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Testimony

Of

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"U.S. Policy Towards Africa: An Initial Assessment"

Chairman Payne, Ranking Member Smith, and distinguished members of the Committee, thank you for inviting me to testify at this important hearing on U.S. policy toward Africa. My remarks reflect more than 35 years of experience working on the continent including having served as Deputy Assistant Secretary of State for African Affairs in the Clinton Administration, having co-chaired the Africa Experts Group on the Obama Campaign, having worked on key African issues on the Presidential Transition Team and for nearly a decade having led a consulting group that works with American companies and NGOs active on the continent.

I also have the privilege of serving on the Trade Advisory Committee on Africa in the Office of the U.S. Trade Representative and the Sub-Saharan African Advisory Committee at the U.S. Export-Import Bank.

The Broad Trend

The most important issue on the African continent is the relative poverty of the 1 billion people who live there. It is critical to realize that while conditions in many of the 53 nations are simply unacceptable, vital progress is being made.

One of the most important trends is the slowing of the rate at which people are falling into absolute poverty in Sub-Saharan Africa.

From 1980 until 2000, an average of 10 million people annually fell below the poverty line, according to the World Bank. Between 2000 and the onset of the global economic recession in 2008, there was a virtual plateau in the number of people entering poverty in Africa.

In fact, there were 1.2 million fewer people living in poverty in 2005 than there were in 2002 which suggests that Africa is poised to enter a new era of growth, productivity and opportunity. This is especially true if the global economy continues its recovery and Africa achieves its projected growth rates of 4.5 percent or more this year.

This progress is explained by several factors. One is the commodity "super-cycle," during which prices for African oil, minerals and other commodities reach unprecedented levels. While these prices, along with the region's growth rate, collapsed during the global recession, they contributed significantly to economic growth on the continent in the first part of the 21st century.

More important than these prices, however, are the broad trends of economic and political reform that have become the norm, by and large, across the continent since the end of the Cold War. Accountability and transparency have increased dramatically, elections are the norm, critical conflicts have ended and fiscal and monetary policy making have fostered market-based growth.

At the same time, most countries on the continent are starting from a low base, some countries have done better at carrying out reforms than others and conflicts persist in critical areas. There is a need to accelerate and broaden economic growth on the continent as well as to strengthen democracy, transparency and accountability and the institutions and programs that underpin good governance.

It is against this backdrop that I applaud the Obama Administration's early engagement with Africa. President Obama's visit to Ghana underscored the importance of strengthening institutions on the continent and Secretary Clinton's comprehensive seven nation visit laid out a broad U.S. agenda as it concerns economic development, conflict resolution and mitigation and trade and investment, among other issues.

Mr. Chairman, it is against this background that I would like to share several thoughts on how the Administration, U.S. companies and civil society might build on these important trends.

The African Growth and Opportunity Act

AGOA continues to be the essential framework for U.S.-African economic and commercial relations. Nevertheless, in the ten years since it was passed into law, its promise as a stimulus to the creation of light-industrial manufacturing and job creation remains to be fulfilled. For example, according to the Commerce Department, AGOA textiles and apparel imports declined by 10.4 percent between 2008 and 2009, while AGOA agricultural products declined by

7.9 percent during this same time frame. The good news is that U.S. exports increased by nearly 30 percent to $18.5 billion, driven by the growth in several sectors.

I would like to make a suggestion that would help to revitalize AGOA, strengthen the position of the U.S. and American business on the continent and help to accelerate Africa's integration into the global economy. The proposal would be for Congress to provide an exemption from US taxation for bona fide foreign direct investment income earned by a registered subsidiary or branch of a U.S. company, outside of the extractive sectors, doing manufacturing or service business in any AGOA-eligible country.

Not only would this be a stimulus for American investment in Africa by lowering the risk and increasing the rate of return but it would also contribute to growth in the U.S. economy by encouraging companies to repatriate capital to the U.S. Moreover, the cost to the U.S. would be very small. It is estimated that for every dollar deferred under this arrangement there would be an additional $5 dollars of African income produced.

