

# The AGOA Era:

## *Trade Moves to the Center of U.S.-Africa Relations*

By Florizelle B. Liser



Years from now, when historians look back on the current period of U.S.-Africa relations, they might well come to see it as “the AGOA era.” While in past decades U.S.-Africa interaction centered on Cold War interests and economic aid, in recent years our dialogue and engagement has increasingly focused on trade and investment topics. This development

is coincident both with the new focus among African leaders on trade as a tool for development and with the enactment in 2000 of the African Growth and Opportunity Act (AGOA).

Most Africa watchers know AGOA as a generous trade preference program for eligible sub-Saharan African countries. But AGOA is much more than that. It was also the impetus for

a paradigm shift in the U.S. approach to sub-Saharan Africa. Since AGOA came into effect, trade and investment have moved to the center of U.S. relations with most sub-Saharan African countries. This can be seen most vividly in the special attention that President Bush has given to trade and investment issues in his meetings with African heads of state, in his staunch support for AGOA, and in his launch last year of free trade negotiations with the Southern African Customs Union (SACU). It is also reflected in the increased attention that Congress pays to U.S.-Africa trade, in the broad range of U.S. agencies now working with African partners on trade-related topics, and in the efforts by African governments and donor agencies to integrate trade into national strategies for development.

The higher profile of U.S.-Africa trade is not just at the government-to-government level. Increasingly, American and African businesses are forming new partnerships and discovering new opportunities in each other’s home markets. Civil society organizations are also becoming involved. Non-governmental organizations on both sides of the Atlantic are

giving greater attention to how increased U.S.-Africa trade can help to address poverty alleviation and boost economic development.

The Office of the U.S. Trade Representative (USTR), as the lead U.S. agency in international trade policy and AGOA implementation, is at the center of much of this activity. Our efforts on U.S.-Africa trade are focused on five areas: 1) implementation of AGOA, 2) free trade negotiations with the Southern African Customs Union, 3) engagement with African Members of the World Trade Organization (WTO), 4) coordination of trade capacity building assistance, and 5) supporting a high-level dialogue on the full spectrum of U.S.-Africa trade and investment issues.

## AGOA

AGOA provides eligible sub-Saharan African countries with the most generous access to the \$11 trillion U.S. market of any country or region of the world other than those with which the U.S. has a free trade agreement. Under AGOA, almost all products from eligible African countries enter the U.S. duty-free, including apparel, which has been a traditional point of entry for many developing countries interested in export-led growth.

By any measure, AGOA has been a success. African exports to the United States under AGOA - everything from automobiles to apparel to cut roses - have risen substantially in the last few years. AGOA exports totaled \$14.1 billion in 2003, up 55% over 2002,

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and represented over half of all sub-Saharan African exports to the United States. Particularly impressive is the 32% growth in non-oil AGOA imports, which include value-added products such as apparel, manufactured goods, and processed agricultural products. Production and export of these goods have a much greater impact on job-creation and sustainable economic growth than does export of basic commodities.

Africa's share of the U.S. market in each of these areas remains small. For example, all sub-Saharan African countries combined hold just 2.1% of the U.S. apparel import market. But even relatively small gains in U.S. market share translate into substantial benefits and economic development in sub-Saharan Africa, a region that has been on the margins of the global economy and where over half the population subsists on less than a dollar a day.

AGOA is also benefiting U.S. exporters, both by creating a business environment more receptive to U.S. products and by generating demand for U.S. inputs for AGOA-related production. U.S. exports to sub-Saharan Africa increased by 15% in 2003, led by increased sales of aircraft, vehicles, and computer and telecommunications equipment.

Much remains to be done if we hope to sustain these achievements over the long term and help African countries to reach their full potential under AGOA. The United States wants to help broaden African participation

in AGOA and to help beneficiary countries to expand and diversify the goods they produce for export. We also want to preserve and build on AGOA's success, in part by addressing challenges related to AGOA's timeline.

As of May 2004, Congress was considering legislation that would authorize AGOA through 2015, as called for by President Bush, (AGOA would otherwise expire in 2008) and extend AGOA's special third-country fabric benefits, which are currently set to expire on September 30, 2004. The third-country fabric provision has been an important element in AGOA's success. It allows lesser developed AGOA beneficiary countries to use fabric from any source in assembling AGOA-eligible apparel for the U.S. market. In Fiscal Year 2003, 84% of the \$1.2 billion in AGOA apparel imports fell under this provision. Many AGOA stakeholders have called on Congress to extend the provision so as to provide AGOA beneficiary countries with additional time to develop regional textile production capacity.

### **Free Trade Agreement with SACU**

In June 2003, the United States began negotiations for a free trade agreement (FTA) with the five countries of the Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa, and Swaziland). This is the first U.S. FTA negotiation with sub-Saharan Africa countries and part of our larger effort to reach out to trade partners in all regions of the world.

