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THE AFRICAN GROWTH AND OPPORTUNITY ACT: AN OPPORTUNITY OR A MIRAGE?

FLORIZELLE LISER

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Foreword

Since 2000, the African Growth and Opportunity Act (AGOA) has provided the framework for trade and economic engagement between a large number of African countries and the United States of America. The AGOA framework provides trade preferences for quota and duty-free entry into the United States of America for certain goods, expanding the benefits under the Generalised System of Preferences (GSP) programme. Under that framework, tax-free exports have served as incentives for AGOA-eligible countries to undertake the reforms needed to strengthen the foundation for market-based economies, the rule of law and political pluralism, protection of US intellectual property, and elimination of barriers to US trade and investment, while enhancing the integration of African countries into the global economy through economic diversification and structural transformation. After completing its initial 15-year period of validity, AGOA was extended by the US Congress for another decade and will now serve as the basis for US-Africa trade relations until 2025.

As the cornerstone of US trade policy with Africa, AGOA has expanded access to the US market, particularly for African textiles and apparel. However, despite the current shift in composition, African exports to the US largely comprise primary commodities and natural resources, accounting for about 70% of the region's total exports. Furthermore, since 2010, trade between Africa and the US has been declining steadily and is at its lowest level in more than a decade, partly reflecting drastic cuts in US oil imports as it becomes more self-sufficient in energy.

This paper prepared by Ms. Florizelle Liser, the former Assistant US Trade Representative for Africa and currently President and CEO of the Corporate Council on Africa, reviews the nature and evolution of US-Africa trade under the AGOA framework and highlights the positive impact of AGOA on trade and economic development in Africa. The article also outlines a number of options to expand US-Africa trade, including ongoing efforts by the US Government to increase investment in trade-enabling infrastructure and financing to boost trade and investment in support of the diversification of Africa's exports. The paper is an extension of the keynote address delivered by Ms. Florizelle Liser at the maiden edition of the Afreximbank Trade and Development Seminar Series held in October, 2016 at the Headquarters of the Bank in Cairo, Egypt. It is published at a time when concerted efforts are being made by the Bank to review existing trade arrangements between Africa and its trading partners with a view to increasing their effectiveness and development impact and enhancing the continent's competitiveness.

I hope that you will find the content of this paper as insightful and informative as I did.

Thank You.

Dr. Benedict O. Oramah
President and Chairman of the Board of Directors
The African Export-Import Bank

I. Introduction

The African Growth and Opportunity Act (AGOA) has been the foundation of trade relations between the United States and Africa since its enactment on 18 May 2000 by the US Congress. AGOA allows sub-Saharan African countries to export nearly 7,000 products duty-free to the United States and serves as an incentive to adopt policies that strengthen the industrial capacity of African nations and to produce value-added exports, thereby giving those products a competitive edge in the US market. In essence, AGOA aims to assist African economies become less dependent on oil and other commodity exports, and enhance their integration into the global economy, while creating an opportunity for the United States to foster greater economic engagement with the continent in trade and investment. In 2015, the US Congress extended AGOA to 2025, the longest extension ever in the program, strengthening the position of AGOA as the main framework for economic and trade relations between the United States and Africa for at least a quarter of a century.

The objective of this paper is to shed some light on the nature and evolution of US-Africa economic relations within the AGOA framework. The paper assesses the impact of AGOA on trade and economic development in Africa in the context of set objectives. Following this introductory section, section 2 provides an overview of AGOA and discusses its intended objectives. Section 3 reviews US-Africa trade relations under AGOA and highlights some success stories; section 4 discusses US support to Africa's trade and development; section 5 discusses what African can do to further support trade and development; and section 6 concludes the paper.

II. The African Growth and Opportunity Act

AGOA was enacted to provide eligible Sub-Saharan African countries access for a wider range of products to enter into the US market duty-free beyond those products given preferential duty-free treatment under the US Generalized System of Preferences (GSP). The GSP is a unilateral trade preference arrangement that allows a wide range of products from more than one hundred designated developing countries (not just African) to have duty- and quota-free access to the US market. It covers more than 3,400 products and provides 1,400 additional product preferences for least-developed beneficiary countries (a group that includes several African countries). AGOA builds on GSP preferences resulting in a total of some 7,000 tariff lines—at the Harmonised System (HS) 8-digit level duty-free, quota-free access to the US market—resulting in approximately 97 percent of all African products shipped to the US entering the US duty-free.

More than preferential market access, AGOA legislation also sets a framework for the US-Africa economic relationship that goes beyond development assistance (aid) and a donor-aid recipient relationship. AGOA established and mandated the annual United States-Sub-Saharan Africa Trade and Economic Cooperation Forum (commonly known as the AGOA Forum)—a high-level dialogue between senior US and African ministers of trade, finance, and agriculture to discuss and jointly chart a path for US-Africa trade and investment. The legislation also provides that to the extent possible the US and its AGOA partners meet at the heads of state level. Over the years, various US Presidents have met on various occasions with selected African heads of state to discuss trade and other economic issues. However, it was in 2014, under President Barack Obama, that the first US-Africa Summit was held bringing together nearly 50 African heads of state to discuss the broader US-Africa relationship, including economic, geopolitical and security issues.

