June 24, 2009

Congressman Rush, Congressman Payne, Congressman Barton, Congressman Royce and Distinguished Members of Congress,

I am honored to have been asked to appear before you to address the challenge and subject of these hearings: "US-Africa Trade Relations: Creating a Platform for Economic Growth". I believe that this should be one of the highest international policy priorities of the United States of America. For this reason, our own organization, the Corporate Council on Africa (CCA) has been addressing this issue for some time. We recently produced a document entitled "The United States and Africa: Policy Recommendations from the American Private Sector for the Obama Administration". The 56-page set of policy recommendations in nine different sectors is included with this testimony. (Attached) More than 100 US companies actively engaging in Africa worked more than three months in preparing the recommendations found in the document. The recommendations are truly those of the US business sector engaged in Africa, and as such should represent an important contribution to the policy debate which this Congressional Committee is addressing.

First, however, please allow me to provide some background of the Corporate Council on Africa (referred to as CCA) for the context of this testimony. CCA is a business membership organization of approximately 180 companies and media partnerships. Its membership also includes a few non-profit organizations such as Africare. Its members represent approximately eighty-five percent of all US private sector investment in Africa. Although about one-third of our companies are Fortune 500 companies, and are well-known in the public, the remaining two-thirds of our members are medium and small-sized companies. By small-sized companies we use the Small Business Administration standards of $6million gross revenue a year or less. Our members represent nineteen identifiable sectors of the American private sector. Therefore, both the organization and its members, as well as the American economy, have a considerable stake in Africa.

Although CCA is often referred to as a trade organization, we are not a normal trade organization, in that we do very little lobbying, and are a 501(c)-3 not-for-profit organization. Most trade organizations are dedicated to lobbying, and, as such, are 501(c)-6 organizations. We have a number of programs that are focused on both African development as well as increasing US investment in Africa. Our principal mission is to increase US investment in and trade with Africa. I believe we are the only such organization dedicated solely to this purpose with all the nations of Africa. We believe that we will not be able to increase US economic engagement with Africa to the level it needs to be unless we simultaneously address the issue of African development. Said simply, Africa cannot buy US products if they cannot sell their own products to us and the world. Therefore, if we want to be economically successful, we must also see that the economies of Africa are equally successful.

Within our staffing alignment, we have designed our staff structure to address what we believe are the most critical sectors essential to meeting the mission of the organization. Those sectors are infrastructure development, agribusiness, health, energy/power and financing. We have selected these fields as they are sectors in which US companies can make a difference in Africa, and with a supportive US Government policy, can compete with anyone in the world for market share. We are also addressing the issue of financing, as we view the availability of financing for US companies to do business in Africa as woefully inadequate. There must be a major policy shift in how financing is made available to US companies seeking to do business in Africa if the US is to remain a major player and partner in Africa.

Over the past ten years there have been primarily two new legislative acts germane to trade policy with Africa. They are the Africa Growth and Opportunity Act or AGOA, and its subsequent adjustments, and the Millennium Challenge Act. These have been the pillars of our economic policy towards Africa. I believe both deserve high praise for their initiative, and MCC deserves praise for its innovation. CCA has been in the forefront of support for both. Although the organization was not actively in support of AGOA until I became President of CCA, we played a pivotal role in its passage and have been integral to every US-Africa AGOA Private Sector Forum since the passage of AGOA. In fact, we are the US private sector coordinator for the upcoming US-Africa Forum in Nairobi in early August 2009. The section on trade policy in our Policy Recommendations to the Obama Administration focuses heavily on AGOA.

Likewise, I believe that the leadership of the Millennium Challenge Corporation would tell you that CCA is among its strongest boosters and partners in America. Again, I think the Millennium Challenge Act was one of the most creative foreign policy innovations over the past several decades.

Nevertheless, having said that I doubt that there is a person in this room familiar with both AGOA and MCC who feels that the acts and subsequent follow-up legislation have met the expectations that abounded at the time of their passages. I believe this very hearing is being held for this reason. We need to be doing something more or something differently if we are to continue to be a key player in the economic development of Africa.

