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US – Africa Trade Policy

from Extraction to Interaction

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The 2014 U.S. - Africa Leaders Summit was a success. However, much of the hard work lay ahead. All parties agree that the market conditions and economic realities that existed when the African Growth and Opportunity Act (AGOA) was first implemented have radically changed. In order to remain relevant, AGOA, the trade preference program that is the cornerstone of US-African trade policy, must be changed to reflect new market and political realities (the most important of which is that US trade policy must be a negotiated arrangements among partners) and have sufficient flexibility to remain relevant as market and political realities change into the future. Professing the existence of trade partnerships is much different from partners around the trading table behaving as such. Often one partner must act first, followed by reciprocation. As trust grows, so does mutual respect and cooperation, resulting in relationships that are stronger and more reliable than any written compact or treaty.

The United States should act first by extending AGOA for a period of time beyond its expiration in September 2015. Doing so will provide some comfort and basic guidance to those weighing long term investments in Africa, which is the key to African markets reaching their full potential. An reauthorization of AGOA will be a powerful and demonstrative extension of trust in the leaders of the African nations who participate in AGOA. The ball will be moved to their court to demonstrate that they and their countries should be treated as bona fide trading partners rather than merely beneficiaries of US trade policy.

The Leaders Summit highlighted many things that the AGOA nations should do to become better and more efficient trading partners (both between the US and with their African neighbors). To be fair, the Leaders Summit also highlighted the substantial steps that some countries like Kenya and trading blocs such as the Economic Community of West African States have made in the area of trade facilitation, investment policies and lessening intra-African border issues that hamper trade and investment. For the most part, however, addressing and resolving these issues will require significant capital expenditures and the deployment of significant political capital by African leaders.

In response to the reauthorization of AGOA, participating African nations can make good on an existing promise by adopting and implementing comprehensive individual country action plans (ICAPs) that are consistent with the letter and spirit of AGOA. And, they can agree not to enter into trade compacts and treaties with other countries or trading blocs that are fundamentally detrimental to US companies having fair and equal access to their markets. At the Leaders Summit, African leaders openly called for a 15-year “seamless” extension of AGOA. A practical compromise is for Congress to agree to a five (5) year extension of AGOA and the Third-Country Fabric Provision, with an automatic extension for an additional ten (10) years provided that (1) at least 2/3 of AGOA members having adopted ICAPs by a designated date; (2) a country may be excluded from AGOA participation if it adopts trade policies or agreements that are fundamentally contrary to the letter and spirit of free trade and/or access by US companies to that country’s markets; and (3) AGOA will be wound down if fewer than an agreed upon number of African nations participate.

Reauthorization of AGOA with these specifications will lay our cards flatly on the trade table, face up. US expectations with respect to trade partnerships with Africa will be clear and unmistakable. The specifications will promote and encourage the African AGOA members to work together and to police each others’ trade policies and practices. Countries can choose to be AGOA partners or not. Investors who have made investments based, in part, on a 15-year commitment of US trade policy will also have skin in the game to encourage the countries in which they invest to meet the prescribed requirements.

Reauthorization of AGOA is a pragmatic first step in building an enduring and sustainable trade partnership with African nations – relations that are no longer built on Extraction but rather Interaction. Let's get started. ◊

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