

**Testimony before the U.S. International Trade Commission
African Growth and Opportunity Act-Trade and Investment Performance Overview**

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As prepared

Good morning. On behalf of the Coalition of Services Industries, I would like to thank the U.S. International Trade Commission for giving me the opportunity to speak about the importance of the African Growth and Opportunity Act, otherwise known as AGOA.

The Coalition of Services Industries (CSI) is the primary policy advocacy association that works on behalf of U.S. based global service industries. Our members include a vast array of companies that provide services domestically and internationally, including accounting, banking, computer-related services, energy, express delivery and logistics, insurance, media and entertainment, retail and wholesale services, technology services, and telecommunications. CSI works to obtain international rules and market access commitments and fair conditions of competition for service industries.

As an international services association, we support the expansion of trade and investment between the United States and countries participating in AGOA. AGOA provides the opportunity to bolster trade and investment rules for services, which supports economic success and job growth both in the United States and in Africa.

Introduction

The renewal of AGOA in 2015 is necessary in order to support existing trade between the United States and Africa and to expand trade and

investment opportunities for both parties. As we move forward, participants should reaffirm their commitment to bolster economic growth and promote the importance of international trade in services.

Since its inception in 2001, AGOA has benefited both U.S. and African businesses alike. U.S. total trade with Sub-Saharan Africa has increased by 250% in the last 13 years to a total of \$72 billion. While petroleum products still account for a large portion of trade, African exports of non-oil products have more than tripled since 2001. The past decade has seen the diversification of exports, especially the trade in services, including business and ICT services. Providing new economic opportunities for African services not only will help African firms to be more competitive in the global market, but also will provide job growth in African communities.

In the remaining time, I would like to outline some key issues to be raised at the AGOA Forum this year.

Issues

Increased interest in trade in services

In a recent World Bank sponsored event entitled "Trade in Services Africa", services were identified as the key to growth, development, and job creation in Africa, according to Guang Chen, World Bank Country Director for Ethiopia. Services are viewed not only as an important trade sector, but as a facilitator for continued success in manufacturing and agricultural exports in Africa.

The last twenty years have seen a dramatic advancement in technology, which has expanded international trade in services. The renewal of AGOA provides an opportunity to promote services trade and technology as critical tools to build African economic success.

Trade and investment in services, between the United States and AGOA countries in so-called "economic infrastructure services" such as

accounting, banking, insurance, information and communications technology (ICT) services, management, and express delivery and logistics, are necessary to support African businesses integration into the global supply chains that are the principal phenomena in international trade today.

While the U.S.-African trade relationship grows stronger, there is still great potential to increase the trade of services between the United States and Africa. In 2012 the United States exported over \$8 billion in private services to Africa. These services help African manufacturers and farmers to be more efficient and competitive.

CSI supports Ambassador Froman's statement at the 2013 AGOA Forum on the need to increase and diversify AGOA's trade through the dissemination of technology. The majority of businesses in today's environment depend upon digital tools, notably the internet, to manage their internal business, interact with vendors, and communicate with more customers than ever before. This digital revolution is particularly important for small businesses that never could have imagined serving overseas markets in the past.

The United States should encourage AGOA participants to enhance the African services sector for increased economic opportunities and to create the foundation for possible participation in the Trade in Services Agreement (TiSA), a plurilateral agreement which focuses on international trade and investment in services. The TiSA provides the opportunity to update and improve international trade rules in services, which increasingly depends on technology advancements and digital tools.

AGOA provides the platform to highlight trade in services and improve the services sector in both the United States and Africa. Establishing a sound framework of trade in services between the two parties would create the opportunity for future collaboration of international trade participation, including the potential for Sub-Sahara's involvement in the TiSA.

An important method for delivering certain services is through establishing a commercial presence in the foreign country, i.e. foreign direct investment. Bilateral Investment Treaties (BITs) contain the legal assurances necessary to attract services investments. AGOA countries should be encouraged to conclude and implement such agreements and to avoid investment restrictions such as equity caps and localization requirements.

Trade Facilitation

As AGOA moves forward, the ability to move goods and services efficiently and effectively becomes more and more important. As African countries become larger players in the global market, AGOA should include enhanced rules on trade facilitation. The recent conclusion of a trade facilitation agreement at the World Trade Organization provides a path for African countries to modernize their customs clearance procedures and institutions that are necessary to participate in global trade chains.

Trade facilitation is one of the most cost effective investments AGOA countries and international donors can make to improve economic competitiveness and to support African businesses trying to participate in the global supply chain. No matter how inexpensive or high quality products such as apparel are, the inability to get the products to foreign markets renders trade preferences irrelevant. The United States and the AGOA countries need to focus on ways to ensure efficient services infrastructure in each of the AGOA countries. The upcoming AGOA Forum should focus on implementing the WTO Trade Facilitation Agreement.

Transition to digital technology

As the African economy grows more competitive in the global market, the transition into a digital trade world affects all types of trade, including audio visual services. While the transition from analog to digital signals has resulted in a notable decline in some incidents of piracy in the region, cable piracy in AGOA-eligible countries is an ongoing concern.

Efforts are in place to legitimize local operators to limit engagement in piracy of popular channels. Widespread copyright piracy remains a very serious problem among all African countries. As a result, many copyright-based sectors and companies are still reluctant to invest in these smaller markets where piracy is, in effect, uncontrollable. AGOA-eligible countries should be encouraged to work with stakeholders and the US government to provide adequate and effective protection of intellectual property rights as a condition of participation in AGOA.

Conclusion

International trade in services is vital for expanding and diversifying the markets for AGOA participants and thereby creating new and better paying jobs. The United States should recommit to promote investment in technology and the development of regional services infrastructure in Africa in order to ensure more efficient and competitive African economies.

The renewal of AGOA creates the opportunity to implement policies and capacity building support to improve the services sectors of AGOA countries. CSI stands ready to work with AGOA economies to integrate services more fully and effectively in their development efforts.

Thank you for allowing me the time to speak today.