.

[42] *See supra*, nn. 24-25 and accompanying text.

[43] Hansen, Briefing Memorandum in Compendium, *supra* n. 2, at pp. C141-C142.

The U.S. has actively fostered a rival in the PRC, and that rival has sensibly been working to exploit a huge market in Africa that the U.S. has casually abandoned. The U.S. even relies on PRC-led economic growth to boost U.S. exports. The U.S. investment focus on resource-extraction has, after all, ceded higher-growth development sectors to PRC investors (as well as to many other countries' players).[44] As the Chinese settle into Africa and begin to build private commercial empires, U.S. sellers heading to African markets will find that they have to deal with local buyers and governments who have long been under PRC commercial influence and whose loyalties default to PRC brands. This will greatly hamper U.S. export prospects, and in turn threaten the U.S. strategic position in Africa.

AGOA Has Failed to Date Because of a Lack of U.S. Investment, Harming U.S. Strategic Interests

Note must finally be taken of AGOA's role in the PRC's ascendancy in Africa. AGOA is a Beltway favorite, and a generation of Africa hands made their careers passing and implementing it. Criticizing AGOA thus falls somewhere between bad manners and heresy. Nonetheless, the truth is that AGOA in the absence of U.S. investment does little good and significant harm to the U.S. position in Africa.

The intent of AGOA is that African manufacturers will export their way to national prosperity, much as the Asian Tigers have done. This is wishful thinking: "[T]he fundamental mistake in an AGOA model for Africa is to assume exporters who do not actually exist, and who are unlikely to appear in the face of a temporary U.S. trade opening. Africa was not waiting for AGOA with factories at the ready."[45] Indeed, around 91% of AGOA imports today are of crude oil, which hardly requires – yet receives – duty-free entry.[46] Most AGOA subsidies thus appear to benefit either African oil ministries notoriously plagued by corruption,[47] or multinational oil corporations. (It is difficult to find out online who specifically benefits from AGOA duty-free oil entry.) Even worse, AGOA's tax concessions leave Africa with extra funds to buy goods from the PRC, which traditionally runs a surplus vis-à-vis Africa where the U.S. runs a deficit.[48] These purchases in turn help fund Chinese investments in Africa, now at \$16B and rising rapidly.[49] Put simply, AGOA currently does little but help Africa develop its relationship with the PRC.

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[44] India has an investment presence in Africa nearly as large as the PRC's (*i.e.* \$14B to the PRC's \$16B), while Malaysia's investment position surpasses that of the PRC, although the Malaysian portfolio is mainly focused on Mauritius whereas the PRC's is spread across the continent. *See* Reuters, "Malaysia, not China, is Asia's top investor in Africa" (Mar. 25, 2013), *available at* http://www.cnbc.com/id/100589783 (accessed Apr. 30, 2013).

[45] Hansen, Heritage lecture, *supra* n. 3, at p. 8.

[46] *See* "Africa," *supra* n. 5.

[47] *See* Eckart Naumann, "AGOA at 10: Reflections on U.S.-Africa trade with a focus on SACU countries," Tralac Working Paper 05/2010, p. 16, Fig. 4 ("Top 20 exporters to the U.S. and share of AGOA eligible exports (2009)") (Oct. 2010), *available at* www.agoa.info/download.php?file=108 (accessed May 2, 2013).

[48] *See* "Africa," *supra* n. 5. *See also* Forum on China-Africa Cooperation (FOCAC), "China-Africa Trade and Economic Relationship Annual Report 2010" (June 22, 2011) ("Trade between China and Africa is generally balanced, though in most years [at least through 2009] China ran a trade surplus."), *available at* http://www.focac.org/eng/zxxx/t832788.htm (accessed Apr. 30, 2013).

[49] Reuters, *supra* n. 44.

AGOA is by design only a marginal tool.[50] After all, a narrowly tailored set of manufacturers approved to enjoy a minor tax break for exports are hardly likely to haul a vast region of nearly 900 million people into the middle class.[51] Moreover, as even the U.S. State Department explicitly recognizes, Africa's poor infrastructure is a massive obstacle to producing and shipping AGOA exports, especially in new sectors like manufacturing that do not follow traditional resource-extraction pathways.[52] AGOA has nothing to say about the vast range of needed investments, such as in infrastructure, that fall outside its tax-privileged field of manufacturing for export.[53] Instead, the "present hope under AGOA is that Africans will send clothes to the port along Chinese-built roads, [even though] it should be U.S. contractors building the roads, and the port, and the factory."[54]

AGOA's lack of connection to U.S. investment, even within its limited manufacturing field, is revealed in U.S. official postings. One piece vaguely notes that an AGOA goal is to spur reforms in Africa to create "more attractive commercial partners for U.S. companies."[55] The AGOA III legislation repeatedly discusses "investment," but not specifically "U.S. investment" or any intention for U.S. investors to

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[50] See Niall Condon and Matthew Stern, "The effectiveness of African Growth and Opportunity Act (AGOA) in increasing trade from Least Developed Countries" (Mar. 2011), *available at* http://r4d.dfid.gov.uk/PDF/Outputs/SystematicReviews/AGOA-Report.pdf (accessed May 2, 2013). After examining 178 reports and studying 21 in depth, the authors found that "[o]utside of the apparel sector there is little or no evidence of AGOA induced gains in any other sectors for LDCs [*i.e.* Least Developed Countries]," and that three high-quality studies "assess[ing] product coverage under AGOA all come to the conclusion AGOA offered limited additional coverage to LDCs over and above what they previously enjoyed under the GSP [*i.e.* Generalized System of Preferences]." (*Id.*, at pp. 3, 12-20, 34-35.)

[51] AGOA's limitations and complexities have almost certainly reduced the already limited field of U.S. investors currently interested in Africa as a manufacturing platform. Leaving aside AGOA's torturously complex rules on apparel, AGOA largely holds U.S. investors to the existing 35% locally added value component required by the otherwise applicable Generalized System of Preferences (GSP). See Mattoo, Roy and Subramanian, "The African Growth and Opportunity Act and its rules of origin: Generosity undermined?" (IMF, 2002), p. 7, *available at* http://info.worldbank.org/etools/docs/voddocs/201/393/africa-ver2.pdf (accessed May 2, 2013). This significantly restricts the sorts of AGOA-privileged industrial work that can be done by U.S. investors in Africa. For example, it would likely prevent a U.S. investor from using Africa as a low-cost platform for assembling and finishing an item (such as a car) from components produced in various other countries. AGOA's allowance of 15% of U.S. material to be included in this 35% is not much of a concession to modern industrial realities. See the Trade and Development Act of 2000 (*i.e.* "AGOA I"), 106 H.R. 434, § 111(a), *available at* http://www.agoa.gov/agoa_ legislation/agoa_legislation.html (accessed May 2, 2013). Coupled with already rather unpredictable U.S. rules of origin for components, such restrictions have no doubt quietly driven off many margin-calculating investors. CRS (Vivian C. Jones), "Generalized System of Preferences: Background and renewal debate" (Jan. 9, 2013), p. 28, *available at* https://www.fas.org/sgp/crs/misc/RL33663.pdf (accessed May 2, 2013). A more flexible customs regime that allowed less local value to be added, perhaps in return for some duty to be paid (such as for the components imported into Africa), might attract more U.S. producers to Africa. Here is where consultations with the private sector are key. If the goal is to attract economic actors, the incentives have to be those workable ones actually desired by those actors.

[52] See U.S. Department of State, "AGOA Forum 2012," *available at* http://www.state.gov/p/af/rt/agoa/2012/index.htm (accessed May 3, 2013), which lists as a "key objective" for the ministerial portion of the Forum the development of "transport, energy, telecommunications, and other 'hard' infrastructure to improve African competitiveness and promote regional and U.S.-sub-Saharan Africa trade."

[53] In five years of practice specializing in African investment law, I have met very few clients or prospective clients interested in conducting an AGOA-related export activity. The vast majority of investors and would-be investors that I can recall have been interested instead in developing Africa's infrastructure and Africa's internal market.

[54] Hansen, Heritage lecture, *supra* n. 3, at p. 8.

[55] Export.gov, "Summary of AGOA I," *available at* http://www.agoa.gov/agoa_legislation/agoa_legislation.html (accessed May 2, 2013).

enjoy AGOA's benefits.[56] The USTR in a 2008 report cited a 52% rise in U.S. investment from 2001 through 2006 – which really amounted to only a modest increase of $4.8B over five years[57] – but the USTR did not tie this new investment to AGOA, thus suggesting causation where there was only correlation and no reason to assume the investment was for export-development. In 2010, a USTR press release celebrating AGOA's tenth anniversary did not even mention the word "investment."[58]

From the strategic perspective, AGOA has to date been a pointless distraction. For more than a decade, Washington's economic engagement with Africa has centered on what amounts mostly to a tax break for African oil, and which largely benefits two already flush oil producers (Nigeria and Angola) and one existing regional industrial power (South Africa).[59] In that same decade, the PRC has been running rampant across the continent, locking up access to the natural resources which AGOA is supposed to draw to the U.S., and snapping up non-export investment opportunities (such as road-building) that U.S. investors should be undertaking. Meanwhile, the U.S. has failed to secure even basic legal protections in most of Sub-Saharan Africa, such as bilateral investment treaties (BITs) and double-tax treaties (DTTs or DTAs),[60] so that U.S. investors face insurmountable risk profiles and so avoid the continent.[61]

Rather than develop and execute a blueprint for massive U.S. investment in Africa, which would draw the continent economically and strategically toward the U.S. while also creating a vast market for U.S. exports, the U.S. Government has instead spent a lot of energy worrying about what apparel should be admitted under a trade measure that even after 11 years and intensive buzz has attracted only an annual $5B of non-oil imports – little more than twice what Americans spend on getting tattoos.[62] For trade relations between an economic hyperpower and a continent, this is nothing short of disastrous.

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[56] See generally the text of the AGOA III legislation, *available at* http://www.agoa.gov/agoa_legislation/AGOAIII_text.pdf (accessed May 2, 2013).

[57] USTR, "Report shows AGOA continues to grow and diversify U.S.-Africa trade" (May 2008), *available at* http://www.ustr.gov/report-shows-agoa-continues-grow-and-diversify-us-africa-trade (accessed May 2, 2013). The USTR stated that U.S. investment in Africa at the end of 2006 stood at $13.8B (*id.*), which does not jibe with the CRS's finding of a $36.6B position the end of 2008. *See supra* n. 25 and accompanying text. This would have made for an astounding threefold increase in two years, but the USTR does not even note today's U.S. position. *See supra* n. 23 and accompanying text.

[58] USTR, "United States Trade Representative Ron Kirk celebrates 10th anniversary of AGOA with Members of Congress" (May 2010), *available at* http://www.ustr.gov/about-us/press-office/press-releases/2010/may/united-states-trade-representative-ron-kirk-celebrates (accessed May 2, 2013). The press release did, however, state that non-oil AGOA trade had reached $3.4B by 2009, an amount already reached in 2007 according to the 2008 USTR report. See the USTR posting of 2008, *supra* n. 57. In all events, this pitifully low amount of non-oil exports seems to have been produced in large part by an already relatively prosperous and industrial South Africa, along with a tiny and significantly falling amount of agricultural products ($271.5M). Nauman, *supra* n. 47, p. 16. A U.K. report found that of the $3.4B in exports, over a third ($1.3B) consisted of apparel, and that the agricultural component had dropped 25% from 2006. See Condon and Stern, *supra* n. 50, p. 23. In other words, AGOA has to date largely benefited those already doing well, such as oil producers and industrial South Africa, and done little for those enormous masses struggling at the bottom.

[59] *See* Nauman, *supra* n. 47.

[60] *See* Hansen, "A Briefing for the State Department" (Mar. 23, 2013), pp. 13-22 of 44, *available at* http://www.peterhansenlaw.com/Publications/Members/PCHatStateDepartment032313.pdf (accessed May 3, 2013).

[61] *See* Hansen, Heritage lecture, *supra* n. 3, *passim*.

[62] *See* "Africa," *supra* n. 5. Americans spend $2.3B annually on getting tattoos. *See* Lucas Reilly, "By the Numbers: How Americans spend their money" (July 17, 2012), *available at* http://mentalfloss.com/article/31222/numbers-how-americans-spend-their-money (accessed May 3, 2013). Other comparators found on MentalFloss are equally unflattering.

Full-Spectrum Economic Engagement with Africa Is a Strategic Imperative for the U.S.

To build a strong strategic position in Africa, the U.S. must go far beyond the charitable admission of goods which Africa is seldom in a position to produce. The U.S. must embrace Africa as a full economic partner, and do business with Africa like the U.S. has done with Taiwan and even with its repressive communist rival, China.[63] This does not mean that the U.S. should abandon AGOA.[64] Instead, AGOA must be placed within a framework for expansive U.S. economic engagement with Sub-Saharan Africa.

This means helping all those in the U.S. who wish (or can be drawn) to invest and do business in Africa. This includes not just U.S. manufacturers, but also U.S. investors who can facilitate African exports by developing physical infrastructure like roads, or intangible infrastructure like accounting, legal reform, skilled management or one-off projects such as coordinated traffic-signal systems. Treaty protections must be secured so that such "infrastructure investors" can be safely hired by U.S. manufacturers as well as by local governments and private parties.[65] U.S. aid programs should be recast from isolated projects into industry-wide reforms that maximize viability and growth by attracting private U.S. investment to an industry's various theaters through public-sector aid projects that anchor private U.S. initiatives.[66]

Most importantly, U.S. export policy toward Africa must be restructured to develop and benefit from growing African internal markets. Many African countries are already rapidly growing, and intra-African trade presents a further enormous potential for economic growth. Rather than focus on efforts to stimulate largely non-existent export industries, the U.S. should do everything possible – and especially through U.S. investment – to support the development of domestic African economies. A richer Africa means greater disposable income and a larger market for U.S. exports. Goodwill for U.S. products will be greatly enhanced if U.S. investors first help shape and advance Africa's internal development.

