

# The United States seeks two-way trade with Africa

*The AGOA Forum took place in Addis Ababa in August and ended with a strong push for the extension of the AGOA provision.*

African and United States (US) representatives met in August 2013 to discuss how to improve and renew the African Growth and Opportunity Act (AGOA) so that it is more compatible with the changing economic landscape in Africa. The AGOA is set to expire in September 2015.

The 13-year-old AGOA provides about 6,500 African products with preferential quota and duty-free access to the US market. The bill expands upon the US Generalised System of Preferences (GSP), a set of formal exceptions from the World Trade Organization (WTO) most-favoured nation (MFN) principle, which allows developed countries to offer developing countries preferential treatment on specific goods.

The US administration has already committed to a seamless renewal of the AGOA, but it also wants to critically review the challenges ahead. African delegates are pushing for a ten-year extension of the arrangement to foster long-term investments.

Last year, some uncertainty was lifted when the US Congress agreed to pass legislation that extends to September 2015 a key element of the AGOA's apparel programme. The Third-Country Fabric (TCF) provision allows eligible countries to utilise yarn and fabric from any country, including India and China, to produce textile exports and still qualify for preferential access.

## **US foresees competition with Europe in Africa**

“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 (EPAs)?” asked US Trade Representative Michael Froman in his speech.

In 2011, the European Commission set 2014 as a deadline for the conclusion of the EPAs, which would, if they were fully ratified, enable the establishment of a free-trade area between the EU and some African countries on a reciprocal basis.

EPAs are meant to provide for trade reciprocity, promote sustainable development and further regional integration by encouraging not only African, but also Caribbean and Pacific countries to enter negotiations with the EU in regional groupings.

Unlike EPAs, the US trade preference scheme, AGOA, is non-reciprocal and unilateral. Therefore, the preferences apply only to US imports, and the renewal of the Act depends on US legislators. Some US experts argue that the US should focus more on two-way trade agreements with Africa, particularly with more advanced countries, such as South Africa,

given the strong economic growth of that country in recent years. Currently, the three main AGOA trading partners for both the EU and the US are Angola, Nigeria and South Africa.

“As we think about renewing AGOA, we certainly do not want US firms to be put at a competitive disadvantage in the rapidly growing and dynamic African market.” added Froman.

However, since the launch of the EPA negotiations in 2002, progress has been slower than expected, and many countries have settled into the status quo. So far, African countries that have not concluded an interim EPA have not experienced any trade disruptions as they have been able to fall back either on the “Everything but Arms” regime or on the standard EU GSP.

[A recent note](#) published by the European Commission shows that EU preference schemes are better utilised than US preferences and that EU trade policy has generated almost twice as many imports as US trade policy.

## **Towards AGOA 2.0**

“We need to lay the foundation for AGOA 2.0, informed by the lessons of the past 13 years,” said Froman. According to the US Trade Representative, the world has experienced changes over the past decade that need to be reflected in US trade relations with Africa.

As part of the review, the US administration will drill down into the thousands of duty-free tariff lines under the AGOA to determine if some sectors or countries should gradually be eased out of the AGOA as they become more competitive.

“Virtually all exports from least-developed countries in Sub-Saharan Africa are eligible to enter the US market duty free,” noted Froman. The review will also examine the factors that affect LDC exporters, such as the rules of origin or sanitary and phytosanitary measures. At the same time, the US will seek to better understand why the costs of trading are so high in Africa and what can be done through trade facilitation and infrastructure development.

Under the AGOA, LDCs are defined according to the World Bank criteria of per capita gross national product (GNP) of USD 1,500 or less. However, unlike the reformed EU GSP that won't benefit countries, such as Namibia, Botswana and Mauritius, that already have alternative market access arrangements, the AGOA maintains an exemption for these countries.

The review will also examine where exports are growing and why; whether AGOA-eligible countries have an export strategy and how the AGOA can promote regional integration and spur diversification. While recognizing that petroleum products still account for the largest share of AGOA imports, Froman also highlighted that non-oil AGOA trade totalled USD 4.8 billion, more than triple the amount in 2001.

Froman stressed that the AGOA helped African firms become more competitive both in the US and internationally. Some commentators (see [Bridges Africa Vol 2-3](#)) explain, however, that, in reality, the AGOA had only limited impact on LDCs economic transformation, since key products, like dairy products, sugar, cocoa, peanut and cotton are excluded. In fact, some studies show that AGOA exports from LDCs are mainly dominated by apparel, largely from

Lesotho, Malawi and Madagascar and that product coverage has been limited, particularly in the case of LDCs.

To qualify for AGOA benefits, eligible countries must comply with certain standards, such as working to improve the rule of law, human rights and setting labour standards. Currently, 39 countries out of 48 are eligible. The Democratic Republic of the Congo, Madagascar and Zimbabwe are excluded.

*Source: [USTR - Speech of Micheal Froman](#) ; Financial Times, US seeks better access to Africa as part of trade pact review, 12 August - See more at: <http://bit.ly/1dNRUUC>*

- See more at: <http://ictsd.org/i/news/bridges-africa-review/175577/#sthash.ae3yMhs6.dpuf>