

Text of handout provided to delegates at the 2013 AGOA Forum in Addis Ababa.



**Remarks by United States Trade Representative
Michael Froman to the AGOA Forum in Addis Ababa, Ethiopia on “The
Future of U.S.-Africa Trade and Economic Cooperation”**

As Prepared For Delivery

“Good morning. Welcome ministers and ambassadors, legislators and Members of Congress, private sector and civil society leaders, ladies and gentlemen. It is my great honor to be back for the AGOA Forum. Last year in Washington, I had the opportunity to share with you President Obama’s new U.S. Strategy toward Sub-Saharan Africa.

President Obama’s Strategy for Sub-Saharan Africa

“The Presidential Policy Directive (PPD) that we announced then calls for increased trade and investment to form a key pillar of strengthened partnerships between the United States and Africa. The PPD reflects our conviction that to achieve sustainable development in Africa and around the world, we need trade, not just aid; investment, not just assistance.

“And over the past twelve months, we’ve taken concrete steps to put this strategy into practice. Last summer, I was fortunate enough to lead a delegation of senior officials from across the U.S. Government to Dar es Salaam, Nairobi, Abuja, and here in Addis. At each stop, we engaged with government, business, and community leaders to gather first-hand knowledge about trading conditions in Africa. We visited ports and power plants; we had discussions with small business owners and managers of major corporate subsidiaries. We heard about frustrations with red tape, roadblocks, and redundant border procedures. We saw how inadequate infrastructure and a lack of affordable, readily available energy resources are limiting the pace of Africa’s growth. And we came away from that trip with fresh new ideas about the kind of comprehensive, market-oriented solutions Africa needs to adopt to become the ‘*emerging emerging*’ markets that can join the engines of global growth in the coming years.

”Our strategy goes beyond traditional aid and assistance. We’re focused on mobilizing trade and investment.

“At the Camp David G-8 Summit last summer, President Obama announced the launch of the New Alliance for Food Security and Nutrition, which aims to achieve sustained and inclusive agricultural growth and raise 50 million people out of poverty over the next 10 years. The New Alliance has already mobilized more than \$4 billion in private sector investments and more than \$1 billion in NGO commitments to African agriculture in the member countries. These are not just philanthropic donations or expressions of corporate social responsibility, but hard-headed, for-profit, risk-adjusted, return-oriented investments. And the program is growing because investors see real promise in Africa. The New Alliance has expanded from three countries to nine with more, like Senegal, poised to join this year.

Trade Africa

“When President Obama returned to the continent in June, he underscored the centrality of trade and investment as the drivers of strengthened ties between us. In Tanzania, the President announced the launch of Trade Africa, a new partnership between the United States and Africa that seeks to increase internal and regional trade within Africa, and expand trade and economic ties between Africa, the United States, and other global markets. While the East African Community (EAC) will be a preliminary focus of this strategy, we will also seek to work with other regional economic communities in Africa, and ultimately to support your efforts to create a continent-wide, integrated free trade area.

Power Africa

“At the Ubongo power plant in Tanzania, President Obama announced the launch of Power Africa, a new initiative to help Africa leverage its vast resources to meet its energy needs and increase its global competitiveness. Right now, more than two-thirds of the population of sub-Saharan Africa is without reliable access to electricity and more than 85 percent of the rural population lacks access. And yet the region is also discovering vast reserves of oil and gas as well as a significant potential to develop clean geothermal, hydro, wind and solar energy. Through Power Africa, we will work with those African governments that are willing and ready to make the reforms in their energy and power sectors to attract private investment and to ensure that energy resources are responsibly developed and effectively deployed.

“And of course, these initiatives are vital complements to AGOA, which remains at the heart of our strategy for increasing U.S.-Africa trade and investment.

AGOA: Shared Successes, Lessons Learned

“Let me take a few minutes now to review where we are and where we have been with AGOA. Looking back, we can see that at a time when Africa’s rise was far less clear, AGOA predicted that Africa would have enormous economic potential, and that it would be in the United States’ national interest to help African countries use trade as an engine for Africa’s economic growth.

“Thirteen years later, reports by the African Development Bank, World Bank, and other prominent economic institutions highlight Africa’s substantial growth and rising position in the global economy. AGOA foresaw the strong economic growth that we currently see in Africa and the remarkable shift from Africa being seen mostly as a destination for development assistance to one where we can have a real conversation about achieving sustainable economic growth through private sector trade and investment.

