# A Blueprint for the U.S. + Africa Partnership
# By Stephen Lande, President – Manchester Trade

After more than 50 years of doing trade policy, my thoughts are now crystallized around the ideal partnership between the U.S. and Africa. And so, if someone woke me up in the middle of the night, demanding to know how equitable benefits should ensue between American and Africa, I'd immediately echo the wisdom of my good friend Stephen Hayes from the Corporate Council on Africa: We must treat Africans like equal partners.

### A Constellation | A Perfect Storm

Once this basic tenet of equality is established, we shall have what Witney Schneidman calls a constellation. I, on the other hand, prefer an even more illustrious term for this epoch: This is the perfect storm - the period within which conditions just ripe for ambitious programs exist not only to perfect the market access provisions of the African Growth & Opportunity Act (AGOA) but to incorporate an enhanced AGOA and other initiatives of the Bush and Obama administrations into a coherent overall approach to commerce relations with Africa.

But let us get a few things straight: The ideal U.S. - Africa trade and investment partnership could be attained within a twenty-year period. Like I mentioned earlier, this would be a true relationship between equals with trade liberalization either on a multilateral or preferential basis flowing in both directions.

Here, Africa would be open to U.S. FDI and not mainly as a place to procure raw materials and agricultural produce. Ideally, the U.S. would be able to do business at all levels - including fully integrated supply chains and distribution networks. Once we evolve to this stage over a two-decade period, Africa would have, in the process, become part of the WTO group with whom the U.S. works to deepen trade liberalization and prevent backsliding in protectionist ways.

### The Whole-of-Government Approach

President Clinton launched the current process of deepening U.S. - Africa relations with the original AGOA legislation, and President Bush gets credit for its implementation, first extension as well as those complementary initiatives, particularly the establishment of the Millennium Challenge Corporation (MCC.) However the Obama Administration has not only built on both Clinton and Bush initiatives, but has developed its own tools to develop and deepen the economic partnership with Africa. With Congress and the African Diplomatic Corps, the Administration ensured that third country fabric was renewed in the heat of partisan paralysis in the legislative process. Initiatives worked within the Presidential Policy Directive on Africa that called for the whole-of-government-approach towards Africa and coordination in developing and implementing policy.

There has, for instance, been a threefold increase in Ex-Im Bank lending to the region; record obligations and guarantees by the Overseas Private Insurance Corporation (OPIC) have also ensued, and there is a newfangled commitment to both maintain hubs and have the Commerce Department join USAID in the most comprehensive approach to basic agricultural production in Africa under the Feed the Future initiative. There's also the United States Trade Representative's decision to accelerate bilateral investment treaty (BIT) negotiations with Africa.

Interestingly, the major beneficiaries of the recent U.S. supported Trade Facilitation Agreement (TFA) in the Geneva-based WTO will be Africa. This is not to even mention three of the most recent initiatives: Trade Africa that favors economic integration, while Power Africa that strives to enhance energy and electricity to millions of African producers and consumers; and then, the Doing Business in Africa campaign to match U.S. and African businesses.

Throughout this progress, Congress has been a steady partner in not allowing the polarization from muddying the bipartisan waters that are the U.S. - Africa dynamic. On top of speeding renewal of the third country fabric provision, once a decision was made, they have clearly expressed to the agencies they oversee that they'd like they would like to see more productive activities in Africa, and they have also agreed to increase the aforementioned lending authority of ExIm Bank, pressuring other agencies to do more. Congress is now actively considering a few complimentary measures to AGOA legislation (Increasing American Jobs Through Greater Exports to Africa) but with a focus on U.S. exports to Africa rather than the other way around.

**We Want More?**

Why, then, are we urging that this Administration and Congress and its successor do more these next three years to enhance our pacts with Africa? Simply, the time is right - a period when we have the tools and motivation to tie loose ends of an approach to Africa that's been long in the making. In calling for a review of AGOA with a view to strengthen its effectiveness, the USTR's charge to the United States International Trade Commission coincides with a call for the USTR's own staff to thoroughly collaborate with various strategic stakeholders to develop new ideas on how to deal with Africa.