Originally, AGOA covered the period from October 2000 to September 2008, but legislative amendments signed into law in July 2004 extended the period to 2015. The AGOA legislation was further extended on 29 June 2015 by an additional 10 years to 2025. AGOA therefore has been and, for the next seven years, will remain the basis of trade relations between the United States and sub-Saharan African countries. When the US Congress enacted AGOA in 2000, they included a range of eligibility criteria, requiring that a US interagency group, led by the Office of the US Trade Representative, annually review all sub-Saharan African nations to determine if they meet or continue to meet the eligibility criteria. Based on their recommendation, the US President designates those countries eligible if they are determined to, or are making continual progress towards establishing, the following (among others): (i) market-based economies; (ii) the rule of law and political pluralism; (iii) elimination of barriers to US trade and investment; (iv) protection of intellectual property; (v) efforts to combat corruption; (vi) policies to reduce poverty, increasing availability of health care and educational opportunities; (vii) protection of human rights and worker rights; and (viii) elimination of certain child labour practices.[1] In addition, the country may not engage in activities that undermine US national security or foreign policy interests or engage in gross violations of internationally recognized human rights. The rationale for these requirements is to support the kind of environment that

1 Countries that have lost AGOA benefits due to non-compliance with requirements include Burundi, the Democratic Republic of Congo, the Gambia, and Swaziland.

promotes trade, attracts investment, and thereby makes it possible for AGOA-eligible countries to take advantage of the preferential access to the US market that AGOA provides. With the reinstatement of Swaziland in January 2018, 40 countries are currently eligible for AGOA benefits.

III. Performance under AGOA

Several issues have often been highlighted in discussions of AGOA's performance over the years and contribute to the debate on whether AGOA is an opportunity or mirage. Often raised are the relatively low level of African exports to the US, Africa's minimal presence in the US market, the concentration of petroleum/oil exports, and the limited number of countries benefitting from or utilizing AGOA. Critics point to factors that have little to do with the effectiveness of the AGOA preference program itself, but rather relate to structural issues and supply side constraints—including low manufacturing to GDP ratios, costly trade finance, and the lack of or high costs of trade-supporting infrastructure such as transportation and electricity—factors which impact African trade not only with the United States but with nearly all of its external trade partners. Supporters note the increase in non-oil exports to the US under AGOA and the diversification of value-added exports from a growing number of AGOA beneficiary countries. Hence, AGOA's story is a mixed one with not nearly as much utilization across countries and sectors as hoped for, but with quantifiable signs of increasing competitiveness and export diversification, as well as Africa's increasing presence in various global value chains.

In 2017, US goods imports from Sub-Saharan African countries were US$24.9 billion, up 23.6 percent from 2016, but down 63 percent since 2006. US imports from sub-Saharan African countries account for 1.1 percent of overall US goods imports in 2017. The top import categories in 2017 were mineral fuels (crude oil), precious metal and stone (platinum, diamonds), cocoa, vehicles, and iron and steel; and the top five US import suppliers were South Africa, Nigeria, Angola, Côte d'Ivoire, and Botswana. Of total imports from Sub-Saharan African countries in 2017 (US$24.9 billion), AGOA imports (including GSP) accounted for US$13.8 billion.

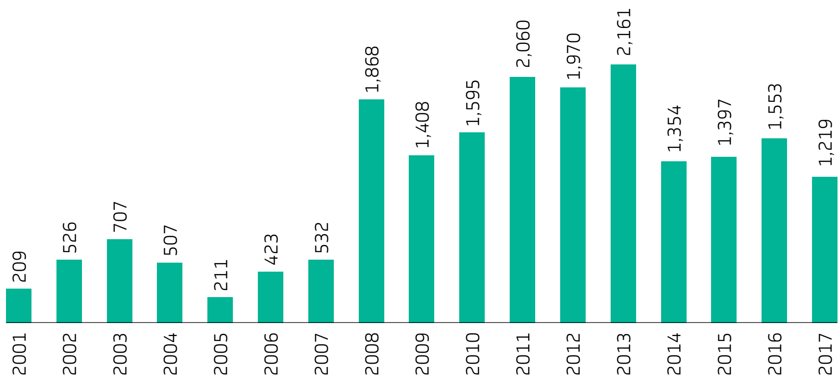
Oil which on average accounted from over80% of US imports from AGOA Countries since inception has been at the same time, non-oil exports from AGOA countries to the United States more than tripled from US$1.4 billion in 2001 to US$4.3 billion in 2017. This is mainly due to increased value-added and non-traditional exports, including automotive and automotive parts, apparel, fruits and nuts, cocoa and cocoa products, prepared vegetables, footwear, and cut flowers. As evidenced by the range and diversity of sectors, AGOA has contributed to the the diversification of African exports away from natural resources and primary commodities to light manufactures in a number of African countries and, in the process, helped to create hundreds of thousands of jobs on the continent.[2]

AUTOMOTIVE SECTOR

For instance, AGOA forms one of the cornerstones of Africa's automotive sector. Approximately 90 tariff lines falling within Chapter 87 of the HS are covered by the AGOA legislation with automotive (automotive and parts) exports under AGOA increasing from US$241 million in 2001 to around US$1.2 billion in 2017 (Figure 1).

2 However, while the process of economic diversification of African economies is ongoing and has been enhanced by AGOA, primary commodities and natural resources still account for the lion's share of African trade and the region is not generating sufficient jobs to absorb the 18 million young Africans expected to enter the labour market every year over the coming decades. Currently, the region is generating only about 3 million jobs, leaving a significant deficit of 15 million jobs.

Figure 1: Automotive exports to the United States under AGOA (US$ million)



Source: Agoa.info USITC.

While over 95 percent of exports from this sector originate from South Africa, some small amounts of automotive products have also been exported from other AGOA beneficiaries including Kenya, Namibia, and Nigeria. Other beneficiary countries provide some of the necessary inputs to the South African automotive sector, for example Botswana and Lesotho supply premium quality leather and leather seat covers used in automobiles manufactured in South Africa and shipped to the US under AGOA. Predominantly due to AGOA, automotive exports has seen a 524 percent increase in value since 2001, and has contributed to the creation of thousands of jobs, the development of regional value chains, and increased intra-African trade.

