

**Luncheon Remarks of Ambassador Susan Schwab
Deputy United States Trade Representative**

**AGOA Investment Summit: Achieving the Investment Response
Leaders' Lunch
Mandarin Oriental Hotel
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...I've spent five years living in West Africa and three years in North Africa and so for me, starting out my academic career as a development economist, this is really coming home [inaudible] and in many ways, these are my roots. Some of you might have spent kindergarten in West Africa, I did. So Africa holds a very dear and important place in my heart, both for emotional reasons but also for professional reasons. So it is delightful to be here today.

And I should begin with the obvious – thank you for inviting me. I'm honored to be able to address this important group of Ministers and Ambassadors, private sector representatives, ladies and gentlemen,

President Kaberuka of the African Development Bank, particularly pleased to see you here. Dr. Cindy Courville who is the President's Special Assistant for Africa.

The Whitaker Group (especially Rosa Whitaker for her exceptional leadership on Africa trade issues) is here, Africa Business Roundtable, COMESA, the World Bank Private Sector Development Unit, and Kleiman International Consultants. Thank you all for being here and making this event possible.

[inaudible]And you mentioned Florie Liser and my colleague, Deputy US Trade Representative, Karan Bhatia.

I am delighted to be here today to talk about AGOA and investment, the focus of this morning's activities. Because of AGOA and other steps the Bush Administration and the private sector have taken, we see encouraging signs of development and opportunity throughout Africa. In many ways, we are seeing the beginning of a new era.

Today, I would like to talk about some of the encouraging signs – from political and economic reforms that point the way to improving trade and investment environment.

But we must also acknowledge that we have a lot of work to do if we are going to sustain and energize these positive trends.

Trade, spurred by AGOA and other initiatives has helped. But, the fact is, Africa needs investment – it is such a critical component for stimulating growth and development. And unfortunately, in spite of many positive developments, Africa

continues to lag far behind on investment flows compared to other developing regions in the world.

So what is our challenge? Our challenge is to figure out how to increase capital flows to this continent, which is so rich in natural resources and in human potential. We must continue to think creatively so the three quarters of a billion people who live in Africa can look forward to higher standards of living and ever-expanding economic opportunities.

New Era in Africa

First, let's consider the signs of a new era emerging in Africa.

We have strong global growth and rising commodity prices, coupled with economic and political reforms on the continent, that are supporting relatively robust growth in sub-Saharan Africa.

In 2004, real GDP growth for the region reached an eight-year high of 5.6 percent annually and inflation touched a historic low of 9.8 percent.

Second, this is a different Africa than that which many U.S. investors encountered just a few years ago.

We're seeing less and less of the old Africa that was suspicious or closed to business, and more and more of the new Africa that is open to investment, eager to trade, and actively seeking inroads and linkages with the United States through businesses with their entrepreneurs.

One of the historic developments that have come out the Doha Development Round efforts in the last five years is the emergence of a more solid consensus among all nations, including developing nations, that trade is an important path to economic development. In fact, it is much clearer path than traditional aid, and many African leaders have shown they understand this by working with the United States and other developed and developing countries to advance comprehensive trade liberalization efforts through the WTO's Doha Development Agenda.

AGOA's Purpose

In many ways, AGOA is helping to usher in this new era by broadening and deepening trade and investment relations with the countries of sub-Saharan Africa.

Already, AGOA has created economic opportunities and improved lives in Africa. We are proud of this progress and are satisfied and know that we must strive to keep it going and build on it.

AGOA Implementation is a central element of the Bush Administration's trade and

investment policy toward sub-Saharan Africa. In implementing AGOA and its trade and investment-centered approach to development we are trying for a number of things: we are trying to reinforce Africa's own economic and political reform efforts; we are trying to provide greater African access to U.S. technical assistance and trade finance facilities; and we are trying to promote high-level U.S.-African dialogue on trade and investment issues, such as the AGOA Forum discussions that have been occurring through the course of this week.

Achieving these policy objectives is benefiting both the United States and sub-Saharan African countries by creating healthier and more stable economies, by strengthening democratic governments in sub-Saharan Africa, and by expanding markets for African and U.S exports, and by creating opportunities as well, for U.S. and African investments.

Investment Opportunities

Let's focus more on the investment component as that's what we spent the morning doing. Because we can't promote trade in its fullest without promoting investment. They are intrinsically linked to each other.

And one indication of this linkage is the fact that a significant portion of world trade in goods and services is trade within companies — for example between subsidiaries in different countries or between a subsidiary and its headquarters.

In addition, as trade increases, companies become more familiar with each other, recognizing investment opportunities more readily, trade opportunities more readily, and may be in a better position to realize opportunities for establishing joint ventures and partnerships.

Being on the ground, getting to know your neighbor, discovering you have something in common creates a potential for business transactions that is beyond what you can accomplish outside of the trade investment [inaudible].

Now U.S. firm is already leading investors in Africa. By the end of 2004, the U.S. direct investment in Africa had risen 23.4 percent from the previous year, to \$13.5 billion. U.S. direct investment in Africa supports U.S. trade with the region and enhances U.S. and African business partnership.