All these efforts will, perhaps, contribute to President Obama's tentative summit - the first of its kind - with Africa's leaders. All these things point to an opportunity for new initiatives to be launched as well the enhancement of programs such as AGOA. Additionally, the bipartisan multi-congressional committee request to the Government Accounting Office for a thorough AGOA review gives perfect storm and constellation theories even longer legs.

**A Double Coincidence of Wants?**

There is much activity on the African continent right now. Not only is this statistics based - 7 of the world's 10 fastest growing countries are African - but there's certain growing awareness within Africa that there's potential to do business in goods and services with the U.S. There's awareness that investors are looking at the continent and that future decisions on investments are looking to Africa as a source for growth - and also as a willing partner to generate more distribution networks and supply chain, as a necessary alternative to those supply chains and distribution networks in the Far East.

More and more African countries are developing AGOA strategies, which is the African response to the whole-of-government-approach introduced in Washington—however this focuses on government agencies in AGOA beneficiaries working together as well as their private sectors to achieve similar results

**What the U.S. Should Do**

At this juncture, the discussion has to be around enhancing AGOA and an all-encompassing Obama initiative. This is even further propelled because, as of January 2014, we have a six-month period before two action-forcing events - the 2014 AGOA Forum and the Obama Summit occur sometime in the summer. In the meantime, the potential of an Obama Initiative must be passed in its entirety or in part before the 113th Congress adjourns this fall.

Like is already happening, President Obama is working trade with Europe via the Trans-Atlantic Trade and Investment Partnership (TTIP), with the Pacific region under the Trans-Pacific Partnership (TPP) and currently, Secretary of State John Kerry is working on deepening the North Atlantic Free Trade Area (NAFTA) provisions for Latin America and for Canada. To ensure that he also leaves a legacy for Africa, Obama has an opportunity to amalgamate his current with an enhanced AGOA, wielding them into an overarching U.S. approach to Africa.

## Key Challenges

More than anything else, many experts agree that not only are we racing against a Congress agenda: we are also dealing with a calendar that is fast moving towards the end of the 113th Congress. In the first place, AGOA must be renewed before this current Congress adjourns, or we could face the kind of disruptions experienced in 2012 when the third country fabric debacle led to cancellation of Christmas orders and the loss of business

## Two Ways to Deal with Challenges

There are, essentially, two ways to deal with the current challenges: The first option is to begin, in the immediate term, to develop a comprehensive AGOA renewal proposal. As at January 2014, we shall have seven months before things get especially tight. After three months - sometime in April 2014 - we expect that the USITC will provide its comprehensive report, giving all strategic stakeholders additional arsenal to ensure that any comprehensive AGOA proposal has the backing of this study.

The second option is to enact AGOA in two parts. Like the U.S. did with the Caribbean Basin Initiative, it could provide permanent duty-free treatment for an expanded list of AGOA products before the end of the year. This would prevent the current 'cliff' problems - the uncertainty that programs with deadlines will not be renewed as the deadline approaches - from ever coming up. In the meantime, Congress will work to ensure that AGOA is stronger and can guarantee that we have a second bite of the AGOA apple in the future. Basically, if the initial renewal does not provide a road-map for eventually replacing AGOA with a reciprocal program, this should also provide sufficient pressure to address the issue well before the end of Obama's presidency.

## Ideas for AGOA Enhancement

The first thing the U.S. Congress and the Obama Administration must do is work towards designating those agricultural products currently excluded from AGOA - particularly TRQ products where Africa has an export potential (groundnuts or peanuts, sugar and leaf tobacco - are allowed duty-free entry into the U.S. market. Various studies show that this, alone, could go along way in making AGOA more potent for a number of African countries which currently export little under the program.

