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Going Beyond AGOA:

Ideas for a Trans-Atlantic South Partnership with Africa

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Document Synopsis

Like *The Economist* of June 22 clearly indicates, President Obama's second trip to Africa will focus on the important aspects of promoting American investment on the continent. Relatively, Obama's strategic choices in Dr. Michael Froman and Dr. Susan Rice for the respective positions of U.S. Trade Representative and National Security Advisor means that the Africa Growth and Opportunity Act (AGOA) has allies who are, ostensibly, keen on going beyond the program's current trade provisions.

Specifically, The Wilson Center and Manchester Trade recommend the following:

1. AGOA Enhancement must both perfect market access and also go beyond trade to promote U.S. investment and African regional integration.

2. Congressional consideration will involve a number of committees whose efforts must be effectively coordinated to ensure that they reinforce each other.

3. Agricultural exports currently excluded by tariff rate quotas should be designated for AGOA duty-free treatment.

4. Duty-free access under AGOA should be made permanent with reciprocity being phased in after a 10-year interim period.

5. In the 10-year period before reciprocity begins its phase-in, the U.S. and African countries should address U.S. concerns over market access and unfavorable discrimination through an enhanced TIFA structure.

6. A special Congressional Committee should review unilateral sanctions to ensure that collateral damage is minimized on innocent parties including U.S. investors.

7. Ex-Im Bank and OPIC should develop innovative ways to increase resource proportions dedicated to African ventures.

8. The U.S. should work with African countries to sign BITs and investor friendly Double Taxation Treaties (DTTs).

9. The U.S., World Bank, ADB and financial entities should develop SPVs to guarantee cross-border investments beyond sovereign guarantees.

10. In tandem with the U.S., the EU should agree, under T-TIP to provide duty-free treatment for African products while postponing requests for African countries to enter into EPAs or any other form of reciprocity for a 10-year interim period.

11. The U.S. should designate RECs for AGOA eligibility if and when each of their member states fulfils AGOA eligibility requirements.

12. As a concrete way to support regional integration, the U.S. should support an AU proposal for WTO rules to treat African non-LDCs in the same way as LDCs for trade preferences.

A fully operational and enhanced AGOA will not only benefit the U.S., but also presents an unprecedented opportunity for Africa and for Europe to do brisk business. It also allows for an alternative platform to the Far East and Asia for Western investors - a classic win-win scenario.

This is an ambitious but realistic & practical way to enhance AGOA by not just ensuring prompt and seamless renewal of U.S. market access provisions for African imports, but also promoting a level playing field for U.S. investment in Africa and encouraging American participation in sub Saharan Africa's regional infrastructural development.

T.A.S.P. is specifically meant to highlight the fact that Africa and the U.S. are separated by the South Atlantic, while countries participating in the Trans-Atlantic and Investment Partnership (T-TIP) and the Trans-Pacific Partnership (TPP) are in the North Atlantic and in the Pacific, respectively.

Abbreviations

ADB:	African Development Bank	MCC:	Millennium Challenge Corporation
AGOA:	Africa Growth and Opportunity Act	MFN:	Most Favored Nation (status)
AU:	African Union	MNC:	Multinational Corporation
BIT:	Bilateral Investment Treaty	OPIC:	Overseas Private Investment Corporation
CCA:	Corporate Council on Africa	R-UT:	Republican of Utah (for instance)
COMESA:	Common Market for Eastern and Southern Africa	SADC:	Southern Africa Development Corporation
DF/QF:	Duty Free | Quota Free	SPV:	Special Purpose Vehicles
D-NY:	Democrat of New York (for instance)	SSA:	Sub Saharan Africa
DTT:	Double Taxation Treaty	TASP:	Trans-Atlantic South Partnership
ECOWAS:	Economic Community of West African States	TIFA:	Trade and Investment Framework
EPA:	Economic Partnership Agreement	T-TIP:	Trans-Atlantic Trade and Investment Partnership
EU:	European Union	TPP:	Trans-Pacific Partnership
Ex-Im Bank:	Export Import Bank	TRQ:	Tariff Rate Quota
FTA:	Free Trade Agreement	UNECA:	United Nations Economic Commission for Africa
GSP:	Generalized System of Preferences	USAID:	United States Agency for International Development
LDC:	Least Developed Country	USITC:	United States International Trade Commission
LIC:	Low Income Country	USTR:	United States Trade Representative

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The Perfect Storm for AGOA Enhancement?

