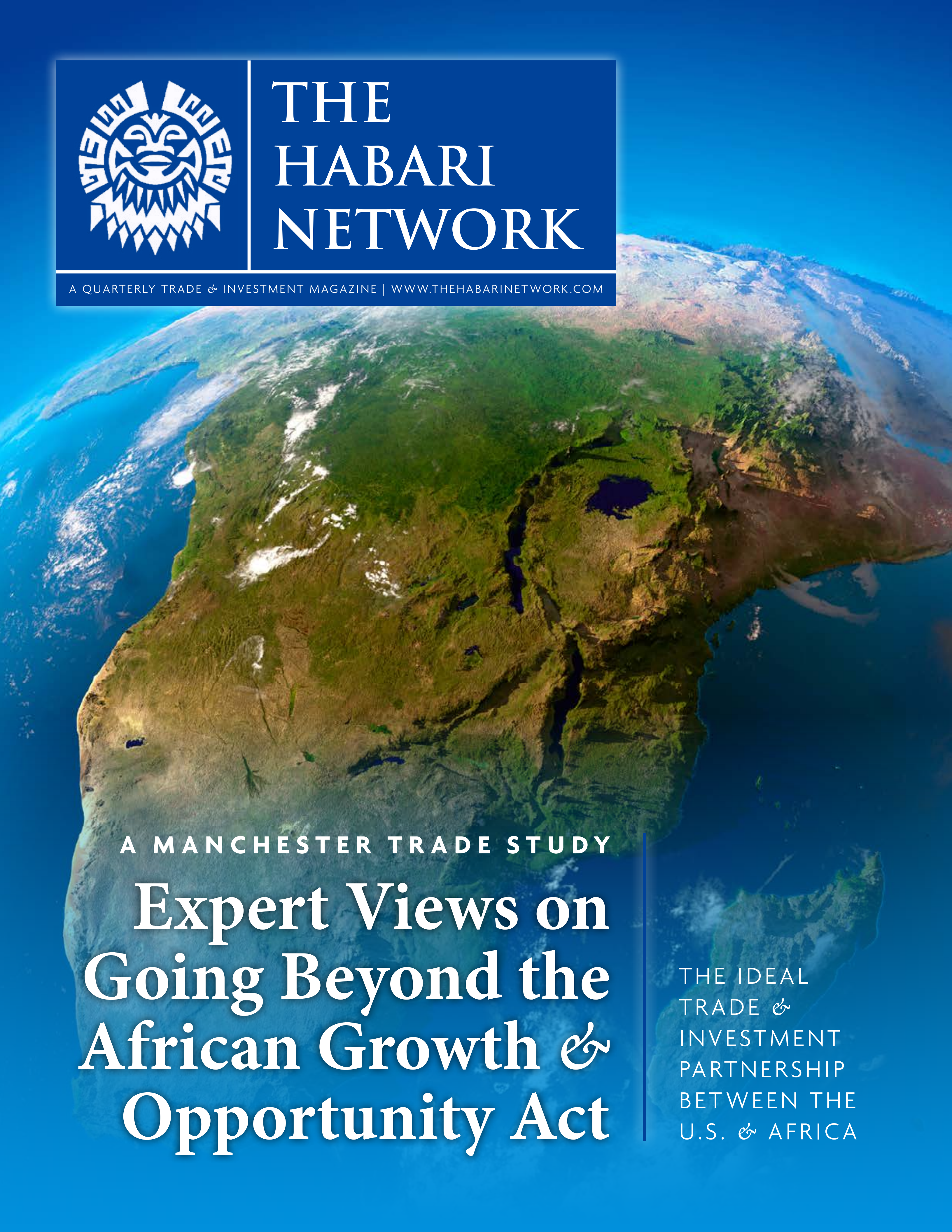

THE HABARI NETWORK

A QUARTERLY TRADE & INVESTMENT MAGAZINE | WWW.THEHABARINETWORK.COM

A MANCHESTER TRADE STUDY

Expert Views on Going Beyond the African Growth & Opportunity Act

THE IDEAL TRADE & INVESTMENT PARTNERSHIP BETWEEN THE U.S. & AFRICA

MANCHESTER TRADE LIMITED, INC.

Why We Are Doing This

When we commissioned this study, our only request was that a publication of independent expert assessments be put together to reflect deep insight into the United States and Africa relations in general, and of AGOA specifically.

We hope that this exercise will become a starting point for further dialogue, and also provide an opportunity for experts to speak directly to stakeholders on both the U.S. and African sides. We anticipate that this shall help spur the kind of policy activity that could lead to a more equitable commercial partnership between America and sub-Saharan Africa.

The next iteration will be devoted to additional views by the *cognoscenti* in this field - those who can contribute to the natural synergies that already exist and can be further developed between the world's fastest growing region and the world's largest economy.

Stephen Lande

President | Manchester Trade

Excerpt from the Declaration on the
Africa Growth and Opportunity Act

WE, the Ministers of Trade of the Member States of the African Union, meeting in Addis Ababa, Ethiopia, on October 24-25, 2013 in our 8th Ordinary Session …

Hereby adopt the following as a consensus position, hence forth called "**Declaration on the African Growth & Opportunity Act**", and: Recommend the development … of a national AGOA Export Strategy and the setting-up of a mechanism that can monitor and evaluate the implementation of AGOA …

Direct the African Ambassadors Group in Washington, D.C., to continue engaging actively the U.S. Administration and members of Congress on the way forward for a timely, seamless and meaningful reauthorization of AGOA by October 2014 for a period of at least … another 15 years in an integrated and all-inclusive approach, so as to guarantee the predictability and certainty required for long-term investment and economic growth both in the U.S. and across the African continent, based on mutually reinforcing U.S.-Africa relations …

Also call upon the U.S. Administration and Congress to maintain and expand U.S. trade preferences to ensure that African products remain competitive and improve rules of origin for some products with high export potential, and that AGOA preferences are not eroded in the context of bilateral or multilateral trade negotiations …

Done in Addis Ababa, Ethiopia
25th October 2013
AU/TI/TD/CAMOT-8/AGOA.DECL/FINAL

THE HABARI NETWORK | IN THE BUSINESS OF GOOD NEWS
WWW.THEHABARINETWORK.COM

U.S. Trade Representative Michael Froman speaks at the first-ever SelectUSA 2013 Investment Summit to promote the U.S. as the premier destination for business investment November 1, 2013 in Washington, DC. October 31, 2013
Source: Alex Wong/Getty Images North America

Excerpt from Letter to
Hon. Irving Williamson,
Chairman | United States International Trade Commission
September 30, 2013

'… The United States promotes trade and investment with sub-Saharan Africa and supports economic development through preference programs like the African Growth & Opportunity Act (AGOA) ... As the Administration works with its partners in the region and Congress to renew and potentially modify AGOA, it is vital to have accurate factual information to (i) assess the impact AGOA has had on the economies of sub-Saharan Africa, and (ii) identify factors that have impacted trade, investment, and the economic climate in the region …'

Ambassador Michael B. G. Froman
United States Trade Representative

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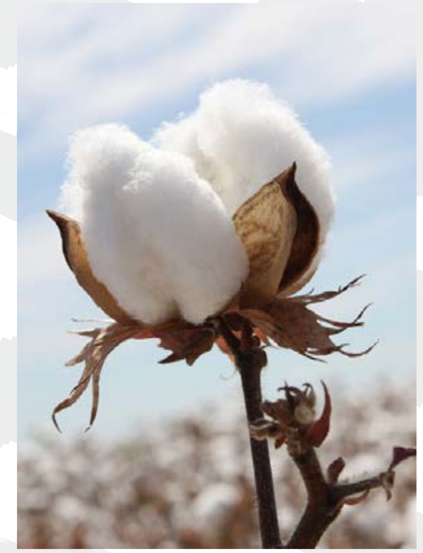
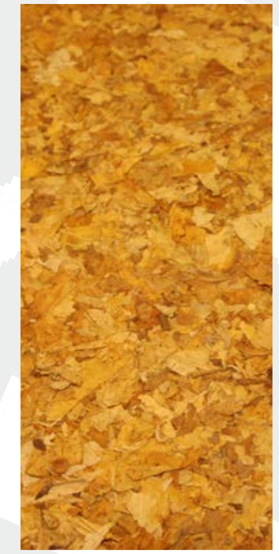
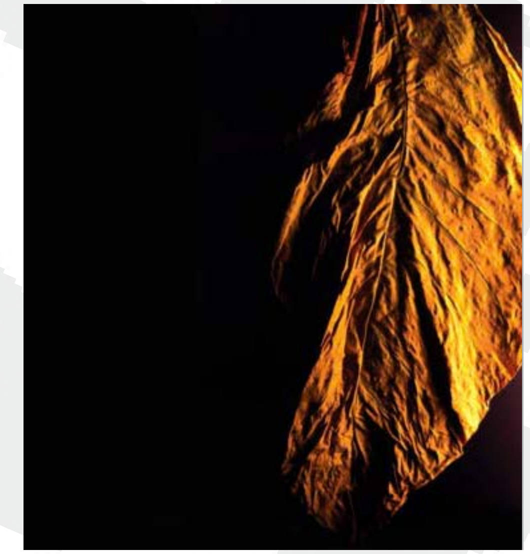

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Image Source: The Habari Network
www.thehabarinetwork.com

Foreword

Katrin Kuhlmann
President and Founder
New Markets Lab

U.S.-African trade relations have reached an historic turning point. African markets are growing at unprecedented rates, and opportunities for increased trade and investment are on the rise. While challenges remain, working in partnership with Africa's leaders and the private sector can open the door for widespread commercial growth and economic development. The U.S. has a critical role to play in unlocking this dynamic future potential and must act now.

Over a decade ago, the Africa Growth and Opportunity Act (AGOA) was enacted to stimulate market development and enhance the trade and investment relationship between sub-Saharan Africa and the United States. Yet much has changed since AGOA was enacted. Africa's markets are growing apace – in the last decade, six of the world's ten fastest growing economies were in sub-Saharan Africa – making what was once viewed as a development tool of much greater commercial significance.

As AGOA nears expiration in 2015, we must revisit the way the program is constructed and applied in order to capture a possibility that exists. As we move into this next phase of AGOA's legacy, we will need a different approach. The details matter now more than ever before.