Secondly, we must work on improving origin rules: Current origin rules require that for products to be eligible, they must undergo their final production process in the beneficiary African country. However this is, especially, outdated when it comes to supply chain where value can be added at any stage of the production process. One should consider amending the AGOA origin rules to provide duty-free entry for supply chain products with sufficient African content added at any point of production. In addition the minimal value added requirements should be reduced below the current 35 percent and the US should negotiate with its FTA partners allowing African value-added to be cumulated in meeting origin requirements.

Secondly, we must work on improving origin rules: This would allow for changes in supply chain production with intermediary African value-added reduced from 35% value added requirement; allowing African products to be cumulated with all preferential imports in meeting these origin requirements.

Thirdly, it could be an idea for the U.S. to designate any willing regional economic community in Africa for AGOA eligibility. Here, as opposed to individual countries, AGOA benefits would be designated to a REC and all its membership. This has immediate advantages when it comes to deepening regional integration, and also in ensuring that the United States works through these regional bodies to achieve both its strategic and economic objectives. This would only work if the RECs want to work with the U.S. in ensuring good governance, particularly maintenance and strengthening of democratic institutions.

Relatively, removing countries from AGOA must only be seen as a last resort considering that there are negative consequences to innocent parties such as U.S. businesses and even ordinary Africans such as the Malagasy women supplying the U.S. market that lost their jobs when Madagascar was removed from receiving AGOA privileges in 2009. This' an opportunity for the U.S., working with African countries, to be effective and give other measures such as travel restrictions, freezing assets or suspension from participating in regional bodies an opportunity to work.

Lastly, on top of designating RECs, if AGOA preferences were made permanent, this should also work to deepen regional integration if conditions were given a ten to fifteen year-period period to negotiate appropriate reciprocity at which time Africa should be in a position to negotiate as a group.

One should, under the circumstances, recognize African commitments to ensure increasingly effective performance under AGOA through their AGOA strategies and U.S. should consider joining those countries with such strategies through AGOA Compacts where both sides would cooperate in meeting AGOA objectives as so clearly described by Ethiopian consultant, Eyob Tolina.

**Trade Initiatives Outside AGOA**

We must also deal with aspects outside AGOA. This will mean that an intensification of U.S. economic efforts must go alongside those political ones under Trade Africa to help Africa achieve her integration goals for the continental free trade agreement (CFTA) and the customs union as planned by the Abuja Treaty of 2004. In the same vein, we must also invite the European Union to join the U.S. in developing a common approach to reciprocity - one that could reinforce rather than undermine integration.

Additionally, there's a sense that Congress has of recent resolved to support the African Union's progress in establishing tight deadlines for the completion of African efforts to create FTAs and Customs Unions. Some have also expressed concern over the EU's efforts to coerce African countries into signing premature reciprocal agreements that would disrupt regional integration and put US exports at a competitive disadvantage.

The U.S. must also upgrade its current trade and investment framework agreement (TIFA) structure to make these into a major tool for opening up markets for U.S. exports through trade liberalizing efforts of US AGOA partners. Coincidentally, duty-free/ quota free benefits and other LDC programs in the WTO should be extended to all developing country belonging to REC s proceeding towards regional integration.

This should also support African regional economic community participation in implementing the Bali Trade Facilitation Agreement (TFA) particularly through those provisions, promoting regional trade in Africa and with the U.S. Complementary non-Trade Efforts to AGOA

Summarily, it would help the Obama Administration a great deal if it could bring, under a single umbrella, the wide, a number of its initiatives towards the region. At the same time, we must set up a one-stop shops for U.S. firms wishing to invest, export or otherwise do business in Africa as one of the outcomes of the Administration whole of government approach.

Lastly, on top of reaching out to equity funds so that they can develop leads in Africa, the U.S. must also develop specific initiatives in each agency to support African development. For instance, the Millennium Challenge Corporate should devote at least 20% of its funding to support regional integration.