AGOA SUCCESS STORY: SOUTH AFRICA

South Africa is generally considered the most advanced and diversified economy in Sub-Saharan Africa and is the economic, commercial, and logistics hub of Southern Africa. South Africa is the largest Sub-Saharan African user of AGOA and GSP by value, and accounts for 68 percent of non-oil AGOA exports to the United States. Under AGOA, South African exports to the United States have increased three-fold since 2001, totalling US$2.9 billion in 2017, helping to create jobs across many different sectors in South Africa, including in both the industrial and agricultural sectors. South Africa's major AGOA success story is the automobile industry. South African exports of transportation equipment, which includes autos and other parts and accessories, increased from US$76 million in 2001 to US$1.3 billion in 2017, adding over 30,000 South African jobs. Agriculture provides another good example of South Africa's success under AGOA. Under AGOA, South African exports of agricultural products increased nearly seven-fold since 2001 to US$278 million in 2017. South Africa's citrus industry has attributed its success to market access opportunities provided by AGOA, which has helped support up to 85,000 South African jobs in the sector alone. South African citrus exports under AGOA reached US$58 million in 2017. Other examples of agricultural products that have gained a foothold in the US market under AGOA include macadamia nuts. In 2017, South Africa exported US$49 million worth of macadamia nuts to the United States under AGOA. South African exports of macadamia nuts under AGOA help support 3,800 South African jobs, including an additional 7,000 jobs during harvest season.

CLOTHING AND APPAREL SECTOR

In the apparel industry, African countries now enjoy a comparative advantage over Asian exporters that have dominated the sector over the last few decades, exports have grown consistently in recent years after the decline that followed the end of the Multifibre Arrangement in 2004. Apparel is one of the product areas that AGOA beneficiary countries have most been able to take advantage of, in large part due to the program's liberal rules of origin. Specifically, AGOA permits the import of apparel manufactured in Africa that is made of fabric and other inputs from non-AGOA countries. Various sector-specific studies have agreed that AGOA preferences led to increased Sub-Saharan African exports of apparel for a number of eligible countries, with beneficiaries exporting higher volumes of apparel products and also diversifying exports of new apparel products. Apparel exports under AGOA has grown from US$349 million in 2001 to over US$1.5 billion in 2017 (Figure 2).

The effect of AGOA on Sub-Saharan exports of apparel has been uneven over the years and four countries (Kenya, Lesotho, Madagascar and Mauritius) accounted for almost 90 percent of AGOA apparel exports in 2017.[3] Nevertheless, the effect of increased apparel exports on a number of African countries and hundreds of thousands of individuals can clearly be seen by looking at select apparel factories in places like Kenya. For instance, the UAL apparel factory is located within a government-supported Export Processing Zone, six miles from Nairobi's city center. It is a leading Kenyan exporter of apparel to the US, supplying several large retail chains, including Levi Strauss &

3 African apparel exports to the United States under AGOA quickly rose from US$359 million in 2001 to USUS $730 million in 2010 after the elimination of textile quotas in 2004, before rising again to over US$1 billion since 2014.

Co. and H & M. Since the extension of AGOA in 2015, UAL has added thousands of jobs, and currently employs nearly 10,000 workers, a substantial number in a country where an estimated 20 percent of the labour force is underemployed. Kenya's ability to attract investment in the textile and apparel industries holds out the promise of higher-wage employment, with attendant impacts on reducing poverty and hunger. Overall, 40,000 Kenyans are employed in the garment and apparel export industry. The apparel and textile manufacturing industry drives urban employment and is critical to improving the livelihoods of urban women and youth.

AGOA APPAREL MANUFACTURING CHANGING LIVES

"The job has empowered me. I'm not stuck at home. I now know leadership," said Violet Kabanya who joined UAL in 2003, the same year it opened. She worked her way up from a "helper" to a director of quality control, speaking directly with buyers regarding their shipments. "The company has given me opportunity. It is a privilege to be here." Samuel Omboga started with UAL just out of secondary school, 5 years ago. His family encouraged him to move from his rural home in western Kenya to Nairobi for a job. He also started as a helper and has worked his way up to a clerical position. He now supports his two brothers who attend school and is working to improve the living standards of his parents. He has more than doubled his income since joining the company. "The job has created opportunities for me. Now, I want to create opportunities for my family back home," said Omboga who recently started a small side business selling handbags. He says it isn't doing well yet, but it does provide his rural family with employment.

Figure 2: Apparel exports to the United States under AGOA (US$ billion)

Source: agoa.info USITC.

Lesotho is another country that has benefited tremendously under AGOA. Its apparel sector underpins its small economy and was in large part enabled by AGOA. The sector has grown extraordinarily over the past 15 years. It employed fewer than 15,000 workers in 2000, and by 2017 the industry employed over 46,000 workers, making it the leading employer in the country. Lesotho's textile and garments manufacturing sector has become one of the largest in Africa and accounts for over 20 percent of Lesotho's GDP, with 80 percent of garments manufactured for large American corporations.