Mr. Chairman, it is also important to highlight the Economic Partnership Agreements that the EU is promoting in Africa. I share the concern of colleagues that these EPAs will discriminate against US exports, divert African trade from more efficient and less costly suppliers, impede regional integration and lead to significant tariff loss. I would urge Ambassador Kirk and his colleagues at USTR to engage our partners in the EU and in Africa to ensure that the terms of trade are not aligning against African and U.S. interests.

Bi-National Commissions

The Administration is to be congratulated for its efforts to create bi-national commissions with Nigeria, South Africa and Angola. If structured correctly, these commissions can make a genuine contribution to the deepening of relations and enhancing specific objectives.

In each commission, however, I would urge that there be a finance working group to consist of representatives from Exim, OPIC, TDA, the U.S. private sector and appropriate individuals from the host nations. Not only does this increase the "deliverable" that we can offer our African hosts but it provides invaluable support to American companies seeking to enter or expand in Africa's most significant markets.

In the same vein, I value my participation on the Trade Advisory Committee on Africa at USTR. The TACA includes a diverse and very experienced group of individuals, largely from the private sector, who have tremendous experience in Africa. As USTR develops an increasing number of Trade and Investment Framework Agreements in Africa, I believe that there would be great benefit in encouraging host government to establish private sector advisory groups in the same way that TACA advises USTR. In order to enhance Africa's investment environment, we need to ensure that the policy discussion on trade and investment takes place in the most informed context as possible.

Regional Integration

Regional trade is critical to Africa's economic development. Unfortunately the ratio of Africa's regional trade to its global trade is far below any other region of the world. Nevertheless, regional integration is at the forefront of Africa's development agenda and it should have more priority on our own agenda for the region. Given the need for sovereign guarantees, it is difficult for entities like the Millennium Challenge Corporation and the World Bank to develop projects that address regional infrastructure and market issues.

Nevertheless, we could structure a low cost mechanism that would position the U.S. to understand how we could contribute more directly to regional integration and how we can work to make the regional markets of East, Southern, Central and West Africa more of a reality for all stakeholders, including U.S. business. I would recommend, therefore, that the Assistant Secretaries at State for Africa and Business, Economics and Agriculture and the Assistant Administrator for Africa at USAID meet on an annual basis with the heads of SADC, COMESA, IGAD, ECOWAS and CEMAC, facilitated by the Economic Commission for Africa at the AU and to include the African Development Bank. Not only would such a mechanism be helpful to USAID's Regional Programs but it would contribute more direction for U.S. support for regional economic integration and market development.

The Millennium Development Goals

Candidate Barack Obama was right to say during the campaign that his administration would make the Millennium Development Goals America's development goals. Not only do they represent a global consensus on development priorities but they serve as important benchmarks for social and economic progress. In fact, the MDGs represent a historic framework for focus and accountability.

The reality for Sub-Saharan Africa, however, is that many of the MDGs will not be met. For one, there is a financing gap. Although development assistance rose to record levels in 2008, donors are falling short by $35 billion per year on the 2005 pledge on annual aid flows made by the Group of Eight in Gleneagles, and by $20 billion a year on aid to Africa, according to the 2009 Report of the MDG Gap Task Force.

At the same time, in Sub-Saharan Africa, progress on achieving the MDGs has been decidedly mixed. For example, the region has made significant improvements in child health and in primary school enrollment over the past two decades. Between 1999 and 2004, Sub-Saharan Africa achieved one of the largest ever reductions in deaths from measles worldwide.

Nevertheless, poverty and hunger remain stubbornly high. The target for full and decent employment for all will remain unfulfilled. Given the global recession, the ILO estimates that 28 million additional workers in Sub-Saharan Africa live with their families on less than $1.25 per day.

The point here is not to review the MDGs. The question for the Obama Administration is how will it respond in 2015 to those countries who do not meet the MDGs. Of course, we cannot wait until 2015 for the answer; we need to begin planning for the inevitable now. It is vital that the State Department's Quadrennial Diplomacy and Development Review and the Strategic Development Review being drafted in the White House provide clear answers to this most important question.

