Africa in the Wider World

Editor
Richard Downie

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Center for Strategic & International Studies
1616 Rhode Island Avenue, NW
Washington, DC 20036
202-887-0200 | www.csis.org

Rowman & Littlefield
4501 Forbes Boulevard
Lanham, MD 20706
301-459-3366 | www.rowman.com

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Daniel F. Runde and Conor M. Savoy

The U.S.-Africa Leaders' Summit will focus on trade and investment opportunities in Africa, while highlighting America's commitments to security and democratic governance on the continent. Although the administration has prioritized relations with sub-Saharan Africa, it remains unclear what "deliverables" will be offered up at the summit; this can be rectified and there is a big opportunity at the nexus of trade and development for the United States to transform its relationship with Africa from one based primarily on assistance into a true economic partnership of equals. This can be achieved with the deployment of some focused resources and by renewing—and reenergizing—the flagship trade agreement between the United States and Africa, the African Growth and Opportunity Act (AGOA).

The August summit takes place at a critical moment for the United States and its trade and development relationship with the continent. This relationship is defined by two critical, but at the moment unlinked, agreements: AGOA and the recently concluded Bali agreement on trade facilitation. AGOA provides duty-free, quota-free entry for more than 6,000 products into the United States, although, in practice the vast majority of goods that enter the United States under AGOA have been oil and other petroleum products. AGOA eligibility is determined annually for sub-Saharan countries based on improvement of labor rights and movement toward a market-based economy. Currently, 39 Africa countries are included in the program. AGOA is due for renewal when it expires in September 2015; it was renewed in 2004 with relatively few changes. Simply renewing AGOA as it currently stands would be a missed opportunity that would fail to advance U.S.-Africa trade and economic relations; rather, the administration must explore ways to link a new agreement with the recently concluded Bali agreement.

The Bali agreement on trade facilitation, reached in December 2013 following nine years of negotiations, offers significant potential for both developing and developed countries.

Trade facilitation, as defined by the Doha Agreement, is "further expediting the movement, release, and clearance of goods, including goods in transit, and the need for enhanced technical assistance and capacity building in this area." It is estimated that trade facilitation could provide the world economy with more than $1 trillion of additional trade, evenly split between developed and developing countries. USAID estimates that reducing global trade costs by just 1 percent will lead to an approximately $40 billion increase in world income.

Bali seeks to finish the job of earlier agreements by identifying what needs to be done to help countries meet their obligations to remove bottlenecks to trade. By signing the Bali agreement, countries committed themselves to making the necessary reforms and improvements to meet trade facilitation obligations. Countries must designate which parts of the agreement they can implement immediately, after a transition period, and after a period during which they receive technical support and capacity-building assistance. Some African countries are already pursuing implementation through existing programs, but far more will need technical assistance from donors to become fully compliant with the agreement. Implementation costs of the agreement will vary from country to country and there will of course be an initial burden on all involved including regulatory, institutional, coordination, training, and infrastructure costs, among others.

The Obama administration should use the opportunity presented by the visit of so many African heads of state in August to pursue a multipronged strategy around the Bali agreement. First, it must have an expansive conversation with African leaders about the kinds of assistance they require to become compliant with the Bali agreement. This discussion should then lead to a convening by Washington of bilateral and multilateral donors to determine how to meet these requests. Additionally, the summit offers an opportunity for the administration to host a broad discussion with African leaders on how to shape a new AGOA that would be of mutual benefit to both parties. President Obama should begin work with the U.S. Congress as soon as possible to identify funding to support a new trade facilitation program that could be integrated into the AGOA renewal.

The Obama administration has the opportunity to fundamentally transform U.S.-Africa relations. Since decolonization the primary means of interaction between the United States and Africa has been foreign assistance, but this is an outmoded approach that does not reflect present-day realities. U.S. companies see the economic potential that exists in sub-Saharan Africa and foreign direct investment has grown in recent years, yet significant barriers remain to further trade with, and investment in, the region. Overcoming these barriers will require efforts to transform AGOA from a trade preference program to one that seeks to improve trade facilitation and ultimately build trade capacity across Africa. This summit offers the best opportunity to begin this process.