[US-Africa: AGOA 2.0 must embrace Africa’s new common market]

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Body

The trade landscape on the continent has shifted since the African Growth and Opportunity Act (AGOA) began in 2000. The US-Africa relationship must do so, too.

The African Growth and Opportunity Act (AGOA) is set to expire in 2025. That may be the distant future for some, but given the time required to pass trade legislation in the US Congress, it’s the functional equivalent of tomorrow’s mid-day meal. Preparation for the post-AGOA trade relationship between the US and Africa needs to begin now.

AGOA has had important successes, but improvements need to be made to the programme.

The legislation, which removed all tariffs on 6,400 products available for export to the US, helped to move the US-Africa relationship from aid to trade, from donor-recipient to one of mutual benefit and gain.

In return, the US required only that the nearly 40 participating African countries be making progress on economic and political reforms and pose no threat to US national security.

These conditions constituted a low bar as the number of AGOA countries has been relatively stable since the legislation went into effect in 2000.

In terms of promoting exports to the US, AGOA has had measured success. Some countries, such as South Africa, have benefited significantly. South Africa’s auto exports to the US under AGOA have created tens of thousands of jobs in that country and in the auto supply chain in neighbouring countries.

Apparel exports from other countries, such as Lesotho, Ethiopia, Mauritius, eSwatini and Kenya, have also created a similar number of jobs. These apparel exports are important not only for the jobs created but for the labels that say Made in Mauritius, Made in Lesotho and Made in Kenya, for example.

When apparel from AGOA-exporting countries are found by American consumers in their favorite stores next to clothing from Canada and Mexico, not to mention China, they begin to think about African nations as reliable and cost-effective suppliers to American households.

AGOA’s shortcoming is that not enough African countries have benefited on a scale that genuinely moves the needle when it comes to job creation, exports of apparel and how Americans perceive the continent.

The call by Congress in 2015 for all AGOA beneficiaries to develop export strategies to take advantage of the programme has borne little ***fruit*** as barely half of AGOA countries have created such strategies.

Yet other important benefits have been generated by AGOA. It put trade and investment at the centre of the US-Africa relationship, which the Trump administration is trying to deepen through its Prosper Africa initiative.

AGOA is the cornerstone of the US-Africa relationship

Passage of the legislation also created an enduring bipartisan consensus between Democrats and Republicans in Congress, based on the recognition that the US has interests in Africa worth investing in.

This bipartisan consensus funded the President's Emergency Plan for AIDS Relief (PEPFAR), the creation of the Millennium Challenge Corporation and, most recently, led to the establishment of the $60bn United States International Development Finance Corporation, in addition to a host of other programmes. In short, AGOA is the cornerstone of the US-Africa relationship.

The principal challenge to AGOA, apart from the fact that only a small number of nations have taken advantage of the legislation, is the dramatic changes that have occurred in Africa in the 20 years since President ***Clinton*** signed the law into effect.

The region has become home to half of the world's 20 fastest-growing economies and a middle class in the tens of millions.

The African Continental Free Trade Agreement (AfCTA) is poised to significantly increase intra-regional trade.

In addition, China has overtaken the US as the continent's leading trade partner, the European Union is implementing Economic Partnership Agreements (EPAs) across the continent, and countries such as Turkey, India and Russia have become significant commercial actors on the continent.

It is time, therefore, to update the AGOA framework.

Most specifically, reciprocity needs to replace the non-reciprocal structure of the current trade relationship. AGOA 2.0 also needs to be developed in a manner consistent with the implementation of the AfCFTA. AGOA's benefits should be extended past 2025 as long as agreement has been reached on the phase-in of mutually reciprocal trade benefits. The phase-in periods should be different for Africa's low-income, lower-middle-income and upper-middle-income countries.

Revising the AGOA framework should be a priority in the US-Africa relationship as US goods and services are being increasingly discriminated against in Africa - at a time when the commercial relationship should be deepening. Given the EPAs, for example, a refrigerator or tractor being exported from an EU country will enter the South African ***market*** with a 4.5% tariff. That same refrigerator or tractor coming from the US will face an 18.4% tariff. Not only does this stifle the US-Africa commercial relationship, but it also discriminates against African consumers and companies, who will automatically find American products to be more expensive.

The Trump administration should jettison its effort to find a single African government with whom to negotiate a "model" free trade agreement

The task of AGOA 2.0, therefore, is not only to level the commercial playing field for US goods and services in Africa, but to do it in such a way that it facilitates the implementation of AfCFTA.

Negotiations for a modernised AGOA framework should be well under way by the time of the next US-Africa trade ministerial, to be held in Washington in 2020. At the same time, the Trump administration should jettison its time-consuming and unproductive effort to find a single African government with whom to negotiate a "model" free trade agreement and should double down on its welcome endorsement of the AfCFTA.

Supporting the implementation of the AfCFTA and ensuring American competitiveness in all of Africa's ***markets*** is the most immediate and important US commercial objective in the region.

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