

**Remarks by Ambassador Rob Portman
United States Trade Representative
Corporate Council on Africa
Mayflower Hotel
Washington, DC
February 7, 2006**

As Delivered

Ambassador Portman: Frank, thanks very much and it's great to be here. Frank didn't mention that during my dozen years in the U.S. Congress, I had the opportunity to work on some trade issues and one was AGOA. And being a member of the Ways and Means Committee, I had the opportunity to strongly support AGOA, and now what a pleasure it is for me to be in a position to help implement it and to ensure that working with the private sector and working with my former colleagues, that we maximize the opportunities that we created through the AGOA legislation.

Frank did a great job of talking about the importance of CCA. If there wasn't a Corporate Council on Africa, we'd have to create one, Frank, because it plays an absolutely instrumental role in the successes that we all hope for with regard to our trading partners in Africa. I want to thank Steve Hayes and members of the Corporate Council here today for the work they do with us day in and day out, not just with AGOA, but on a bilateral basis and even on some multilateral issues to ensure that we are maximizing the trade and commercial ties with Africa.

The private sector plays a critical role. Frank mentioned the role that you played with regard to our AGOA Forums. The next AGOA Forum, as some of you know, is coming here. We hope that that will be in early fall here in Washington, DC. And again, we'll be calling on you to assist us as you have in the past because your role was absolutely critical at our meeting in Africa last July, I believe it was, and will be critical again this year in the United States.

Some of you know Florie already, but I want Florie Liser to stand up who is the Assistant U.S. Trade Representative for Africa. Give Florie a hand. No one is more committed in the U.S. government to ensuring that we maximize our trade and commercial ties with Africa than Florie. That's her job. And she works at it day in and day out and has a lot of great relationships with some of our African trade ministers, my colleagues, but also African heads of state and, of course, the ambassador corps here in Washington. And I rely on her to be sure that we keep those relationships strong and that we understand what the needs and concerns are from our partners.

What I'd like to do today is talk a little about the Administration's initiatives with regard to Africa, some of those of you are familiar with them, others of you may not be, and then focus of course particularly on trade. There's lots to talk about. As U.S. Trade Representative, of course, my focus is more on trade and I'm proud of the fact that trade is being used as an instrument of economic growth in Africa and a force for democracy and rule of law in Africa.

The development challenges Africa faces have received a lot of attention in the last few years. If you think about it, at the G-8 summit, many of you know that Africa was the subject of a lot of discussion. Global initiatives have also been focused on Africa, including of course public health initiatives, poverty alleviation, education.

In my view, I will just tell you I do not believe any U.S. President has been a more forceful and stronger advocate for Africa than George W. Bush. He has a passion for it. Under his administration, as you know, the United States has tripled aid to Africa and has committed now to doubling development assistance again by 2010. This is no small commitment given the budget pressures we face as we all see with the President's budget being announced yesterday. There's lots of competition for these funds.

President Bush has also launched what I think are historic initiatives including the Millennium Challenge Account, which Frank mentioned, and the Emergency Plan for HIV/AIDS Relief. I see CCA has their own HIV/AIDS program that I was just reading about. And of course President Bush has been a leader in trying to secure more international debt relief particularly for Africa. African nations have been the main beneficiaries of these initiatives.

As important as these specific initiatives are, the long-term solutions to the problems African countries face, we believe, are increasingly tied to their ability to become full participants in, and beneficiaries of, the global trading system. And again, my focus is on trade so perhaps I'm a little biased about that. But here too, the United States will continue to play a leading role.

Trade is not a zero-sum game. The wonderful thing about trade is that it can benefit both parties. The free and peaceful flow of commerce makes the pie bigger for Africa and the pie bigger for the United States. Now that's what AGOA was all about in my view - encouraging investment as well as encouraging trade.

Our work at USTR is all about that. It's about enhancing commerce by opening markets, removing barriers to two-way trade to create new opportunities for U.S. exporters and for investors, some of whom are in this room.

But it's not just about U.S. exporters, it's also about promoting the development of our trading partners, modernizing economies in Africa, alleviating poverty and promoting political stability and economic freedom. This is especially true in my view in Africa. Our goal is to help African countries use trade as a means to enable their citizens to enjoy more productive lives, to live in freedom and in peace. It's a model that's worked elsewhere around the world. It's worked in Europe, in Asia, in Latin America – and it's a model that can and does work in Africa.