2. THE ACT'S CALL FOR A COMPREHENSIVE U.S. STRATEGY – § 4

The Act properly calls, at § 4(a), for the President to "establish a comprehensive United States strategy for public and private investment, trade, and development in Africa." This helpfully puts investment front and center, in accord with U.S. practice in other regions.[67] A rethink of U.S. policy from top to

[63] *See* the proposed "Mature Market Model (M3)" for Africa, Hansen, Briefing for the State Department, *supra* n. 60, at pp. 32-42 of 44; and Hansen, Briefing in Compendium, *supra* n. 2, at pp. C142-C149. An example of the M3 in action using the hypothetical of the Kenyan meat industry is provided at *id.*, pp. C148-C149.

[64] Indeed, even AGOA's tax break for oil makes a certain facial strategic sense, in that it helps to attract to the U.S. a critical economic input that might otherwise go to the PRC. Whether it really works and is worth the money is a different matter.

[65] The new Model BIT is so much longer and more complex than traditional BITs that it will be difficult to conclude many even over the medium term. A multilateral treaty providing a minimum of basic protections along traditional lines should therefore quickly be developed and concluded with as many African countries as possible. *See* Hansen, Heritage lecture, *supra* n. 3, *passim*. *See also* Hansen, Briefing in Compendium, *supra* n. 2, at p. C144.

[66] *See* the proposed "Aid and Investment Model (AIM)" for Africa, along with a proposal for DARPA-style prizes for business-facilitation initiatives, and a call for a far-broadened African project-insurance market to be pioneered by the U.S. Government, all in Hansen, Briefing for the State Department, *supra* n. 60, at pp. 32-42 of 44; and in Hansen, Briefing in Compendium, *supra* n. 2, at pp. C142-C149. An example of the AIM in action using the hypothetical of the Kenyan meat industry is provided at *id.*, pp. C148-C149.

[67] *See* Working Group, Compendium, *see supra* n. 2, at pp. C40-C44 (calling for aggressively pro-investment U.S. policies).

bottom is needed.[68] In this process, the U.S. Government should make a point of involving a broad array of existing and potential private stakeholders, who have not always been welcomed.[69] As for the Act's proposals for the strategy's content, these seem quite sound. A few minor changes would, however, strengthen the Act's call for a new policy of productive, full-spectrum engagement.

The Rate of Proposed U.S. Export Growth Should Be Raised to at Least 300% – § 4(b)(1)

The Act's call for a mere tripling of U.S. exports to Africa over ten years is overly modest since it amounts to increasing existing U.S. export growth by only about a third.[70] The Act should call instead for a quadrupling (*i.e.* 300% increase) of U.S. exports – a compound growth rate of 15% annually, rather than the 11.6% called for with 200% growth, and around 9% currently.[71] Africa can at this time almost certainly absorb U.S. exports at a far higher rate of growth than the PRC has historically experienced.[72]

For such rapid growth to occur, however, U.S. exports need to be heavily re-weighted toward tools that help Africa climb the economic ladder, including large-ticket items such as waste-to-energy plants, advanced machine tools, and modern farm equipment. Demand for such items, and the dollars available to pay for them, would be massively raised if U.S. investors were thick on Africa's ground. Such U.S. "exports" would in effect then be essentially an overseas form of U.S. consumption by U.S. investors. This system would have the further beneficial effects of creating U.S.-taxable overseas businesses, building local wealth and consumption (including of U.S. products), and fostering a swarm of market researchers and shapers who could assist U.S. exporters in meeting market demands.

The Act Properly Recognizes Africa's Right to Pursue Its Own Development Priorities – § 4(b)(2)

The Act properly recognizes the "development priorities" of African governments at § 4(b)(2). Far too often, African development has been treated by the U.S. and other major powers as a plaything for their public sectors. This has led to centralized economic planning, the capture of many market sectors by governments, and an overbearing and harmful "aid" industry.[73] An important aspect of letting Africa choose its own path is freeing and facilitating the African and U.S. private sectors.

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[68] While the Administration issued a strategy statement for Africa in June 2012, this was widely considered a hasty job that contributed few if any new ideas. It sank quickly into oblivion, to the point that it does not even turn up in the first ten pages of a Google search for "Obama Africa policy," except through a White House press release. *See* "U.S. Strategy Toward Sub-Saharan Africa" (June 2012), *available at* http://www.whitehouse.gov/sites/default/files/docs/africa_ strategy_2.pdf (accessed Apr. 30, 2013).

[69] *See* Hansen, Heritage lecture, *supra* n. 3, at p.7.

[70] *See supra*, p. 3. This would add over ten years a bit less than the equivalent of Safeway's operations today, Safeway, the 63rd largest company in the U.S., had $43.63B in revenues in 2012. *See* CNN's list of Fortune 500 companies, *supra* n. 6. The tripling of U.S. exports to Africa would add $42.2B in value. This would bring the value of U.S. exports to Africa in 2023 only to the level of Dell's operations today. Dell was the 44th largest U.S. company in 2012. *See* CNN list. This larger sum would be little more than 6% of what would be exported if Africans imported like today's Taiwanese. *See supra*, pp. 2-3.

[71] *See supra*, p. 3.

[72] *See supra*, p. 6. *See* also the calculator provided by Moneychimp, *supra* n. 15.

[73] *See* Hansen, Briefing in Compendium, *supra* n. 2, at pp. C132-C142.

The Act Should Make Clear that Full-Spectrum Engagement Is Sought – § 4(b)(3)

The Act's § 4(b)(3) helpfully calls for U.S.-African relationships to be established in certain sectors, nearly all of which involve infrastructure. The text of § 4(b)(3) should, however, be tweaked to reflect full-spectrum engagement, perhaps as follows: "businesses, *including those* that have an expertise."

Ideally, the Act would also be amended to include a forthright requirement that U.S. investment in Africa be facilitated. Thus, perhaps after § 4(b)(2), the following text could be added:

> § 4(b)(2*bis*) doubling United States private investment in Africa within ten years, across a broad range of sectors, including through the securing of investment and tax treaty protections, the inclusion of private investment initiatives in United States aid projects, expanded public financing of United States exports ordered for United States investments in Africa, and improved insurance protections for United States investments in Africa;[74]

The Act's Call for Greater Understanding Should Include Public-Sector Training – § 4(b)(7)

The Act at § 4(b)(7) rightly seeks a "greater understanding among United States business and financial communities of the opportunities Africa holds for United States exports." [75] This paragraph, however, overlooks a major problem – the deep unfamiliarity of many federal civil servants with the needs of private-sector businesses and the investment process, including with respect to investment and tax treaties. Training civil servants – including through the ongoing consultation of private-sector advisory groups – is needed to make the U.S. Government more effective at fostering U.S. investment and export growth. The text of § 4(b)(7) could in this vein be expanded as follows (with additions in italics):

> (7) encouraging a greater understanding among United States business and financial communities of the opportunities Africa holds for United States *investment and* exports, *as well as a greater understanding by United States citizens and United States officials of the pathways and mechanisms for privately investing in and exporting to Africa*;

The Content of the President's Report Must Include Information Relating to Investment – § 4(d)(3)

The progress report required of the President three years after the Act's enactment (see § 4(d)(2)) does not currently need to contain any specific information on U.S. investment in Africa. It is critical that the report spell out the steps taken by the U.S. Government to facilitate a doubling of U.S. investment on the continent within ten years. (*See* the proposed § 4(b)(2*bis*) above for a list of strategic goals for U.S. investment.) A new requirement could be added in this vein, perhaps as § 4(d)(3)(B-*bis*):

> (B-*bis*) has been successful in increasing U.S. private investment in Africa, including through treaties, aid programs, and increased export financing and project insurance;

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[74] This would add $36.6B to the U.S. investment position in Africa over 10 years. See *supra*, p. 4. This would mean a compound annual growth rate of a rather modest 7%. See Moneychimp calculator, *supra* n. 15.

[75] U.S. businesses today are not given adequate information about Africa's actual risks, leading to unbridled fear and an avoidance of the continent. *See* Hansen, Heritage lecture, *supra* n. 3, at pp. 1-2.

3. THE ACT'S CALL FOR A SPECIAL AFRICA STRATEGY COORDINATOR – § 5

This is a wise step, particularly if this official is given a bureaucratically central perch – at the White House, for example, as has been suggested by some members of the Working Group on U.S. Investment in Africa.[76] The Act's call for a Coordinator misses one element however, this being a specific mandate and duty to facilitate U.S. investment as called for by the Act's existing § 4(a). The Coordinator's full title should therefore instead be the "Special Africa *Investment and* Export Strategy Coordinator."

4. THE ACT'S CALL FOR A TRADE MISSION TO AFRICA – § 6

This is another wise step taken by the Act, but like § 5 it omits any mention of investment. This should be corrected. The text could also be strengthened by calling on the President to head the mission.[77] This would hardly be an extraordinary request or gesture, given that President Xi of the PRC made an extensive tour of Africa on his first foreign tour after assuming office.[78] The text of § 6 could therefore perhaps read as follows (with italics showing suggested additions):

> It is the sense of Congress that, not later than 1 year after the date of the enactment of this Act, *the President,* the Secretary of Commerce and other high-level officials of the United States Government with responsibility for *foreign direct investment and for* export promotion, financing, and development should conduct a joint *investment and* trade mission to Africa.

5. THE ACT'S CALLS FOR ADDED PERSONNEL – § 7

The Act's Call for Additional Commercial Service Officers Must Address Investment – § 7(a)

The Act's call for 50 new United States and Foreign Commercial Service officers to be added over five years is a good first step. Such new personnel, if skilled and dedicated,[79] could do a great deal to facilitate U.S. investments and exports destined for Africa. As with other civil servants, however, it is critical that these officers be properly trained for the specific work they will do. The following sentence (stated in italics) could therefore be added to the end of § 7(a)(1):

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[76] *See* Working Group, Compendium, *supra* n. 2, at pp. C23-C24 (calling for a coordinator in the same manner as the Act, and providing a number of specific recommendations for such coordination).

[77] This step, as part of a trade mission like the one envisioned by the Act, was urged by a member of the Working Group on U.S. Investment in Africa, Jon Vandenheuvel. *See* Working Group, Compendium, *supra* n. 2, at p. C19.

[78] VOA News, "Chinese President hails ties with Africa on Tanzania visit" (Mar. 25, 2013), *available at* http://www.voanews.com/content/chinese-president-hails-ties-with-africa-on-tanzania-visit/1627883.html (accessed May 3, 2013). President Xi's actions and statements bear noting, as they reflect the PRC's determined engagement of Africa and highlight the U.S. Government's current lassitude in respect of the continent: "Chinese President Xi Jinping has hailed China's relationship with African countries on his first visit to the continent and the first trip outside his homeland since assuming office, earlier this year. Xi is in Tanzania, where he met Sunday with his counterpart, President Jakaya Kikwete. After talks, the two leaders witnessed the signing of several trade, cultural and development accords. A key emphasis of his trip is to tell African leaders China 'will intensify not weaken' its relationship to the continent." *Id.*

[79] *See* Hansen, Heritage lecture, *supra* n. 3, at pp. 6-7 (observing the career pressures faced by U.S. officials in Africa).

> § 7(a)(1) IN GENERAL. .... *Such officers shall be fully trained in investment promotion and facilitation, and in the specific conditions of the markets to which they are assigned.*

The Act Properly Calls for an Expansion of Export-Import Bank Operations – § 7(b)

The Export-Import Bank of the United States is a critical tool for boosting U.S. exports to Africa, but it is severely understaffed. For at least the medium term, no U.S. policy seeking to increase U.S. exports or investments to Africa on any serious scale can succeed without Ex-Im's active involvement.

At its current, skeletal levels of staffing and budgeting, it would be impossible for Ex-Im's Africa office to handle the massive increase in work that a serious economic engagement with Africa would entail. The Subcommittee should seek to ensure that the new staff and equipment called by the Act will be sufficient to cover the expected new level of activity and all tasks required to evaluate and process applications in an expert and efficient manner.

The goal for this legislation should be to have an Africa office at Ex-Im that is confident in its ability to handle applications for the large-ticket items needed to supply the U.S. investors who should double U.S. investment in Africa (*i.e.* by a further $36.6B) over ten years.[80]

The Act's Call for More OPIC Staff Should Not Have a Ceiling – § 7(c)

The Act's call for no more than five new OPIC staff (at § 7(c)(1)) seems arbitrary and could be replaced by more flexible language that allows for changing (and presumably far improved) business conditions for U.S. investment in Africa. For example, the language of § 7(c)(1) could be augmented as follows (with the addition in italics):

> § 7(c)(1) STAFFING. ... the Corporation shall use sufficient funds to increase by not more than 5, *unless business needs justify more,* the staff needed to promote stable and sustainable economic growth and development in Africa ....

It may be noted in passing that OPIC requires that an investor secure protections found in investment treaties (*i.e.* BITs) to secure project insurance.[81] Since the U.S. Government has not seen fit to conclude BITs with 89% of Sub-Saharan African countries,[82] the U.S. Government has placed the burden of negotiating terms squarely on the shoulders of investors, including small U.S. enterprises. This defeats the purpose of OPIC as an insurer of projects in high-risk countries. While this problem cannot feasibly be addressed as a separate matter in the Act, it does reinforce the need for the U.S. Government to conclude BITs and DTTs in Sub-Saharan Africa. It also supports the inclusion of the proposed new § 4(b)(2*bis*) paragraph calling for doubled U.S. investment and the conclusion of protective treaties.[83]

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[80] *See supra*, p. 12, for proposal of § 4(b)(2*bis*) provision calling for doubling of U.S. investment over ten years.
[81] *See* Hansen, Briefing Memorandum in Compendium, *supra* n. 2, at p. C147.
[82] *See* Hansen, Briefing for the State Department, *supra* n. 60, at pp. 16-17 of 44. Arab North Africa has 60% coverage. *Id.*
[83] *See supra*, p. 12, for proposal of § 4(b)(2*bis*) provision calling for doubling of U.S. investment over ten years.