How long AGOA will remain in place isn't a political matter, it is a matter of markets. Value chains take time to take root and develop, and five or ten years can make a significant difference. Frequent stops and starts will simply limit the possibilities that do exist; putting jobs, food security, and livelihoods on the line. Another area that requires much more focus is regional market development. Not only are Africa's domestic markets growing, regional trade is becoming much more critical. Regional market development can produce economies of scale for African and U.S. stakeholders alike, and we must think carefully about how to support Africa's efforts at regional integration. While AGOA is a trade preference program that opens the U.S. market and not a bilateral trade agreement, greater focus on regional markets could strengthen the program.

This means both that regional blocks should be kept together under AGOA and that new ways of assessing and encouraging regional harmonization should be considered. While some approaches such as EU's Economic Partnership Agreements have been tried, we need a new, balanced model that draws out the untapped potential in the market. A sharper focus on Africa's priorities will be very important. Each country in sub-Saharan Africa is looking for ways to add value and diversify into new industries, and our trade relationship should support this. In their recommendations on AGOA, the African Diplomatic Corps called for country-specific investment and export strategies for value chains in sectors of potential.

This would be a welcome step. Ambassador Froman's request that the United States International Trade Commission conduct a comprehensive study of what countries are producing and trading with other partners is also timely and constructive. As part of this analysis, current/potential investors in Africa should play a central role.

Ultimately, as the primary force behind trade and investment, the private sector must be the focus and driver of the next generation of AGOA. Trade programs and policies can help encourage this potential, but it is the private sector that must act.

Private sector-led development is emerging in energy (including through *Power Africa*), agriculture, and a number of other sectors, and this momentum can be further encouraged.

How AGOA is structured and administered, and how other tools like the Trade and Investment Framework Agreements (TIFAs) and Bilateral Investment Treaties (BITs) are used to draw in the private sector, will be very important. Likewise, private sector participation in the U.S. - East African Community Trade and Investment Partnership can help drive the process and ensure the success of the broader *Trade Africa* initiative.

We hope that this collection of works from thought leaders, trade experts, the private sector, and Africa's engines of change will set the stage for discussion over the upcoming months. How Africa's markets develop over the next several decades will make a significant difference for generations to come. This is our chance to shape a dynamic trade and investment relationship between the U.S. and Africa to help bring this potential to life.

BIO

Katrin Kuhlmann is President and Founder of the New Markets Lab, and also serves both as an Adjunct Professor at Georgetown University Law Center, and as Senior Advisor at the Corporate Council on Africa. Ms. Kuhlmann was a 2012-13 Wasserstein Public Interest Fellow at Harvard Law School and was President of TransFarm Africa (now part of the New Markets Lab).

As a Senior Fellow and Director at the Aspen Institute, she now chairs a Legal Working Group for the social enterprise sector at Aspen Network of Development Entrepreneurs, and is also a fellow with the German Marshall Fund of the United States.

She serves on the boards of the Washington International Trade Association and the Malaika Foundation; was appointed by the Office of the U.S. Trade Representative (USTR) as a member of the Trade Advisory Committee for Africa, and is a member of the Advisory Board of the Harvard Law and International Development Society (LIDS) at the same time as its Trade Innovation Initiative Director.

Ms. Kuhlmann has held several other senior positions in the non-profit sector, including President of the Trade, Aid, and Security Coalition, and Senior Vice President of the Women's Edge Coalition.

Prior to joining the non-profit sector, Ms. Kuhlmann served for six years as the United States Trade Representative's Director for Eastern Europe and Eurasia. A Fulbright scholar in 1992, she practiced law in New York and Washington, DC. and holds degrees from Harvard Law School and Creighton University.

Editorial

Dennis Matanda
Editor,
The Habari Network

I met Michael Froman at the 2013 AGOA Forum in Addis Ababa. Standing by a coffee dispenser at the African Union headquarters and lost in *uffish* thought, Secret Service people suddenly appeared out of nowhere. And just like that, I was only a heartbeat away from the United States Trade Representative - the man whose consul President Barack Obama seeks in terms of international trade. Now, a member of the African Diaspora had a golden 30-second opportunity to help THE cause. But alas: I froze - worried stiff that I might utter a wrong word and doom my continent to continued poverty.

Ambassador Froman did not say anything either. Instead, he looked me straight in the eye, nodded, smiled that friendly smile – and just like that, he was gone, Secret Service in tow.

The *Addis Incident*, partly responsible for this publication, is perhaps indicative of the quintessential dialogue that must continue between America, and an Africa on the rise. Africa has, indeed, come afar: Much may still go awry, but the basket case meme is no longer appropriately applicable to the continent with 7 of the world's fastest growing economies.

And here, the U.S. has an opportunity to supply a market of not just aspirational consumers, but an *ever-metamorphosing-somewhat-insatiable* class of discerning customers. For its part, Africa must now push for more equitable business with the world's richest customers.

Today, no group displays how far Africa has come better than the African Ambassadors Group in Washington, DC. This cohesive unit of savvy country representatives has, over the past two years, provided a model for what an integrated Africa could achieve at a negotiating table. They coordinate with the U.S. Congress, with think tanks, NGOs, and civil society – and collectively work towards a joint position from their respective capitals.

In an informal conversation with His Excellency Somduth Soborun, Ambassador of Mauritius - who is Co-Chair of both the Economic Development Committee of the African Ambassadors and AGOA Ambassadors' Working Group alongside His Excellency Girma Birru of Ethiopia - he suggested that because of their experience with the 2012 renewal of AGOA's third country fabric provision, the group is now more pragmatic and efficient. Their collective position on co-terminously renewing AGOA and its 3rd country fabric provision for 15 years has been endorsed by the African Union and renowned U.S. based experts.

In this pro status quo argument, experts such as Paul Ryberg assert that the African Growth and Opportunity Act ought to be left as is especially if changes could doom the program in Congress. In his article, Eric Trachtenberg, a seasoned Washington, DC operative succinctly agrees with Ryberg and urges us not to make radical changes to AGOA. 'We should deal,' Trachtenberg suggests, 'in the art of what is possible.'

In seeking status quo, Ambassador Soborun, *et al* do not discount The Froman Letter requesting the United States International Trade Commission for a four-part investigation into the U.S. – Africa trade partnership. In fact, like others, Soborun thinks this letter is a game changer since, unlike the African Union, the U.S. had neither developed a target date for completing AGOA renewal or enhancement nor, for that matter, specific proposals to include in any enhanced package. Stephen Hayes of the Corporate Council on Africa eloquently speaks to this; sure that the USITC report shall help Congress, USTR and others to develop a more substantive trade policy with sub-Saharan Africa.

In their respective interviews and articles, Stephen Lande of Manchester Trade, Witney Schneidman of Covington, Steve McDonald of the Wilson Center, Mwangi Kimenyi of the Brookings Institution, and Katrin Kuhlmann from the New Markets Lab add their voices – in varying decibels – to this conventional wisdom.

Reflecting their years of U.S. government service, Lande and Schneidman provide some specific recommendations to be considered by policy makers for a more effective AGOA; one steeped in the Froman-enunciated *whole-of-government* approach. Ostensibly McDonald, Kimenyi and Kuhlmann are all confident that consensus amongst stakeholders can be welded into a timely and seamless renewal of the program during this *perfect storm* of deepening U.S. - Africa relations, culminating in President Obama's proposed 2014 summit with African heads of state.

This does not, however, detract from what the World Bank's Vera Songwe writes, or what Donald Kaberuka's brilliant October 2013 speech in South Africa proposes. In fact, both Songwe and Kaberuka - alongside COMESA Secretary General Sindiso Ngwenya and former Assistant Secretary Johnnie Carson – are hopeful that this is the epoch within which to advance the U.S. – Africa business partnership.

Even if Dr. Kaberuka does not necessarily refer to it, all touch upon AGOA provisions, point to a long enough renewal period for the program to ensure stability of investments, consider changes to rules of origin as an easy lift since there seems to be consensus and also, advocate an eligibility review for gaining or continuing AGOA benefits. Carson polishes off with the partnership the U.S. has extended to key regional organizations like the EAC and COMESA, and also, how the mission to the African Union has been significantly expanded to elevate Africa in foreign policy and global decision-making.

Substantively, the folks at the *Heritage Foundation* and the *Brookings Institution* both have first-rate articles on the potential that could come from regional integration. However, Katrin Kuhlmann's extensive interview, conceivably, best illustrates how an active dialogue can percolate from the political leaders to the regulators who make the day-to-day decisions on rules and then down to those officials charged with and actively working to reduce delays of trucks and people at African border posts.

Like Kaberuka offers, the tipping point to regional integration may not necessarily be the infrastructure itself but with those *very* agents who could be urged or even compelled to work towards resolving the non-tariff barriers; making things go faster and smoother.

In the process of garnering ideas on the ideal U.S. – Africa trade relationship, our good friends at Greenberg Traurig, the United Nations Economic Commission for Africa (UNECA), the National Foreign Trade Council and also *Proctor & Gamble* were nimble with some superb ideas. In their article, Vicky McPherson and Aron Ambia said doing business with Africa is unique especially because one has to depend more on personal relationships than on the institutions or legal remedies.

In an informal chat, *Proctor & Gamble*'s Shannon Penberthy helped us realize that the Europeans probably do much better business in Africa because they have more history with Africa, and more Africans have gone to European schools.

UNECA's Stephen Karingi has reports that provide inking into how beneficial AGOA really could be under an integrated Africa, and the National Foreign Trade Council's Dan O'Flaherty could not have been more emphatic: Graduating South Africa from AGOA would be premature especially because the country's dual economy resembles much of Africa – and any changes could destabilize an integration and development path already illuminated for the rest of Africa.

Summarily, while the U.S. government has recently made significant strides through Obama initiatives such as *Trade Africa* and *Power Africa*, there's still one profound truth: AGOA doesn't, albeit unintentionally, actively seek to serve American companies doing business in Africa. However, because U.S. exports to Africa have more than doubled since AGOA came into effect, U.S. businesses have benefited from the program even if it does not provide reciprocal market access into Africa.

To this, some suggest that the private sector must be left to do what it does best. Others argue that the Africans themselves must decide what products they want to export to the U.S. Dr. Songwe infers that preferential market access should be just that: Access. Products subject to tariff rate quotas (TRQs) – sugar, cotton, sweetened cocoa, leaf tobacco, groundnuts, to name a few – should be allowed into the U.S. with the requisite adherence to standards.