Pres. Obama announcing Michael Froman as his nominee for USTR

At his June 6, 2013 confirmation hearing, Michael Froman, once again, brandished his support to Congress for a strategic partnership with Sub Saharan Africa. The new US Trade Representative - who also retains a presidential advisor position and joins Pres. Obama's 3-African nation trip entourage this June 2013 - has already called for a 'seamless' renewal of the Africa Growth and Opportunity Act (AGOA) trade preferences program. Importantly, in hoping to ' ... find innovative ways to facilitate trade and regional integration across the developing world ...' like he testified to Congress, Froman seems to be keen on AGOA *enhancement* over the straight *renewal* of a program that has, thus far, had modest success.

According to the June 7, 2013 *World Trade Daily,* Dr. Froman wants to use the annual AGOA Forum this August to begin the renewal effort, effectively inviting African countries and stakeholders to submit enhancement proposals. Coincidentally, the African Union and the United National Economic Commission for Africa (UNECA), who jointly hosted the May 2013 **AGOA Midterm Review** exercise, want to expand trade and investment flows between the U.S. & Africa, to diversify Africa's economies, promote sustained growth, alleviate poverty and also promote regional integration.

Therefore, with Froman as a hypothetical *tipping point*, the conditions are, indeed, ripe for what can be the *perfect storm* for AGOA enhancement. With slight adjustments such as those described in this paper, the program has the potential to, first, provide sub Saharan Africa with the kind of *new deal* program appropriate for the region's current potential. Secondly, an enhanced AGOA with an American export and investment component could allow the U.S. to successfully confront commercial challenges from China, the EU and smaller third countries intent on profiting from lucrative ventures on the continent.

AGOA Enhancement Ideas

Taking the lead on this, the House *Ways & Means* + *Foreign Affairs* committees have announced their intention to address AGOA issues. Rep. Devin Nunes (R, CA) and Rep. Charlie Rangel (D-NY), Chairman + Ranking Member respectively of the *Trade Subcommittee*; Rep. Ed Royce (R-CA), Chairman of House *Foreign Affairs Committee* and Rep. Chris Smith (R, NJ) and Rep. Karen Bass (D-CA), Chairman + Ranking Member respectively of the House *Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations*, all head initiatives on AGOA.

In the Senate, efforts are led by Majority Whip, Sen. Durbin, (D-IL), Sen. Coons, (D-DE), Chair of the Africa Sub committee plus Senators Baucus, (D-MT) and Hatch, (R-UT), Chairman and Ranking Member of the Senate Finance Committee. For the private sector, the Corporate Council on Africa, the U.S. Chamber of Commerce, Wilson Center and Brookings Institution have already or are in the process of drafting white papers and recommendations on AGOA improvement.

The Trans-Atlantic South Partnership - T.A.S.P.

T.A.S.P. is a collation of ideas from the *Wilson Center & Manchester Trade* premised on the following:

a. The fact that U.S. commercial and political interests have as much to gain - at least in the medium term - from deeper relations with Africa as with the Pacific and with the European Community.

b. Reinvigorating AGOA into a much more comprehensive program requires a strategically coordinated stakeholder effort. This could commence at the 2013 Addis AGOA Forum where stakeholders can hold AGOA improvement discussions with Froman.

c. Addis could then form a foundation for tangible legislative and administration action before the close of 2013; essentially allowing for the enactment of a comprehensive and improved AGOA bill before the 113th Congress adjourns.