6. THE ACT'S CALL FOR STANDARDIZED TRAINING – § 8

The Act sensibly calls for a standardized training program for officers at different agencies, but does not include any mention of training in how private investments and exports are actually undertaken. Such training should be specifically required, to which end § 8(1) could be augmented as follows, with the additions given in italics:

> § 8(1) ... United States Trade and Development Agency, *as well as to the work and methods of United States private investors and exporters, and also to the challenges faced by such investors and exporters when dealing with Africa*; and

7. THE ACT'S CALL FOR INCREASED EX-IM BANK FINANCING – § 9

This is a positive step, and properly worded to allow for natural growth. Significantly increased Ex-Im Bank financing, not to mention the long-term reauthorization needed to provide business stability, is necessary to provide affordable financing for the exports that will be needed to supply and support a vastly larger U.S. investment cadre in Africa, plus the knock-on purchases of a more affluent Africa. It is also necessary to have such financing available to counter the trade-distorting effects of other countries' non-OECD-compliant export facilities, such as those of the PRC.

8. THE ACT'S CALL FOR THE CONCLUSION OF TREATIES – § 11

The Act's call for the "exploration of opportunities" to conclude various trade and investment treaties does not reflect the urgency of the Act's existing § 4 call for expanded investment. Nor does it reflect the imperative strategic need to increase dramatically the level of U.S. investment in Africa.[84]

The Act does not here even call for the conclusion of bilateral investment treaties (BITs), but merely for "investment promotion agreements." Such agreements could thus include legally useless Trade and Investment Framework Agreements (TIFAs) which amount to little more than agreements to establish talk-shops, and which do not encourage investment in any practical sense.

The Act further requires that the President ensure that any existing agreement be "implemented in a manner that maximizes the positive effects for United States trade, export, and labor interests." This is overly vague and would in practice give a license to the President to cater to special interests who object to U.S. economic involvement with Africa in a specific instance or more generally. There is also a risk that such a directive could be seen as anti-African or even racist, as the U.S. has willingly shipped a vast number of industrial jobs to China without U.S. Government intervention. To adapt a currently favored trade-law term, a "normal investment relations" approach should be applied in U.S. investment policy vis-à-vis African countries, so that they are treated like other countries:

> [A] new, equality-based approach can be readily defended as ending discrimination and normalizing relations with Africa. Under this form of engagement, Africa will be put on

[84] *See supra*, p. 12, for proposal of § 4(b)(2*bis*) provision calling for doubling of U.S. investment over ten years.

the same plane as China, for which economic empowerment has been seen as the prerequisite to a political evolution away from a repressive Communism and toward a democracy rooted in a vast middle class. (In the case of Africa, decentralized economies, extreme ethnic diversity, weak government control, and a large number of democracies provide much better chances for such a diffusion of economic and political power.)

It may be argued that Sub-Saharan Africa deserves the same respect as all other parts of the developing world. This does not mean that programs to fight corruption or raise living standards must be shelved. It means instead simply that African social and political development is officially seen as a product of broad economic development, not Washington fiat. We did not require China – or Mexico or Vietnam for that matter – to become Switzerland before we engaged with them economically. It may properly be argued that Africa's right to grow should not be obstructed, and that growth will cure many of the ills now being fought.[85]

For all such reasons, § 11 of the Act could be recalibrated as follows in line with the Act's existing § 4, with the retained text not italicized:

Wherever possible, the President shall *undertake to* negotiate *and conclude* bilateral, subregional, and regional agreements that encourage *investment and* trade, and *that* eliminate nontariff barriers to trade between countries, such as investor friendly *bilateral investment treaties,* double-taxation treaties and *free-trade agreements*. United States negotiators in multilateral *fora* should take into account the objectives of this Act. To the extent any such agreements exist between the United States and an African country, the President shall ensure that the agreement is being implemented in a manner *that comports with United States expectations as to the implementation of its agreements with other investment partners,* as well as *with* the economic development of the *African country which is a partner to the agreement*.

[85] *See* Hansen, Briefing Memorandum in Compendium, *supra* n. 2, at pp. C143-C144, at section entitled "Stop uniquely burdening Africa to 'earn' U.S. partnership."

Mr. SMITH. Mr. Hansen, thank you very much for your testimony. I think this is the first testimony I have seen where there were 85 footnotes. So I do appreciate the extensiveness of your research.

Dr. Freeman.

STATEMENT OF SHARON T. FREEMAN, PH.D., PRESIDENT AND CHIEF EXECUTIVE OFFICER, ALL AMERICAN SMALL BUSINESS EXPORTERS ASSOCIATION

Ms. FREEMAN. Thank you very much, Chairman Smith, ranking member, and members of the subcommittee, thank you very much for this opportunity to speak to you today in my capacity as the president of the All American Small Business Exporters Association about increasing American jobs through greater exports to Africa. I have read extensively the bill, and I applaud it, and I certainly support it.

First, I would like to briefly mention why it is important to encourage exporting to Africa by SMEs, including the African diaspora firms. The U.S. International Trade Commission's 2010 report, called "Small and Medium Sized Enterprises' Characteristics and Performance," confirmed that SMEs play a larger role in the export economy than is often suggested by traditional trade statistics. In fact, it is estimated that SMEs support 4 million jobs through their exports.

While we know a lot about the role of SMEs in exporting, we know less about the contribution and potential of a subset of SMEs, which is minority and immigrant-owned firms, particularly African immigrant-owned firms.

So here is what we know. We do know that according to the 2007 census minority-owned exporting firms were larger than their non-exporting minority-owned counterparts. We also know that minority-owned exporting firms average having about 21 employees while non-exporting minority owned firms have about 7. Their receipts, that is the exporting minority firms, are greater per employee and significantly so than non-exporting firms. We know further that minority business export activity spans into at least 41 countries over six continents, and we know that minority firms are prime for exporting due in large part to their language capabilities, their cultural compatibility, and business agility.

Now let's consider what we know about Africans in the U.S. This is important. We know that they have home country linkages. We also know that most of these immigrants are located in high-density exporting areas, such as California, New York, and so forth. We also know that the largest African sending countries, such as Nigeria and Ethiopia among them, are also among the countries to which we export in growing number. Surely that is not a coincidence.

Given this, what we need to do and consider is what could be done to consider encouraging firms with home country linkages, in other words African-owned firms, to export more to their home countries. So there are about six suggestions I have in the time that I have been allotted. Otherwise, I would have a lot more.

But the first thing we have to do, really, is understand that it is necessary to compete with China, and in that recognition, we have to know that it is not possible to have a one-size-fits-all strategy in how we go about that competition. We can say for certain that China does not pursue a one-size-fits-all strategy. They have a very tailored commercial strategy for each and every country which they negotiate directly with the Presidents of those countries, and I must say the total number of African Presidents that has ever been in America at one time is six; whereas certainly the head of China has all of the African countries visit them at one time. So the reality is, is China is a competitor, no matter where we are trying to export in Africa, and so we have to have a China strategy.

Now, I note that your bill mentions the Trade Promotion Coordinating Committee a number of times. I know it very well, and I have known it for many, many years. I have read all of the national export strategies. I have worked closely with this coordinating body, but here is the thing I want to say about the coordination. It is not just a matter of coordinating the unified budgets of the 19 or 20 Federal Government agencies. We have to be more strategic about what we are actually coordinating, and what I want to say in particular to draw your attention to is one example of the failure of strategic coordination is, for instance, the fact that the U.S. Agency for International Development has come up with new rules wherein they say for all the countries in which they are operating, that now we can, U.S. companies working there can procure all of the goods from those local countries, no matter where those goods come from. So if you look on the shelves of Malawi, you name a country, where do those goods come from? They don't come from—they are not made in Malawi. So we have now just eliminated just huge, billions of dollars worth of export opportunities for our small firms. That is not proper coordination.

On the one hand we have the national export initiatives and on the other we are removing the export opportunities for our firms.

Another issue that I want to mention is export processing zones. A long time ago, USAID used to actually help fund those. I work on them, so I know this is a total fact. They haven't done this for years. But I tell you who is doing it now. That is China. Big time. Because they know that their firms need a foothold in that country. And so when it becomes difficult for Chinese firms to work in African firms, they create a zone that makes it easier. When they have power, when they have, you know, exemption from laws and regulations, they can do their business, and they are doing that business not just to export from the zone into a foreign territory, the foreign territory becomes the domestic territory. That means they are exporting into Africa from that zone. That is a very important concept. And we need to get with that concept.

So what I am saying is for all of the things that USAID is doing, one of the things they need to be doing is having another look at this, and I tell you who is looking at this finally again is the World Bank and the IFC. For many years, they considered this an economic distortion, but what they have come to realize is that it is an economic and competitive reality, and now they are sponsoring it, too.

I am going to say three other things really quickly. One is mentor protege programs, and this is to help small firms actually link with larger firms to take advantage of some of the procurements that are involved in the Millennium Challenge Corporation and other of the TPCC institutions, so that this gives, helps the protege firms to develop the capacity to export more, and of course, we do know that if you sell anything right here in Washington, DC, to the World Bank or any of the international organizations, that is an export because they are a foreign entity. So we have a U.S., you know, executive office in the World Bank. Here is an idea. Why don't we get a list of, you know, those procurements and see how many U.S. companies are involved, and then why don't we give incentives to some of those companies that got some of those procurements to join together with smaller firms? I think that is very important.

Awareness campaigns, I think it is important for the U.S. Trade Representative's Office and some of the other TPCC offices to specifically figure out where are these African diaspora firms located, because we know that essentially from the Migration Policy Institute's data hub, you can find it in 5 minutes by zip code, and then let's reach out to them because we can see a pattern of a relationship between increasing exports to their countries where they are located. So when you see more Ethiopians in Prince George's County, you see more exports from Prince George's County to Ethiopia. So let's match up and connect these dots.

Finally, in regard to export financing, what I like about your bill in particular is that there is a recognition that you need administrative funds to do the outreach. It is not just program funds. So I do note that and support that, and I support the comments of my colleagues, and I thank you for the honor of being here today.

[The prepared statement of Ms. Freeman follows:]

Testimony of Dr. Sharon T. Freeman

President & CEO

All American Small Business Exporters Association (AASBEA)

Before the Senate Committee on Foreign Affairs

Subcommittee on Africa, Global Health, Global Human rights, and International Organizations

"Increasing American Jobs Through Greater Exports to Africa"

May 7, 2013

Introduction

Chairman Smith and members of the Subcommittee, thank you for the opportunity to speak before you today, in my capacity as the President & CEO of AASBEA, about increasing American jobs through greater exports to Africa. I would also like to thank the Chairman for his leadership on the important issues with which the Committee and Subcommittee is concerned.

Why it's important to encourage exporting to Africa by SMEs, including African Diaspora firms?

First, it must be stated at the outset that there is no question that U.S. Exports Lead to Jobs and Opportunities. This is why President Obama launched the National Export Initiative with an ambitious goal of doubling U.S. exports by the end of 2014.

There is also no question about the role that SME play in contributing to U.S. exports. Their role was quantified in the U.S. International Trade Commission (USITC) 2010 report entitled, *"Small and Medium- Sized Enterprises: Characteristics and Performance."* It showed that by exporting indirectly through wholesalers and as producers of intermediate inputs, U.S. small- and medium-sized enterprises (SMEs) play a larger role in the export economy than is suggested by traditional trade statistics. In fact, according to the report, "America's small- and medium-sized businesses support four million jobs by directly and indirectly exporting goods and services. Small-and medium-sized businesses account for approximately 40 percent of all export-supported jobs in the United States."

While less is known, however, about both the importance and potential of minority and immigrant-owned exporters among SMEs, gradually the picture is coming into clearer focus. What is known at present is:

- According to the U.S. Census (2007), minority-owned exporting firms were larger than their non-exporting minority-owned counterparts in terms of receipt size and employment. Average receipts for minority-owned exporting firms were $7.4 million; for minority-owned non-exporting firms, $141,776.

- The average number of employees for minority-owned exporting employer firms was 21; the comparable number for minority-owned non-exporting employer firms was 7.

- Average productivity for minority-owned employer exporters (i.e., receipts per employee) was $407,592; the comparable calculation for minority-owned employer non-exporters was $122,545.

The foregoing conveys the fact that exporting matters to minority SME firms and that, in short, those that engage in it tend to be more successful.

We know something more, however, about minority exporters. According to the Minority Business Development Agency (MBDA):

- Minority business export activity spanned 41 countries over six continents, North America, South America, Europe, Asia, Africa and Australia, between 1992 and 2009. Mexico, Brazil and Dominican Republic are the top three markets for minority firms export activity, accounting for 52 percent of all financing transactions authorized for these firms when foreign markets were identified.

- Minority firms in the United States are primed for exporting and are twice as likely to generate sales from exporting as non-minority-owned firms. Some of the reasons are due in large part to language capabilities, cultural compatibility and business agility, which uniquely equips them to expand into foreign markets and contribute to the President's National Export Initiative.

Considering one segment of the minority exporting or potential exporting population, African immigrants, there are data to suggest they may be especially well positioned to export to Africa, given their cultural compatibility and "home country linkages."

Consider a few salient facts about the African immigrant population in the U.S.:

- Although they make up a relatively small number of the total foreign-born population, the number of African immigrants in the U.S. has increased about tenfold in the past thirty years. In 1980, there were a mere 101,520 African-born residents in the U.S., but by 2007, there were 1,023,363.

- The largest concentrations of Africans are in the Northeast, and 40 percent live in just four states: New York, California, Texas, and Maryland.

- The top sending country now is Nigeria (156,182 from Nigeria as of 2007) and Ethiopia is the third ranked sending country from Africa since 1990.

