NEW U.S. INITIATIVES TO BOOST TRADE AND INVESTMENT OPPORTUNITIES FOR LEAST DEVELOPED COUNTRIES

Trade has long been an effective way to move millions of people out of poverty around the world. The Obama Administration views trade as a critical component of an integrated approach to development policy.

In advance of the 8th Ministerial Conference of the World Trade Organization, the United States on December 14 announced steps aimed at enabling Least Developed Country (LDC) members of the WTO to benefit more fully from global trade. Building on already robust programs providing preferential access to the U.S. market for LDC exports, as well as ongoing contributions in Aid for Trade and trade-related capacity, the U.S. outlined new, additional initiatives:

Enhancements to the African Growth and Opportunity Act (AGOA)

The U.S. Administration will work energetically with the Congress to enact legislation extending AGOA's "third country fabric" provision to 2015, thereby sustaining existing benefits available to African exporters of apparel. *See more below on the long history of the U.S. AGOA initiative.*

Market Access for Upland Cotton

The United States is taking important, new steps to provide duty-free, quota-free treatment for imports of Upland cotton fiber from LDCs. First, we will launch the review process to consider adding Upland cotton fiber to the list of products eligible for duty-free treatment for LDCs through GSP. Second, we will seek Congressional action to provide quota-free access for LDCs on all Upland cotton fiber tariff lines. These steps, combined with current historically low U.S. subsidies for domestic cotton production, will contribute measurably to the viability of export-oriented cotton production in West African countries and other LDCs.

Extension of Cotton-Related Trade Capacity Building

The United States has been providing robust support for the development aspects of cotton in the C-4 countries (Benin, Burkina Faso, Chad, Mali) since the Hong Kong Ministerial through a range of initiatives, including USAID's West African Cotton Improvement Program. We plan to introduce a follow-on program to build on the positive results of that program. This new cotton assistance program for the C-4 countries will be introduced upon the expiration of the existing program in April 2012. The United States will provide significant resources – up to $16 million over four years (subject to the outcome of the budget process) for the new program whose key elements will be the use of a Development Credit Authority guarantee and Public Private partnership to drive private debt to investment funds and organizations that will make debt and equity investments in small- and medium-sized enterprises operating in agricultural value chains in West Africa. The program will continue capacity-building efforts and work to improve the efficiency of the cotton sector in the C-4. The initiative will create a more scaled outcome by leveraging private sector cotton initiatives, catalyzing increased commercial investment for cash crops, particularly cotton, and strengthening extension services to increase the adoption of improved techniques and technology and expand market linkages in the cotton sector.

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NEW U.S. INITIATIVES TO BOOST TRADE AND INVESTMENT OPPORTUNITIES FOR LEAST DEVELOPED COUNTRIES (continued)

Improved Utilization of U.S. Trade Preference Programs

As a complement to the extensive preferential market access for LDCs that is provided through U.S. trade preference programs, such as the Generalized System of Preferences (GSP), we are launching a new USAID program to provide technical assistance aimed at helping LDCs make the most of these trade preferences. The data indicate that many LDC beneficiaries of U.S. trade preferences are not fully utilizing these programs. To help these countries make better use of programs like GSP, we are putting in place a new program that will help identify and ameliorate the constraints to utilization of preferences. Work under this new initiative will be demand-driven and could include outreach to improve awareness and understanding of U.S. preference programs and assistance in identifying and navigating markets for exports.

U.S. Supports WTO Initiatives Addressing Needs of LDCs

The United States also welcomes the Decisions of the 8th Ministerial Conference on issues of importance to LDCs regarding WTO accessions, flexibility in implementation of the WTO TRIPs agreement by LDCs, and a waiver enabling developed countries to extend preferential treatment to services exports of LDCs.