I do not believe that the legislation in AGOA and the MCA is faulty, per se. They are both excellent pieces of legislation and being directed by highly dedicated and capable staff in the various Government offices that are daily involved with their implementation. I do believe, however, we need fresh thinking as we look to the future, and hope that the new appointees to this Administration will bring new ways of thinking about AGOA and MCC.

A few countries, such as South Africa, Lesotho, Kenya and Madagascar have significantly benefitted from AGOA. Many other countries in Africa have not. That is easily documented. For AGOA to be successful requires that the countries of Africa have sufficient infrastructure, including adequate roads, ports, rail lines, telecommunication, and adequate storage facilities, especially in the agribusiness sector, where the majority of Africans are employed, albeit often on subsistence levels in many places. There also needs to be massive training or capacity building of the workforce. Present legislation provides for neither. In short, while I believe that AGOA needs to be extended by at least ten years, unless we can address the inherent problems blocking African development, the benefits of AGOA will continue to be limited primarily to those countries with adequate infrastructure and a trained workforce. In other words, we need to move beyond AGOA if we are to sufficiently address the development of Africa. AGOA needs to be seen as an investment tool for Americans as much as it is a development tool for Africans. AGOA needs to be seen as one of several tools in the arsenal of African development.

We believe that we need new thinking and new approaches to our policy towards Africa. We need to no longer work for Africa, but work *with* Africa in partnership if we are to not only support African development but also help the American economy. We are very much in agreement with President Obama in that America cannot "go it alone" in international relations. No one country can solve all the challenges of the world.

We also need to cease looking at Africa in a traditional missionary way, that is looking to Africans as supplicants, and begin to look to Africa as legitimate partners in the decision-making processes that affect our relationships.

In addition to our policy recommendations to the Obama Administration contained within this written testimony, there are some other significant ways to work with Africa in its development while at the same time providing more job opportunities for the American worker. Here are a few of the principal ways that I believe can work for Africa and the United States economies.

(1) Look at development as a regional process and not on a country-only basis. The reality of Africa is that they are becoming more regionally linked. Major infrastructure projects do not stop at borders but are regional in nature. If infrastructure is to work in Africa that infrastructure must be compatible regionally and eventually continent-wide. Work more directly with the regional economic communities to strengthen them as partners and decision makers in the development process. It is quite possible that by working through regional structures, we might avoid the traditionally burgeoning bureaucracies of individual nations, and reduce the level of corruption as well.

(2) Use US companies in the development process, from planning to implementation. The US has some of the best infrastructure and agribusiness processes in the world, yet we are not using this expertise sufficiently in the development of infrastructure and agribusiness in Africa. It can be argued that the Marshall Plan succeeded for Europe because the public and private sectors of America worked together to develop post-War Western Europe. We believe that it takes a new public-private partnership to develop plans that support African development as well as helps to bring back the US economy from its current position.

(3) Review and reorganize key financial institutions essential to the African development and American investment in Africa. The financing provided by the Export-Import Bank of the United States for American companies wishing to invest in Africa is far too risk-

averse to effectively compete with increasing investment from other nations such as China. For instance, in 2007, the China's Ex-Im Bank guaranteed loans of $13 Billion to Chinese companies investing in Africa compared to approximately $440 Million by the US Ex-Im Bank. When you take away the five largest loans provided by Ex-Im, the amount is closer to $100 Million. US companies will find it difficult to compete with anyone under such circumstances.

The Export-Import Bank of the United States is to be praised for its innovative $1 billion Special Delegated Authority Guarantee Facility for Nigeria and now Angola. It needs to be just as innovative for the American business sector wishing to invest in Africa.

The Overseas Private Investment Corporation (OPIC) also merits considerable praise as a very Significant mechanism for US private sector investment in Africa. We recommend that OPIC be Strengthened as its efforts do provide jobs for Americans engaged in public-private partnership Projects.