Now consider a couple of salient facts about exports from corresponding areas of the U.S. to corresponding areas of "home linkage countries:"

- **U.S. Exports to Nigeria** (see: USTR.gov)
    - Nigeria was the United States' 44th largest goods export market in 2011.
    - U.S. goods exports to Nigeria in 2011 were $4.8 billion, up 18.4% ($747 million) from 2010.
    - The top export categories (2-digit HS) in 2011 were: Cereals (wheat) ($1.2 billion), Vehicles ($1.1 billion), Machinery ($720 million), Mineral Fuel (oil) ($597 million), and Plastic ($187 million).
    - U.S. exports of agricultural products to Nigeria totaled $ 1.3 billion in 2011. Leading category is: wheat ($1.2 billion).

- **U.S. Exports to Ethiopia** (see: USTR.gov):
    - Ethiopia was the United States' 87th largest goods export market in 2011.
    - U.S. goods exports to Ethiopia in 2011 were $690 million, down 10.8% ($83 million) from 2010.
    - The top export categories (2-digit HS) in 2011 were: Aircraft ($484 million), Cereals (wheat) ($68 million), Machinery ($39 million), Special Other (low-valued shipments and repaired products) ($21 million), and Vegetables ($20 million).
    - U.S. agricultural exports to Ethiopia in 2011 were $107 million. Leading categories include: Wheat ($68 million), Pulses ($20 million), and Vegetable Oils ($10 million).

With these examples in mind, the broader question is: **What can be done to reach out to and facilitate the exporting potential of Africans in the Diaspora to their "home countries?"**

To answer this question, it's important to identify and understand the trade barriers that disproportionately affect SME exporters as a whole and immigrant-owned SMEs as a subset.

In brief, as the Under Secretary for International Trade Francisco J. Sánchez indicated in his testimony before the Senate Committee on Foreign Relations' Subcommittee on African Affairs on July 25, 2012, some of the key trade barriers frequently cited by SMEs are: discriminatory government regulations in foreign markets; high tariffs; insufficient intellectual property protection; and the difficulty in obtaining financing.

A closer look at these barriers suggests, however, that they are mainly focused on the barriers experienced while doing business in the country.

The question for this Subcommittee, we would argue, however, is:

How can more SMEs and more African Diaspora be encouraged to enter into the market in the first place?

Here are some recommendations we put forth as the African Small Business Exporters Association that has over 20 years direct experience in working with the target populations of firms to enhance their export capacity:

1. **Competing with China**: We need to recognize that any and all firms entering the African market now have to compete with China. The question then is how to do that on a strategic, product or service country specific basis? One thing that can be learned from the Chinese is that they develop and pursue tailored strategies for each country and each business endeavor. One size does not fit all. Accordingly, our collective apparatus for promoting U.S. exports, which includes all federal government agencies involved in trade, as coordinated by the Trade Promotion Coordinating Committee (TPCC), and export promotion agencies at regional and local levels need to recognize that they too must tailor their incentives and promotion strategies for each market and to increase outreach to SMEs, including Diaspora firm owners.

2. **Coordinating Between Agencies**: While the U.S. has a Trade Promotion Coordinating Committee (TPCC), Chaired by the Secretary of Commerce, the question is whether it is coordinating adequately? Case in point, while on the one hand the U.S. Government is promoting US exports, on the other hand the U.S. Agency for International Development (USAID) is promoting local procurements

without regard to where the goods came from to enter the local countries. In many cases, the "local goods" came from China, thus limiting the export potential for US SMEs. USAID procurement rules are limiting U.S. exports for all firms, which may disproportionately negatively impact export opportunities for SME and minority owned firms.

3. **Export Processing Zones**: The International Finance Corporation, among other multilateral agencies, has finally understood the importance of promoting Export Processing Zones to create a positive enabling environment for investors, and also for promoting exports into the zone as well as from the zones. Some of the barriers that small firms face are alleviated by the EPZ regime, which levels the playing field and exempts small firms from unfavorable in-country regulations. The Chinese have also recognized this and are building EPZs in Africa for Chinese firms to have a base for penetrating African markets. It is clear that they exports significantly from China into those zones as well as exporting into the domestic market from the zones. Our recommendation is for USAID to similarly consider supporting such zones and reaching out to U.S. based African Diaspora firms to link to their home markets.

4. **Mentor Protégé Programs**: We recommend that the Millennium Challenge Corporation, and all member TPCC agencies to give consideration to providing incentives to link (through mentor protégé programs) large and small firms, including minority-owned firms, in their respective procurements.

5. **Awareness Campaigns**: We strongly urge the USTR to join forces with MBDA to increase their outreach to and targeting of SMEs and minority firms to encourage them to export to Africa. Such campaigns should take into consideration export and import statistics, product categories, and other salient factors to enhance the effectiveness of the outreach campaigns.

6. **Export Financing**: We note that MBDA has entered into an agreement with the EXIM Bank to increase export financing for minority firms. We also recommend that MBDA enter into similar partnerships with all TPCC agencies to increase outreach to SMEs firms, including African Diaspora owned firms to facilitate their exporting to Africa.

Conclusion

To realize the goals of the President National Export Initiative and to increase exports to Africa, greater focus and attention should be paid and assistance rendered to SME and African-owned firms that have unique "home country linkages."

Mr. SMITH. Dr. Freeman, thank you as well for your testimony, and your very specific recommendations based on extraordinary experience. Thank you.

Ms. Keating.

STATEMENT OF MS. BARBARA KEATING, PRESIDENT AND FOUNDER, COMPUTER FRONTIERS

Ms. KEATING. Chairman Smith and members of the subcommittee, and especially to you, Congresswoman Bass, and your staff, your very active role in bringing new voices like mine to you to hear about the issues.

My name is Barbara Keating. I am the president and CEO of Computer Frontiers. We are a small, woman-owned business. I have been in business since 1996. I started it in a spare bedroom in Germantown, Maryland, and since that time, we have been focused on Africa. We work in 34 African countries. We are incorporated in nine countries, and we currently have four fully staffed offices on the African continent as well as my office in Frederick, Maryland.

I am speaking to you today as a representative of small business who has worked to establish business throughout Africa and the continuing and growing challenges that are arising for companies like mine.

There are two major points that I want to bring to your attention in regards to increasing U.S. exports to Africa, and those are to support that, one, small- and medium-sized businesses is the right place for you to focus your support and two, now is the time to act.

Why focus on small- and medium-sized business? One reason is that there are 54 African countries and the majority of these countries have relatively small individual markets, making these markets less attractive to larger U.S. corporations. However, for small- and medium-sized businesses, African markets are the right size, leading to cooperative partnerships and long-term relationships for continuing growth between U.S. and African businesses.

My oldest company is located in Uganda. It is 13 years old. Initially with a partner, we grew the company together from 5 to 35 core highly qualified technical staff and hundreds of consultants and trainees throughout the last decade. In Uganda, as well as in Togo, my companies with my partners grew and expanded in both staff and revenue. From these bases, we then expanded our reach into other surrounding African country markets, incorporating in five other countries and hiring staff and providing services without having full-fledged offices there. The bottom line is that 90 percent of my professional staff based here in the United States are reliant on our work in Africa.

And yet we are a small company. The challenges are many for small U.S. companies not only to enter and succeed in Africa, but then, once established, to move from the startup phase to the scale is further challenged by the lack of coordinated U.S. Government focus on Africa as well as from U.S. policies seemingly almost unwittingly bent on crushing small business. I will discuss each of these in turn.

First, one could find that the U.S. Government is providing many resources, including financing, for U.S. small business to increase their exports to Africa. However, where to go and what is really available is a hit-or-miss affair, based on the knowledge of the staff in the government agencies you meet, and this amorphous resource pool does not in reality seem to be more than a few more inches deep. And in my experience over the last decade, the bureaucratic hoops that must be passed through to even determine if your business qualifies for a program or financing are almost in themselves too unlikely to succeed, too time consuming, and we in our own analyses have deemed them unrealistic to even raise the effort to apply.

Other than minimal bank lines of credit based on receivables, we have had no loans or financing. It is almost impossible to grow, and we continue to cycle at the same level of activity.

What would help is a more coordinated focus on Africa to include a strategic trade policy and a one-stop shop for small business to more quickly determine if there are any supported options for our programs.

Second, in the same vein of challenges, is access to Africa. One of the main plusses to being a U.S. State Department, USAID, or other U.S. Government agency contractor in Africa is that contract vehicle for small businesses like ours gives us a reason to be in that market. Currently, as Ms. Freeman also testified, the USAID Forward Implementation and Procurement Reform process is requiring more local contracting and loosening the hold on the "buy America" act. While one might think that that would be an excellent move for small business like mine, who has established a local presence for more than a decade in Africa, the rule has language—I hope which is unintended—which rules out companies like mine. The new rule requires that to be considered a local company, it must be owned at 51 percent levels by the local nationals from that country, eliminating U.S.-majority-owned company, like mine, which have long vested in these markets. To my mind, the reason for a U.S. person or entity to maintain 51 percent controlling interest is to ensure that we comply with the U.S. and local laws. And it appears, in my humble opinion, to be an advantage for the U.S. Government. However, this is not what is being implemented.

Further, as part of the USAID Forward procurement reform, large contracts, which large USAID government contractors will pursue in Africa for USAID, will be required to include 30 percent of the contract value to go to African local companies. Previously, these subcontracts may have gone to small U.S. companies like mine. However, it is now unlikely that U.S. small businesses will be considered to partner and provide services for these large contracts as we don't meet the checked box requirements for being a local company. In summary, USAID Forward takes away both the logical vehicle for U.S. small business that has now used this to access and grow in African markets and further takes away our competitiveness in U.S. contract marketplace itself.

Now is the time to act. Over the last 10 years, I have been part of the discussion in Washington with relevant department heads, Congressional Members on the Chinese entry into African markets and have posited the notion that U.S. companies have no support from the U.S. Government in Africa, while we are exposed in direct competition with Chinese businesses having full power and financing of the Chinese Government behind them. A common response has been that it is just sour grapes the U.S. private sector is experiencing from the new private sector in the African markets. However, today, we can clearly see how China's Government's efforts over the last decade have positioned its companies to be the largest African investors by far.

We should not dwell only on the Chinese investments or their good sense in pursuing the African market, as other countries are also providing significant support to their companies to aggressively expand into Africa. I have, myself, seen it from Europe, India, Turkey, the Gulf States, Brazil, Malaysia, Israel, and South Africa. It is resulting in the reality that the U.S. investment share is shrinking, simply because others are doing more.

As is stated in the U.S. Corporate Council on Africa in their policy recommendations to the Obama administration this year and where I have been a board member and a member there over the last 10 years, some European companies are pursuing commercial advantage through economic partnership agreements and reviving traditional relationships. Some countries are offering concessional financing in addition to innovative combinations of government assistance and private sector contracting that the U.S. Government has been increasingly unable to match. The move to create a BRICS infrastructure bank is an indicator of how emerging powers are shifting focus toward Africa. If the U.S. does not work to reverse this trend, long-term opportunities for U.S. business will be greatly limited. A substantial additional commitment of human, financial, and policy resources is needed to support our national interests in Africa. At a bare minimum, the United States should be matching the support provided by other governments to their private sector. Thank you for your attention to this.

[The prepared statement of Ms. Keating follows:]

Testimony to the House of Representatives Sub-Committee on Africa, Global Health, Global Human Rights and International Organizations

By

Barbara Keating, President

Computer Frontiers, Inc.

May 7, 2013 2:00PM

To Chairman Smith and members of the Subcommittee; especially Congresswoman Bass, and her staff for their active role in focusing on this issue, a thank you all for the opportunity to speak before you today, in my capacity as the President of Computer Frontiers, Inc., about increasing American jobs through greater exports to Africa.

My name is Barbara Keating, and I am the President and CEO of Computer Frontiers, Inc., a small woman-owned business started in 1996 in the spare bedroom of my house in Germantown, Maryland. For the past 17 years my company has been focused on working in Africa, and in that time we have worked in 34 African countries, incorporated in 9 countries, and currently have 4 fully staffed offices on the African continent, and an office in Frederick Maryland. I am speaking to you today as a representative of small business, who has worked to establish business throughout Africa, and the continuing and growing challenges that are arising for companies like mine.

There are two major points that I want to bring to your attention in regards to increasing US exports to Africa, and those are to support that 1) small and medium sized business is the right place to focus support, and 2) now is the time to act!

Why Focus on Small- and Medium-sized Businesses?

Small- and Medium-sized business is the place to focus for increasing exports to Africa. One reason is there are 54 African countries, and the majority of these countries have relatively small individual markets, making these markets less attractive for larger U.S. corporations. However, for small and medium sized businesses, Africa's markets are the right size, leading to cooperative partnerships, and long term relationships for continuing growth between the US and African businesses. My oldest company is located in Uganda, and is thirteen (13) years old. Initially with a partner we grew the company together from five (5) to thirty-five (35) core, highly qualified technical staff, and hundreds of consultants and trainees throughout the last decade. In Uganda, as well as in Togo, my companies with my partners grew and expanded in both staff and revenue. From these bases, we then expanded our reach into other surrounding African country markets, incorporating in five (5) other countries, and hiring staff and providing services without having full-fledged offices or staff. The bottom line today is that 90% of my professional staff in the US is totally reliant on our work in Africa.

And yet, we are a small company. The challenges are many for a small U.S. company not only to enter and succeed in Africa, but then once established to move from the start-up phase to scale is further challenged by the lack of coordinated US Government focus on Africa, as well as from US policies, seemingly almost unwittingly bent on crushing small business. I will discuss each in turn.

First, one could find that the US Government is providing many resources including financing for US Small Business to increase their exports to Africa. However, where to go, and what is really available, is a "hit or miss" affair based on the knowledge of staff in the government agency you meet, and thus this "amorphous" resource pool does not in reality seem to be more than a few inches deep. And in my experience over the last decade, the bureaucratic hoops that must be passed through to even determine if your business qualifies for the program or financing, are almost in themselves too unlikely to succeed and too time consuming, that we in our own analyses have deemed them unrealistic to even raise the effort to apply. Other than minimal bank lines of credit based on receivables, we have had no loans or financing. It is almost impossible to grow, and we continue to cycle at the same level of activity.