Without thinking about powerful lobbies here in Washington, Songwe, McDonald and Trachtenberg insinuate that Africa should neither have an excuse nor be prevented from moving to the next level. Lande goes even further to suggest that the U.S. must leverage its good will in Africa. This very sentiment is subliminally expressed throughout many of the pieces published in this magazine, and perhaps, it America's good capital in Africa will start to reap rewards and actually pay off.

In acknowledgment, this tentative edition on the ideal partnership between the U.S. and Africa wouldn't have been possible without the in depth insights and informal chats with senior government officials, with leaders of the African Ambassadorial corps, and with various trade *cognoscenti*.

Many urged us to still our beating hearts; giving us cause to be optimistic. They said these are exciting times, indeed. In spite of the partisan rancor in Congress, they said, the good people in the House *Ways and Means* Committee, and at the United States Trade Representative's Office would deliver something good for Africa.

The various experts let on that Froman's request to review of the U.S. – Africa trade and investment relationship could probably help achieve two things: Finally and fully unleash American firms into the *El Dorado* that is Africa, and perhaps, prompt Dr. Froman into allowing me to redeem myself. ■

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On the Cover
The African continent taken from outer space to show sub Saharan Africa. Dense forests are green and the Kalahari Desert is towards the south has a lighter color. Water bodies like Lake Victoria are black.

The Habari Network
is an Afro Caribbean Diaspora publication that provides daily analysis and opinion online and via special reports; on politics, sports, business and economics.

Volume One | Number One

Image Source: The Habari Network
www.thehabarinetwork.com

Paul Ryberg

President,
African Coalition for Trade

Preserve what AGOA has Accomplished

Editor's Note:

Paul Ryberg speaks in clear and certain terms. When we began this project, he was the first one we went to. He delivered his written piece on time like he promised. Then we realized that we'd achieve so much more if we simply spoke to him. This conversation was done on the phone while he was at the Maryland home he shares with his wife and a multi-breed pound of beautiful dogs.

*Because he'd titled his article **'Preserve What AGOA Has Accomplished,'** we have kept it the same. The interview is transcribed by Prince Heto.*

THN: What do you think is the ideal trade and investment partnership between America and Africa.

Long term, I think a Free Trade Agreement is the ideal arrangement; but we are no where near ready on a continent-wide basis to engage in an FTA between Africa and the U.S. Certain individual countries in Africa might be ready, and others would be in the future. But the level of trade capacity varies significantly within the continent.

So, for the medium term or the foreseeable future, a preferential trade arrangement is necessary and AGOA is pretty close to that scenario. This program extends duty-free preferences to almost everything that Africa exports.

The one element of AGOA that can certainly be improved upon is to make it a long-term arrangement for the kind of stability necessary to attract investment and so take advantage of the AGOA opportunity. And there's an addition, an obvious need for capacity building in many African countries.

Prince Paa-Kwesi Heto is a sustainable development expert with extensive experience in poverty eradication, gender mainstreaming, youth empowerment and capacity building projects. In his role as Secretary General of SGI-West African National Youth Leaders Conference, he championed youth projects and also led the UN Millennium Development initiatives.

He was educated in Ghana and Japan, and holds a Masters degree in Global Studies and International Affairs from Northeastern University, Boston.

This varies dramatically from country to country - and we can engage in a legitimate discussion in how such capacity should be undertaken and whether AGOA itself as a trade preference program is the right venue for capacity building investments. Thus, I'd stay with the basic architecture of AGOA as the ideal.

THN: So, let us discuss other avenues to actually go beyond AGOA.

There are lots of capacity building programs underway - some sponsored by the U.S. and others by other countries on a bilateral and multilateral basis through the UN or WTO. And I don't see any reason to depart from those. I think they can certainly be amplified and expanded - but my suggestion would be to stay with the current system, and if it needs to be expanded or intensified, so be it.

THN: What do you have to say about the Froman Letter to the USITC? Do you have any ideas or suggestions?

What the USITC will do is economic analyses of the policy that's currently in place - and point out whether it is or is not working. So, they won't propose a whole new system. But USTR's role is to guide the President in regard to legislative proposals, get these submitted to Congress for consideration - and have this body decide whether and how to revise AGOA, for instance. And so, Michael Froman's role is an advisory one.

But to provide insight into the different options available right now, I'd say that in terms of trade policy, its hard to see what more than duty-free-quota-free access (can be done) provided its available on a long-term basis. Then the burden shifts to the beneficiary to take advantage of it. If the beneficiary is unable to take advantage of it, then we need to be discussing capacity building.

But in terms of renewing AGOA, the focus ought to be on making it a long-term program to provide stability and predictability, and not making unrealistic demands that are just going to delay the process because delay is an African country's enemy.

If AGOA is not renewed by early 2015, there will be a huge drop of in trade - resulting in job losses that will take years to recover. So, if you're an African country, your perspective on AGOA is determined to a large extent by your own performance. And everybody bears a certain amount of responsibility for their own performance.

There are very poor countries that have made quality decisions, enabling them to take advantage of AGOA. And then there are others that have not. So, AGOA is not a guarantee of success. It's an opportunity.

THN: You touched on a good point right there - the 100% duty-free-quota-free aspects in your earlier response. Could you expound on that?

Well, I'd never really advocate 100% DFQF. And AGOA is as close to this as can be. The truth is that there are only a handful of agricultural products excluded from AGOA.

And most of those are politically sensitive, and adding them to AGOA would significantly complicate the renewal process.

Most of these products have other reasons why they raise a question mark as to whether its worth the political capital to try to add them.

For example, beef is excluded from AGOA and as a product; it's extremely difficult to export to the U.S. from Africa because of phyto sanitary standards. Then, much of Africa has either rinderpest or foot and mouth disease; both of which disqualify you. So, to have any shot at qualifying to export, massive animal disease eradication programs will have to be undertaken.

Is it worth the expense and effort? That's a question that has to be analyzed before you start asking for access for fresh beef exports to the U.S.

And in regard to sugar and cotton: The U.S. is one of the largest cotton exporters in the world. And apart from the question of cotton subsidies to American farmers, you also need to ask if its realistic to try supplying a market that is already over supplied. So, there are economic questions that have to be considered - and then you need to analyze the policy issues on whether it's realistic to take on the U.S. cotton lobby as part of renewing AGOA.

Or given the fact that the U.S. is already a cotton exporter, does it make economic sense.

On sugar, 10 countries in Africa already have access to the U.S. market. Only 3 take advantage of it. The U.S. sugar market has changed dramatically since 2008 when Mexico obtained unlimited access. Imports from Mexico are setting new records - 2.1 million metric tons in the year that just ended. This is four times what Mexico was exporting less than 5 years ago. And literally hundreds of times more than what it was exporting in the last century.

As a result of this sudden surge of Mexican sugar into the U.S. market, the prices collapsed. A lot of countries that had quota access to the U.S. market are not filling their quotas because the price is low. So, the only reason people have, in the past, sought access to the U.S. sugar market is because of the high price. But this is no longer high.

And here, the U.S. sugar lobby is one of the most powerful. And again, you must ask: Is it economically viable to export sugar to the U.S., and ask as well whether you should spend political capital on including sugar into AGOA and risking the 'wrath' of the sugar lobby - delaying renewal of the legislation. For the record, when it comes to commodities excluded from AGOA, there are no easy questions. ■

Bio

Mr. Paul Ryberg is President of the African Coalition for Trade – with headquarters in Washington, D.C. He is also a partner in the Washington, D.C. law firm of Ryberg and Smith, L.L.C., where his practice focuses on international trade law, including extensive experience in U.S.-Africa trade for more than 25 years.

Mr. Ryberg's law practice also includes advising clients on WTO and NAFTA matters, textile and apparel trade, agricultural trade (including sugar in particular), Customs issues affecting a variety of products and import programs, and lobbying Congress on trade legislation. The African Coalition for Trade and its members benefit from Mr. Ryberg's extensive experience in trade law issues affecting Africa.

In addition, Mr. Ryberg has served as the President of the Mauritius-U.S. Business Association, Inc. (MUSBA), a bilateral chamber of commerce between the private sectors in Mauritius and the United States.

Mr. Ryberg has been a featured speaker or expert panelist at numerous conferences and seminars on international trade law, including in Botswana, Cameroon, Cote d'Ivoire, Fiji, Ghana, Hong Kong, Korea, Madagascar, Mauritius, Senegal, South Africa and Taiwan, Tanzania, Uganda and Zambia. The Africa Coalition for Trade also maintains an office in Mauritius to serve as a liaison for its members in Africa.

For more information on Paul, please go to www.acttrade.org

Image Source: The Brookings Institution
www.brookings.edu

Vera Songwe

Lead Economist
The World Bank Group

Energy, Energy; Energy!

Editor's Note:

As a World Bank official, Vera Songwe is always on the move. For this interview, we spoke to her while she was in Cape Verde, a country she manages for the World Bank. She mentioned the semi-paradigm shift from governance and infrastructure to the energy trifecta as core remedy to Africa's issues. She spoke with our Nahae Kim.

NK: From your standpoint, what should be done to enhance or increase the sheer volume of business between the U.S. and Africa?

VS: First, this has to be seen as a two-way street: On the one hand, the basket of goods approved under the AGOA market access program needs to be expanded, especially in regard to the tariff rate quota (TRQ) on agricultural products.

While I appreciate how difficult the process to achieving this might be, Africa must, at the same time, actively set about meeting the standards required to export – and this, Africa needs support from the U.S. to achieve this feat. Secondly, on the U.S. side, what we may need is a set of incentives to U.S. businesses - enabling them to come to Africa. And here, I do not necessarily mean monetary incentives. U.S. firms need to know that you can do good honest business in Africa.

Therefore initiatives like President Barack Obama's Power Africa and Trade Africa are important endorsements. Just the fact that Obama came to Senegal, South Africa and then Tanzania with leading policy makers and business people has generated a huge amount of excitement. Irrespective of how much was pledged for Obama initiatives, the exposure and interest generated may end up giving Africa returns double or triple the pledges. U.S. businesses also stand to profit substantially from both the Obama initiatives and from the trip.

Nahae Kim is a Fall Associate at Manchester Trade in Washington, DC. An economics student from South Korea, Ms. Kim has spent the past few months helping create structure in various departments at Manchester Trade and is especially interested in global trade.

So, to go back to your question, it is important that AGOA is seen as a preference program that is mutually beneficial for U.S. and African businesses. AGOA could accelerate industrialization of the continent, underpinned by systematic knowledge and technology transfers.

NK: Before we discuss the role the World Bank Group can play, could you just expound your comment on incentives? People like Peter C. Hansen argue that investors consider risk mitigation more of a priority.