Tactics - 'Whole-of-Government' Approach

Like he enunciated at 2012's AGOA Forum, Froman's *whole-of-government* approach can be deployed for an AGOA enhancement plan. Stakeholders like House congressional committees or subcommittees could, for instance, maintain jurisdiction and coordinate to ensure that measures & ideas reinforce each other. Then, a special committee created by House Majority and Minority leaders comprising various committees and subcommittees could be responsible for disparate aspects of the U.S.-African relationship.

Congressional mandates under which individual entities fall, oftentimes, encumber, closer coordination among federal agencies. For policy efficacy, this must be reviewed.

In conjunction, the National Security Council and USTR increasingly coordinate with agencies, and this curtails their tendency to stovepipe. This trend ought to intensify with formidable AGOA allies like Susan Rice, as National Security Advisor and Froman at USTR. Their support will be key for T.A.S.P. which is broken down into 3 sections and based on **Market Access Provisions**, **Investment Promotion** and **Regional Integration**.

1. Reconsidering Market Access Provisions

a. Currently Excluded Agricultural Exports

Opportunities in Africa's Agricultural Sector **(Reuters Image)**

The U.S. provides low duty-entry to traditional commodity exporters under a system of tariff quotas while subjecting new suppliers to double or triple digit duty levels. This has two direct consequences: First, many African countries are yet to approach their full potential under AGOA, and secondly, the failure to designate TRQ products subject to prohibitive duties contradicts AGOA which is designed to allow African suppliers to exploit new markets for their products. Agricultural products like groundnuts, tobacco, cocoa or sugar - which are widely grown in Africa - are assessed highly prohibitive tariff rate quotas (TRQs).

To perfect market access and also make a huge impact in sub Saharan Africa, the U.S. must designate key agricultural commodities such as those above, for duty-free treatment. Like history shows, doing this will be significant: For example, AGOA apparel exports with duty rates of about 20% grew by double digits after they received favorable designation. Also, if these products received duty-free status, many rural areas, would benefit, simultaneously fulfilling a key tenet of U.S. policy in Africa.

Also, a precedent has been set by the EU: After years of resistance, Europe succumbed to calls for the need to improve its preferential programs for agricultural products. Sugar and bananas have, among other products, been designated for unlimited duty-free entry under their *Everything but Arms* (EBA) Program. The U.S. should do as much.

Like the Corporate Council on Africa, T.A.S.P. recommends that AGOA coverage be expanded to include additional market access for tariff rate quota (TRQs) products. Furthermore CCA calls a comprehensive International Trade Commission (ITC) study to determine which products - currently excluded from AGOA - hold the most potential for Africa's development and U.S. investment, with a goal of completing the study no later than the end of 2013 for results to be incorporated into new AGOA legislation.

b. Market Access Provisions

To avoid the so-called *'approaching the cliff'* phenomenon, we recommend that market access provisions under AGOA be made permanent. Sales should not dry up because of buyer concern that imports will be subject to full MFN duties on the expiry of a preference program – before products can reach the U.S. This occurred 2 years ago when buyers slowed purchases from sub Saharan Africa because AGOA's *Third Country Fabric* provisions might not have been renewed before Christmas orders arrived in the U.S.

Instead, T.A.S.P. recommends that the U.S. not request AGOA beneficiaries for reciprocal duty-free access into their markets for a 10-year period; allowing time for African negotiations to form a continental FTA and possible customs union; to bargain as a group.

Here, we don't call for permanence of non-reciprocal aspects market access provisions as international trade practice doesn't justify perpetuating temporary preferences. These are only meant to promote growth and an environment so beneficiaries no longer need preferential entry to be competitive in in key markets.