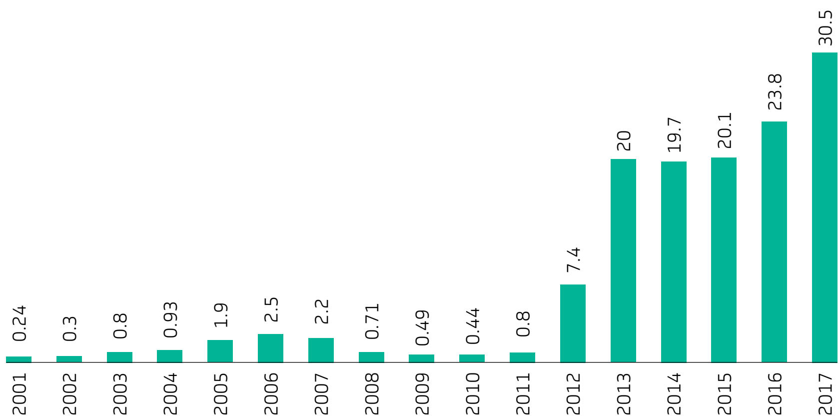
The most recent AGOA success story is Ethiopia. Ethiopia's apparel exports to the United States has grown from under US$250,000 in 2001 to over US$9 million by 2017. The preferential access afforded by AGOA has assisted the country to attract foreign investment into the sector, with over US$1 billion invested in the first six months of the 2016/17 fiscal year alone, largely from Chinese investors looking to relocate their production to take advantage of Ethiopia's labour cost advantage and the market access opportunities offered under AGOA. Phillips-Van Heusen Corporation (PVH) —producers of Hilfiger and Calvin Klein apparel—also invested US$950 million in a manufacturing facility in Ethiopia, with the chief executive officer estimating that up to 25 percent of its production could be sourced from Africa in the next five years. AGOA has therefore facilitated investments in the sector and is contributing to Ethiopia's emergence as a manufacturing hub for the global textile market.

FOOTWEAR

Another labour-intensive light manufacturing sector where Africa enjoys a comparative advantage is footwear. The leather and leather products industry—including leather footwear and leather products, as well as leather substitute products such as rubber footwear, textile luggage, and plastic purses or wallets, and belts—provides opportunities for African countries to form regional value chains and add greater value to the region's exports. At present, Africa is the largest source of the basic raw material of the industry (i.e., hides and skins), but it exports this raw material with very little value addition. By offering preferential access to the US market, AGOA has provided an opportunity for beneficiary countries to invest in the sector, add value to their leather exports, and develop regional value chains. AGOA exports in this sector include footwear, leather hides, handbags, luggage, personal leather goods, and other categories. Africa's exports of leather products to the United States have more than doubled from around US$15.7 million in 2000 to over US$36 million in 2017, while footwear exports claiming AGOA preferences have grown from a mere US$240,000 in 2001 to over US$30 million in 2017 (Figure 3).

The leading subsector within this industry is women's footwear, which accounts for around 63 percent of total exports within the sector. Other subsectors with impressive growth in recent years include handbags and purses, luggage, and leather and hide tanning.

Figure 3: Footwear exports to the United States under AGOA/GSP (US$ million)



Source: agoa.info USITC.

Ethiopia is the main AGOA beneficiary with the largest volume of footwear exports to the United States. Such growth began in earnest in 2012 and has recorded huge upticks in recent years. While almost two thirds of leather and allied exports from AGOA countries to the US originate in Ethiopia, other AGOA-eligible countries also have footwear and/or leather product exports to the United States. South Africa is the (distant) second-largest AGOA beneficiary in this sector, with its exports valued at less than a quarter of Ethiopia's. Other beneficiaries on a much smaller scale include Rwanda, Nigeria, Mauritius, Kenya, Ghana, Madagascar, and Uganda.

AGOA SUCCESS STORY: ETHIOPIA

Ethiopia is the second-most populous country in Sub-Saharan Africa with its 102 million inhabitants, and It has also had one of the fastest growing economies in the world over the last decade though its GDP per capita remains relatively low US$660 in 2016. Economic growth due to increased trade is likely to increase income and have a positive effect on reducing poverty and hunger. Ethiopia's major exports include coffee, oil seeds, and gold. Ethiopia is only the twelfth-largest user of the AGOA program by value, but it has increasingly taken advantage of the program in recent years. Ethiopia's exports to the United States under AGOA have risen from US$10.3 million in 2010 to US$92.8 million in 2017. One area in which Ethiopia has had success is footwear. Ethiopia started using the program for footwear in 2007, with exports totalling US$33,000. Between 2011 and 2017, Ethiopian footwear exports through AGOA increased over forty-five-fold—from US$630,000 to nearly US$30 million. The USAID East Africa Trade and Investment Hub, which partners with East African and US business to boost trade and investment with and within East Africa, began working with Ethiopian footwear producers in 2012. In just over a year, it facilitated over US$1.5 million in sales to the United States. In 2018, Ethiopia's shoe exports continue to grow very rapidly compared to 2017 totals (up 58 percent), making the country the first substantial AGOA footwear supplier to the United States.