VS: If we move away from just incentives, what one may have to do is provide more information about what is going on in the continent, how to invest - facilitating more American Chambers of Commerce and businesses like is done for the Asian countries. This is something that could be started in Africa, although you may not even necessarily need to do it for countries.

Instead, you could focus on regions: For example, a U.S. - West African Chamber of Commerce or a U.S. - SADC Chamber could help American businesses better navigate African markets.

Now, to the World Bank Group, we can write/talk about opportunities in Africa. And we could also help African economies improve their policy via trade facilitation and in particular their *Doing Business* environment. This is something we are already doing. I also think we can provide risk capital or guarantees to facilitate investment.

There are many attractive business ventures on the continent and the World Bank can help identify and structure investment opportunities so they are attractive to U.S. investors. Tullow Oil, for example, is drilling for gas in Mauritania, and the World Bank is providing a $ 600 million guarantee to ensure the investment is made. We're also providing the government with a partial risk guarantee to cover associated power generation. Overall, the World Bank can help provide additional mechanisms for buying down risk on the continent.

NK: While all this is happening, what should the African countries and their governments do to help the process of growing their portfolio of investors?

VS: The first thing on everyone's list is that African countries should maintain sound macro economic fundamentals: Sustainable debt and deficit levels, good expenditure efficiency and levels combined with proper revenue collection. On top of lowering the risk perception, interest rates or cost of investing in the respective country, these aspects contribute to the macro economic stability package and show potential investors that countries are disciplined.

Fortunately, many countries have lower deficits, lower debt to GDP ratios and acceptable current account balances, and the storyline today around Africa's macro management is much better than it was only a few short years ago. Clearly, with the recent global financial crisis, some countries undertook counter cyclical spending, increasing the deficits - but most countries started to rein this in.

NK: What tenets should guide the U.S. – Africa commercial partnership going forward?

Tenet 1: Because bilateral negotiations are both premature and not the ideal between an economy of the U.S.' size and any African country, the U.S. ought to engage in trade discussions with Africa from a regional perspective. In the event that this is challenging at entry, the creation of active sub-regional economic zones could provide a second best alternative. The U.S. – European Union pact (T-TIP) or the North America Free Trade Agreement (NAFTA) are models to be emulated in Africa. The particular advantage here is that businesses coming to sub Saharan Africa will have a level playing field across the region. It is essential to ensure coherence between the multiplicities of bilateral trade relations African countries sign.

For example economic partnership agreements are due for completion in 2014; AGOA is coming up for renewal in 2015, while the continent has, since 2012, been engaged in a process of negotiating a continental Free Trade Agreement (CFTA). This CFTA is a key element for coherence or consolidated rules of origin that that would not discriminate against any trading partners. Instead, harmonization will be a catalyst for deepening regional integration and making the region more competitive.

Tenet 2: The U.S. should broaden the coverage of AGOA eligible goods to help spur the development of a sub Saharan manufacturing sector. For this to be even more beneficial, the skills gap must be filled via education and technology. These two things are clear ways of increasing productivity and accelerating inclusive growth. Basically, for high quality goods to be exported to the U.S., we need to increase the supply of quality labor.

NK: Some of these tenets might be addressed by Ambassador Michael Froman's request for a 4-part review of the U.S. – Africa relationship, yes?

VS: So, while I cannot make any substantive comments about Dr. Froman's request for a review, perhaps I am better placed to make a more general observation. More than anything else, it is important that there must be a discussion around agricultural products in the U.S. itself. The U.S. and G-8 countries' push to support African agriculture is a welcome initiative, however to credibly export products like peanuts to the U.S. market, for example, the market entry conditions must be reviewed to avoid what sometimes appears to be contradictory polices.

If agriculture subsidies to U.S. farmers are maintained, the benefits of AGOA for Africa could remain compromised, as those excluded products could be what undermines Africa's competitiveness. In this regard, US could take the lead and fully engage in multilateral negotiations within the WTO negotiations framework to help countries review and amend agriculture policies. In addition for some goods like cotton, more technical assistance would be needed to improve the overall performance of the sector.

NK: What do you have to say about South Africa's status in the U.S. – Africa commercial partnership?

VS: It is true that South Africa is a special case on the continent: It is, in the first place, a dual economy, that is a middle-income country but also grappling with high levels of unemployment and poverty.

And if the purpose of AGOA is to increase the amount of trade between U.S. and Africa, South Africa still needs access to the U.S. market. Because unemployment is still high, we need to ensure that the economy there is still developing, able to export and also building a stronger manufacturing base that contributes to Africa's economic integration. And here, the reality is that South Africa continues to produce competitively and export to the U.S.

Hence, the minute you start taking one African country out of AGOA, you start down a slippery slope - and people will ask: Why not graduate Nigeria, Kenya or Ghana, Angola or Equatorial Guinea? They are, after all, considered non-LDCs. And here, we, perhaps, return to the question of treating each country as an individual - which will weaken the regional integration agenda.

There are important positive externalities for neighboring countries and the region as a whole, which cannot be ignored. One could even make an argument that the U.S. is negotiating with the EU as a whole and not singling out Germany. So, we have to be very careful about these things.

NK: How can anyone improve the business environment in Africa so that the American private sector can take advantage of the opportunities there?

The U.S. private sector is looking for profit. They need to add value for their shareholders. They will not come to the continent if its not deemed profitable. This is not charity. This is business. So, until Africa removes the stumbling blocks, progress is bound to be slow. On the supply side, Africa must take care of three things: Energy. Energy. Energy. Years ago, it was macro economic issues and then governance and then energy. But like the Mo Ibrahim Foundation argues, availability and cost of energy is now an even more important constraint than governance.

In fact, the governance issues are being addressed. But if you have a continent whose production costs, by definition, are three to four times higher than everyone else's, then the battle is lost at entry. That is why the Power Africa initiative is critical and timely. Africans themselves have begun to focus more on energy - Uhuru Kenyatta of Kenya is working on an ambitious 5000 Megawatt plant to reduce the cost of doing business in Kenya. Privatization of Nigeria's energy sector should see the rapid rise of power supply. As part of the Obama Initiative, luminaries like Tony Elumelu are working on energy projects. On the agriculture side, many studies have shown that several African products are competitive at the farm gate - but then most of this is lost in transportation. Issues of trade facilitation and farm-to-market connectivity are also important elements of the competitiveness basket.

Bio

Dr. Vera Songwe is the World Bank's Country Director for Senegal, Cape Verde, The Gambia, Guinea Bissau and Mauritania. She was most recently a Lead Economist at the World Bank where she worked in East Asia, the Middle East and North Africa, South Asia as an economist providing policy advice to governments and the private sector. She was also Country Sector Coordinator for East Asia and the Pacific region on Poverty Reduction, Economic Management and other aspects. Her areas of expertise are governance, fiscal policy, competitiveness, trade, financial markets, and agriculture and commodity price volatility, and she's very well published on these subjects.

A nonresident Senior Fellow at the Brookings Institution, Dr. Songwe has a PhD in Mathematical Economics, and BA in Economics and Political Science.

Donald Kaberuka
President,
African Development Bank

From turning point to tipping point

Editor's Note:

*This speech was given at the African Economic Conference in Johannesburg, South Africa on October 28 - 30, 2013. It is reproduced here and specially redacted not for its insightful views on how much progress Africa has made: Instead, the treatise must be read as an insider's take on what is happening all over the African continent. We might even be more forward by suggesting that this is probably a better-than-apt risk analysis profile for Africa. This was originally published at **www.afdb.org.***

[Ever] since the collapse of Lehman Brothers, and the financial hurricane that came in its wake, there has been much skepticism among ordinary people about economists, bankers and experts associated with the World of finance. [As] it so happens, there was an interview [with] Alan Greenspan (Former Chair of the US Federal Reserve). It was sobering to read a humbling assessment by this towering figure in the world of economics and finance articulating in a non-defensive way where he may have gotten things wrong.

His assessment of risk modeling is particularly interesting. He cites his misplaced belief that complex mathematical models could forecast the behavior, actions of individuals, households or business let alone explain the rationality of their actions under particular market conditions. [Greenspan says:] ' …The models failed at a time when we needed them most. The Fed model failed. The IMF model failed … Today there are no easy answers or straightforward heroes or villains in a shifting landscape we all need to keep challenging our assumptions and prejudices.'

I have no doubt that [we] will do just that, keep our minds open, challenge our assumptions. I have always followed [proceedings] closely, not simply out of intellectual curiosity, but as a practitioner, to discern the implications for what AfDB does. [Gathering] on the economic integration of Africa is not new. Economic integration is the main goal of the African Union; and economic integration is the reason for numerous regional economic communities and incidentally, the principal reason AfDB was created.

Reflecting on this Conference, I looked at the map of South Africa, Africa's largest economy. This is a country with 9 provinces, [and is] the only country in Africa that straddles [both] the Indian and the Atlantic Oceans. Many of those nine provinces have a GDP [that's] a multiple of many countries in the rest of Africa.

For example, Gauteng province would be Africa's fifth largest economy. I understand too that the smallest economic province (the Northern Cape) still has a GDP larger than many countries north of the Limpopo.

A thought always crosses my mind: Just imagine for a second, that each of these nine provinces had its own currency, passport, borders, investment laws, immigration barriers, let alone its army, Foreign Service. I could go on. The conclusion is a no brainer. Even with all the natural wealth, each one of them would be probably poorer than it is today. So we all know the price our Continent pays for balkanization.

We understand the impatience of the ordinary people, and the frustration businesses feel. When the founding fathers of the AU agreed to the intangibility of borders created by colonial partition, they at the same time agreed to the imperative of economic Integration.

Progress to date is encouraging but highly variable. In East Africa, COMESA, ECOWAS, SADC, much is going on. In contrast, the pace is probably a little slower, in the North and the Center.

And where the pace is right, the results are beginning to show: almost everywhere tariffs are no longer the big issue, but non-tariff restrictions remain a real impediment. Intra-COMESA trade is up from USD 3bn in 2000 to USD 20 bn in 2012.

There has been a 50% increase in intra EAC trade since they adopted the Customs Union. Even for intra-African trade, if you add informal channels, the share is now probably close to 20%.