What would help is a more coordinated focus on Africa, to include a strategic trade policy and a "one-stop-shop" for small business to more quickly determine if there are any supported options for our projects.

Second, in this same vein of challenges, is access to Africa. One of the main pluses to being a US State Department, USAID or other US Government agency contractor in Africa, is the contract vehicle give supporting the US Government in Africa for a small-business like ours, gives us a reason to be in that market. Currently, as Ms. Freeman also testified, the USAID Forward Implementation and Procurement Reform process is requiring local contracting, and loosening the hold of the "buy America" Act. While one might think that this would be an excellent move for a small company like mine, who has established local presence for more than a decade in Africa, the rule has language, I hope which is unintended, which rules out companies like mine. The new rule requires that to be considered a local company, it must be owned at 51% by local nationals from that country; eliminating US majority companies like mine, which have long vested in these markets. The reason for a US person or entity to maintain a 51% controlling interest is to ensure that compliance with US and local laws are enforced, which would appear in my humble opinion to be an advantage for the US government. However, this is not what is being implemented.

Further, as a part of the USAID Forward procurement reform, large contracts, which large USAID government contractors will pursue in Africa for USAID, will be required to include 30% of the contract value go to African local companies. Previously, these subcontracts may have gone to small US companies like mine. However, it is now unlikely US small business will be considered to partner and provide services for these large contracts, as we don't meet "check-box" requirements for being a local company. In summary, USAID Forward takes away both a logical vehicle US small business has used to access and grow in African markets, and further takes away our competitiveness in the USAID contract marketplace itself.

Now is the time to Act.

Over the last 10 years, I have been part of the discussions in Washington with relevant Department Heads, and Congressional members on the Chinese entry into the African markets, and have positing the notion that US companies have no support from the US government in Africa, while we are exposed in direct competition with Chinese businesses having the full power and financing of the Chinese government behind them. A common response has been that it is just "sour grapes" the US private sector is experiencing from the new competition in the African market.

However, today, we can clearly see how China's government's efforts over the last year has positioned its companies to be the largest African investor by far. We should not dwell only on the Chinese investment, or their good sense in pursuing the African market, as other countries are also providing significant support to their companies to aggressively expand into Africa. I have myself seen it from Europe, India, Turkey, the Gulf States, Brazil, Malaysia, Israel, and South Africa. It is resulting in the reality that the U.S. investment share is shrinking, simply because others are doing more. As is stated by the U.S. Corporate Council on Africa in their policy recommendations to the Obama Administration this year, (and where I have been a board member and member during the past 10 years):

> "Some European countries are pursuing commercial advantage through Economic Partnership Agreements (EPAs) and reviving traditional relationships. Some countries are offering concessional financing in addition to innovative combinations of government assistance and private sector contracting that the U.S. government (USG) has been increasingly unable to match. The move to create a BRICS infrastructure bank is an indicator of how emerging powers are shifting focus towards Africa.
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> If the U.S. does not work to reverse the trend, long-term opportunities for U.S. business will be greatly limited. A substantial additional commitment of human, financial, and policy resources is needed to support our national interests in Africa. At the bare

minimum, the United States should be matching the support provided by other governments to their private sectors.

Thank you for your attention to this very significant matter.

It should be a U.S. policy objective to create a better-integrated commercial and economic development relationship with African nations that includes recognition of the key role played by U.S. business. The aim should be to involve U.S. business, including our African diaspora, more extensively in Africa's economic growth, and specifically in the development of the African private sector. CCA sees the growth of Africa's private sector along with an expanded role for the U.S. private sector as key to graduating African countries from foreign assistance.

Mr. SMITH. Thank you very much for your testimony and for being here to share your insights and wisdom.

Just a few opening questions, and I will yield to my distinguished colleagues. And again, your full statements really are helpful to this subcommittee because you have taken the time to give us a very broad look. Obviously, time didn't permit each of you to say everything in your paper. But I can assure you, I read it. I know members of the subcommittee will do likewise. So thank you so much for that.

Let me just ask Dr. Freeman, you mentioned that all firms entering the African market now have to compete with China. I am wondering if—there are a number of issues and all of you might want to speak to this. But I have been baffled. I have been here for 33 years. We know that much of the content of what we deal with in terms of our policy—first, it was the Soviets and the proxies there between ourselves and the USSR, but now it has been the focus on PEPFAR, malaria, TB, the wars in Sudan, obviously the problems in the D.R. Congo. We have been crisis managers, if you will—how well or poorly is up to the judgment of history. But there has been a genuine compassion and concern on both sides of the aisle through various presidencies to try to help out and to be a real force for good.

But I wonder sometimes if the branding of Africa in the mind's eye of the Americans becomes one of crisis after crisis after crisis, inhibiting and chilling investment.

And Mr. Hansen, you talked about the need for investment. So I am wondering how we change that perception. It would seem to me that in an exporting strategy, which is why we are doing this bill and why we are trying to promote it and get it passed, will finally say it is in America's interest and the most robust the give and take between the African countries and the U.S. is, the better the rising tide will lift all those boats. But this idea of the branding—I have been to Africa many times. It is a wonderful place to visit. Even when we go to difficult places, they are usually like difficult places here or any other country in the world. There is also a number of oases everywhere you go where people are living their lives, their children are growing and opportunities, if they could get more, would mean that they have a greater quality of life.

So I am wondering if you could speak to the branding issue. Why hasn't, Mr. Hansen, the investment actually occurred? Is it because of that? Is it not easy to get financing on the stock market or ETFs not sufficiently including African businesses? If you could start off with that, I would appreciate it.

Mr. HANSEN. Thank you very much, Chairman Smith.

It is a complex question. I think, as to the branding issue, I have written that if Asia gets CNBC, Africa is relegated to the late night murder segments of the local news, I am afraid. I think journalists love to go out there with their flak jackets and go in for Pulitzers, and they don't want to report on Ghana's explosive growth. They don't want to report on the quiet places of Africa, the vast, vast tracts of Africa that are quiet and ready to prosper. They want Somalia, and they don't even talk—when they talk about Mogadishu, it is Black Hawk Down-type stuff. It is not that the Turks are coming in and investing at a tremendous clip.

So I think what Africa simply needs is normality from the U.S. perspective. I think the U.S. needs to treat Africa as it would treat Asia, as it would treat Mexico, as it would treat Latin America. It should no longer be a plaything of the United States, and particularly of the United States Government and the United States aid industry. It simply needs to have protections put in for business and a tone, however the U.S. Government wants to promote that, that would be great, but a tone that it is simply open for business and ready to work. I think that is everything.

And I believe Ms. Freeman has some other insights.

Ms. FREEMAN. Well, actually, my comment will go beyond the branding and to the issue of strategy. You know, a long time ago, we used to put out in hard copy a very big book called the U.S. Industrial Outlook, and it used to analyze very, very clearly what America's standing was in respect to a whole host of products and industry. We used to have 17 major sectors of our economy, and we have actually trade committees still in each of these 17 areas. So the issue is, how do we actually understand ourselves and our economic growth and the basis for it industrially?

China understands it very well. So when they look at the pharmaceutical industry or the automotive industry, they look at that from every strategic point of view—supply, demand, inputs, outputs, whatever it is. And then they say, okay, where can we get that from? Where does Africa play into this?

So, yes, we have commercial strategies and policies. But are they strategic enough? Are we understanding where we are going economically to understand therefore the role that the assets that Africa has can play into that? And that is very much on a product and industry sector basis. We no longer produce these industrial outlooks.

And I would say that we have more information right now that is available to us through the Internet, but we have less knowledge, less knowledge and less understanding. If you ask us where are we going in any sector—computers, pharmaceuticals, you name it—where is there a unified approach and understanding of how we grow? What are the inputs for that?

So let's take it outside the framework of how we feel about Africa. China is not worried about how they feel about Africa. They are talking about, you know, what can we get? When we look at our Prius cars, where does the input for those batteries come from? It comes from the Congo, okay? The Chinese don't have any feelings about the Congo. They are saying, let me get that titanium or whatever you make those batteries out of. So we need to go back to that U.S. industrial outlook approach and understand now where we are going industrially or even in the service industries and see what plays into that. Thank you.

Mr. LANDE. Very short.

One of the challenges you face as a committee is that you look at Africa. You have a budget for USAID to go up there. But there is a big difference between the humanitarian needs of Africa, which will be serious, the problems in Mali, which are serious, and economic growth, which is as much in the U.S. commercial interest as they are.

So my only suggestion—which Manchester Trade has made a few times now—is to differentiate. Just say, economic growth, this is our interest. Let's see how much money we can put into it. Let's see how we can work with it, and we will get that back. The good things we do continue doing. And no one said, you shouldn't do it. PEPFAR, a great success. I mean, God. But having said that, I think it is this differentiation.

One of the points, for example, we always have, as mentioned, that brings us closer to your committee. MCC. MCC has an emphasis on poverty. We understand that. But also, MCC is the only institution in the United States today that focuses on infrastructure. And infrastructure is one of the three requirements for regional integration. One is doing away with trade barriers. Two is infrastructure. And three is making the political decisions that you have to make to move in that direction. Why doesn't the MCC, as long as they have got money, 20 percent, reasonable infrastructure could be one of their requirements working with, of course, the compact countries?

So all I am saying is that part of it might be able to be done by differentiating the economic growth stuff with the other stuff because America has to do the other stuff because, as Sharon says, China will not do it. Thank you.

Ms. KEATING. I have just a really specific and small recommendation, which is, I have worked on some of the CODELs into Africa, and so what you see and what the pictures that come back are of the game parks, of the little village. I want to see the buildings. I want to see those kinds of things, that from your visits and showing that, it can go a long way.

Mr. SMITH. I do have other questions. But I will yield to my colleagues out of deference to them. And maybe if there is time, I will go back to those questions.

Ms. Bass.

Ms. BASS. Thank you, Mr. Chairman.

I actually had a couple questions for each of you.

Mr. Lande, you mentioned in your series of recommendations that—this is what Congress should do—a committee that would review the conditions and sanctions. And I wanted to know if you could expand on that a little bit. What is your vision of that? How do you see that happening within the Congress?

Mr. LANDE. Let me begin by amplifying the comment that Sharon Freeman made. Again, it is the History Channel. But if you remember when Ross Perot was running for President, he made a big deal about our support of export processing zones in Central America. And one of the results of that was that USAID had a prohibition against aiding export processing zones. Export processing zones in Africa create jobs for the U.S. They enable Africa to participate in supply chains and displace China. China participates in the supply chain and tries to grab the production. It is trying to grab the intellectual property rights and so on. I don't want to say the obvious.

All I am just saying is that it is this need of some committee as part of this Transatlantic South initiative or maybe a group of committees—I can't tell you how to organize Congress itself. But just say, wait a minute, we are not the only power in the world. It is a multipolar world. We have a lot of conflicting interests. Some people worry about commercial. When the people come who are concerned about conflict diamonds—it is a horrible situation going on in the Congo. No one is going to sit and defend—you were just there, Ms. Bass. But to say that this is how you correct it, by ensuring that no one in the Congo can work in mining, that the average American company says, I don't want to be bothered with all this mishegas concerning about investing with conflict diamonds. I have to have tests. They have to make sure that they don't come from this—I will just go to Australia. I don't have that problem.

So what I would picture very much would be these two requirements. One, is there a more effective way to do it? And two, is there some way we can reduce the collateral damage on innocent parties, of which innocent parties can be Africans who want to work in the area or could well be American investors who are trying to do a good job? So that is what I would picture. I can't tell you how to organize it congressionally. But the kind of work that you do talking to other Members is a good way to get there. Thank you.

Ms. BASS. Thank you.

And Dr. Freeman, Mr. Lande was mentioning export processing zones. Was that the same thing that you were talking about?

Ms. FREEMAN. Yes.

Ms. BASS. And you mentioned that used to be a part of USAID. I was wondering if you could tell me when and why it changed.

Ms. FREEMAN. It changed because the textile forces of the U.S. thought that a lot of U.S. companies would go to, particularly at that time, the Caribbean countries and manufacture there and the U.S. would lose jobs. So it was first supported by USAID in the early 1980s as a way to promote economic development of those countries. But then the textiles unions fought against it. So it was a prohibition against USAID funding any more of those zones. And then, as I said, subsequently, it was determined by the World Bank that the promotion of these kinds of regimes was a macroeconomic distortion, and they had reversed their position on that as well. So, in fact, this——

Ms. BASS. That was their position; it is not their position now?

Ms. FREEMAN. It is not their position anymore, no. IFC has funded new positions to be in charge of overseeing these various projects that they are now funding. So whether it is an economic distortion or not, the reality of the world that has presented itself before these institutions is that you really need this. And so when you look at the diaspora, one of the problems of taking advantage of the home country linkages is when some of, you know, the diaspora go back home, they are faced with a lot of difficulties of the lack of electricity, the extensive costs of using the cell phone and so forth. So when they are able to operate in a zone that has the necessary provisions and also protections, let's face it, then they can actually do business. And that business then does involve importing goods into that export zone and then exporting into the country from the zone. So I am a huge supporter of it. I have actually been engaged to design these around the world. I have studied at least 110 of them and have done papers on this. And I tell you, it has changed the economic position of many countries in the world.

Ms. BASS. Okay, thank you. We would like to follow up with you and get some of those specific examples.

Ms. FREEMAN. Thank you.

Ms. BASS. Mr. Hansen, I appreciated your examples that you gave in the beginning. I haven't had a chance to read your written testimony. I am not sure if you put those examples in there. But if you didn't, I would certainly like to have them. I wanted you to expound on part of it though because you painted an overall picture of our investment being minuscule. And so I wanted to ask you what you thought the level of investment should be.

And then you also talked about embracing the idea of whole industries of private projects. And I wanted to know if you could give an example on that.

On the issue of branding, I do think that part of the problem is the education that we need to do with our own country. I mean, when people hear about a problem in Mali, they say, well, then I can't go on a trip to South Africa. If there are riots in Greece, we would never think of not going to Paris because there was a riot in Greece. So I think part of it is education that we are all responsible for. But if you could expound on that, I would appreciate it.