African leaders themselves have identified trade as one of the key tools in their efforts to alleviate poverty and boost economic growth and development. Each of you probably have had this experience, but I remember when one of our partner heads of state was here several months ago visiting Washington and he took me aside to say, "You know, I appreciate the aid initiative," and I talked about the Millennium Challenge; in that case the opportunities that we had with that country. He said, "But what's most important to us is trade." And he said specifically that, "AGOA has done more us than all of the western economies pledges and even implementations of their pledges over the last couple decades." And so this is something that I think is increasingly being acknowledged on the continent itself. Many African leaders did raise this

issue at the recent WTO ministerial meeting in Hong Kong. We talked about the importance of trade.

According to the Blair Commission on Africa, Africa's current share of world trade is about two percent. Two percent. If Africa were to increase that by just one percentage point – from two percent to three percent of world trade – it would generate additional export revenues of \$70 billion a year. Now, that's nearly three times the amount of annual assistance that sub-Saharan Africa receives from donors globally. Now, we can argue about where that money actually ends up and how it's distributed and so on, but think about that. The fact that by increasing the global share of trade by one percent you are providing more than three times the amount that comes from all the annual assistance from all donors globally.

Simply put, international trade can be a powerful engine for economic growth and poverty reduction in Africa, and we need to do all we can to help African countries to participate more effectively in the global trading system.

Here's what we're doing in the Administration to accomplish this.

First, under AGOA, which Congress passed by a solid bipartisan vote I'll have you know as compared to some of our trade agreements – it was passed relatively easily – but through that we've opened our market to virtually all products from the 37 AGOA-eligible African countries.

It's had a significant impact on our trade relationship with Africa. Imports have more than doubled since 2000. Yes, some of this increase is related to oil, but non-oil imports – including AGOA products such as apparel, transportation equipment, processed agricultural goods – have also increased substantially – from \$1.4 billion in 2001 to \$3.5 billion in 2004. Again, more than a doubling during that time period. We don't have 2005 numbers in yet. But when we have them, we're hoping that these net numbers will be even higher. Part of that is because of oil revenues frankly. But, part of it is because of these other areas I talked about including transportation equipment, processed ag goods, and apparel and so on. As awareness of Africa as a potential source of imports has risen, so too has the awareness of as a potential for exports. Since it's gone into effect, U.S. exports to sub-Saharan Africa have also increased – increased by about 75 percent since the initiation of AGOA.

And - notwithstanding the growth in trade that has occurred since AGOA – there is huge potential for greater growth. A lot of AGOA countries have yet to make effective use of the AGOA provisions. Key challenges here include infrastructure in many African countries, as you all well know, dependence on a single commodity for export earnings, which calls for more diversification, and African governments not adopting the key policies and institutions needed to invigorate a more export-led growth in their countries.

We are working to address these challenges through trade capacity building, which I'll touch on in a moment, and related efforts to promote diversification of exports. For example, as part of the AGOA Acceleration Act of 2004, the President presented a major report to Congress that identifies sectors with the greatest export potential in each of the 37 AGOA-eligible countries. It also identifies domestic and international barriers and makes recommendations for technical assistance to reduce those barriers. African Trade Ministers have told me and perhaps told you

that this study can be a very helpful part of their strategic planning as to how to better take advantage of AGOA.

Another important element in our trade approach to Africa is our ongoing efforts to deepen and broaden our bilateral trade relationships – beyond trade preferences which frankly, I believe, will become less and less valuable. Trade preferences will become less and less valuable as the global economy becomes more liberalized. As tariffs are reduced globally, we can rely, I think less and less on trade preferences.

We need continue to work on this. We are now working with the five countries of the Southern African Customs Union – Botswana, Lesotho, Namibia, South Africa and Swaziland – to establish a deeper economic partnership. We'll be broadening our efforts to discuss potential areas of cooperation with other key trading African partners – those who have demonstrated a commitment to undertaking the economic and political reforms needed to support a trade-led growth program.

We're also working to support greater regional economic integration in Africa. As many of you know, African countries trade less with each other than other region of the world. Part of the reason is the patchwork of often confusing customs procedures, regulations and the lack of good transport links between African countries. I'm sure each of you have your anecdote. I remember Trade Minister Kituyi of Kenya coming to me and saying that it often takes longer and costs more to transport Tanzanian cotton to mills in neighboring Kenya than it does to get that same cotton from Asia as an example.

In terms of a general figure, 72 percent of the tariffs paid by developing countries, they are paid to other developing countries. So barriers are high in terms of tariffs and sometimes non-tariff barriers.

This greater economic integration will help to increase regional trade while at the same time creating larger markets and increasing economies of scale and competitiveness. So, this is one of our goals.