While this is still far behind other regions of the world, it indicates the ground we have covered. As you probably know, the AfDB is the leading financier of infrastructure and regional corridors on the Continent. In the context of the Program for Infrastructure Development in Africa (PIDA), we are involved in key transcontinental projects, connecting not only countries but also regions, building power pools. There is little doubt that as cross border transport improves (it often accounts for up to 15 % of final product price), trade outcomes will continue to get better. That is why we are big supporters of the Tripartite between: SADC, COMESA and EAC.

All these issues are quite familiar. We know the facts. We are aware of what has to be done. We even have target dates, road maps. So if we are here, it is not to make the case for regional integration. That case was made very long ago. So to the question as to, why are we here, rather than out there, getting the job done?

I can think of two reasons we are here today: First, the implications for Africa of the calamitous state of the global economy; the urgent need to build a stronger resilience against external shocks. To put it quite simply, it is now urgent and business as usual will not do. The second: a strong conviction that although many countries have done well in the last decade, that momentum will be hard to sustain without a quantum leap on integration.

Let me explain: First, Five years ago, the global economy went through a near death experience. It may have moved out from intensive care, but not out of the clinic: Anemic recovery, unemployment, weak banks, massive debts and complex structural reforms politically difficult to execute. To complicate the matter further the prolonged crisis has made agreements on multilateral solutions such as trade and climate [much] more remote. As the acute economic problems moved from crisis to chronic, the impetus to cooperate has diminished.

Just take the case of the Doha Round. After a decade of 'stop-and-go', [in spite of] the energy and prodding past WTO Director Pascal Lamy, put into the Round, it is fair to say that this Round is stuck. After ten years, the way forward could be in scaling back ambitions.

I understand the meeting in Bali in December will seek to pick some low hanging fruit such as an agreement on trade facilitation. With or without Doha, trade facilitation, is, of course, a critical issue.

According to the OECD, it adds another 40 billion dollars to the global economy and boosts incomes everywhere by anything between 10 and 15%. Easing flow of goods across borders is vital for African countries, [and] an agreement would be very welcome. But when shall we see movement in other areas so key for Africa to trade her way out of poverty? [What about movement on] areas around services, which for a country like South Africa now accounts for 65% of its GDP and 70% of employment?

Penultimately, Africa must [be wary] of those mega trade partnership agreements wealthy countries are negotiating among themselves; the Trans-Pacific Partnership [TPP – between the U.S. and the Pacific nations] and the Trans-Atlantic Trade and Investment Partnership [T-TIP – between the U.S. and the European Union]. The lesson Africa must draw [is this]: With a sluggish global economy, a tough ride to multilateral solutions, building Africa's internal market cannot be business as usual, which brings me to my next point, the reason why we are here.

There is now a widespread celebration of Africa's performance. For many, it is Africa rising, whatever that means. For others, this is a bubble waiting to burst: a cynical view we have got used to. But take a careful more nuanced look. We are 54 countries with different endowments, starting points, and socio economic conditions. Some are endowed with rich natural resources: they export oil, gas or mining products. Others are low-income net oil importers, while several countries are affected by conflict.

A number of African nations are large middle-income open economies; others are small middle-income island economies – and a good number are land locked. [Thus], anyone can find evidence of whichever hypothesis or bias they wish to confirm. [If they want] to show that Africa is not rising, all they have to do is focus on the Horn of Africa, Central African Republic, the Sahel, youth unemployment, power problems, inequalities and more.

For those looking for the positive story, [they'll look] at 20 countries growing at over 6.5% in the middle of this global slowdown. [They'll] Look at the dramatic decline in infant mortality, the reduction in poverty headcount, the increase in Investment flows - not simply in the extractives but also agribusiness, manufacturing and services.

However, [I am] yet to meet a serious analyst who disagrees that Africa has turned a corner. But at no time should [we] make the mistake of confusing a 'turning point' with a 'tipping point'. At the moment, a third of sub-Saharan Africa [will] see economic growth of over 6.5%; the rest - excluding those in conflict - will hover around 5%. And contrary to popular belief, this pattern of growth is well distributed and not [reserved] for countries rich with extractives.

But as the economies grow so does the population. [And here], two factors are critical: the infrastructure gap, which shaves off 2% of growth per year; and also, getting our markets together. This is what investors are looking for; this is what they tell us. This is what it takes to join the higher levels of the global value chains. That is what will create an internal market; [one that is] robust [and resilient] to external shocks.

That is where jobs are, [and] that is where transformation begins, it begins next door.

That is the tipping point.

At a time like this of weak global demand, with so much volatility, and with so many unknowns, the real cushion and the engine is Africa's internal market. The AfDB is the largest external financier for infrastructure, both nationally and regionally. 20% of our concessional window is ring fenced for regional integration; about USD 1.8 bn a year goes to supporting seamless regional markets. Of the USD 7 bn we committed last year, 60% was for infrastructure.

Conversely, to illustrate the pile up and traffic jams one experiences at many border posts in Africa, the slow movement [of goods and people is really] not due to lack of infrastructure. On the contrary, a brand new multi country highway in the COMESA region has had just been completed, funded by us. The pile up is because of paper work, immigration, customs, security, phytosanitary inspectors - each with several paragraphs of questionnaires to fill, several signatories multiplied [twice] for both countries.

So, unsurprisingly, hard infrastructure on its own is simply an enabler. Unless it is followed by swift action on such non-tariff barriers and restrictions, both direct and indirect costs savings cancel each other out. As experts in these issues tell me, there's a whole range of issues to deal with at that point; behind the border, at the border and beyond the border. This is why efforts by Governments to promote simpler documentation and single border posts are very much to be applauded.

Another example lies in the cross-country power interconnections and the power pools; [a sector] in which the Bank is a key player: As economies rapidly expand, demand for power has [far] outstripped supply [and this has led to a power crisis in almost every African country]. But it is not so much the lack of energy sources that is a problem. [Africa has ample] capacity in hydro power, geothermal, renewables and fossil fuels - including present large gas discoveries. [All these] require [significant] public investment - from production and transmission. But it is clear that public sources alone will not suffice. We know too that private investors - as they did in the 1990s following telecom deregulation - are poised to be involved. They are, dependent, of course, on reliable institutional regional arrangements around regulation, [solvent national power utilities] not bankrupted by inefficient power subsidies; independent regulators that are independent in [both fact and law].

That is why I applaud the ongoing reform in power sectors across the continent; from South Africa to Tanzania, to Kenya, Nigeria, Ghana and [beyond]. Courageous decisions have been [made to] remove line subsidies and replace them with targeted subsidies to [the poor] who need them. This' what will enable countries where the energy potential is geographically located to produce and export power to neighbors; creating an energy market.

There is no disagreement that many of the cross border transformational projects Africa needs will continue to require public money, national resources, capital markets and development finance organizations. From [these sources], we can raise about USD 50 billion a year. That leaves a gap of USD 42 billion. [We must, therefore, find a] way [to] attract private investors [into] commercially viable infrastructure. We have seen the experience with undersea cables, energy projects. Private capital is looking for opportunities. But [such] projects [must be bankable] - de-risked through a whole range of instruments [and must ensure] that an appropriate structured financial vehicle exists. This is what we are doing. As an anchor investor, we call upon Investors to build our Continent [while] earning a decent return. The Bank's track record in private sector development and private-public partnerships will [take] a key role in the de-risking of such projects.

At a time when many countries are accumulating huge amounts of surplus, Africa [must] invest in Africa for Africa - Not in low return or loss making propositions, but in safe, high return assets that build our economies too. We are not here to make a case for Regional Integration. That case was made long ago. We are here because of our determination to convert the turning point into the tipping point. That should be the clarion call. It is urgent because of the parlous state of the global economy that calls on us to build internal resilience, unlock Africa's one billion market, creating conditions for joining the global higher value chains.

For those who will say, but this requires vast amount of financial resources, I would agree. But Africa is investing its half a trillion dollars in savings abroad from its newly discovered wealth from oil and gas; and under current market conditions, it gains limited returns. [There's] an opportunity [to avoid mistakes of the past on managing] natural resources.

But, in any case, the things we have to do [to ensure] deeper economic integration in of Africa do not always need money. Rather, [they need] the implementation of the commitments we entered into - from movement of people and shared services, to joint centers of excellence. These are times for strategic decisions on where Africa goes next. Who does not decry the complexity, the difficulties and the costs of flying within Africa?

At the end of the day, if we are to go faster in deepening integration, countries will have to rethink zero sum calculus and escape from a pseudo prisoners dilemma where they wonder what the other side will do if [they are the first to go].

Bio

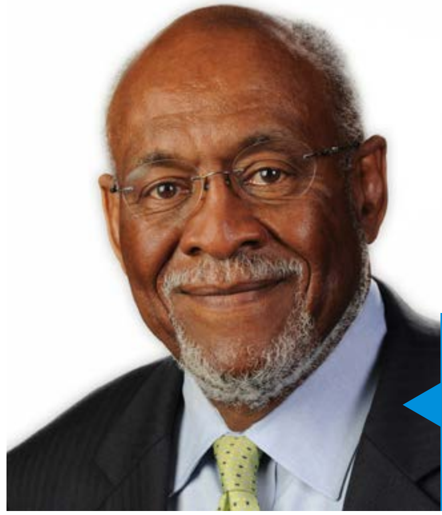
Donald Kaberuka is currently serving his second five-year term as President of the African Development Bank Group (AfDB). He was first elected in 2005, becoming the seventh president of the Bank Group since its establishment in 1963. Before joining the bank, Kaberuka had a distinguished career in banking, international trade and development and government service.

A Rwanda national, he was the country's Minister of Finance and Economic Planning between 1997 and 2005, and during this period, he oversaw Rwanda's successful economic reconstruction after the end of the civil war there.

During his tenure at the AfDB, Dr. Kaberuka has presided over a major redirection in its strategy for development and poverty reduction in Africa. To that end, the AfDB has placed increased emphasis on the private sector, and on the importance of major infrastructure developments in areas such as road, railways, power plants and communications, especially in their role in promoting regional integration in Africa.

The AfDB is now Africa's premier financial institution, and in 2009, in response to the global financial crisis, it made record approvals of loans and grants totaling more than USD 12.6 billion.

In November 2013, Kaberuka was been named 2013 African of the Year in recognition of his role in spearheading the Africa50 Fund to mobilize the financing of infrastructure projects on the continent. He was educated at universities in Tanzania and Scotland, and he holds a PhD in Economics from Glasgow University.