Congress also needs to review how the US private banking sector can help American companies wishing to invest in Africa. At present, it is difficult, at best, for any US company to secure financing for work in Africa. However, at the same time, the largest bank in Africa, Standard Bank (20 percent Chinese owned) is moving into the American market to help finance American companies wishing to do business in Africa. United Bank of Africa, out of Nigeria, is also doing the same thing.
We praise both banks, which are CCA members, for their understanding of the potential market in America, and hope that Congress will find ways to encourage US banks to do the same.

(4) Recognize the potential value of AFRICOM to the economic security of Africa. For instance, Africa's fishing reserves are being plundered by the fishing fleets of Europe and Asia. The drug trade is rampant in West Africa, due to lack of policing, poor security and training. We need to engage regional and national entities to provide training and equipment. There continues to be difficulties in the region that provides a growing percentage of US oil needs. AFRICOM can provide a bridge to Africa's security as Africa's own security forces are developed and trained.

(5) Coordinate our approach to Africa with our allies and potential allies. CCA is bringing together the business associations in Europe, Canada and Japan that are dedicated to Africa to discuss stronger partnerships and cooperation at the private sector level. Governments should also be doing this.
We need to seek ways to partner more creatively with others around the world.

(6) View AGOA as an investment tool for America and not simply as a development tool for Africa. China has used AGOA for this purpose in selling textiles to America, as has Germany in selling cars manufactured in South Africa to America. Very few American companies have benefitted from AGOA as have countries such as China, Malaysia, India

and Germany. By encouraging American companies to invest in Africa, we are gaining for the American economy access to Africa's regional markets at lower tariffs and can develop products to be shipped to the American market. Furthermore, by investing broadly in African markets we are insuring longer term mutually supportive partnerships with the countries of Africa.

(7) Because Congress is currently addressing the issue of trade preferences globally as well as for Africa, I would be remiss in not stating that I think it is very important to protect the gains made for Africa under AGOA. As noted earlier, AGOA legislation should be extended for at least ten years beyond 2015, and as egalitarian as it may sound, we would caution against extending preferences to all LDC countries. Many countries, such as Bangladesh and Cambodia already have advantages, and preferences extended uniformly will undercut Africa's ability to manufacture textiles and apparel, an important core of AGOA thus far.

In any consideration of trade preferences, Congress would be wise to examine the impact of the European Union's Economic Partnership Agreements with African nations. Unlike AGOA, these agreements are reciprocal trade agreements which open up African markets to EU exports at preferential terms to the detriment of US exporters and those in more developed African economies such as South Africa and Nigeria. The EPAs will also certainly weaken the development of the regional economic communities in Africa. The EPAs threaten to break down cooperation on Africa between Europe and the United States, as well as set back the move towards greater economic cooperation among Africans themselves.

Finally, allow me to express a concern over the issues related to climate change that threaten to set back economic advances of the last decade. Africa may be facing significant environmental threats to its food and water supply. Those issues need to be addressed and planned for now. It is my understanding that the Obama Administration is planning to do so. Again, I would encourage the Administration to insure that this is a public-private effort. We have an opportunity to move beyond traditional methods of energy supply in Africa, and shift towards renewable energy, such as solar energy. We should shift some of our investment into these fields.

If the predictions related to climate change are even somewhat accurate, Africa will also face serious food shortages in the near future. We need to work with Africa now to plan for its food security so we do not react to food shortages but that we avoid them altogether. The United States has the agribusiness resources to make a difference in Africa's food security. We need to find avenues for investment from the US agribusiness sector that provides greater economic opportunity, as well as food security for Africans throughout the continent. Nearly every country on the continent is capable of feeding itself. To do so will require significant investment and partnership between Africa and the United States.

I would recommend that the Obama Administration form a task force or task forces from both the public and private sectors to address the issues of trade policy, investment and food security. I believe we will have none of these unless we all work together in their solutions.

Thank you.

Stephen Hayes
President & CEO
The Corporate Council on Africa

202-835-1115
shayes@africacncl.org