AGRICULTURE

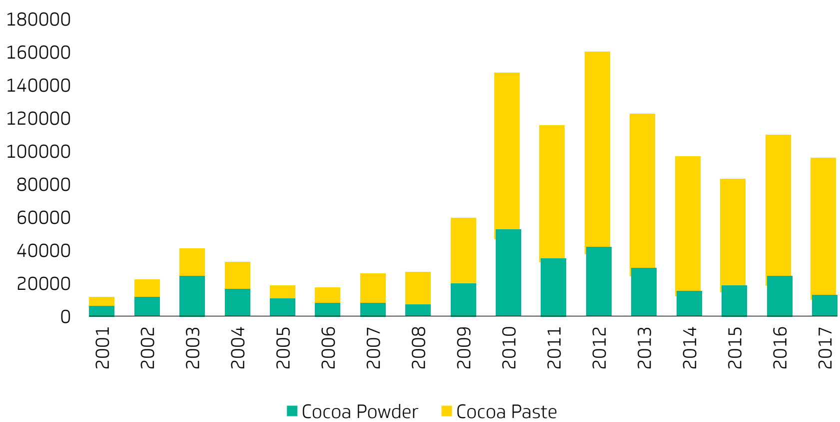
With most African economies largely agrarian, the Afri cultural sector carries both important social and economic development potential in contributing towards: poverty and hunger alleviation; boosting intra-African trade and investment; rapid industrialization and economic diversification; sustainable resource and environmental management; and creating jobs, human security, and shared prosperity. While much of the continent's agricultural production is subsistence or for local consumption, there has been strong growth in agricultural exports in recent years, including to the United States. AGOA beneficiaries exported a combined US$2.7 billion worth of agricultural products to the US in 2017, up from US$754 million in 2001. The leading exporters in 2017 were Côte d'Ivoire, South Africa, Ghana, Madagascar, Ethiopia, and Kenya; the leading agricultural export products included cocoa and cocoa products, coffee, and tea. Processed cocoa products exports—including cocoa powder and cocoa paste—have grown significantly under AGOA, increasing from US$10.7 million in 2001 to US$94.8 million in 2017 (Figure 4).

In addition to AGOA agricultural exports, a huge proportion of African agricultural exports (for example coffee) enter the United States duty-free (Figure 5). In 2017, AGOA beneficiaries exported US$556 million worth of qualifying AGOA/GSP agricultural products to the United States, representing just over 20 percent of total agriculture products exported from AGOA beneficiaries to the United States. Around 28 AGOA beneficiary countries export agricultural products to the United States. The leading products exported under AGOA/GSP preferences are citrus fruit (mainly oranges and mandarins), grapes, nuts (including macadamia), fresh vegetables, cassava, and peppers, demonstrating the catalytic effect of AGOA in stimulating non-traditional exports. For instance, under AGOA preferences, citrus exports have grown from US$19.7 million in 2001 to US$58 million in 2017 while exports of grapes grew from US$1.5 million to US$10.5 million over the same period.

AGOA SUCCESS STORY: KENYA

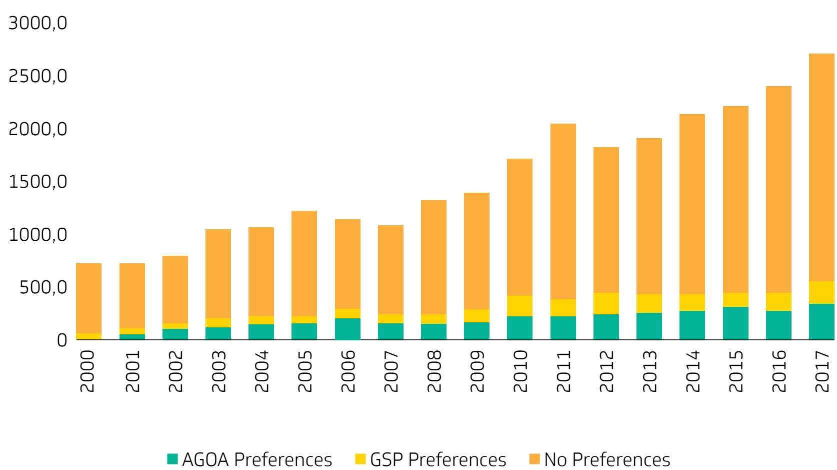
Kenya has the strongest industrial base in East Africa and is generally considered the economic, commercial, and logistics hub of East Africa nonetheless. The agricultural sector is the largest employer in Kenya, contributing approximately 36 percent of GDP. The country's major exports are tea, coffee, cut flowers, and vegetables. Kenya is the fifth largest user of AGOA and GSP by value, but three of the larger users primarily export petroleum to the United States. Over 70 percent of Kenya's exports to the US market enter under these preference programs. A good example of a Kenyan success story under AGOA, beyond apparel, is macadamia nuts. Kenyan exports of macadamia nuts to the United States under AGOA totalled US$72,000 in 2000 the year AGOA was signed into law, and then rose quickly to US$8 million by 2004. After some fluctuation since that date, US imports further grew to US$52 million in 2017. These exports support over 100,000 farmers with an average of 6-12 trees per grower, typically as part of a diversified agricultural smaller-holder operation. Sales of macadamia nuts under AGOA can substantially add to these farmers' income, improving their livelihoods. For instance, Samuel Ngatia, a small farmer in Central Kenya, recently said he earned approximately US$2,000 from the sales of macadamia nuts which allowed him to purchase two dairy cows and cement his house. Additionally, macadamia shells and husks can be used for fertilizer, further increasing their value to small-scale farmers.

Figure 4: Cocoa Powder and Cocoa Paste exports to the United States under AGOA/GSP (US$ million)



Source: USITC.

Figure 5: Agricultural exports to the United States (US$ million)



Source: agoa.info USITC.