The U.S.-SACU FTA represents the maturation of the U.S. economic relationship with the SACU countries, which have been among the strongest performers under AGOA. The FTA builds on these countries' success under AGOA while at the same time moving their relationship with the United States from one-way preferences to two-way partnerships. An FTA could lock in and possibly expand AGOA the market access provided by AGOA as well as extend the U.S.-SACU partnership to a much broader range of trade-related topics, including investment, trade in services, customs cooperation, government procurement, and intellectual property rights.

A FTA represents the highest level of U.S. economic engagement with our trading partners and would provide SACU countries with the kind of guaranteed market access that supports long-term investment, economic growth and development.

The U.S.-SACU FTA will benefit American businesses, too, by providing enhanced access to the SACU market the largest U.S. market in sub-Saharan Africa - and leveling the playing field with European competitors, which already benefit from the EU's FTA with South Africa. The SACU FTA can also serve as an engine for wider regional growth and as a model for future FTAs between developed and developing countries.

The Sixth Round of the U.S.-SACU negotiations was held in Atlanta, Georgia in June 2004. The target completion date for the negotiations is December 2004.

### **Cooperation in the WTO**

Supporting Africa's integration into the global economy is another key element of the Administration's Africa trade policy. Increased and more effective participation of sub-Saharan African countries in multilateral trade discussions is an important step toward this end. Accordingly, the United States has increased its engagement with sub-Saharan African members of the WTO and is providing technical assistance to help facilitate African participation in the WTO. Thirty-eight sub-Saharan African countries are members of the WTO, representing 26 % of the WTO membership. Seven other sub-Saharan African countries have observer status.

Africa has a huge stake in the successful outcome of the current round of world trade negotiations. According to the World Bank, the removal of all trade barriers worldwide would increase the income of developing countries by \$539 billion, with 80 percent of that increase coming from increased trade among developing countries.

It should not be surprising then that sub-Saharan African members of the WTO played a key role, along with the United States, in the launch of the WTO's Doha Development Agenda negotiations in November 2001 and have continued to play an influential role as the Doha negotiations move forward.

Although the United States differs with many sub-Saharan African countries on some important issues in the Doha negotiations—as became

evident at the September 2003 WTO Ministerial in Cancun—we also share many common interests. For example, the U.S. agriculture proposal in the WTO calls for the elimination of agricultural export subsidies—a major objective of the Africa Group in the WTO—as well as substantial reductions in trade-distorting domestic support and agricultural tariffs. We also share a common interest in bringing down tariffs and barriers to trade in industrial goods and trade in services.

U.S. Trade Representative Robert Zoellick recognizes the important role that sub-Saharan African members of the WTO play in the Doha negotiations and has invested considerable time and energy to consultations with African countries on WTO issues. Since the launch of the Doha Round, he has traveled to Africa three times for consultations with African ministers, most recently in February 2004 as part of his “round-the-world” trip to help restore momentum to the Doha process. He has also met with numerous African trade ministers in Washington and elsewhere and maintains a regular dialogue on WTO issues with several key African ministers. Over the coming months, he and other U.S. officials will continue to work closely with sub-Saharan African representatives to find a common way forward in the WTO talks.

### **Trade Capacity Building**

The United States appreciates that many African countries are unable to take full advantage of the increased

market access opportunities provided by AGOA, either because of inadequate infrastructure or because they have little experience producing and

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marketing value-added products in developed country markets.

To address these challenges, we have sought to make available the tools and training these countries

need to maximize their opportunities under AGOA and to participate more fully in the multilateral trading system. In Fiscal Year 2003, the United States invested \$133 million in technical assistance and training programs to enhance sub-Saharan African countries trade capacity, up 26 percent from the previous fiscal year. Among other things, this technical assistance has helped African businesses and farmers to identify market niches, to address quality and standards issues, to gain access to more timely market information, and to establish linkages with prospective American partners.

In October 2001, President Bush announced the Trade for African Development and Enterprise (TRADE) Initiative to promote U.S.-African business linkages and business development, expand the role of trade in poverty reduction strategies, and build African capacity for trade analysis. This Presidential initiative operates primarily through three Regional Trade Competitiveness Hubs—in Botswana, Kenya and Ghana—that assist African governments and businesses to address trade-related challenges and to develop and diversify their AGOA trade. In response to African requests, the Hubs are also devoting greater attention to helping African countries meet sanitary and phytosanitary measures to facilitate greater African agricultural exports under AGOA.