To help accomplish this, we're working closely with regional organizations such as the Common Market for Eastern and Southern Africa (COMESA) and the West African Economic and Monetary Union (WAEMU) – through our TIFAs, which was mentioned a moment ago such as the one with Mozambique. The whole notion here is to reduce tariffs, improve customs procedures, harmonize standards, address transportation bottlenecks, and better coordinate policies on financial services, investments and telecommunications.

As important as these efforts are, the AGOA, the bilateral work and the regional work, I believe that the success of the World Trade Organization's Doha Development Agenda, our current round of trade talks, is perhaps the most central to Africa's future.

Now, why do I say that? Well, because I believe that this offers a once in a generation opportunity to lift literally tens of millions of people out of poverty through trade.

No other region in the world, I think, has more to gain from a successful Doha outcome, or, by the way has the most to lose should Doha fall apart. An ambitious outcome could give African

countries the improved access to markets and greater competitiveness that they need to boost their economies and to decrease poverty.

Consistent with President Bush's guidance and in response to calls for U.S. leadership in the WTO which you know, the United States has put forward bold and detailed proposals on the table. We did so last October. It includes an agricultural proposal that calls for major reforms in global farm trade – extremely important to Africa where more than 50 percent of employment is related to agriculture and where more than 25 percent of the GDP is in agriculture. We are willing to undertake these difficult reforms including sharp reductions in U.S. subsidies and trade-distorting domestic supports, but it's only fair that others join us in this and that's what we're asking for. In fact, we can only win the political support necessary to implement our proposed reforms if others match our ambition by being willing to cut their own subsidies in other developed economies, and reduce tariff barriers which are higher in other countries than they are as you know in the United States.

I think no area of the negotiations holds greater promise for Africa than the agriculture area. I talked a moment ago about the importance of agriculture in Africa. I'm going to give you a couple of interesting statistics. 63 percent of the income gains by developing countries from the Doha round, if you assume complete liberalization, will come from agriculture. 63 percent of the gain will come from agriculture – small part of world trade, but extremely important to the developing countries in Africa.

Another statistic: 93 percent of those gains from the agricultural trade liberalization will come from market access. In other words, lowering tariffs, and not just tariffs into the developed country markets. Not just tariffs into the EU or Japan or Korea, but also access into other developing country markets – trading with neighbors. In fact, if you look at the World Bank analysis, just over half the benefit will actually come from south to south trade in agriculture as compared to south to north trade. So, the Doha round holds tremendous potential for Africa in terms of market access, in terms of reducing trade-distorting domestic support and it can only happen through a successful Doha round coming together. African exports, particularly farm exports, is where many African countries have a comparative advantage and they have a lot to gain if we can bring the Doha round together.

We are consulting closely with our African partners on all aspects of the Doha round. In fact, I spent a lot of time working with my colleagues from Africa in Hong Kong at the ministerial meeting. I met with the African delegations more than any other delegation. And they've been great partners frankly and allies of the United States in trying to move forward with an aggressive approach and an ambitious approach in the Doha round

Working together, we've reached a number of agreements in Hong Kong that do relate to development, including language on cotton, the duty-free/quota-free market access commitment, and Aid for Trade commitments. While the overall outcomes from Hong Kong were modest, I believe we made considerable progress on these development issues. And on cotton we have already followed through on one of our commitments with the congressional vote last week, which the Administration was very pleased to see, to eliminate the Step-2 cotton marketing program, which is an export subsidy program for cotton.

It's important to keep in mind that most of the progress on development is, again, contingent on a successful conclusion to the Doha Round. If the Doha round does not come together, if we don't see a successful result, we will not get these development gains that I just addressed.

The bilateral and multilateral trade initiatives described above are key to Africa's development. But we also recognize that Africa needs help; needs help to build its capacity to seize these trade opportunities, including the Doha round liberalizations if they occur. As a result, the United States has developed a number of tools to help Africa trade that are based on principles of country ownership and responsibility.

As you know, the United States is already the largest single donor country of trade capacity building assistance in the world. And we're proud of that. At the WTO Hong Kong Ministerial, I was able to announce that the United States would be increasing the amount that it spends on aid for trade, or trade capacity building, by \$1.3 billion last year to \$2.7 billion by 2010. Again, a more than doubling of U.S. commitment to trade capacity building within the next five years. Lest there was any doubt, this announcement made clear that we believe that trade will be a principal driver of global development and that we stand ready to help integrate our developing and LDC, least developed country, partners into the global trading system. Again, it's a commitment we've made because we believe that trade can play a crucial role in development.

We're working with international institutions to build support for trade-driven growth strategies. We're of course working with USAID programs, as Frank mentioned, the Millennium Challenge Corporation (MCC).