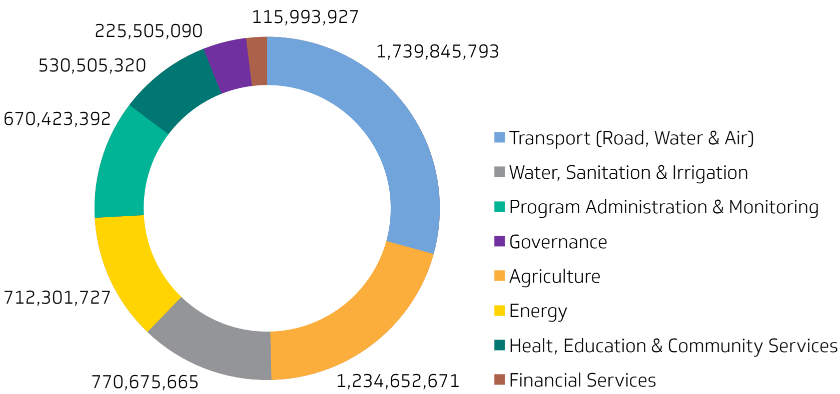
IV. US Support to Africa’s Trade and Development

Despite the relative success of AGOA in stimulating non-traditional exports from Africa, much of AGOA’s potential has not been fully reached—with many countries and products still not benefiting from the programme. AGOA beneficiaries only take advantage of a fraction of the nearly 7,000 eligible tariff lines, and the continent’s exports to the United States constituted less than 1.5 percent of total US imports in 2017. Supply-side constraints such as unreliable electricity, poor ports, bad roads, and lack of transnational highways, as well as poor access to the internet, and barriers to cross-border trade continue to impede African regional and global trade, and thus overall development in Africa.

African producers also struggle to meet US agricultural and other standards, undermining their ability to export to the US market, including under AGOA. Likewise, barriers to intra-African trade have prevented the creation of larger regional markets and associated economies of scale that are essential to attract investment and catalyze production. These factors partly explain why Africa’s trade with the United States remains low. Recognizing these trade and development challenges, the United States has taken a whole-of-government approach in programs and initiatives to help Africa become more competitive. For example, three regional Trade and Investment Hubs run by the US Agency for International Development (USAID) were established in Ghana, Kenya, and South Africa to support AGOA-eligible countries and entrepreneurs in improving trade competitiveness and increasing exports to the United States, including under AGOA.

In addition, Africa is the largest recipient of development assistance under the Millennium Challenge Corporation (MCC). Since the creation of MCC in 2004, 20 of the agency's 33 signed compacts—totalling US$7.9 billion or 68 percent of MCC's total compact portfolio—have been in Africa. The majority of MCC investments in Africa—targeted at reducing poverty and stimulating economic growth—focus on underfunded areas of development like roads, bridges, ports, electricity, and other large infrastructure projects that enable long-term growth and reduce poverty (Figure 6). US$3 billion in trade-related assistance went to AGOA countries.

Figure 7: MCC investments in Africa by sector (US$)



Source: MCC Website, accessed October 2017.

In addition, MCC has invested US$205 million in Africa through 11 of its 26 threshold programme partnerships. These programmes are smaller grants awarded to countries that may not qualify for compact funding but are firmly committed to improving policy performance.

Collectively, MCC's investments in Africa have provided 656,000 people with improved access to clean water; 191,000 farmers with training or improved farming techniques; 291,000 households and commercial entities with legal protections for their land; 1,300 kilometres of roads across Africa; 2,772 kilometres of power lines upgraded or built; and 167,000 MCC-supported education activities for participating students.

Another initiative in support of Africa's development is the Power Africa initiative launched by President Barack Obama in Tanzania during his African tour in July 2013. The five-year initiative aims to support economic growth and development by increasing access to reliable, affordable, and sustainable power in Africa. Power Africa's goal is to add more than 30,000 megawatts (MW) of cleaner, more efficient electricity generation capacity. The program is designed as a multi-stakeholder partnership between the United States and a number of African countries as well as the US and African private sector. As of September 2016, more than 4,600MW of projects supported by Power Africa had been completed. Notable projects include the 450MW Azura-Edo power plant in Nigeria, and the 310MW Lake Turkana Wind Project in Kenya.

In July 2013, President Obama also launched Trade Africa—a new whole-of-government partnership between the United States and Sub-Saharan Africa that seeks to expand trade between the two sides, including a more effective use of benefits under AGOA as well as increased trade among African countries. The United States is committed to strengthening its trade and economic ties with African partners, and AGOA continues to be a cornerstone of this partnership. To achieve these goals, US assistance supports trade capacity building, value-added production, value chain development, regional trade, trade with US and global markets, and investment. It also advances the goals of the Feed the Future initiative to expand regional access to, and availability of, staple foods grown in Africa, promoting food security.

In its initial phase, Trade Africa focused on the East African Community (EAC), with ambitious goals including doubling intra-regional trade in the EAC; increasing EAC exports to the United States by 40 percent; reducing the average time to import or export a container from the ports of Mombasa in Kenya or Dar es Salaam in Tanzania to the land-locked interior by 15 percent; and decreasing the average time a truck takes to transit selected borders by 30 percent. The initiative was subsequently implemented in West and Southern Africa.

In East Africa -the initial focus of the initiative—the results met or exceeded most of Trade Africa's targets. EAC exports to the United States increased by about 36 percent between 2013 and 2015, while the average time to trade goods across borders along the Northern Corridor (from Mombasa, Kenya, to Kampala, Uganda) was reduced from 18 days to 4 days. The time taken to move goods from Mombasa to Kigali was reduced from 21 days to 6 days, and from Dar es Salaam to Kigali from 25 days to 5 days. Since 2013, the East Africa Trade and Investment Hub helped generate about 29,000 jobs through US$27 million in investment in targeted sectors and over US$163 million in exports under AGOA. From July 2014 to end-2017, the three-regional trade and investment hubs facilitated nearly US$300 million in African exports and approximately US$150 million in investment under Trade Africa.