“Without a doubt, AGOA has truly transformed the way the United States and Africa interact on trade and economic issues. Since 2001, U.S. total trade with sub-Saharan Africa (exports plus imports) have grown more than 250 percent from \$28.2 billion in 2001, the first full year of AGOA trade, to \$72.3 billion in 2012. AGOA imports (including GSP) to the United States have climbed to \$34.9 billion in 2012, more than four times the amount in 2001. U.S. exports to sub-Saharan Africa have more than tripled under AGOA from \$6.9 billion in 2001 to \$22.6 billion in 2012, as Africa’s growing middle class is increasingly able to buy high-quality products Made in America, and as African businesses have sought more and more U.S. inputs, expertise, and partnerships.

“To be sure, petroleum products still account for the largest portion of AGOA imports. However, we have also seen important steps toward product diversification and value-added trade under AGOA. Last year, non-oil AGOA trade totaled \$4.8 billion, more than triple the amount in 2001. Several non-oil sectors experienced sizable increases during this period, including vehicles and parts (\$2.0 billion in 2012 compared to \$289 million in 2001), apparel (\$815 million in 2012; \$359 million in 2001), and fruits and nuts (\$121 million in 2012; \$29.4 million in 2001).

“Behind the billions of dollars in exports generated by AGOA, are hundreds of thousands of new jobs that have helped African men and especially women to support their families in ways that once seemed impossible. Countless African workers whose jobs depend on AGOA are now able to purchase goods and services that were previously beyond their means. On the ground, in more and more countries, entrepreneurs are finding paths to prosperity – and stability for their families and communities – through exports.

“By providing new market opportunities for African exports, especially of non-traditional and value-added products, AGOA has helped African firms become more competitive both in the United States and internationally. Many African businesses that had never previously considered the U.S. market are attending trade shows and getting orders for everything from Ugandan organic cotton T-shirts to Mauritian seafood and Ghanaian cocoa powder.

“African leaders have recognized the meaningful difference that AGOA makes for households and businesses across the continent. We’ve seen positive developments at the country level. And this would not have happened without the commitment of many African leaders to improve governance, to mobilize

domestic resources behind improving their health and educational systems and to engage in the type of reforms that are necessary to create an enabling environment for private sector development.

“Forward-thinking African leaders are seeking new investors, especially American investors. They like the fact that when American companies invest, they hire, train and promote local staff, they invest in the communities and they’re focused not just on taking resources out of the continent, but investing in the human resources of the continent as well. And American investors are beginning to take up the challenge. They’re investing in Africa and they’re investing in Africans – \$39.5 billion in U.S. FDI in sub-Saharan Africa by the latest figures. In line with AGOA’s original vision, these rising trade and investment figures have translated into good jobs and higher incomes for *both* American *and* African workers, demonstrating that increased U.S. trade with Africa is having a tangible impact on *both* sides of the Atlantic.

AGOA’s Future

“This is all good news. But of course, we are not satisfied yet. ahead to AGOA’s future, we must define precisely where we are trying to go, as well as the best ways to get there. President Obama has made clear that we seek a ‘seamless’ renewal of AGOA before it expires in 2015, and we will work in partnership with stakeholders, in the U.S. and Africa, and especially with Congress, to achieve that objective.

“But renewal of AGOA is more than a matter of timing. It is also a matter of substance. Much has changed since 2000. In the global economy. In the pattern of trading relationships. In modes of production and the development of global value chains.

U.S. Trade Policy Responds to New Realities

“We’ve seen the rise of emerging economies, which led us to call at the Pittsburgh Summit for the institutionalization of the G-20 as the premier forum for international economic cooperation. We’ve seen deadlock in the Doha negotiations, which led us to forge a consensus to pursue “fresh and credible” approaches to reinvigorate the WTO, including negotiations on trade facilitation, services, and information technology trade. We’ve seen the emergence of the Asia-Pacific as one of the most dynamic regions of the world and launched the Trans-Pacific Partnership negotiations to raise the bar, introduce new disciplines – including in areas such as state-owned enterprises and the digital economy – to set the standards for ambitious 21st Century trade agreements.

“And looking to our broadest and deepest economic relationship, we launched the Transatlantic Trade and Investment Partnership negotiations, with an unprecedented focus on bridging the differences between the U.S. and European regulatory and standards regimes.

Laying the Foundation for AGOA 2.0

“We are doing things differently around the world, and Africa deserves the same thoughtful, innovative thinking we have given the rest of our trading partners. We need to lay the foundation for AGOA 2.0, informed by the lessons of the past thirteen years, reflecting the changes in the global trading system, and driven by the ideas of today and tomorrow. That process begins today. And it begins here.

Review the Record

“First, we should start with what we know about AGOA and our other policy successes. Let’s inventory where exports are growing and why. Let’s understand which non-commodity exports have the greatest potential, which are or can be part of dynamic global value chains. How can AGOA foster their growth? What can be done to increase and diversify AGOA utilization?