As African policymakers and leaders are working to make their countries more attractive to investment, investors in Africa are seeing their investments produce returns. Attractive returns. I would note that a healthy environment for Foreign Direct Investment is also generally a healthy environment for domestic investors to invest at home. Your own entrepreneurs want to be investing at home. [inaudible]

According to UNCTAD, the profitability of foreign companies in Africa has been consistently higher than in most other regions of the world. Since 1990, for example,

the rate of return on foreign direct investment in Africa has averaged 29 per cent. Most of us would be very, very grateful to see 29 per cent return on our investments.

AGOA is an Opportunity for more, diverse Investments. AGOA offers opportunities, but African governments must continue to nurture an improved investment climate and the private sector must be ready to tap into and create new opportunities in Africa. There has historically been significant investment in the African petroleum, mining, and mineral sectors. But, we are pleased to see more diversified investment.

Investment in sectors, such as auto manufacturing, agribusiness, and information technology are on the rise. AGOA has been directly credited with increasing mining sector investment in Cameroon, coffee industry investment in Kenya, and shea butter and banana processing investments in Uganda, just to name a few sectors and countries.

Investment Environment

As might be expected, trade and investment flow have gone to those countries which offer the most competitive and investor-friendly environments. Creating this kind of an environment is something that a country does for itself. It doesn't do it for some foreign company, it does it for itself, for its own entrepreneurs, for its own people. It has the effect of attracting investment and creating a better trade investment environment.

Experience has shown that businesses and investors seek dependable, transparent, and open regulatory regimes, adequate infrastructure, and political and economic stability. AGOA encourages the creation of good investment environments. AGOA's eligibility requirements are, in essence, a list of best practices for creating these good trade and investment environments. And AGOA-eligible countries are generally working hard to create the best possible conditions.

There are challenges in terms of these investment environments. Some AGOA countries, for example, are dealing with tremendous hurdles to create stronger investment climates. They tackle challenges of inadequate infrastructure, perhaps a smaller manufacturing base, problems with the rule of law including corruption and, in a few cases, countries rebuilding after years of conflict.

But I have been impressed with the tremendous progress over the last six years, as AGOA countries have worked hard to overcome their challenges. And slowly, but surely, this hard work is clearly paying off.

One important opportunity any AGOA country might want to consider is making a services sector offer in the Doha Development Round—and that's not something funny because most developing countries, certainly all the least developed countries, are under no obligation under the Doha Round to make offers in the services negotiation. However, it is clearly in the interest of economic development and

improving an investment environment and improving a trade environment for countries to do so. And when you think about bringing in financial services and bringing in express package delivery and bringing in telecom, these are all service providers that will help create an environment within your country that will not only promote inward investment and trade, but also, as I said, promote indigenous and local entrepreneurs being able to function more successfully and create jobs at home.

Encouraging growth and development through increased private sector investment and trade is a proven and practical approach. We've seen the success of this strategy over and over again.

A vibrant private sector—with firms investing, creating jobs, and improving productivity—these are the elements that promote growth and expands opportunities, and can expand opportunities and promote growth for the poor people throughout Africa.

One of the things, for those of us who have been trained as economists, that we forget is that when we are looking at trade and investment numbers, these are nice aggregate statistics. In fact, each of those numbers is developed one transaction at a time. One businessperson dealing with another businessperson, one investment at a time, one trade transaction at a time. And we need to remember that because that is where the issue of the environment comes into play.

So we're here today in the spirit of AGOA to strengthen U.S and African trade and investment relationships. Doing this requires close partnerships between government, civil society, and the private sector.

Western firms – including many represented here today – have the capital, the technology, and the knowledge of global markets that African countries need to develop their economies. And many of your companies who are represented here today are heavily invested in Africa already and have been working there for years. And you know better than anyone the opportunities, challenges, and rewards of investing in Africa. But African investors in Africa are also critical. And they are the key to partnerships that really could develop the potential partnerships that could develop under AGOA.

So increased trade is one of the few certain win-wins in international economics. And that's what we're about, that's what we're talking about today and I am delighted that you all have been here for this week to explore these issues and how to further our progress. Economists of every stripe generally agree that the free flow of commerce translates into economic growth and development that can be shared by all.

And as I said in terms of magnitude the impact of a one percent increase in global trade dwarfs official development assistance that comes from any government, that comes from any government anywhere or any set of governments or any international financial institutions. That one percent growth in trade, or two percent, or five percent

growth in trade makes such a difference- and it is a difference that will build on itself, it is a self-perpetuating difference [inaudible].

We have seen countries around the world benefit by undertaking political and economic reforms rooted in market principles and by increasing their commercial engagement with other countries. And we are encouraged to see more and more of these trends take hold in Africa.

The people of the vast and remarkable continent can be assured that they have a partner in this quest, an ally in our common pursuit of peace, and freedom and prosperity.

So thank you for being here today and thank you for all that you do. And I am delighted to have been able to share a little of your time over lunch and I suspect you all would like to eat some. So thank you very much.

[Applause]

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