Johnnie Carson

Senior Advisor to the President
United States Institute of Peace

The Last Four Years and Beyond

Editor's Note: *Ambassador Carson gave a much longer speech than the one reproduced here. However, in its current state, the essence was kept sacrosanct: In spite of the progress made by China and other countries when it comes to doing business with Africa, U.S. still has an excellent opportunity on the continent - and can still do so much more to garner even more good will.*

My interest in Africa started in the mid-1960s when I served as a Peace Corps volunteer in Tanzania. The 1960s was a time of great promise for Africa. As newly independent nations struggled to face what many regarded as the insurmountable challenges of democracy, development, and economic growth, newly independent and economic growth, newly independent people looked forward to embracing an era of opportunity and optimism.

This promise also inspired me to enter the Foreign Service. After more than forty years of experience in Africa, three Ambassadorships, and (four years) as Assistant Secretary for African Affairs, I have experienced first-hand Africa's triumphs, tragedies, and progress. And despite Africa's uneven progress, I remain deeply optimistic about Africa's future. This optimism is grounded in expanding democracy, improved security, rapid economic growth, and greater opportunities for Africa's people. It is clear that the 21st century will not only be shaped in Beijing and Washington, but also in Pretoria and Abuja.

African economies are among the fastest growing on the planet, and are increasingly attracting foreign trade and investment. And technological change is sweeping across Africa. Today, women in rural markets in Nigeria are using cell phones to move money and check prices in markets several villages away. Bankers in Dakar are trading with brokers in New York. These are exciting, revolutionary changes.

According to *The Economist* magazine, seven of the ten fastest growing economies in the world are in Africa. One thing this statistic means is that Africa is beginning to catch up with the world economy. If you look at the list of seven countries, several of them, such as Zambia, Ghana, and Ethiopia, are increasingly complex economies where inclusive growth and middle classes are taking hold. Non-oil related growth has averaged over five percent in Africa over the past five years, and over the next five years Africa's average growth rate is likely to surpass that of Asia.

These trends are permanently changing Africa's economic and political systems by opening them up to the world.

Yet not enough American business executives know that if you want to make a good investment, you should look to the African continent.

This is why for the past four years, this Administration has worked to expand U.S. trade and investment with Africa. We extended the third country fabric provision of the African Growth and Opportunity Act, or AGOA, which has helped create hundreds of thousands of jobs across the continent.

We held AGOA forums in Kenya, Zambia, Kansas City, and Cincinnati, connecting a broad cross-section of U.S. companies and investors with African partners. The trade mission Secretary Clinton led to South Africa in August (2012) was the first ever trade mission led by a Secretary of State to Africa. A separate trade mission I led (to) Mozambique, Tanzania, Nigeria, and Ghana increased the interest of U.S. energy companies in the huge need for the generation, distribution, and transmission of power across the continent.

And one of the participants in that trade mission has already signed an agreement with a Nigerian firm that is expected to produce tens of millions of dollars worth of U.S. exports and provide desperately needed electricity to Nigeria.

We also are facilitating more and more reverse trade delegations from Africa to the United States.

(In December 2012), our Ambassador to Nigeria led Nigerian business executives to major trade shows in New Orleans and Orlando. And since 2009, the U.S. Overseas Private Investment Corporation, OPIC, has supported private sector investments totaling over $2 billion in Africa - an all time record - and opened an office in South Africa to promote lean energy projects.

And we continue to build on all of this work. In November, Acting Commerce Secretary Blank visited the region – the first time a U.S. Commerce Secretary has traveled to Sub-Saharan Africa in more than a decade – and announced the launch of the *Doing Business in Africa* Campaign. This campaign encourages U.S. companies to seize opportunities in Africa and will make it easier to do so.

We also have found innovative ways to leverage the rapid expansion of mobile and Internet technology. The State Department funded "Apps 4 Africa" competition is one example. This competition encourages the creation of mobile phone applications to promote economic growth, development, and opportunity.

One recent winner of this competition was an app from Kenya called "I-Cow," which helps Kenyan farmers better manage the breeding of their cowherds.

To promote opportunity through stability and growth, this Administration also has partnered with key regional organizations. We have significantly expanded the size of our mission to the African Union. And while we have partnered with Africa across these four areas, we also have focused on elevating Africa in our foreign policy and in global decision-making. Yet, despite how far Africa has come, and how optimistic we are about Africa's future, serious challenges, of course, remain.

I began this speech by noting that I am deeply optimistic about Africa. In May 2000, *The Economist* ran a black cover with a map of Africa and a picture of a child holding a rocket launcher under the headline: *The Hopeless Continent*. Then, in December 2011, the same magazine published a different cover, this time with a child flying an Africa-shaped kite under a blue sky and the headline: *Africa Rising*.

There is no doubt in my mind that Africa is rising. Africa is moving forward. American businesses, elected officials, NGOs and, lest I forget, American diplomats who realize this now will have a significant advantage over those who have yet to realize that the 21st century will belong to Africa. ■

Bio

Ambassador Johnnie Carson was sworn in as assistant secretary of state for the bureau of African affairs, on May 7, 2009. Prior to this he was the national intelligence officer for Africa at the National Intelligence Council, after serving as the senior vice president of the National Defense University in Washington, D.C. (2003-2006).

Carson's 37-year Foreign Service career includes ambassadorships to Kenya (1999-2003), Zimbabwe (1995-1997), and Uganda (1991-1994); and principal deputy assistant secretary for the bureau of African Affairs (1997-1999). Earlier in his career he had assignments in Portugal (1982-1986), Botswana (1986-1990), Mozambique (1975-1978), and Nigeria (1969-1971).

He has also served as desk officer in the Africa section at State's bureau of intelligence and research (1971-1974); staff officer for the secretary of state (1978-1979), and staff director for the Africa Subcommittee of the U.S. House of Representatives (1979-1982).

Before joining the Foreign Service, Ambassador Carson was a Peace Corps volunteer in Tanzania from 1965-1968. He has a Bachelor of Arts in History and Political Science from Drake University and a Master of Arts in International Relations from the School of Oriental and Africa Studies at the University of London.

Ambassador Carson is the recipient of several Superior Honor Awards from the Department of State and a Meritorious Service Award from Secretary of State Madeleine Albright. The Centers for Disease Control presented Ambassador Carson its highest award, Champion of Prevention Award for his leadership in directing the U.S. Government's HIV/AIDS prevention efforts in Kenya.

Sindiso Ngwenya
Secretary General COMESA

Benefiting U.S.—Africa Trade Through the Tripartite

***Editor's Note**: Like Dr. Donald Kaberuka and Ambassador Johnnie Carson suggest in their respective articles, Mr. Ngwenya's column is especially instructive on what can be achieved in both the short and long run when it comes to regional integration. But even more importantly, the COMESA Chief Executive gives us inkling as to how much work has already been done to get the process moving. Ultimately, Ngwenya may ostensibly suggest that this could be a case of dominos lining up and waiting for that gentle action-enforcing knock.*

*It was originally published under the title: **Tripartite Free Trade Area: An opportunity not a threat,** at www.newtimes.co.rw, it is repurposed here with kind permission of the COMESA Secretariat. Please note that some statistics have also been updated.*

The tripartite arrangement of the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and Southern Africa Development Community (SADC) is the most exciting trade and infrastructure development in Africa at the moment.

Not only does the arrangement provide the foundation of the Continental Free Trade Area (CFTA) promoted by the Africa Union and its partners; it is the main reason the three regional economic communities (RECs) decided to launch the Tripartite Program in 2006 - to remove some of the inconsistencies and costs in regional integration brought about by overlapping memberships.

Thus the Tripartite is neither a new legal structure nor is it a new REC. It is an attempt to merge regional organization into the African Economic Community. Benefits do accrue from countries being party to more than one REC. Among them is economies of scale. Through developing its large internal market, African producers can compete globally.

> Collectively, tripartite countries account for half (27) of the AU's membership, with a GDP of $1.15 trillion, a population of 620 million and a combined landmass of 17 million square kilometers.

COMESA alone brings 19 member states and a population of over 458 million to the tripartite table 19 - an annual import and export bill of around US$154 bn and US$108 bn respectively.

Building on the FTAs already in place, the Tripartite Free Trade Area builds on the FTAs that are already in place in COMESA, EAC and SADC. The tripartite strategy consists of designing and implementing the Tripartite FTA, the preparation of a Trade and Transport Facilitation Program elaboration of a regional industrial development program, the design and implementation of trade and transport infrastructure projects along corridors and free movement of business persons across the RECs. Its road map presupposes that the countries will need to engage in negotiations.

It also recognizes that there are Preferential Trade Areas and FTA trading arrangements already in place among them. Here, not all the countries will need to negotiate with each other. Significant progress has already been made in implementing the Tripartite FTA and albeit being behind schedule, negotiations are already underway; with much effort being expending to catch up and complete negotiations within the 36 months set out in our road map.

Of the 27 countries in the Tripartite, 23 are already in a Free Trade Area; two (Ethiopia and Eritrea) are in a preferential trade area, while three (Angola, DR Congo and South Sudan) offer no trade preferences to their regional partners. The proposal that has been adopted by the Tripartite Summit is that those countries in an FTA should extend the preferences they offer to first, members of their regional FTA and secondly, to other regional FTAs.

For example, all COMESA members implement the COMESA FTA and offer the same preferences to non-COMESA FTA members on a reciprocal basis. EAC and SADC States do the same; and COMESA Non-SADC and EAC members offer SACU*, Angola and Mozambique duty free, quota free market access for all originating goods on a reciprocal basis. If this' done, the Tripartite FTA will be arrived at for all 27 countries in the Tripartite in a shorter period. It is also possible to implement the TFTA at variable speeds given that some countries may achieve a tariff phase-down to zero tariffs on originating goods faster than other countries, subject to negotiations. It is safe to draw the conclusion that the Tripartite FTA is more of an opportunity than a threat.

But to realize that opportunity, we need to reject the "crab in a bucket" mentality and work together for the common good. It is not a zero-sum game: what is good for our neighbor can be good for all of us. The challenge is to get this message across to the general public, civil servants and private sector. The counter factual to the Tripartite Free Trade Area is a steady spiral downward, another generation of missed opportunities and continuing to bump along the bottom.■

Bio

Mr. Sindiso Ndema Ngwenya is the 3rd Secretary-General of the Common Market for Eastern and Southern Africa (COMESA) since it was transformed from the PTA in 1994.

He brings with him over 27 years of service in industry, regional and multilateral levels covering the public sector, private sector and quasi-government institutions. Before his appointment, Mr. Ngwenya was the Assistant Secretary General of COMESA in charge of Programs, a position he held for ten years.