Education

School enrollment in Africa is among the lowest in the world. Limited funds and a lack a lack of adequate teachers, exacerbated in some countries by the HIV/AIDS pandemic, and the lack of classrooms and learning materials adversely affect the educational environment throughout most of the continent. I applaud, therefore, the President's Africa Education Initiative which is a $600-million multi-year program that focuses on increasing access to quality basic education in 39 Sub-Saharan countries through scholarships, textbooks and teacher training programs. It is expected that 80 million children will benefit from this initiative.

Mr. Chairman, as important as the AEI is, it is not enough, and we can and should do more. A quality education is something that every parent, be they in the United States, Africa or elsewhere, wants for their child. Enhanced education at the primary, secondary and tertiary levels is vital to Africa's accelerated development.

For this reason, I support the African Higher Education Expansion and Improvement Act of 2009 that will provide Africa with long-term assistance to improve the capacity of its institutions of higher education thought partnerships with institutions of higher education in the U.S.

Through a project that I helped to initiate at the Leon H. Sullivan Foundation in conjunction with the Children's Radio Foundation in New York, we have utilized Audio Pen Pal technology to link students at Maitland High School in Cape Town with their counterparts at Phelps High School in Northwest Washington, D.C., to explore issues related to excellence in education, community violence and climate change. Working with the U.S. Embassy in South Africa, we will arrange for the students to "meet" each other through a two-hour digital video conference.

This low-cost, far-reaching format has great potential not only for linking classrooms and students in the U.S. and Africa to each other, but it can also be useful for linking teachers and mobilizing resources in the U.S. for education in Africa.

Public-Private Partnerships

Given the challenges facing many countries on the continent, there needs to be a concerted effort by the public and private sectors to work together to enhance mutual interests.

Over the last several years, I have been involved with the Africa-China-U.S. Trilateral Dialogue. This unique initiative is a collaboration of the Leon H. Sullivan Foundation, the Council on Foreign Relations, the Brenthurst Foundation in South Africa and the Chinese Academy of Social Sciences in Beijing. This collaboration was initiated in 2006 to explore how the U.S. and China can work in common effort in support of Africa's development objectives.

Last month in Liberia, we had the fourth meeting of the Trilateral Dialogue and it focused on corporate social responsibility and development. Participants included President Sirleaf, former President John Kufuor, the U.S. ambassadors to Liberia from the U.S. and China and representatives from Chevron, CocaCola, Marathon Oil, De Beers Botswana, Ltd., Fina Bank, the China-Africa Development Fund, the China Export-Import Bank and the China Henan International Cooperation Group (CHICO) which has infrastructure projects in 8 African countries.

All participants agreed that corporate social responsibility targets must be a clearly stated part of all contracts that governments negotiate. Moreover, it was apparent that companies contributing to health, education and job creation need to be part of the national dialogue on development goals, and that it is up to government to monitor compliance.

We feel that the Trilateral Dialogue has a great deal of potential to enhance U.S.-Chinese cooperation in Africa, and would encourage the Obama Administration and the Chinese Government, perhaps in conjunction with the African Union, to establish a similar mechanism at the official level.

Climate Change

Let me close by making a brief comment on one of the most important issues of our day, and one of the most important facing Africa, and that is climate change. During a recent visit to Africa, the IMF's Managing Director, Dominique Strauss-Kahn, announced that his organization was working on the development of a "Green Fund," with the capacity to raise $100 billion a year by 2020. Much of this financing would be in the form of grants or highly concessional loans drawing on budgetary transfers from developed countries, scaled-up carbon taxes and expanded carbon trading mechanisms.

There is no question that Africa has contributed the least to climate change and could easily be impacted the most negatively of any region in the world. Working with our partners globally, we have to ensure that this does not occur.

Mr. Chairman, I urge you and your colleagues to explore ideas such as the one being developed by the IMF in order to deliver not only resources but the technical assistance to ensure that Africa truly becomes the continent of vast opportunity for which it has such abundant and apparent potential. Thank you.