Nonetheless, the suggestion for a 10-year non-reciprocity period comes with a proviso that the EU must be willing to postpone reciprocity requests for a similar period.
(See Full Discussion in Regional integration Below)

2. Promotion of U.S. Investments in Africa

a. Review of Unilateral U.S. Actions

There's probably no greater impediment to U.S. investment in Africa and elsewhere than the ad hoc, unpredictable and unilateral nature of American sanctions and conditionalities. Ideally applied to improve governance issues in Africa or to protect U.S. economic interests, they, oftentimes, end up causing collateral damage to U.S. investors and innocent parties on the continent - with measures negatively outweighing any positive impact on the attainment of U.S objectives

Malagasy seamstresses at work before AGOA benefits were withdrawn

To remedy this, we recommend that a special Congressional committee be established to review the overall effectiveness of unilateral actions, and amend these where necessary. A review must encompass actions taken to protect the global common in Africa, good governance conditionality to be eligible for MCC, USAID + USTR required programs, as well as those designed to limit foreign corrupt practices, carbon emissions, and trade in conflict minerals, among others.

Care should be taken to minimize, to the extent possible, the unintended consequences to innocent parties or those that negatively affect a country's economy. Effort should also be expended on avoiding what happened in Madagascar. In withdrawing AGOA benefits following a coup, we find that 5 years later, perpetrators are still in power while Malagasy seamstresses and U.S. investors lost the U.S. market as apparel clients.

Our suggestions do not seek to undermine U.S. goals. In fact, any review should focus on how to make sanctions more effective through developing mechanisms to ensure joint actions with other governments. Where collective action is not possible, focus should be on targeted sanctions against perpetrators of unacceptable behavior.

A review of U.S. conditionality should include measures designed to protect America from competition. Such targets include:

i). Requirements that government-funded agricultural commodities are shipped on U.S. bottoms

ii). Assurance that U.S. financial support for exports and investors doesn't boost production that directly competes with U.S. production

iii). Prohibiting assistance for competitive agriculture products also grown in the U.S.

iv). Local content requirements for Ex-Im programs designed to ensure that financed exports contain significant amounts of U.S. materials. Also, the value added by intellectual property rights (IPRs) and services is often not included in calculating U.S. content.

These are often logical but are mandated or administered in such a restrictive way that they go beyond their original intent to become onerous barriers to U.S. exports and investments. Further limiting U.S. competitiveness are concerns over money laundering and failing financial institutions. This is embodied in requirements for large reserves, control over destination and use of U.S. funding plus extraneous reporting requirements. The problem may not be the requirements *par se* since money laundering and poorly managed are, indeed, deleterious to U.S. economic and national security interests.

However, again, the problem is the fact that mandates were put together with little concern for their impact on U.S. - Africa relations.

For instance, African institutions may not have adequate capacity to meet U.S. regulation requirements. However, procedures could be developed to reflect the region's capacity with assurances that American concerns are addressed.

b. Off-Budget Activities

Following what some policy makers considered a bruising fight in the 112th Congress to reauthorize Ex-Im Bank's mandate, and coupled with the evolving concern over tax payers providing *corporate welfare* and money to cover bad debts, legislators could be reluctant to adjust lending mandates of entities such as the Overseas Private Investment Corporation (OPIC) and Ex-Im itself. Both entities are, as a result, more risk averse, making business for Afrocentric U.S. exporters and investors even more difficult.

Ex-Im and OPIC currently focus on low failure rates of less than 1% - meaning that U.S. investors are, sometimes, denied assistance on lucrative projects if these have higher incidences of risk. However, U.S. agencies must, especially in doing business with Africa or other frontier areas, be willing to review their aversion simply because those who venture into Africa - as recent *Ernst & Young* reports show - also reap huge rewards.

Additionally, these bodies demand an inordinate amount of paper-work which turns-off investors who simply lack the capacity or depth to respond to intricate U.S. regulations or may need to move quickly. To this, there are legislative efforts to further increase Ex-Im outlays to the region by setting goals for lending to America businesses operating in Africa.