US financial institutions are also lending support to Africa's economic development. The Overseas Private Investment Corporation (OPIC) and the Export-Import (EXIM) Bank of the United States are two US government agencies involved in trade finance on the continent. OPIC is a key partner in the Power Africa initiative. In 2015, OPIC surpassed its initial pledge of US$1.5 billion to Power Africa, with financing and political risk insurance to a variety of power projects from Kenya to Ghana. In Ghana, for example, OPIC committed up to US$250 million in financing to Amandi Energy Limited to support construction of a 200MW combined-cycle gas turbine power plant in Aboadze on the coast of western Ghana. The construction of this plant will assist Ghana in reaching its near-term goals of addressing the country's widespread power blackouts and doubling its power-generating capacity to 5,000MW. In Kenya, OPIC committed US$233 million in financing to support construction of a 100MW grid-connected wind power plant south of Nairobi. To date, OPIC has committed US$2.1 billion in financing and insurance commitments towards 22 Power Africa projects. These investments will lead to more than 1,700MW of new power generation in Africa.

The US EXIM Bank provides, to exporters of US goods and services, trade financing solutions including export credit insurance, working capital guarantees, and guarantees of commercial loans to foreign buyers. Africa is a priority region for the Bank. For example, it provided the Sovereign Bank of Boston, Massachusetts, with a three-year, medium-term guarantee in the amount of US$830,334 to support the sale of used construction equipment for civil engineering projects in Ghana. In June 2015, it approved financing for the export of 144 American-made bridges to Zambia as part of a repair and modernization plan to improve rural road infrastructure. The Bank also supported the purchase of well logging equipment in Nigeria as well as supporting transactions in other countries such as South Africa, Liberia, and Togo. Since 2009, the Bank has supported over US$6.6 billion in transactions throughout the region.

V. What Can Africa Do?

To ensure that it can unlock its trade potential and take full advantage of preferences afforded by AGOA and other preferential trade arrangements, Africa should address its binding constraints. First, infrastructure development, especially in energy and transport, remains a priority. Less than 30 percent of Africans have access to electricity, versus 40 percent in similar low-income regions. Africa offers tremendous opportunities in clean and renewable energy such as solar and wind power that could be exploited to support development, but that are often disregarded because initial start-up costs remain too high.

To facilitate more African regional as well as global trade, the region also needs to expand investment in transport infrastructure. At around 15 percent, intra-African trade remains among the lowest levels of intra-regional trade globally. Growing intra-African trade is necessary to ensure the emergence of regional value chains and increase competitiveness through economies of scale. However, the poor state of transport infrastructure hampers the growth of intra-African trade. To facilitate it, the continent needs new roads, bridges, railways, and ports to link major trade hubs that would expand economies of scale and increase competitiveness.

Second, policy and regulatory reform that create a business- and investment-friendly environment is essential. US businesses and investors often lament the daunting set of policy challenges including high tariffs, market fragmentation, a lack of transparency, and unpredictability in policies and regulations that they have to navigate in the region. They have also expressed frustration in dealing with cumbersome bureaucratic processes to obtain licences and approvals. It is therefore important that African governments put in place the policies and regulations that will facilitate trade and investment, both among African countries and with major partners such as the United States.

The March 2018 launch of the African Continental Free Trade Area (AfCFTA) will cover an African market of 1.2 billion people and GDP of $2.5 trillion across all 55-member states of the African Union. Consolidating the continent into one trade area provides significant opportunities for businesses and consumers which will support sustainable development benefiting African countries and its peoples. The U.N. Economic Commission for Africa (UNECA) estimates that the AfCFTA has the potential to boost intra-African trade by over 50 percent by eliminating import duties, and to double this trade if non-tariff barriers are also reduced. The AfCFTA will be enacted when up to 22 countries have ratified the agreement; to date 7 countries have ratified. The big challenge will be diligent implementation of the AfCFTA's provisions if the continent is to reap the full benefits of this historic agreement.

Finally, it is important to support commercial banks' ability to finance Africa's small and medium-sized businesses that will drive structural transformation and increase trade. Access to credit is often cited as a key constraint to these businesses, which have the potential to grow and engage in international trade. With a trade finance gap estimated at US$120 billion annually, it is critical for the trade finance community to assist commercial banks in assessing creditworthiness appropriate for the continent, in order to extend credit to promising businesses. For instance, microfinance has been successful in supporting Africa's rural populations, especially women entrepreneurs, while commercial banks in the Sahel have developed new instruments and financial products appropriate for rural populations, especially in areas of Islamic banking and finance for light manufacturing equipment.

Only a handful of African banks, however, possess the capital needed to modernize technologies and implement instruments that could serve local businesses. Local banks therefore need support in developing and implementing new technologies and platforms for payment mechanisms and electronic money transfers, and in capturing Africa's largely "under-banked" and rural populations. Through access to finance, successful small and medium-sized businesses that help to create supply chains will naturally become more sophisticated and so drive the necessary demand for governments to modernize infrastructure and implement policies for commerce to thrive. Notably, both Afreximbank and the African Development Bank are playing critical roles in trade financing and infrastructure development in Africa.

VI. Beyond AGOA

While the United States is reaching out to all stakeholders to increase country utilization of AGOA, it is simultaneously undertaking a review of how to shape the United States–Africa trade relationship after AGOA expires in 2025. As US and African policymakers assess a future trade policy architecture for their relationship, they may wish to consider certain guiding principles and some of the key lessons from both sides' experiences in building trade relationships. At the African Business Forum held in New York in September 2016, President Obama unveiled a report entitled *"Beyond AGOA: Looking to the Future of US-African Trade and Investment"*. The report outlines the building blocks necessary to prepare for the future and, while not prescribing a particular outcome, it provides some general principles to guide the future relationship. The report highlights that a new trade and investment policy architecture should:

- support African regional economic integration. The goal of creating viable regional markets is a priority. It is also critical to businesses and workers on both continents: US exporters looking to sell to Africa will benefit from the larger, more integrated markets and a less fragmented regulatory and tariff framework, as will African producers hoping to serve the continent and take advantage of economies of scale. One way forward may be to identify regional champions, who are ready and willing to serve as "trailblazers" and to help bring their regional partners along with them.