Mr. HANSEN. Thank you very much, Ms. Bass. In my written testimony, I gave a figure. I thought that if we invested in sub-Saharan Africa at the rate we do Taiwan in terms of GDP alone, sub-Saharan Africa should have $2.4 billion more right now.

Ms. BASS. Was that $10.4 billion or $2.4 billion?

Mr. HANSEN. If U.S. investment were distributed equally on the basis of GDP, sub-Saharan Africa would have $2.4 billion more today, and it would be shifted away from mining, where it is heavily placed, and put into Taiwanese-style industrialization. The point being, to give the sub-Saharan Africans income with which to buy, not only their own products but U.S. exports. We can't expect them to buy if we don't give them jobs to earn money with. And I also wrote that if we invested in sub-Saharan Africa the way we do in Taiwan in terms of population, Africa would have $761.4 billion more in U.S. investment. And frankly, that is not an unrealistic amount of money for what could be done over there. And the idea being to grow Africa's internal markets, not just their export markets to the U.S., but to grow a vast African internal market, which would increase consumer demand for U.S. goods. I have found that if Africans imported U.S. goods—just the goods—at the same rate that Taiwan does, they would import $988 billion worth of goods annually, which is a lot of goods. And I believe your other question was on the Aid and Investment Model which I had put forward.

In a writing for the Compendium of the Working Group on U.S. Investment in Africa, I put in an example which is referenced in the written testimony. It has to do with the Kenyan meat industry. There have been successive USAID studies of the Kenyan meat industry. And one in the 1970s gave an apparently huge amount of recommendations. And then recently USAID paid for another study, which found a meat deficiency in Kenya. And its recommendation—paid for by U.S. taxpayers—was fat cows, low prices, and cleanliness, which I guess was news to everybody everywhere. So I use that as an example for the AIM model, which is what would happen is, USAID would focus on bringing U.S. investment to bear on African industries in order to reform them, expand them, and make them competitive. For example, in the Kenyan meat industry case, instead of sending out a team to make a study, you would have U.S. planners work with the Kenyans to identify various theaters—abattoirs, feedlots, transport, cold chain, you name it. And then each theater would have a public sector anchor. You want to build a cold chain warehouse, okay, fine. That is the anchor. But whatever the bidding companies wish to do—if they want to add vegetable warehouses as an extra, great. That is great. So what you are doing is you are seeding that theater with a public sector project but allowing U.S. investors to go in and build related projects, partly under U.S. Government cover, which would allow then a more gestalt approach and would allow the industry to function and would bring U.S. investment in.

Ms. BASS. Thank you.

And then, finally, Ms. Keating, I wanted to know if you would tell us a little bit more about your business. And then you talked about coordination and how it would be helpful to you and you also talked about the hoops that you have to jump through. You talked about it in general terms, and I was wondering if you could describe specifically your story. And also if there is any relationship between your company and EX–IM, or is EX–IM a model that is much too big for it?

Ms. KEATING. Computer Frontiers, what we initially started, we were a government contractor, and we helped to set up the Internet in 21 countries. And from that process, we were able to be in all those countries. And so that is where I am saying that the link between working for the U.S. Government and also seeing what is available and making those relationships with ministers to, you know, end users is kind of under the cover of being there and having some protection by the U.S. Government, in essence. What I would say is that what I did was not necessarily encouraged by USAID for most companies. What happens is that if you are an aid contractor, they really don't want you entering the market because of historical trends, which were that if you are there, you know we don't want to be seen as going into the market to take the market over. I think those things have been overridden, and we have to change our programming and how we are looking at the private sector in these countries.

So I did have some very good managers basically at USAID at that point. They knew what I was doing. They knew I was establishing these businesses. And they allowed me in essence to do it, and that has turned into a 17-year business and being very productive and doing real development which is providing real jobs.

So that leads to the other point of it is, is that they can't buy our goods unless they are making money. So they have to be selling it to somebody. So let's create those trade relations with us. And that really in essence was the basis of my company. So after those 10 years in creating that platform of both the regulatory environment for telecoms as well as the Internet infrastructure, we have built our companies on top of it. I have people who do Internet programming. We do mobile money applications. We are on the cutting edge of those kinds of things in Africa. And I hate to tell you this, but Africa is advanced in terms of mobile money and financial systems in that regard. So that is where we operate.

We are basically bringing our intellectual property into the mix, and we do need more protections for intellectual property. There are other things that we want to do that we cannot because we are afraid, basically, in all honesty that our intellectual property will go missing or become very available and not due to our work.

The other thing you were mentioning was the hoops that we have had to go through. So I have been at this now for 17 years. In the initial years in talking to EX–IM, physical exports. Obviously, I am not exporting physical things. It makes it very difficult for them. The initial period when we were trying to do deals, the deal sizes were $10 million. So there was just no way that that would be a deal size that we could do at that point. Now those things have started to change. I am hearing that there are different amounts. But still, the reality and the reality reflecting of other small businesses of my size that try to really make inroads into these groups, it is difficult. And also understanding what they need in order for you to make the applications for their assistance. I do think things are changing now, but it is just not very apparent.

When I am talking about one-stop shop, the other issue is there are two many trade related agencies, it is just so hard to know where to go. And as a small business you have very limited funds to do those pursuits. So you might make one attempt a year. You pick a certain agency. You try to pursue and see where that goes. You gain the knowledge from that. But usually, it has not translated into any real money or pieces out of that. So what would be helpful would be to have that coordinated somehow so that we can just determine immediately, well, this is not a place where we can get assistance, or it is, and then we will put the money toward doing that. But those are the things that you run into as a small business.

As I said, you could say that there are many pieces that are available to us, but in reality, there are not. So that is part of it. I think I covered it for the most part.

Mr. SMITH. Mr. Marino.

Mr. MARINO. Thank you, Chairman.

Good afternoon. And thank you for being here. Dr. Freeman and the rest of you, it is an honor for me to be having this discussion with you.

I want to ask the ladies—my father always told me to refer to a female as a lady. That is the quintessential compliment. So, ladies, can you explain to me, how are women's rights and child labor considered in expanding U.S. trade with Africa?

Ms. FREEMAN. I will take a stab at that first. A lot of the ways in which U.S. companies enter Africa is through—we have talked about the trade promotion coordinating committee in these 20 Federal Government agencies. You add those together with the international organizations, including the United Nations, the World Bank, and others, and actually there are provisions that you have to agree to about anti-trafficking, anti-sexual harassment. You actually cannot engage in procurements with these entities without agreeing to those conditions.

So I would say they are very clearly set forth. In fact, in contract terms, they are called standard provisions, and they are flowed down even to subs that you might work with. So I think there is a clearer foundation for the protection of those rights. When you work with any of these organizations, and very few—my colleague here may be an exception from this. Very few firms go alone into Africa. They are usually under the umbrella of some funding organization, in which case they are signing up for all of these provisions. And of course, firms have their own set of ethics and standards and their own policies and procedures. And from a human relations point of view, if you look at the manuals of—I am sure even my colleague's company and many other private firms, these provisions of our Title IX follow us overseas. We cannot be exempted from it because we are working overseas. So you will see this in our own individual handbooks as well.

Mr. MARINO. Are we adequately monitoring this?

Ms. FREEMAN. Well, I can say with regard to certain provisions like—let's take anti-trafficking in persons as an example. There is a new Presidential directive for which the regulations are actually going to come out very soon—or if they are not out already—and it will be very seriously monitored beyond simply a firm declaring that they are following these precepts. They basically have to proactively have, number one, training programs and, number two, if they have any partners or subs involved in their work, they actually have to investigate, proactively investigate, what they are doing to comply with these provisions. So I think the bar has been raised to a higher level to require this kind of investigation.

Mr. MARINO. Thank you.

Ms. Keating, what role do women play in Africa in the international business sector? African women?

Ms. KEATING. I want to first add a little bit to what she was saying.

Mr. MARINO. Go ahead, please.

Ms. KEATING. Which is our greatest export is ourselves. And our greatest export is how we do business in the United States and carrying that with us. And that is why my comments earlier on USAID not wanting 51 percent majority U.S. companies, but that brings with it our requirements to adhere to all these types of rules. If you don't have that, you are basically subcontracting to people that you have no control as the U.S.

So, in terms of protection of women's rights and child labor and those kinds of things, those come with us. And that is what I would say is that the biggest thing that we really need to do is to be incorporating in these countries, not seeing it as just places where we are outsourcing necessarily. So that is in so much the difference that I would like to draw.

Mr. MARINO. Are African women playing a vital role?

Ms. KEATING. African women play a very vital role in business in Africa. And again, in some ways, the reason for doing business with women in Africa is that they are more inclined to do the development that you want to get done, which is where women are educated and are part of business and earning their own income, it goes back into the family and to the advancement of their own children. And that in itself becomes a development process instead of trying to develop externally into all these different kinds of projects. Those are the kinds of things, and empowering them in that way is a very important force.

Ms. FREEMAN. Could I just add one point to that?

Mr. MARINO. Yes.

Ms. FREEMAN. I was commissioned by the African Development Bank to do a study of the role of women entrepreneurs in Africa. And this was as a foundational work for them to create an actual lending window at the ADB for women in particular. So we studied the most successful women to understand how were they able to be successful and, conversely, what were the barriers to women entrepreneurs in Africa. And that book was published for the African Development Bank, and we will send you a copy.

Mr. HANSEN. Thank you, Mr. Marino.

I just want to make a quick comment here. This kind of goes to the branding question Ms. Bass had as well, which is that concern about African women is very well merited. And gender inequities there are quite extreme sometimes, and inclusion is a necessity. Also, child labor is a horror, and it should be suppressed.

But what the concern, though, is, is that we see these issues, which are at this point just issues, not actual problems. But we see it as an issue of whether we should engage with Africa: Shouldn't they clean their act up, and then we engage? But what happens is, for example, in Bangladesh recently, in Dhaka, a factory collapses, and they pulled 700 bodies out of the wreckage, mostly women. Now, no one says we should never have gone to Bangladesh in the first place, we never should have made shirts there. We don't think we should pull out of Bangladesh. We don't even really call for a commission on Bangladesh. But if it were Africa, if that happened in Lagos, it would be all over the news. We should never have been there. It is immoral. We are exploiting these people, et cetera, because we see Africans as playthings ultimately, and as unable to take care of themselves. But the Bangladeshis, they can make shirts, and they are tough, and they are part of the game.

We need to see Africans as everybody else in the world, and we need to engage. It doesn't mean you accept collapsing factories. It doesn't mean you accept child labor. But it means you engage. You put them down there. And when you find a child working there, you say, get them out of there and get them into school. But you have a factory there where someone else can take that kid's job and do it properly.

Mr. MARINO. Thank you. I yield back.

Mr. SMITH. Mr. Stockman.

Mr. STOCKMAN. Yes, thank you.

I would like to preface to my questions with a statement. First of all, I have been to DRC. I have been to numerous countries—Chad and South Sudan and all over the area.

And I think, Mr. Hansen, for me, I would appreciate it if when you say "investments," I think we need to, in your numbers, delineate between private and government so that we know. Because I think when you talk investments, you are talking both, right? Correct? You are talking both government and private?

Mr. HANSEN. Thank you, Mr. Stockman. The investment numbers that I have come from USTR and CRS, which are presumably private investments. In another piece I have done, which is referenced here in the Compendium, I added all of the aid on top which would be, if you calculate generously, about $30 billion on top of it, essentially nonproductive——

Mr. STOCKMAN. I think some of the statistics show that the West has given about $1 trillion in aid. But this is one of the things that I think is a challenge; because we are trying to bring medicines into—in particular into DRC, the Republic of Congo has changed their airport. But when I was going to DRC, the challenge for an individual that is not a government high-ranking official is the bribes and the hassle you have to go through. And we were there as humanitarians trying to help. We were basically assaulted in terms of shakedowns.

I think it is not so much a racist thing as it is as much of a hassle factor. Americans will go to McDonald's—they are not going to sit down for a four-course meal. Americans avoid hassle. I was even asked for money from a general there as I was leaving.

And I think that is part of the problem. It is not that we don't care. It is that we try to avoid those situations.

Also you keep saying—both Dr. Freeman and Mr. Hansen, you talk about being like China. But I know close up and personally that the Chinese do not have the Foreign Corrupt Practices Act. And I don't think you would suggest that we emulate their manner of giving contracts through bribes and things like that. I mean would you suggest that?

Mr. HANSEN. Thank you, Mr. Stockman. I would absolutely not—absolutely not ask to have the FCPA repealed. I think it is a net asset by far for U.S. investors because if you say, I don't want to pay a bribe, you are arguing over the price. If you say I am not going to U.S. Federal prison over this, that is a pretty clear no. So that is good.

I differ with certain of my colleagues in the anticorruption field though in calling for a de minimis exception because at this point, if you go to Kampala and do a trade show and you show these officials, well, we would like to open a series of clinics here and, by the way, have some beer and here are some gifts for your kids, you are a Federal criminal, because there is no dollar threshold on the FCPA.

But if a U.S. Congressman—no offense—but if a U.S. Congressman showed up with staff, you could probably hand them a large campaign check and that is fine.

Mr. STOCKMAN. But we can't accept anything over $25.

Mr. HANSEN. I may be wrong on this. But one could have someone mail it to a PAC or what have you. We are more sophisticated than this.

Mr. STOCKMAN. No, we can't take foreign money either.

Mr. HANSEN. No, no. Not foreign money. No. The U.S. investor. I am talking about the U.S. investor could do this, yes. So the point is, is that a de minimis exception should be put in there.

As for the larger question of corruption, I think it is actually rather overblown in Africa. It does happen very much. One thing, it is actually a function of our lack of investment there because what people often fail to realize is that Africa, coming from a very agricultural background, is basically, you have two choices if you want real money, a middle class lifestyle. Well, cassava farming is not going to do it, so you have to join the only real industry, which is government. And if you succeed in rising in that industry, your real income oftentimes, unfortunately, comes from getting it from the capital flows that come in. Humanitarian aid is a capital flow. People wonder why Africans will get mosquito nets and then go sell them. It is because that is the only capital coming in. They are a capital deprived environment. It is like an anoxic environment. They do not have financial oxygen.