In this position, he oversaw and supervised the operations of COMESA established institutions such as the Leather and Leather Product Institute (LLPI), the Clearing House and the Regional Investment Agency, and he was also involved in the design and implementation of projects in the road, airline and railway sectors. He also worked on the establishment of COMESA specialized institutions, such as, the Eastern and Southern Africa Trade and Development Bank (PTA Bank), the COMESA Clearing House and the PTA Re-Insurance Company (ZEP-RE).

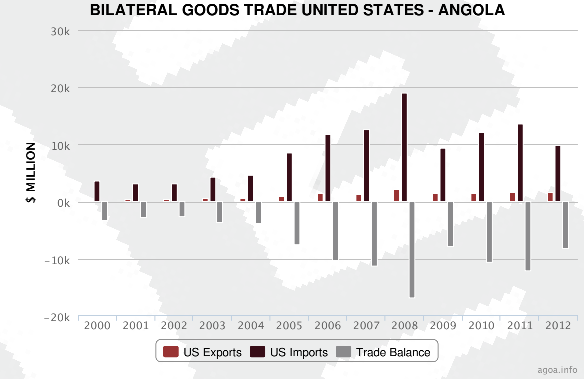
More recently, he played a key role in the design of the COMESA Customs Union and Common Investment Area. He was also part of the team that crafted the COMESA Treaty and oversaw the transformation of the PTA into COMESA in 1994. His personal mission is to contribute to sustainable social and economic development and uplifting the living standards of Africa; ultimately realizing the African Economic Community under the auspices of the African Union.

Ngwenya was born in 1951, is married with three children, and has a Bachelor's Degree in Economics and Geography, and an Masters of Science in Transportation and Traffic Planning.

* The Southern Africa Customs Union is the world's oldest customs union and is comprised of Botswana, Lesotho, Namibia, South Africa and Swaziland.

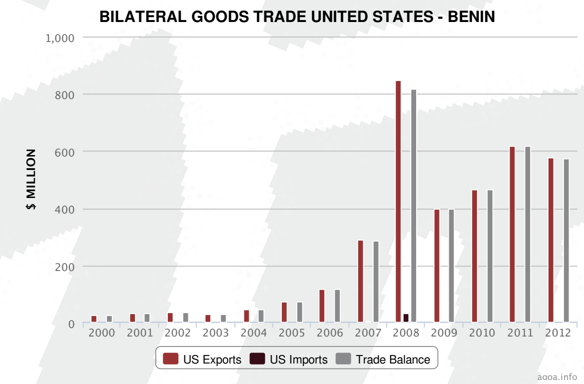
AGOA Beneficiary Trade Profiles:

Trade Profile: Angola



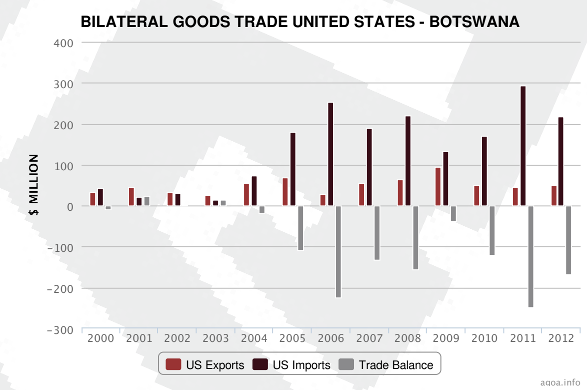
Angola's high growth rate in recent years was driven by high international prices for its oil. Angola became a member of OPEC in late 2006 and its current assigned a production quota of 1.65 million barrels a day (bbl/day). Oil production and its supporting activities contribute about 85% of GDP. Diamond exports contribute an additional 5%. Increased oil production supported growth averaging more than 17% per year from 2004 to 2008.

Trade Profile: Benin



The economy of Benin remains underdeveloped and dependent on subsistence agriculture, cotton production, and regional trade. Growth in real output had averaged almost 4% before the global recession and it has returned to roughly that level in 2011-12. Inflation has subsided over the past several years. To grow, Benin plans to attract more FDI, emphasize tourism, facilitate new food processing systems and agricultural products, and encourage ICT.

Trade Profile: Botswana

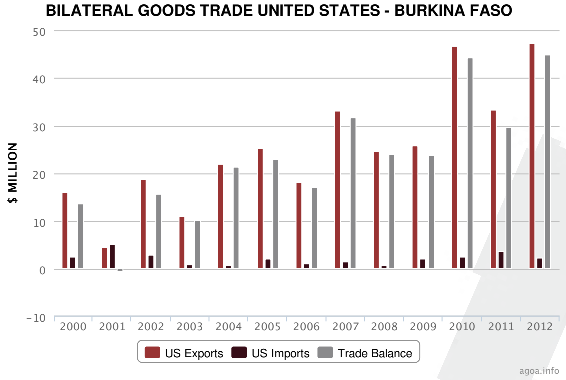


Botswana has maintained one of the world's highest economic growth rates since independence in 1966. However, economic growth was negative in 2009, with the industrial sector shrinking by 30%, after the global crisis reduced demand for Botswana's diamonds. Although the economy recovered in 2010, GDP growth has again slowed. A major international diamond company signed a 10-year deal in 2012 to move its rough stone sorting and trading division from to Gaborone.

Trade Profiles and Graphs from www.agoa.info

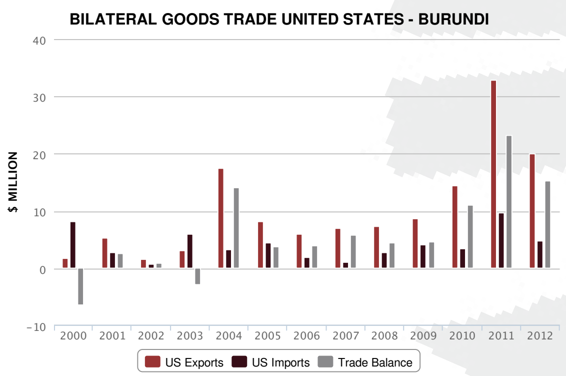
AGOA Beneficiary Trade Profiles:

Trade Profile: Burkina Faso



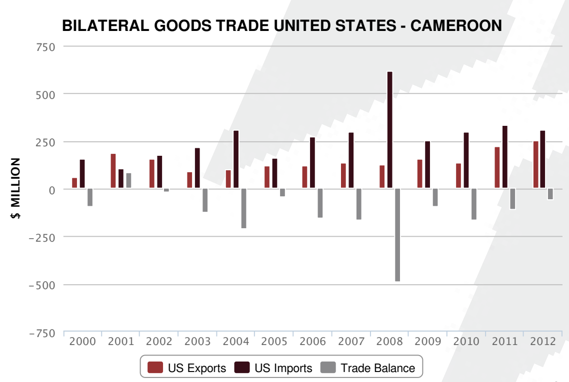
Burkina Faso is a former French colony that achieved independence in 1960. Totally landlocked, the country is nestled between Mali, Niger, Benin, Togo, Ghana and the Ivory Coast. It is one of the poorest countries in Africa, with relatively few natural resources. It relies heavily on cotton and gold exports for revenue. By 2010, gold had become the main source of export revenue. Gold mining production doubled between 2009 and 2010.

Trade Profile: Burundi



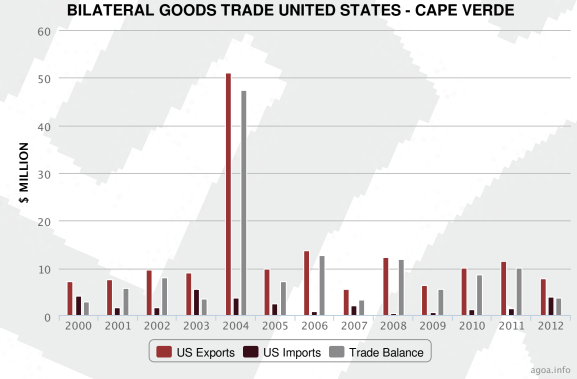
Burundi is a landlocked, resource-poor country with an underdeveloped manufacturing sector. The economy is predominantly agricultural; agriculture accounts for just over 30% of GDP and employs more than 90% of the population. Burundi's primary exports are coffee and tea, which account for 90% of foreign exchange earnings, though exports are a relatively small share of GDP. Burundi will remain heavily dependent on aid from bilateral and multilateral donors.

Trade Profile: Cameroon



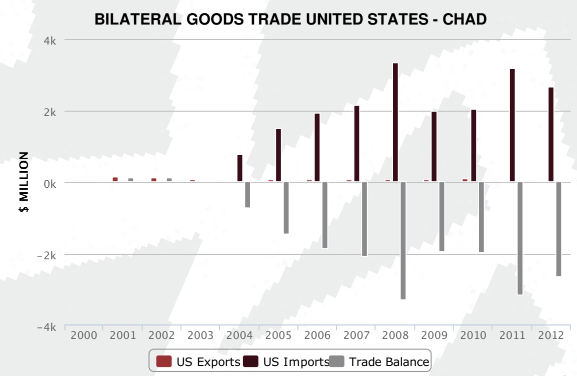
Because of its modest oil resources and favorable agricultural conditions, Cameroon has one of the best-endowed primary commodity economies in sub-Saharan Africa. Still, it faces many of the serious problems confronting other underdeveloped countries, such as stagnant per capita income, a relatively inequitable distribution of income, a top-heavy civil service, endemic corruption, and a generally unfavorable climate for business enterprise. It has a BIT with the U.S.

Trade Profile: Cape Verde



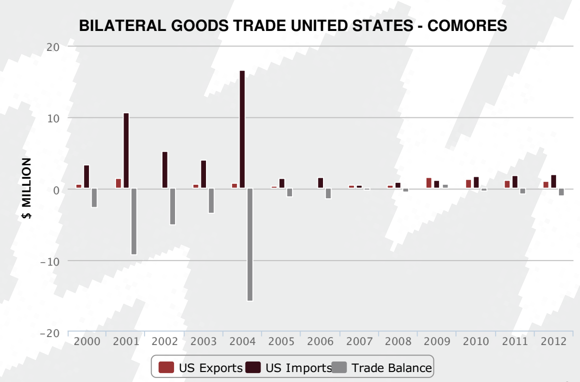
The economy is service-oriented with commerce, transport, tourism, and public services accounting for about three-fourths of GDP. This island economy suffers from a poor natural resource base, including serious water shortages exacerbated by cycles of long-term drought and poor soil for agriculture on several of the islands. Although about 40% of the population lives in rural areas, the share of food production in GDP is low. About 82% of food must be imported.