If the US is not to cede important economic activity to the competition, and also given the above limitations on increasing Ex-Im resources or modifying its lending criteria, creative ways to significantly increase the portion it lends to Africa must be developed. Thus, we strongly support a bipartisan bill introduced by influential Senators and Congressmen in the 112th Congress requiring that Ex-Im provide at least 25% of its recent increase in lending ability - about $10 bn of the additional $ 40 bn - to be used in Africa. Also, Sen. Coons, recommends that a report go to Congress if lending to Africa is below 10% of annual totals committed. These are initiatives needing support.

In no way should this reflect negatively on officials who develop innovative approaches especially to assist small and medium-sized enterprises but are short-staffed and weighed down by Congressional requirements. OPIC and Ex-Im have tripled US assistance since the start of the Obama Administration. However, the magnitude of their assistance is only a fraction of that provided by China.

c. Special Purpose Vehicles

The U.S. must, in tandem with World Bank, African Development Bank (ADB), financial institutions, equity funds, MNCs and other governments, develop special purpose vehicles (SPVs) to deal with risks beyond sovereign guarantees. In addition, the Millennium Challenge Corporation (MCC) must undertake to develop programs with the objective that 20% of funding available for future MCC compacts to apply to regional infrastructure.

d. Non-Reciprocal Benefits for U.S. Investors

Ultimately, any decision to extend AGOA's non-reciprocal concessions must be taken under a joint U.S. - African strategy where both parties work to achieve economic integration goals. Although targets may be missed, the collective must complete a continental FTA and if possible a customs union, by early in the next decade. The continental FTA must encompass the three RECs in Eastern and Southern Africa (forming the Tripartite Group), + an ECOWAS Customs Union. Given the slower program in the Economic Community of Central African States (ECCAS/CEMAC), it is unclear how these former French colonies will be incorporated into continental arrangements.

While these measures are necessary, they, by themselves are insufficient to ensure a seamless flow of trade within the region: An effective customs union and eventual common market requires that more effort and resource base be applied to not just trade negotiations but also to ensuring the free flow of all factors of production, removal of non-tariff barriers, consensus on community-wide SPS and industrial standards as well as other norms of behavior – perhaps most important, deepening of regional infrastructure.

Throughout this process, and in recognition of U.S. forbearance in not demanding immediate or premature reciprocity from African countries – or even from countries as economically advanced as South Africa - African RECs and individual countries must consider trade liberalization. Firms seeking to invest in the region consider this a priority - including the acceptance of multilateral disciplines in the WTO.

Here, we recommend that consultation procedures to remove impediments and leveling the playing field be undertaken. Secondly, the U.S. should sign onto investment protection agreements like bilateral investment treaties (BITs) and civil aviation conventions.

Invariably, the U.S. should expend effort towards negotiating BITs not only with just those already compliant countries but also the non-compliant ones offering raw material or market opportunities for Americans.

Importantly, U.S. must follow the EU example of an expansive approach to investor friendly Double Taxation Treaties (DTTs). If implemented, DTTs would protect U.S. companies from double taxation and ensure that tax incentives offered by African countries to attract investors are not taxed by U.S. fiscal authorities.

Additionally, we suggest on-going consultation under the existing but improved Trade + Investment Framework Agreement (TIFA) structures. These would address U.S. concerns about impediments to free flow of American exports and investment into the region where more advantages are provided to 3rd countries.

We also recommend the following:

i. That TIFAs be organized hierarchically - with an African Union - U.S. group at the apex for general issues; while RECs and countries address specific ones.

ii. That current staffing levels be significantly enhanced

iii. That the USTR serve as US chairman of the TIFA and receive the support of senior government agencies such as the Treasury and State Departments.

iv. That meetings have a regular schedule preceeded by published agenda and followed by published reports on meeting results.