On the Africa side, does every AGOA-eligible country have a current, active AGOA export strategy? Right now, only 10-12 percent of sub-Saharan African trade is intraregional trade. Is each country implementing commitments within its regional economic community and working to realize the Tripartite and continental free trade vision led by the African Union? How can AGOA promote regional integration and hence, spur diversification?

On the U.S. side, can we better leverage technical assistance and “aid for trade” through initiatives like the Partnership for Growth, the Millennium Challenge Corporation compacts, Power Africa and Trade Africa, restructured regional trade hubs, and through greater coordination with Africa’s other bilateral partners and multilateral institutions? How can we use these tools to increase AGOA utilization and to address the issues beyond AGOA which damage Africa’s competitiveness?

Discuss Specifics

“Second, let’s get specific. We should drill down into the thousands of duty-free tariff lines under AGOA and ask if they are appropriate for eligible exporters. We will be frank about our sensitivities, and I’ll expect the same candor from you. But in that exchange, let’s ask which AGOA countries should qualify to export certain products and why? Should there be graduation, for sectors or for countries? How should we treat African export sectors that are globally competitive, versus those just starting out?

“We know that tariffs are only the beginning of the story. Between AGOA and GSP, virtually all exports from least-developed countries in sub-Saharan Africa are eligible to enter the U.S. market duty free, but there are a range of other factors that affect the ability of African firms and farms to provide goods in the quantity and the quality and at a price that makes Africa competitive. We will want to hear your thoughts on rules of origin, science-based regulatory

measures and other issues that affect exporters. We will want to talk about why the costs of getting goods to market are higher here than anywhere else in the world and what we can do, through trade facilitation, customs harmonization, infrastructure development and other measures to address that. And we should think through country eligibility criteria in the context of Africa's development, and better understand their role in fostering democracy, improved governance and lasting economic reform.

Learn from Trading Partners

“Third, let's look beyond the U.S.-Africa relationship and learn from other countries. What lessons can African countries take from development success stories and trade strategies in Asia and Latin America? What can we learn from your experience with new trade and investment partners, such as China and other emerging economies? What can we learn from your trade relationships with the European Union and its Member States, from the EU's preference programs, and from your ongoing negotiations of Economic Partnership Agreements? How do we think about AGOA in the context of two-way, reciprocal trade agreements? As we think about renewing AGOA, we certainly do not want U.S. firms to be put at a competitive disadvantage in the rapidly growing and dynamic African market.

Look Forward to Future Growth Together

“Fourth, let's look to the future. AGOA was never intended to be a permanent preference program, nor should it be. So let's ask how AGOA can be a better stepladder to Africa's further growth, development and global economic integration. As we learn more about global production and global value chains, where should Africa fit in the future? How can AGOA help promote greater value-added production in Africa? How can we work together to avoid bad policies and common pitfalls, like rigid localization requirements that serve as barriers to trade and hinder the development of competitive industries?

Build Bilateral Relationships and Strengthen Multilateral Priorities

“Finally, looking to the future, how do we capitalize on our bilateral relationship to strengthen multilateral priorities, such as concluding a trade facilitation agreement that will benefit developing countries even more than developed ones and that can help build momentum for further multilateral trade liberalization?

Launching a Consultative Process with Open Minds

“These are just some of the questions we should begin to discuss today, tomorrow, and in the months ahead. In Washington, USTR will lead a process to review AGOA and gain insight from all of AGOA's stakeholders. We will reach out to you – African government leaders, U.S. and African companies, experts in civil society, NGOs and academics. Ultimately, of course, this will be

an issue for the U.S. Congress to take up, and we look forward to working in partnership with them to determine the best way forward. At the end, it is very possible that we will conclude that AGOA should just be renewed as is, but we go into this process with an open mind and look forward to a robust and insightful review.

President Obama's Continuing Commitment to Africa

“Let me conclude by underscoring the Obama Administration’s commitment to Africa. This is my third trip to the continent in just over a year. And over the course of the next year or so, you can expect to see Secretary of Commerce Penny Pritzker, Secretary of Energy Ernie Moniz and Secretary of Treasury Jack Lew, among others, here, working to deepen our economic ties. As President Obama said in Johannesburg: You have “no better friend and partner than the United States of America.” And when the President convenes African leaders in Washington in 2014, I look forward to reporting back on our plans for AGOA renewal and, beyond that, a clear vision of the future of U.S.-African economic relations.

“This Forum and the launch of the AGOA review today are key steps in that process. Thank you for your engagement. Thank you for your commitment. Thank you for your partnership.”