In an innovative program to spur trade and commerce, by USAID, we strongly support, which is four regional "hubs" throughout Africa, staffed with AGOA advisors and trade specialists which are helping businesses and farmers meet international standards, get more timely market information, and establish linkages with prospective American partners. And I know you've been involved in that effort, Steve, and we appreciate it.

As a member of the Millennium Challenge Corporation Board of Directors that helps select countries, I am pleased that 13 African countries have now been made eligible to apply for transformational grants and that 7 African countries have been selected in the MCC Threshold Program. So Africa and African countries have been the primary beneficiaries of the Millennium Challenge Accounts. I was also pleased to support the conclusions of compacts with Benin, Cape Verde and Madagascar that will help integrate those countries into the international trading system. And I look to supporting other well-crafted compacts that include trade-related components.

The reason that USTR is on the Millennium Challenge Corporation Board, and in fact we're meeting this week, is because we do believe there is this linkage between development and trade and it can't be overlooked if we truly want to be able to help alleviate poverty and encourage economic growth in Africa, in particular.

In all, last year, the U.S. Government invested \$199 million in trade capacity building in sub-Saharan Africa, up 10 percent from the previous year. And last July, the President launched the African Global Competitiveness Initiative (AGCI) -- with a 5-year funding target of \$200 million -- to expand sub-Saharan Africa's trade and improve the region's external competitiveness.

But in order to realize this vision of development, African countries have responsibilities also, and this is something that we have made clear with regard to all these initiatives. African governments must prioritize trade in their national development strategies that donors look to when providing assistance, including the United States. They must adopt the policies and institutions needed for trade to become an engine of economic growth. Trade capacity building will not be effective unless governments are committed to creating a business environment that promotes investment and entrepreneurial activity. And, as this audience knows as well as any, trade and investment will follow where governments evidence a durable commitment to free markets, to the rule of law, to regulation that supports rather than impedes trade, and to sound macro-economic policies.

This requires strong political will sometimes, even courage. But, it's the right thing to do. It also requires strong cooperation and assistance from the private sector. And this is where you come in. Western firms – including many represented here today – have the investment, the technology, the knowledge of global markets that African countries need to develop their economies. Many of you here are already heavily invested in Africa and I applaud you for that. Many of you have been working there for many years, and you know better than anyone the opportunities and impediments to enhancing trade with Africa.

We want to hear from you. We want to hear about your challenges. We want to hear about the opportunities that you see and perhaps we don't. We want to work with you and our African partners to help address those challenges and take advantage of those opportunities.

I also want to encourage you to share with us experiences you have had in seeking to build public-private partnerships in the countries where you operate. For example, many of you are already doing much work that falls under the general rubric of trade capacity building. It's not official U.S. governmental trade capacity building, but nonetheless it is trade capacity building. We want to learn more about those efforts and find ways to coordinate your trade assistance efforts with our own.

I also ask that you consider making use of your partnerships and contacts with African government and companies to encourage stronger African support for domestic economic reforms and for a successful Doha agreement. As I said earlier, this is critical. And I think sometimes our African trading partners don't recognize the influence they have within the 150 WTO country membership. Africa can play a very significant role. Many have found that in African countries private sector interests are not voiced or are not being heard by the governments. We need to be sure that those voices are being heard.

Many African governments *are* doing the right things to spark investment, reduce barriers to trade, and empower the private sector. The World Bank ranked Rwanda, for instance, as one of the top 12 reformers in the world in 2005 and also commended reforms in Mozambique, Ghana, Senegal, and Tanzania. These economies and others deserve a second look as you consider new investments or areas of operations. If the international business community does not respond positively when countries move in the right direction, we risk sending the wrong signal and losing momentum in advancing economic reform and opening markets.

Ladies and gentlemen, we live in historic times. The world is becoming smaller and the global economy becomes more integrated all the time. Our fates are linked as never before. The poverty

that besets so many in Africa is the whole world's problem. The promise of economic growth and opportunity can shape Africa's destiny just as it can shape the destiny of all countries.

We've made strides to help Africa take advantage of the global trading system in recent years with AGOA, trade capacity building work, support for African regional economic integration and cooperation in the WTO.

We don't underestimate the many challenges that Africa continues to confront – including its continuing struggle with HIV/AIDS and other health challenges – but we remain upbeat about Africa's economic prospects and convinced that, working with African governments and working with you in the private sector, we can make a difference.

I ask that you join with me in promoting the remarkable opportunity before us to help Africa harness trade to create opportunity and growth. But, we must all work together to help Africa achieve its potential.

Thank you for listening.