3. Regional Integration

Regional integration is a challenge especially since governments must cede some authority to supra-national bodies - never an easy decision. There's also always local resistance to opening markets and borders. Fortunately, African countries have, thus far, displayed steady progress on achieving deeper economic integration. But this process is at crossroads given efforts by the EU to gain a competitive advantage in African markets over other country imports, something for which the U.S. should not stand. Our strategy for a seamless AGOA renewal and enhancement has a component to protect U.S. exporters from competitive disadvantage. We also suggest that the Administration be authorized to designate REC themselves for duty-free treatment in certain situations.

a. The WTO | European Union

The World Trade Organization (WTO) has placed great emphasis on delineating Least Developed Countries (LDCs) from non-LDCs. However, these two kinds of countries must, ideally, be treated as a single unit especially for FTA and customs union purposes.

Using this distinction, the EU has piled on Africa by demanding that preferential trade preferences be negotiated well before countries are economically integrated enough to form a common external tariff. The EU specifically demands that non-LDC country agree to liberalize 80% of imports from the EU or else lose preferential access. Europe cannot ask the same of LDCs since these are guaranteed duty-free treatment on 97% of their EU imports under the WTO DF/QF initiative.

These EU actions preclude non-LDCs and LDCs from entering into a customs union since the former are obligated to maintain duty-free entry for EU products while the latter can continue to impose MFN duties. In fact, this also limits free movement of goods within FTAs since LDCs will have to inspect all imports from EPA signatories to levy offsetting duties on any trans-shipped product or non-originating product containing EU inputs which did not pay duties when entering the FTA.

Particularly intense pressure is being exerted on the other 12 African non-LDCs since South Africa already has an FTA with the EU. Countries like Kenya, Ghana, Nigeria and Namibia are being threatened with the withdrawal of preferential treatment and access to EU markets if they do not enter into their respective EPAs by October 2014. LDCs are also subject to like pressure as the EU intends to withhold liberal rules of origin for their products if EPAs are not signed. There's also an additional perception that EU aid programs will be determined by whether a country enters into these pacts or not. Finally, since free movement of goods and a customs union requires member states to maintain the same duties on third country imports, particularly from a major supplier like the EU, some LDCs may assume that they have no choice but to join the EPA as the only way to maintain their aspirations for a customs union.

By setting an October 2014 deadline for EPAs, the EU demonstrates how fatally flawed these bilateral pacts really are, specifically as pertaining to economic integration. For instance, a hypothetical EPA with Ghana would affect progress being made on the ECOWAS integration just like a sealed EPA with either Kenya or Namibia would deal sizeable blows to the nascent hopes for an East African Community (EAC), for COMESA and SADC as well as plans to combine these three RECs into a single Tripartite Group.

The U.S. must, forcefully, point out that an integrated Africa is important not just to the U.S. but to the EU as well. Thus, the two parties should work together to ensure that the July 2013 Trans-Atlantic Trade and Investment Partnership (T-TIP) negotiations not only liberalize trade across the North Atlantic but also with the South Atlantic as well.

If this argument does not work, the U.S. should explain that there will be strong opposition to T-TIP in the U.S. if it is seen to be legitimizing the EU of 28 or 29 countries, while the EU concurrently hinders economic integration of the 48 countries in sub-Saharan Africa. Opposition in the U.S. will only heighten when it's realized that the EU is using its overwhelming economic strength to gain preferential treatment for its exports over American ones in Africa.

Importantly, selectively signed EPAs would also undermine U.S. strategy in the region. If the U.S. simply renews AGOA in its current non-reciprocal form without effectively addressing the adverse EPA effects, Americans will find that their exports are at a disadvantage in juxtaposition to EU products. Conversely, if the U.S. follows the EU example and negotiates reciprocity with non-LDCs, this would disrupt economic integration in the same way the EU is doing.

The situation in South Africa best illustrates the conundrum within which American exports have to grapple. The EU and South Africa Trade, Development and Cooperation pact contained an FTA liberalizing 90% of their trade. A number of duties were to be phased in gradually, and with these in place, U.S. companies, continually, losing market share. If and when EPAs lower EU duties significantly on their Africa-bound exports outside South Africa, the U.S. will suffer the same diversion throughout the region.