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Also this year, the United States has taken a number of other key steps to boost its partnerships with least developed countries to grow trade and investment. Key 2011 actions include:

African Competitiveness and Trade Expansion Initiative (ACTE)

In June 2011, the United States reinforced its long-standing commitment to trade capacity building in sub-Saharan Africa, by announcing the new African Competitiveness and Trade Expansion Initiative. This initiative will provide up to $120 million over four years to improve Africa's capacity to produce and export competitive, value-added products, including those that can enter duty-free under AGOA, and to address supply-side constraints that impede African trade. ACTE will support the work of our three regional trade hubs in West, East/Central, and Southern Africa, and will help to drive economic development in African countries, and enhance trade opportunities among Africans and Americans alike. The majority of the countries served by the hubs are LDCs, and many have benefitted from targeted trade-capacity building support. For example, in Benin, Out of Africa, a manufacturer of shea butter health and beauty products, was able to reach new U.S. buyers, improve packaging, and develop more effective marketing with assistance from the West African Trade Hub. The Hub's assistance was a critical factor in the company's ability to double its production, exports, and employment of the last three years.

Partnership for Trade Facilitation

In November 2011, the United States launched a new initiative, USAID's Partnership for Trade Facilitation, a flexible funding facility to assist developing countries in the implementation of trade facilitation commitments currently subject to WTO negotiations. U.S. trade-related assistance has supported trade facilitation reforms in many developing countries and LDCs through technical assistance and significant investments in infrastructure.

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The United States' Longstanding Commitment to Boosting LDC Trade and Development

These steps build on a robust complement of successful U.S. programs and affiliations that support trade and investment for least-developed countries, offering duty-free treatment to many countries' products, promoting high standards of accountability, transparency, and good governance, with special efforts to link trade and economic opportunity for countries ravaged by disaster or violence. The United States also leverages public-private partnerships to achieve maximum impact for communities in poor and developing countries. Examples of current U.S. trade initiatives serving LDCs include:

Generalized System of Preferences

The U.S. Generalized System of Preferences (GSP) trade preferences program, recently extended through July 2013, provides duty-free treatment for a wide variety of products from 129 developing countries including 42 LDC beneficiaries. LDC beneficiaries of GSP have duty-free access to the U.S. market for nearly 4,900 otherwise-dutiable tariff lines, including 1,431 products reserved for LDC beneficiaries only. In 2010, U.S. imports from LDCs under the GSP program totaled nearly $5.6 billion. The GSP program helps these beneficiary countries to expand and diversify their exports as a means to promote long-term, sustainable economic growth and development.

African Growth and Opportunity Act (AGOA)

AGOA is the cornerstone of U.S. economic and trade policy towards the countries of sub-Saharan Africa, aimed at promoting free markets, expanding U.S.-African trade and investment, stimulating economic growth, and facilitating sub-Saharan Africa's integration into the global economy. AGOA currently provides forty sub-Saharan African countries – 23 of which are LDCs – with duty-free access for practically all products they export to the United States. Since the enactment of AGOA in 2000, two-way trade has grown to $82.1 billion in 2010, and AGOA exports to the United States have increased to $ 44.3 billion. While much of the increase is attributable to oil, non-oil AGOA trade has increased threefold, and includes non-traditional, value-added products such as apparel, footwear, processed agricultural products, and manufactured goods.

U.S. Aid for Trade

The United States is one of the largest single-country providers of Aid for Trade. Between 1999 and 2010, the U.S. government has obligated nearly $14 billion for trade-related assistance to developing countries, the majority of this -- $10 billion – was provided since the launch of the Aid for Trade initiative in 2005. Several U.S. Aid for Trade initiatives, including the Millennium Challenge Corporation and Africa trade hubs, demonstrate our strong commitment to addressing the trade-related development concerns of LDCs. The U.S. Agency for International Development is one of the principal contributors to U.S. Aid for Trade efforts, and working through over 70 missions around the world, has dramatically increased the percentage of trade-related assistance that is provided to LDCs in recent years. A detailed breakdown of U.S. trade-related assistance by country and type of assistance is available at http://tcb.eads.usaidallnet.gov/.