What we need to do is—we should not worry about them cleaning up their act and the public sector becoming like Switzerland before we go in. What we need to do is get the legal protections. We have the savvy investors by the thousands who could go in there, make their way in and provide alternatives for the Africans to make money.

Mr. STOCKMAN. I think you are missing my point. My point is, I know firsthand—because I was there—the Chinese operate in a very different manner than we do. And it does constitute oftentimes—let's be up front—large sums of money. I was there. So I am suggesting to you that it would be helpful if we could somehow address that issue, too, because we are playing on an uneven playing field.

Go ahead.

Mr. LANDE. I think your question is really the nub of this conversation, and it is right on the mark. I don't know the answer. The reason I say this is as follows: The Foreign Corrupt Practice Act, they had a meeting—oh, God, it was just the other day. And Symbion Power, GE were there. And they both were saying, thank God we have this act. We are able to tell people, "No, we will go to jail"; people don't even ask us for bribes anymore.

The negative side. People don't come to the Hill and give you the negative side because it sounds like you like corruption. Negative side: More people come into my office and say, you know, I was trying to do some business in Africa and I had this deal, and I went to this U.S. corporate executive. I said, Let's do it together. They said, oh, but FCPA. I said, What do you mean? Well, you have to understand. It is administered by the Justice Department. Justice is pretty straightforward. They want to find something and so on. They don't look at necessarily what is going on. They say that if there is corruption, well, I am a CEO. And some local guy does something and so on and it falls under the act, I am responsible. I have to exercise due diligence. Well, due diligence for a small company may not be possible. You would have to get a whole legal group in there to prove—the CEO hasn't touched any of this money. He is not even part of it. He doesn't know what is going on. You have that.

The British have now decided that you want to cover everything that happens, even what you call the doing business bribes, you know, just to get something out of customs quickly. Maybe your point but on a much lower level and so on. If you are guilty of being involved with that, the British say, you can't list on our stock market, which also means you can't list on the U.S. stock market.

So what we are recommending in Manchester Trade—not that you get rid of FCPA because obviously it does something. But that we sit and we see, how is it administered? Can it be administered in ways as more people are scared to go into Africa, people who really want to do the honest thing and want to work on it and so on.

I grew up in the Rockaway, which has recently been in the news for the hurricane. But when I grew up, my neighbor was Carmine DeSapio. You may remember him. He was the last Tammany Hall boss. We got rid of Tammany Hall. It doesn't exist anymore. We didn't do it because the British came and told us to get rid of it. We did it because we reached that level of economic development where it didn't make sense. We got rid of the corruption in the—I am looking at Congressman Smith—with the longshoremen. Remember, that was a horrible thing in the ports.

So I think what Peter and I are trying to say is, yes, there are problems. We need some rules. But we also have to accept the fact that you make progress through economic growth. And if what we do is because we are so concerned about the current situation, we prevent U.S. investment, two things happen: One, we don't have economic growth. And who comes and builds this stuff? The Chinese. And they are going to do it worse than we are going to do, and you are going to have the factories falling down in Bangladesh. You are going to have the roads not working right and so on. So all we are trying to say—at least Manchester Trade is trying to say is, I would like to go through all our conditions. Have somebody take a step back and say, there is nothing wrong with the conditions. They are highly moral. In a multipolar world, where you have to work with the Chinese, where we have to work with other countries and so on, how do we establish something that is effective, but we don't shoot ourselves in the foot, how we don't shoot those Africans who we don't want to work with in the feet and that is kind of the balancing we are trying to put on the table.

Mr. STOCKMAN. I have to agree with you. I think there needs to be a little bit of leeway. Our Government, I know from our standpoint, anything we do—when Chris and I go out or whatever, we are so paranoid to act. I know for a fact that in Africa, people are paranoid to act, because it is safer to do nothing than to do something. And if we could modify that law to where we are not so paranoid to act.

If you understand, I am very sympathetic to what you guys are doing, but I also know on the ground what is really happening. And I think that the act and the way it is implemented is hindering Americans from saying, "Why take a chance?" I can make a buck here the United States. Why go over there and risk a buck over there, because I could go to jail?

Mr. LANDE. Let me give one last quick example because this has been mentioned at other congressional hearings and it is correct. Normally when a person wants to do business, he invites a foreign person to come over to the country and look at the factory and how it operates. Normally, when that happens, you say, okay, bring your family with you. If you are going to come, let's spend the day in Disney World. It is only about 20 minutes away from where we are located.

Under the Department of Justice interpretation is, that could be a bribe. It could just be an incidental normal bit of entertainment. So I think we are in absolute agreement that I just want somebody or some group who cares about Africa, cares about our values, to look at these things and say, are we doing it the best way possible? We cannot have eight different committees deciding how we are going to operate in Africa, all setting up norms, because there is one investor, and when he looks at what the eight different committees have done, he is discouraged. And I would say I agree 100 percent with your point as to—that we have to figure out a way to do it that makes sense.

Mr. STOCKMAN. Dr. Freeman, I know you wanted to say something. I apologize.

Ms. FREEMAN. Yes. I am just going to say quickly, you asked what example should we take from China? Certainly, being corrupt is not one of them.

But here is what I do want to say that is very important and is an example we should take from them. When they want to learn how to do something, okay, because they have gone from like zero to 110 percent in 20 years, okay, how did they do that? Well, they learn. They seriously look at every example that is the penultimate example of the thing that they are looking at. So if we are good in financing, they will call over—they will find out. They have teams of researchers who know exactly who is the best finance person in America. And they bring over that person, and they understand. They have whole committees of people who will sit that person down, and they say, what can we learn from you? They are a learning institution.

And so in support of the points my colleagues are making, we also need to learn better how to implement and modify, as appropriate, whatever we want to achieve from this act. So that is what I was saying earlier, too, about being strategic and looking at our industries. We have to take this example from them and say, how do we do everything smarter?

So one little small example on corruption, for instance, let's say this price of water is $1. What they have is a structure in tenths. They say, do you want quality one of the water? Because that is 10 cents. If you want quality two of the water, it is 20 cents. So is it corrupt when they say that the water is $1, they negotiate downward with everybody individually on what it is that you can agree on from a supply and a demand point of view.

That is an interesting example. So we need to learn what we can learn that is good from them, just like they learn from us what is good in us. But we are not the only examples of ourselves. We can learn from Saudi Arabia. We can learn from Turkey. We have to be a learning institution.

Mr. HANSEN. Excuse me, Mr. Stockman. I know you want to move on, but I just would like to point out, I think apart from a de minimis threshold on the FCPA, where like buying a cup of coffee is not a big deal, I would recommend that the FCPA not be loosened, not be watered down, because it would declare open season on U.S. investors, because they would say: Oh, now the FCPA doesn't apply, so now you have got to pay me some money. So we have the solution in place. I think removing it would be more harm than the disease.

Also, I just want to point out that U.S. investors are extremely law abiding, on the whole. I mean, there are corrupt people. But most want to play by the rules. So if we just provided them legal protections, that would be something because what we have done now—we are in a situation where, let's say we send someone to Nigeria or Kenya, we don't provide a bilateral investment treaty, so they are at the mercy of the local government. We don't provide them a double tax treaty, so they are at the mercy of the local tax authority. We send them out there with no hope of escape. It is basically a Black Hawk Down situation for investors out there. You can maybe ask the U.S. Embassy to help you if they care.

But if you are out there and you get caught and some official says, okay, now you have to pay me something, and you are unprotected, exposed and isolated and you make a payment, you are a federal criminal. And they will put you in jail.

So we are telling U.S. investors, go over if you want but don't put a foot wrong. We are not going to help you. But if you put a foot wrong, you are going to prison. Who wants to invest in that kind of environment?

Mr. STOCKMAN. I couldn't leave the country, though, until I paid passport fees that were repeated throughout the chain. I am just telling you on a firsthand basis, too. As you know, there is a mountain of copper out there. And what the Chinese have done, they didn't even hire the indigenous folks. They moved the Chinese folks from China to that area. It doesn't benefit the local government or the local people to do that.

I, for one, would like to see more American participation. But on the other hand, I think we need to understand the investors and the people that go over there, they have got challenges, too. They want to help out, but they can't always do that. I yield back what time I don't have back to the chairman.

Mr. SMITH. Thank you very much.

Mr. Rush.

Mr. RUSH. I want to thank you, Mr. Chairman.

I have been quite interested. This is my first opportunity, I believe, to—not be in a hearing of the Foreign Affairs in this subcommittee—but it is my first opportunity to be in a hearing on this particular type nature.

And I would preface my remarks by saying that the biggest obstacle that I see to a robust U.S.-African trade policy is the question of the meeting of the minds. America, U.S. investors and indeed this Congress have really not made up its mind about what it wants to do or needs to do in Africa, I think. And once we make up our mind, then it is in our national interest to be vigorously engaged and helping to develop the economy of Africa. And I think that we will be better off, and we will see more results, more positive results.

I don't see Africa as a continent any more corrupt than I see China and I am—I have been made aware of some of that corruption among government officials in China. And I know that the citizenry of different nations in Africa, some of those citizens are very, very upset with the corrupt officials and the corrupt government there. And I feel as though one of the things that we are lacking in this conversation and most conversations that I am involved in is that we don't hear from the Africans. And one of the things that I have noted being reinforced around the issue of immigration is that the African immigrants are the most educated immigrant group of all of the immigrant groups in this Nation. And so the diaspora, as far as I am concerned, represents an enormous reservoir of intellectual capital and brain power that could be harnessed in a serious way in some discussions about how do we move our Nation and the nations of Africa together in some kind of harmonious way that would be beneficial to both.

Mr. Hansen, I was very interested in some of the things that you said. And in your testimony, your written testimony, you say, Africa is poorer because the U.S. gives it no way to earn serious money in the way the U.S. did for Taiwan. You are using the Taiwanese model. Could you be more explicit in terms of the industrialization of Taiwan? And it might not be fair to look at this entire sub-Saharan region, but maybe you could take one nation and compare it.

Mr. HANSEN. Thank you very much, Mr. Rush.

Well, perhaps looking at the Taiwanese example, Taiwan is very much like Japan, South Korea, and the People's Republic of China in that they became, they are known as the Asian tigers because they became export-driven economies, and we imported a great deal from them to spur their development.

Now, one way where I see a difference between sub-Saharan Africa and the Asian model is that the U.S. does not care really about rights or what have you in these Asian markets and just sent over much of our industrial base to Japan, to Korea, and more recently to Shanghai, Guangzhou. We did not ask whether they respect women or children or care about human rights or abortion or corruption. We didn't ask any of that. We just sent it over. And with results that in my written testimony show, especially for what is now a rather fearsome regional and now increasingly global rival, the People's Republic of China, they now have almost twice our U.S. investment that we have across the whole of sub-Saharan Africa. They are importing a hundred, I believe $104 billion in U.S. products, which is—in fact, all U.S.-Africa trade now is one-third of our trade deficit with the People's Republic of China.

The reason the PRC can do that and the reason Taiwan can do it is that we industrialized them, which allowed them to rise up the economic chain and to earn real money. It is like asking like a CEO of a Fortune 500 company now to buy stuff; whereas with Africa it is like treating the 18-year-old intern and asking them to buy stuff. It is not the same scale.

Where we went wrong and where AGOA is a misdirection—I mean, it should be continued, but it is a misdirection strategically—is that we applied the Asian model to sub-Saharan Africa without an Asian-style export economy. We said, okay, export stuff. But who was there to export? There was no export industry waiting to happen. AGOA, as I point out in my written testimony, it is very unclear whether there is an intention to help U.S. investors go over to start AGOA businesses, and in fact anecdotal evidence around town here, when you talk to people, they sometimes say, oh, U.S.

businesses can't benefit from AGOA. So it is very unclear even what our purpose is with that.

We basically said, okay, be South Korea. Oh, you are not South Korea? Oh, well. I mean, we did not take any step to turn them into South Korea. We just said be South Korea, and that was foolish.

Mr. RUSH. Are there any legislative remedies that you suggest in order to correct the non-industrialization policy that relates to Africa? Is there some specific, and how do you see an industrialization policy that emanates from the U.S. to Africa, how do you see that in terms of the forms, shapes, and mechanisms?

Mr. HANSEN. Thank you, Mr. Rush.

I know Mr. Lande wants to make a point on this, so I will be brief. In my written testimony, I suggest various wording changes to the bill to emphasize investment, which is actually to make it fully comport with the existing section 4 of the bill calling for investment, and in fact naming investment first.

As for legislative means, what has to be done is pressure, great pressure has to be put on the U.S. executive branch to conclude bilateral investment treaties and double tax treaties across the continent. Preferably they would be in a simplified form or in one multilateral form for all of Africa. That would be a way to do it. What absolutely has to happen is whatever gets U.S. private capital to Africa and in the hands of private people, not through a Byzantine aid industry, which basically ends up enriching folks in Arlington, Virginia. I am talking about getting money into the hands, into the pockets of every day Africans who are able to do their own business and make their own way and create their own economies and their own markets. That whatever gets that U.S. capital there to create businesses must be done. That will have the effect of creating not only profitable U.S. businesses that are involved in Africa but also markets for U.S. exports. You can't sell to a market that doesn't exist. We have to build that market. So I would like to—oh, I am sorry.

Mr. RUSH. If I might, just before Mr. Lande steps in here, I have one final question for you. I am intrigued by the, again, by the diaspora. Those who are Africans who are here, who are quite capable, who started small businesses, those who have been trained in the best Western colleges and universities, those who have a keen mind and keen abilities and character, that really, you know, want to see, be successful, not only here in America but also want to be successful in Africa, would love to be successful in Africa, how do you see engaging those individuals, that asset? And do you—how powerful an asset is it in your opinion?