Although the EU and the U.S. have both indicated that they would address implications of incorporating duty-free treatment of African goods and inputs the same as those produced in T-TIP countries, they have also suggested that these issues would only be addressed after T-TIP has been negotiated. According to *The Economist,* this process could last up to 2 years and thus, this would not work for Africa since the EU is insisting on ending preferential treatment for African imports in the immediate future.

T.A.S.P believes that a way around this quandary rests in immediately using the *Third Bucket* (global issues) of the T-TIP talks to find a solution. This vehicle can allow for both parties to agree on an interim 10-year regime under which African products exported to T-TIP countries are treated the same for duty-free entry into both the EU and the U.S. as well as in determining whether a product gains T-TIP origin qualities when incorporated into a more advanced product. In our opinion, there's no better way to effectively insert Africa into global supply chains & distribution networks.

a. Implementation

i. U.S. Position to Convince the EU to Delay EPAs

Like mentioned earlier - and in a bid to ensure an economically integrated Africa - the U.S. must work with the EU under the auspices of the T-TIP to delay negotiating EPAs until a common approach to reciprocity has been developed.

ii. Timely Passage of AGOA

The 113th Congress should, like we suggested earlier, permanently extend AGOA's duty-free provisions with the proviso that some form of reciprocity be incorporated at the end of a 10-year period. Secondly, the market access provisions should be enhanced to include the same universal product coverage as the EU to facilitate incorporation of duty-free treatment for African products under the T-TIP.

iii. Duty-Free Treatment

As stated above, the U.S. should request that the EU extend the Marketing Access Regulation (MAR) 1528/2007 under which duty-free treatment is provided to Africa, coinciding with a projected extension of AGOA non-reciprocal provisions.

Additionally the MAR should be modified to allow the same duty-free treatment for Nigeria, the Republic of Congo and Gabon who were suspended in 2008 due to their refusal to negotiate interim EPAs. The duty-free benefits under AGOA would morph into proposed T-TIP provisions once they are agreed upon, and as with the above AGOA proposal, African countries would be expected to negotiate reciprocity with the U.S. and with the EU or else lose the benefits under these provisions.

b. WTO Rules

A second challenge emanating from third countries to timely regional integration is the WTO rules that exclude non-LDCs from those Duty Free/Quota Free programs that provide LDCs with market access to developed country markets. In response, the AU developed a proposal called the **Enhanced and Improved Trade Preference System for the Promotion of Regional Integration in LICs and LDCs**. If adopted, it'd provide DF/QF access to all sub Saharan African countries provided that the non-LDCs belong to a REC whose LDC majority is progressing towards integration. All African non-LDCs fall into this category.

c. Designation of RECs

An enhanced AGOA should include provisions to allow the designation for AGOA eligibility any REC where all its members are eligible for duty-free treatment. This would facilitate a regional approach and enhance peer pressure on recalcitrant REC members as aberrant behavior would imperil REC designation.

Conclusion

There are significantly greater benefits to sub Saharan African countries and the U.S. itself from a seamless and timely renewal and enhancement of AGOA. Today, AGOA does not favorably compare with similar programs from China or the EU. By overhauling AGOA market access provisions and going beyond them to incorporate U.S. investment and regional integration components, the U.S. could surpass other countries in one stroke, effectively deepening U.S. - Africa economic interests through a coordinated and more aggressive program. Continuing the status quo is unsustainable and guarantees further marginalization of U.S. interests in Africa vis-a-vis third countries.

Perhaps more important, the Obama Administration and Congress can create a lasting legacy by incorporating enhanced AGOA provisions that facilitate an African-led economic integration - emulating the U.S. of 19th Century and the EU of the 20th. The 21st century could be epoch in which Africa attains similar goals. The beneficiaries of this development will not only be the U.S., Europe and the African countries themselves but U.S. firms who would have an alternative to Asia in which to operate their supply chains and distribution networks - a classic win-win scenario.