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The United States' Longstanding Commitment to Boosting LDC Trade and Development (continued)

Millennium Challenge Corporation (MCC)

MCC (http://www.mcc.gov/) accounts for the majority of U.S. Aid for Trade, and approximately 63 percent of total MCC assistance to LDCs is Aid for Trade. MCC works in partnership with eligible countries that identify the greatest constraints to their own development and establish their own priorities to create sustainable economic growth. Many MCC partner countries place a high priority on increasing competiveness and facilitating regional and international trade, and many partner countries include trade capacity building as a priority in their proposals for poverty reduction assistance. As a result, approximately $4.7 billion of total MCC assistance to its partner countries since 2005 is considered Aid for Trade. Examples of MCC assistance to LDCs: In **Benin,** MCC's $171 million Access to Markets Project is improving port performance and security, reducing costs and delays, and increasing imports and exports. In **Mali**, the $181 million Bamako-Senou Airport Improvement Project is removing constraints to air traffic and increasing the airport's efficiency in handling freight and passenger traffic. In **Tanzania**, a $369 million Transport Project is addressing the inadequate transportation network, upgrading and improving roads and airports to help increase commerce and connect communities with markets. An additional $206 million Energy Project is improving the reliability and quality of electric power.

Feed the Future

In 2009, at the L'Aquila G-8 Summit, the United States pledged at least $3.5 billion over three years for Feed the Future (FTF, http://www.feedthefuture.gov/). FTF has as one of its objectives promoting economic growth from farmer to market by improving linkages to local, regional, and global markets and supporting an enabling environment for agricultural trade to minimize the impact of food price hikes. FTF investments are in agricultural and nutritional programs, and occur in two phases to help ensure the sustainability and increase the impact of these programs. FTF covers 20 countries, 14 of which are LDCs, and has five regional programs that help additional LDCs as well. Also, the United States contributes to the Global Agriculture and Food Security Program (GAFSP) which has made strong progress since its April 2010 launch. To date the United States has contributed $167 million of our $475 million pledge to GAFSP.

United States-East African Community Trade and Investment Initiative

As part of a new U.S. - East African Community (EAC) initiative supporting regional integration, the United States, the EAC Secretariat, and the five EAC member states (Burundi, Kenya, Rwanda, Tanzania, and Uganda) have agreed to pursue a new trade and investment initiative. Under this new initiative, the United States and the EAC will explore a regional investment treaty, creation of trade enhancing agreements in areas such as trade facilitation, and the development of stronger commercial engagement between U.S. and EAC businesses. The development of intraregional markets is one of the most powerful engines for economic growth. This is particularly true in Africa, where underdeveloped regional markets are believed to be a major constraint to growth. The EAC initiative may serve as a model for building the U.S. trade and investment relationship with Africa.

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The United States' Longstanding Commitment to Boosting LDC Trade and Development (continued)

LDC Accessions to the WTO

An important component of the U.S. commitment to addressing the trade-related development concerns of LDCs is to provide assistance to support LDC efforts to accede to the WTO. Since the launch of the Aid for Trade initiative, the United States has provided [over $9 million in] assistance to support LDC accessions in many LDCs, including Afghanistan, Ethiopia, Laos, Liberia, and Yemen. For example, in both Laos and Ethiopia we continue to provide extensive technical assistance packages through USAID to support WTO accession and economic reform. In Laos, work continues in the areas of customs valuation, intellectual property, standards and technical barriers to trade, among other areas. In Ethiopia, we are working closely with the Trade Ministry on Ethiopia's economic and trade goals. The United States looks forward to participating constructively in an anticipated work program on LDC accessions to be launched at the 8th WTO Ministerial Conference.

TIFAs and Bilateral Investment Treaties

The United States has Trade and Investment Framework Agreements (TIFAs) with a range of LDC trading partners including in Asia and with eleven countries or regional economic organizations in sub-Saharan Africa. Through these agreements, the United States and its LDC partners are able to address a range of trade and investment issues, and work together to enhance two-way trade and investment. The U.S. either has or is negotiating a TIFA with all LDC members of the South Asia Association for Regional Cooperation. The United States has an active TIFA dialogue with Cambodia and is working closely with Laos to implement the U.S. - Laos Bilateral Trade Agreement (BTA). The United States has Bilateral Investment Treaties (BITs) with five LDCs, including one recently ratified with Rwanda. The BITs are intended to strengthen investor protections and encourage countries to continue market-oriented economic reforms.

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