Anybody, Dr. Freeman, Mr. Lande, Ms. Keating, anybody should respond to this.

Mr. HANSEN. Well, Mr. Rush, I would just very quickly say that the diaspora is an amazing asset and absolutely has to be used, but Dr. Freeman is a much better authority to speak on that.

Ms. FREEMAN. Actually, one thing I do want to say about the example of Taiwan's growth, not just our role in it, but also China and its growth is that policies and even institutions did not cause that growth. You know what caused that growth? Money. And where did that money come from? Their diaspora. The Chinese has the biggest diaspora in the entire universe, and they poured in more money—we talked about export processing zones, for instance. Well, they put in more money in Tianjin in one export processing zone in 1 year than all of the investment in Asia combined in that year. That means in one little zip code, okay?

So we were talking about learning, okay? The Indians and the Chinese have learned how to harness very strategically the remittances and the intellectual capital of their diaspora. So what we can do to help the African diaspora here is to learn from these examples, support these examples, and help to transport these examples and transplant them, both here among our diaspora and among the leadership there.

Mr. LANDE. Let me go back to your first question, which was right on the mark, Taiwan, and why did it succeed in Africa. Two reasons. One, it is something called the East African—the East Asian growth model where, and again, I don't want to go debating free trade and liberal trade, but the Japanese first, followed by the Koreans and the Taiwanese built up very protective barriers, was able to first produce for the domestic market, at the same time produce for export but keep U.S. products out. And we saw the loss of the U.S. television industry. We saw the loss of the U.S. footwear industry while these countries operate. Good or bad, I don't think now we can use an East African—East Asian development model for Africa.

Having said that, it is interesting to me—and there is no debate; that is what annoys me a little bit. The Africans have something they call localization, where they say we want to give some preferences for our own people to give them a chance to participate in the economy, and so on. So maybe we will have some local requirements. Well, as a free trader, teach at Johns Hopkins, that is bad, oh, no, no, you have to have the free market determine it. I would rather have a discussion, because everybody has protectionism. We had protectionism in the years 1900–1912, the McKinley and so on kind of tariff bills. So all I am saying is that there are models that Africa can follow.

Now, what can we do to help Africa, because, again, your question focuses exactly correctly. What can we do to get the establishment of supply chains that operate in Africa that is in our interest because that is the modern form of where you get your manufacturing. You become part of a manufacturing process. And that is where there is a whole group of ideas. The export processing zone was one that we mentioned. Let's get rid of U.S. aid limitations, that they can't help develop them along the way and so on.

Let us begin to, I don't know how to put it, I will be very blunt. Bangladesh has always been a problem in terms of exports to the U.S. of textiles. They have no respect for labor rights at all. That is why in these export processing zones that they have, unions aren't allowed to operate, and that is why there is all these complaints that show up about Bangladesh, the fire safety discussions we are having now.

Africa basically comes out of an English tradition, at least a lot of the exporters are English, where they have a lot of respect for labor rights. In fact, sometimes people say they don't want to go to Africa because labor is too strong. Others will say it is more productive that way.

But, again, if we would begin to play to Africa's strengths, and I don't care if Bangladesh doesn't have a preference; they are running around town saying Africa has a preference, we want to have a preference. Not my interest and so on. So I would say let's figure out what Africa's strengths are. Maybe they can't be as protectionist as East Africa, but at least accept this idea.

Let me just make one last quick point, and again to go back to the really good question that Ranking Member Bass asked and so on, and that is, the way that you should apply sanctions is the way that we have applied them in the Middle East and in North Africa during the recent problem. They should be targeted. You decide who are the bad guys and let's do it. If somebody grabs power, Assad, let's just punish his family; they can't travel, or we will bring different cases against them. And then let's try to take them collectively. It shouldn't be the U.S. alone anymore. It should be a whole group of people doing it along. And then the collateral damage should be let's agree that we are going to do nothing or at least do a study on the impact that is going to minimize Africa's possibility for industrialization. So if this is going to have an effect on industrialization, let's come up with a different tool. The idea of taking away from a country because a dictator is a horrible guy but of punishing people by taking away MCC programs, by taking away USAID economic development programs, by taking away AGOA preferences, taking away trade preferences, which is the only way available for them to develop, with all due respect, coming from New York, it is cockeyed, it just doesn't make sense, and that is what we do sometimes.

Mr. SMITH. Thank you, Mr. Rush.

Let me just ask one final question, and perhaps Ms. Bass might want to say something as well.

Mr. Hansen, you earlier mentioned in passing at least that when it came to China and human rights and trade and the like that, and you are right, there was a lack of concern about workers' rights, whether it be the Clinton administration, the Bush administration or the Obama administration, there are no linkages to Most Favored Nation status or now PNTR with China. There should have been, and unfortunately, that was squandered on May 26, 1994, when Bill Clinton shredded his own Executive order that had laid out very fine, and I think very important, benchmarks on the achievement of human rights. "Significant progress" was the language he used in his Executive order, and then he just tore it all up, which said to the Chinese Government all these clowns think about is profits. And I love profits, but profits, human rights, trade, and the non-exploitation of workers ought to go hand in hand.

So I would raise a question because, again, Dr. Freeman, you said all firms entering the African market now have to compete with China. Had we stuck to our guns about reforming China, the good model that they might be projecting to the world would have at least been more favorable toward human rights and intellectual property rights and the like.

Thank you for your very specific recommendation of how we can improve the bill. I think, you know, as we go to markup, that will be extraordinarily helpful. But how do we deal with the exploitation of Chinese workers? I filed with the AFL–CIO some years back, and it still went nowhere, an unfair trading practice complaint because of the exploitation of their workforce, 10 to 50 cents per hour in China. I mean, no OSHA regulations, an increasing problem with arrearages, with not even paying their workers. There is just one problem compounding after another, which makes it hard for the U.S. manufacturers, small, medium, or large, to compete with that kind of cost. The cost of the product is reduced substantially. As I think you kind of referenced, or at least hinted at, Ms. Keating, the intellectual property issue is very real, and we had a hearing in this committee, and I chaired it, on that problem in China, once a company markets its product and starts to get a foothold in a market, in comes the Chinese Government, and its friends in business, and they produce that same product. They rip off the intellectual property rights, and we had Luster Products here. They talked about this in Nigeria. They held up their product and they held up the Chinese fake, and they said, you tell the difference because they have been ripped off, and I am wondering how we protect against that. You know, so if you could speak to those issues, if you would like, I would appreciate it.

I do have some other questions, but because it is late, I won't get to those, but please.

Ms. KEATING. In terms of the intellectual property rights, the biggest issue that we have is just that, and it is even more difficult, not even a physical product, in software and things that we are developing. So if we develop a mobile money application, it is very quick and very easy for them to duplicate it very easily.

How do we defend against that? Really that is the biggest issue that we have, which is that there are no relations between the U.S. Government and the African governments in any kind of trade practices that would allow them to enforce it or allow the U.S. Government to assist them in enforcing those things because there is nothing to enforce. So we are just in the open. We are—and that is the problem with bringing any intellectual property from the United States into Africa almost everywhere outside of South Africa.

And that is a huge issue that unless you have these things, you have the trade agreements that are going between the different countries or Africa as a whole that they sign on to, and in that signing, they agree to protect our intellectual property, we are not going to get there, and so that is just a major hindrance. And so we need those kinds of things in order to even go forward, and that is what America has to sell in many ways and what our advantage is. So I will leave it at that.

Ms. FREEMAN. I will just say quickly when I was a little girl hiding under the chairs when we used to have those drills when we were afraid of the Russians, well, if we remember what we were afraid of, that the Soviet Union might take charge, and they would what? Well, what in fact has happened is, it wasn't the Soviet Union; it was China. And we weren't paying attention. We were hiding under the desk, you know, worrying about that eventuality, and so now we have arrived at this point in history and in this situation where, quite frankly, in my view, what you have asked, it is actually not solvable at this time, period.

Mr. LANDE. Very short and to the point. One, Africa is making progress on intellectual property rights. The Nigerians have one of the top intellectual property rights offices, and they have come to the States and they have visited with us. The Ghanaians have done a lot. There is a lot of work going on in Africa over the particular issues. It was our company that brought that famous textile example of the printed fabric, which you couldn't—they even copied the name of the company that did that and so on, et cetera. But it was an issue, you know, which is a Chinese issue. It was their product that was coming in, and so on. We could have done more.

But Africa, one, is aware of this and they are making steps. But what makes it very hard is the fact that the U.S. goes equally against all intellectual property rights violations. And that brings us up to some really tough issues where the populous are there. Textbooks, I am not in favor of anybody copying a textbook, but let me be very careful. If I have a choice between going after somebody maybe stealing my software and putting it in the government and somebody putting out a textbook that is spreading the word I want them to spread, I am not sure.

The most sensitive of all issues is pharmaceuticals, New Jersey a tough issue. But how the hell do you deal with that issue? The U.S. pharmaceutical companies correctly say, I put in millions of dollars, I developed these things, and then they rip them off in Africa, cheap medicine. And the next thing I know, this cheap medicine is now coming in to my developed country markets. The Africans say, "Excuse me, guys, we need this stuff. We can't afford it."

So, again, I would always come back to the same thing. The general rule doesn't apply. Yes, we should help the Africans develop better IPR standards and so on. The U.S., we should use a little intelligence and maybe not go after every single intellectual property right because somebody is yelling, but focus on those which are important to us but also on those which are "deleterious to the Africans." That would be my only little additional comment.

Mr. HANSEN. Thank you, Mr. Smith, for the question.

A bit of historical perspective is in order just simply to say that after the Revolution, the U.S. was decried by Great Britain for being a thief of intellectual property and having protected markets, and we seem to have done okay as a result.

Another thing, I think a certain humility has to be applied in the face of historical trends. Yes, there are horrendous abuses of labor in China, but what will ultimately correct that is not U.S. legislation or U.S. investment trends or whatever, except, you know, on the margins. What really is going to do it is the fact that China is developing. And now on the coast of China, wages are going through the roof, and their workers are going to become scarcer, more demanding, and have better rights. So, in a way, history unfortunately will—well, it will correct itself—but unfortunately, there is only so much that can be done.

I think that in terms of Africa, we should not be—we should not let concern for these inevitable tragedies prevent us from engaging with Africa because that is the greater tragedy. If we don't do anything with Africa, they will have no economy, and they will be poor and dying in huts with malaria in the countryside. If we industrialize, if we invest, yes, there will be factory collapses; yes, there will be corruption; yes, there will be all that, but it will develop. And it will progress to a higher stage inevitably if we keep going.

I would just simply point out, Upton Sinclair, you know, he wrote "The Jungle" about Chicago. Chicago was awful. I mean, there were like carcasses of pigs in the river and everything. It was a nightmare, but now look at Chicago today; it is a glory, because if you keep it going, eventually things will develop. That is the way it is. We need to engage and we need to develop with Africa, together with Africa. Thank you.

Ms. KEATING. I just want to add one point. One of the mitigating factors that we have is because we are in Africa, we are producing the software in Africa. Some of it is U.S.; some of it is African. Because we have African people also producing that, there is—the theft of it goes into, I hate to say it, the local networks, which is they aren't going to allow that to happen, they start to talk to their own people about this joint product that we have created. So, again, it goes back to that joint activity with Africa, and that is the only way we can mitigate at this point, and so that works for us.

And then what we would really appreciate is those trade agreements because what happens for us is if they want to try to bring stuff into the U.S. market, which they all do, they won't be able to if they are stealing intellectual property. But anyway, that is just a mitigating factor.

Mr. SMITH. Thank you.

Ms. Bass.

Ms. BASS. Well, I just want to also thank you. This was a great panel. I thought it was very helpful, all of your input in the discussion today, and I would just like to ask if—today we were talking about this specific piece of legislation. But you all know that AGOA is on the table as well, and perhaps you could give us in writing your recommendations, how this discussion today might be applicable to the discussion that we are having on AGOA would be very helpful. Thank you very much.

Mr. SMITH. Thank you.

Thank you very much for your testimony and insights, wisdom, and very, very fine recommendations. It has been a great panel. We deeply appreciate it, and again, I am sorry for the votes that pushed this back about 45 minutes. The hearing is adjourned.

[Whereupon, at 5:03 p.m., the subcommittee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations
Christopher H. Smith (R-NJ), Chairman

May 3, 2013

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at www.foreignaffairs.house.gov):

DATE: Tuesday, May 7, 2013

TIME: 2:00 p.m.

SUBJECT: Increasing American Jobs through Greater Exports to Africa

WITNESSES: Mr. Stephen Lande
President
Manchester Trade

Mr. Peter C. Hansen
Principal Counsel
Law Offices of Peter C. Hansen, LLC

Sharon T. Freeman, Ph.D.
President and Chief Executive Officer
All American Small Business Exporters Association

Ms. Barbara Keating
President and Founder
Computer Frontiers

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *Africa, Global Health, Global Human Rights, and International Organizations* HEARING

Day *Tuesday* **Date** *May 7, 2013* **Room** *2172 Rayburn HOB*

Starting Time *2:00 p.m.* **Ending Time** *5:03 p.m.*

Recesses *1* (*2:18* to *3:00*) (___to___) (___to___) (___to___) (___to___) (___to___)

Presiding Member(s)

Rep. Chris Smith

Check all of the following that apply:

Open Session ☑
Executive (closed) Session ☐
Televised ☑

Electronically Recorded (taped) ☑
Stenographic Record ☑

TITLE OF HEARING:

Increasing American Jobs through Greater Exports to Africa

SUBCOMMITTEE MEMBERS PRESENT:

Rep. Karen Bass, Rep. Tom Marino, Rep. David Cicilline, Rep. Ami Bera, Rep. Randy Weber, Rep. Steve Stockman

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

*Rep. Bobby Rush**

HEARING WITNESSES: Same as meeting notice attached? Yes ☑ **No** ☐
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

TIME SCHEDULED TO RECONVENE ________
or
TIME ADJOURNED *5:03 p.m.*

Subcommittee Staff Director