The United States is also providing trade capacity building assistance in support of the SACU FTA and to



### U.S.-African Trade and Investment Highlights

- AGOA continues to bolster U.S.-sub-Saharan trade and investment relations. Total trade between the United States and sub-Saharan Africa was just under \$33 billion in 2003, with U.S. exports of almost \$7 billion and U.S. imports of \$25.6 billion. U.S. imports under AGOA were valued at just over \$14 billion in 2003, a 55 percent increase from 2002. The U.S. direct investment position in sub-Saharan Africa increased 12 percent at year-end 2002, to \$8.9 billion.
- At the third U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, the President reiterated his commitment to work with the Congress to extend AGOA past 2008. In November 2003 and April 2004, legislation was introduced in the Senate and House of Representatives that would extend AGOA's authorization and its special third-country fabric provision, enhance AGOA-related technical assistance, and amend some technical provisions of the Act. Hearings were held on the proposed legislation in spring 2004.
- Negotiations began in June 2003 on a free trade agreement (FTA) between the United States and the five members of the Southern African Customs Union (SACU)
  - Botswana, Lesotho, Namibia, South Africa, and Swaziland. The target completion date for the FTA is December 2004.
- Thirty-seven of the 48 sub-Saharan African countries are now eligible for AGOA. On December 31, 2003, Angola was added to the list of eligible countries, and two countries - the Central African Republic and Eritrea - were removed from the list for failing to meet the eligibility criteria.
- As of April 2004, 24 countries were eligible to receive AGOA's apparel benefits. Eight countries have qualified for AGOA's special handloomed and handmade provisions.
- The third annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum ("the AGOA Forum") was held in Washington in December 2003. Senior officials from over 30 AGOA-eligible countries participated. President Bush met with the African ministers and told them of his continuing commitment to AGOA and to strong U.S.-African trade and economic relations. Senior Administration officials and several Members of Congress also participated in the Forum.
- The United States devoted \$133 million to trade capacity building activities in sub-Saharan Africa in FY2003, up 26 percent from FY2002. More than a dozen U.S. agencies implement these activities, including USAID, the Department of Commerce, the Department of Agriculture, and the U.S. Trade and Development Agency.
- The HIV/AIDS pandemic could seriously affect efforts to strengthen the U.S.-sub-Saharan African trade and investment relationship. President Bush has pledged \$15 billion towards the fight against HIV/AIDS over the next five years.

Source: 2004 Comprehensive Report on U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act, May 2004.

enhance African participation in the WTO. With SACU, we have established a special cooperative group on trade capacity building to help identify and address the needs of the SACU countries in preparing for the negotiations, implementing the eventual agreement, and making the transition to free trade. The United States directly supports WTO programs on trade-related technical assistance for African and other developing countries and provides a wide range of support for the Integrated Framework initiative, a multi-donor program that helps least developed countries to expand their participation in the global economy and to enhance their economic growth and poverty reduction strategies.

### High-level Dialogue

AGOA has also served to raise the level, frequency and quality of the U.S.-Africa dialogue on trade and investment issues. The most notable way in which it has done this is via the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, informally known as "the AGOA Forum." This annual event, held in accordance with the provisions of AGOA, brings together high-level officials of the United States and AGOA-eligible sub-Saharan African countries to discuss means to strengthen cooperation on trade and investment matters. The AGOA Forum is the Administration's premier platform to articulate and advance its

trade and economic policy toward Africa.

At the Third AGOA Forum, held in Washington in December 2003, trade ministers and senior-level officials from over 30 AGOA-eligible countries met with President Bush and top Administration officials. The President took the opportunity to reiterate his commitment to AGOA and to encourage African support for open markets and multilateral trade liberalization.

Among others participating in the Forum were Ambassador Zoellick (who has participated in all three AGOA Forums held to date), National Security Adviser Rice, Secretary of State Powell, Secretary of Commerce

Evans, Secretary of Treasury Snow, Secretary of Agriculture Veneman, USAID Administrator Natsios, U.S. Global AIDS Coordinator Tobias, and U.S. Trade and Development Agency Administrator Askey. Several members of Congress also attended. Prior to the AGOA Forum, there was no regular, high-level meeting involving U.S. and Africa officials. Now, thanks to the strengthened engagement promoted by the Forum, meetings between U.S. and African Cabinet-level officials occur regularly and trade topics have become an important agenda item in meetings between President Bush and African heads of state.

### Looking to the Future

Thanks to AGOA, the U.S. trade and investment relationship with sub-Saharan African countries has matured considerably in the last few years. Two-way trade is up; African countries are diversifying their exports to the United States; and we are consulting with each other more, both in the WTO and on bilateral trade issues. In the case of SACU, we are moving toward a free trade agreement, a level of engagement that we eventually hope to reach with other African countries and regional organizations, too.

But we are also aware that much remains to be done. Some AGOA-eligible countries have yet to export any significant amount of goods under AGOA. Others are doing well on apparel, but have not been able to

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diversify into any of the hundreds of other products for which duty-free market access is provided under AGOA. Eleven sub-Saharan African countries still fall short of the AGOA eligibility criteria, which include progress toward open markets, good governance, and protection of human rights. And the looming expiration of AGOA's third-country fabric provision remains a serious concern for those involved in the AGOA apparel trade.

The United States is committed to helping African countries to meet these challenges and will continue its efforts to ensure that the steady progress achieved in the “AGOA era” continues for many years to come.

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