- move towards greater reciprocity. The overwhelming global trend is away from unilateral preferences and towards more reciprocal arrangements. As these go into effect between Africa and other developed-country partners, the pressure to consider more stable, permanent, and mutually beneficial alternatives to AGOA will grow in the United States as well.

- support African value-added production and promote diversification of exports including value-added agriculture, manufacturing, and services. Africa's economic future partly depends on its ability to add value to its vast natural resources and agricultural commodities, and to diversify its exports.

- include and incentivize reforms across a broad range of policy areas that create an open and sustainable "enabling environment". Given how critical these reforms can be for trade and investment, and economic growth more generally, the next generation of trade framework should include stronger efforts to bring about reform and higher standards in key policy areas.

- promote African integration into the global trading system. Limited participation in plurilateral and multilateral initiatives freezes Africa out of important markets and deprives it of a voice in the debate shaping the global trading system.

- account for different levels of readiness and capacity across the region. Africa comprises a diverse group of countries at differing levels of development, wealth, and readiness for expanded trade engagement. The next generation trade framework with Sub-Saharan Africa will need to recognize this and avoid a "lowest common denominator" approach.

Under the Administration of President Donald Trump, US Trade Representative Robert Lighthizer requested that the US International Trade Commission (USITC) conduct an investigation and provide a report on US trade and investment with Sub-Saharan Africa, and in particular to provide market profiles of seven African nations including Cameroon, Côte d'Ivoire, Ethiopia, Kenya, Mauritius, Nigeria, and South Africa. The report (*"US Trade and Investment with Sub-Saharan Africa: Recent Developments"*; USITC Publication Number 4780; Investigation Numbeer 332-564) was issued in April 2018. Highlights of the report identified:

- the fastest growing Sub-Saharan African exports to the US between 2010 and 2016 as cocoa, chocolate, and confectionery; apparel; refined copper; catalytic converters; and edible nuts; and among services sectors US imports of travel services increased the most in that time period, reflecting in part stronger efforts by sub-Saharan African countries to promote their tourism sectors;

- the fastest growing US exports of goods to sub-Saharan Africa as aircraft; floating oil platforms; natural gas and components; power generating equipment; and pharmaceuticals, and services sectors with the greatest growth potential as finance, insurance, and information and communications technology;

- the stock of US foreign direct investment (FDI) in Sub-Saharan Africa declined from 2010 to 2016; the largest destination sector was mining (including crude petroleum) with the greatest potential for US FDI in professional and business services, financial services, textiles and apparel, renewable energy, and mining.

In June 2018, the Office of the US Trade Representative (USTR) issued the "2018 Biennial Report on the Implementation of the African Growth and Opportunity Act". This report to Congress mandated by AGOA legislation provides further information on US Sub-Saharan Africa trade and investment—including AGOA trade and country reports, the AGOA eligibility review process, investment trends, and details on US trade capacity building assistance to sub-Saharan Africa from a range of US government agencies such as USAID, Departments of State, Agriculture, Commerce, Justice, Labor, and Energy, the Export Import Bank, US Trade and Development Agency, Small Business Administration, and the Overseas Private Investment Corporation.

Ambassador Lighthizer has also announced the Trump Administration's interest in negotiating a Free Trade Agreement (FTA) with an African country — a topic that was a major part of the discussion during the July 2018 US-Sub-Saharan Africa Trade and Economic Forum (AGOA Forum) in Washington, D.C. No agreement was reached on the issue — with the US government maintaining that AGOA was never meant to be permanent and the need to move beyond AGOA's unilateral trade preference relationship to a more reciprocal, mutually beneficial US-Africa trade relationship; while African countries emphasized the importance of them implementing the AfCFTA and of not having individual African nations engage in trade negotiations with the US, which would undermine the AfCFTA and African regional economic integration. While it remains to be seen how the US will enhance its trade and investment relationship with Africa, there was a commitment to continue a dialogue — including in USTR discussions with the African diplomatic corps in Washington, D.C.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VII. Conclusion

Over the past 18 years, trade between the United States and Africa under AGOA has evolved. While African exports under AGOA continue to be dominated by oil, AGOA's extensive market access preferences have also contributed to strong growth in non-traditional and value-added exports from Africa. At the same time, the support provided by the United States has contributed to an improved policy environment and regulatory reforms to support greater value addition and export diversification, trade facilitation, intra-African trade, and the emergence of regional value chains, while attracting investment to the continent.

Still, much needs to be done to ensure that Africa can strengthen its export competitiveness and take full advantage of opportunities offered under the AGOA framework and other trade agreements. The major strides being made on trade in Africa—particularly through the anticipated benefits of the African Continental Free Trade Area (AfCFTA) in coordination with increased investment in Africa (especially in infrastructure) holds the promise of trade being an engine for Africa's economic growth and structural transformation. Today, AGOA remains an important opportunity and reality for many Sub-Saharan African countries. It is attracting critical investment into key productive sectors, creating jobs, and integrating them into regional and global value chains. As African nations prepare for the potential of a post-AGOA trade relationship and trade policy architecture, policymakers on both sides will want to ensure that, by the currently scheduled expiration of AGOA in 2025, new trade policy frameworks can be put in place to protect and expand the US-Africa trade and investment relationship to benefit both Africa and the US as well as its businesses and citizens.

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