Trade Profile: Chad



Chad's primarily agricultural economy will continue to be boosted by major FDI in the oil sector that began in 2000. Economic conditions have been positive in recent years, with real GDP growth reaching 13% in 2010 because of high oil prices and a strong local harvest. GDP growth for 2012 is estimated at 7.3%. However, Chad's investment climate remains challenging due to limited infrastructure, a lack of trained workers, extensive government bureaucracy, and corruption.

Trade Profile: Comores



One of the world's poorest countries, Comoros is made up of three islands that have inadequate transportation links, a young and rapidly increasing population, and few natural resources. In September 2009 the IMF approved Comoros for a three-year $21 million loan, but the government has struggled to meet program targets, such as restricting spending on wages, strengthening domestic revenue collection, and moving forward on structural reforms.

Trade Profiles and Graphs from
www.agoa.info

AGOA Beneficiary Trade Profiles:

Trade Profile: Congo

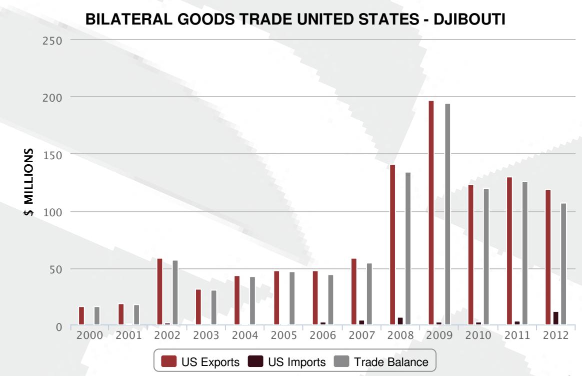
Trade Graph Unavailable

The economy is a mixture of subsistence hunting and agriculture, an industrial sector based largely on oil and support services, and government spending. Oil has supplanted forestry as the mainstay of the economy, providing a major share of government revenues and exports. Natural gas is increasingly being converted to electricity rather than being flared, greatly improving energy prospects.

New mining projects, particularly iron ore, that may enter production as early as late 2013 may add as much as $1 billion to annual government revenue. Economic reform efforts have been undertaken with the support of international organizations, notably the World Bank and the IMF, including recently concluded Article IV consultations.

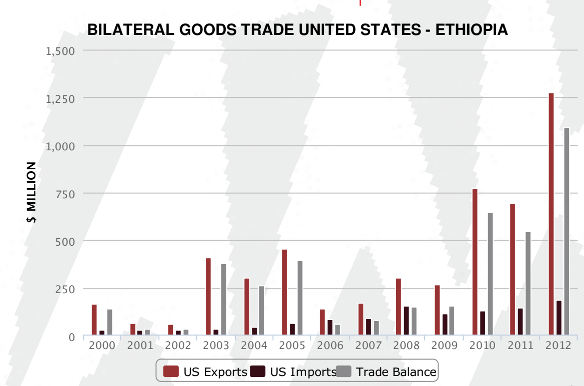
The drop in oil prices during the global crisis reduced oil revenue by about 30%, but the subsequent recovery of oil prices boosted the economy's GDP from 2009-12. In March 2006, the World Bank and the International Monetary Fund (IMF) approved Heavily Indebted Poor Countries (HIPC) treatment for Congo, which received $1.9 billion in debt relief under the program in 2010. Congo also restructured old defaulted London Club debt in 2007, which effectively canceled 80% of its private debt.

Trade Profile: Djibouti



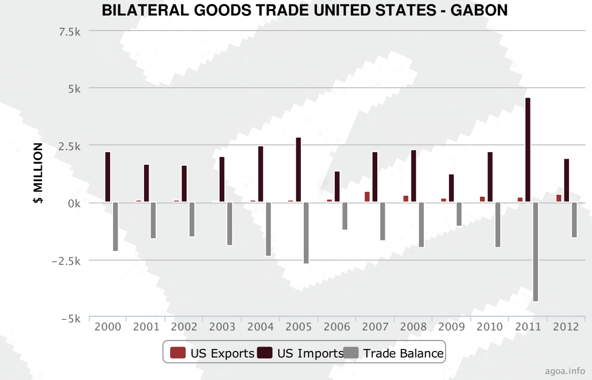
Djibouti's economy is based on service activities connected with the country's strategic location and status as a free trade zone in the Horn of Africa. Three-fourths of Djibouti's inhabitants live in the capital city; the remainder are mostly nomadic herders. Scant rainfall limits crop production to small quantities of fruits and vegetables, and most food must be imported. Djibouti is both a transit port for the region and an international transshipment and refueling center.

Trade Profile: Ethiopia



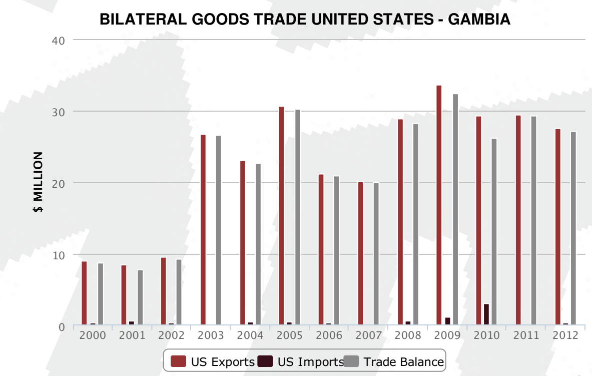
Ethiopia's economy is based on agriculture, which accounts for 46% of GDP and 85% of total employment. Coffee has been a major export crop. The agricultural sector suffers from poor cultivation practices and frequent drought, but recent joint efforts by the Government of Ethiopia and donors have strengthened Ethiopia's agricultural resilience, contributing to a reduction in the number of Ethiopians threatened with starvation.

Trade Profile: Gabon



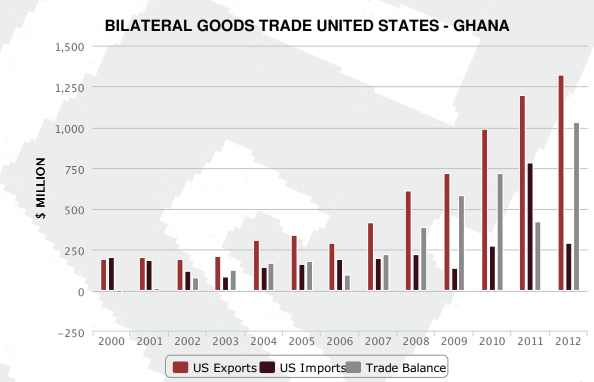
Gabon enjoys a per capita income four times that of most sub-Saharan African nations, but because of high income inequality, a large proportion of the population remains poor. Gabon depended on timber and manganese until oil was discovered offshore in the early 1970s. The economy was reliant on oil for about 50% of its GDP, about 70% of revenues, and 87% of goods exports for 2010, although some fields have passed their peak production.

Trade Profile: The Gambia



The Gambia has sparse natural resource deposits and a limited agricultural base, and relies in part on remittances from workers overseas and tourist receipts. About three-quarters of the population depends on the agricultural sector for its livelihood and the sector provides for about one-quarter of GDP. The agricultural sector has untapped potential - less than half of arable land is cultivated. Small-scale manufacturing activity features the processing of peanuts, fish, and hides.

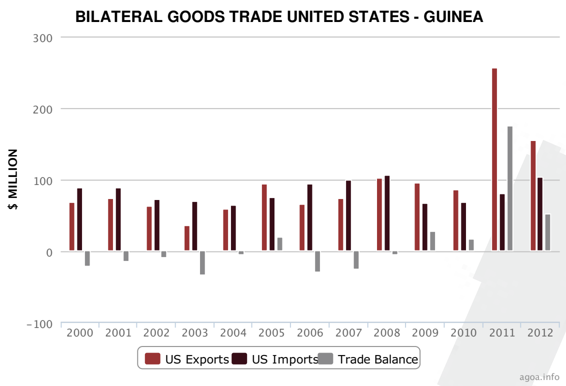
Trade Profile: Ghana



Ghana's economy has been strengthened by a quarter century of relatively sound management, a competitive business environment, and sustained reductions in poverty levels. Ghana is well endowed with natural resources and agriculture accounts for roughly one-quarter of GDP and employs more than half of the work-force, mainly small landholders. The services sector accounts for 50% of GDP. Gold and cocoa production and individual remittances are major sources of forex.

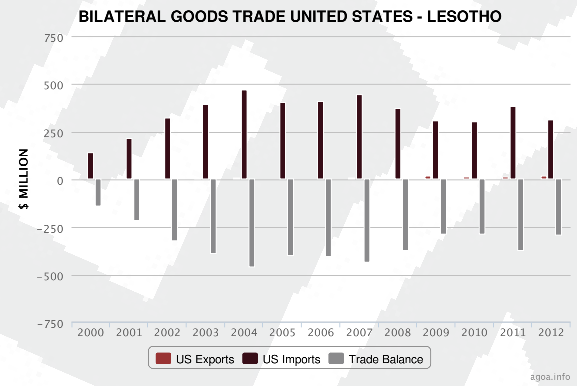
Trade Profiles and Graphs from
www.agoa.info

Trade Profile: Guinea



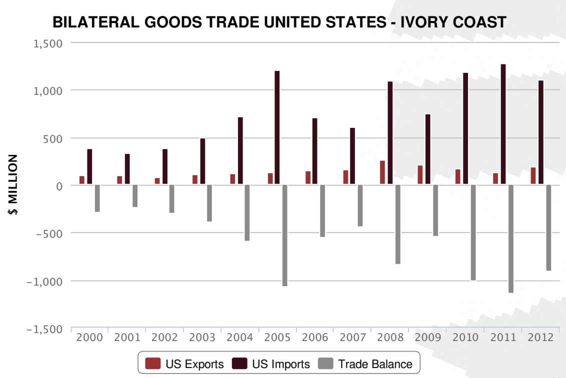
Guinea is a poor country that possesses major mineral, hydropower, and agricultural resources. The country has almost half of the world's bauxite reserves and significant iron ore, gold, and diamond reserves. However, Guinea has been unable to profit from this potential, as rampant corruption, dilapidated infrastructure, and political uncertainty have drained investor confidence. Following a 2008 coup, international donors have curtailed their development programs.

Trade Profile: Lesotho



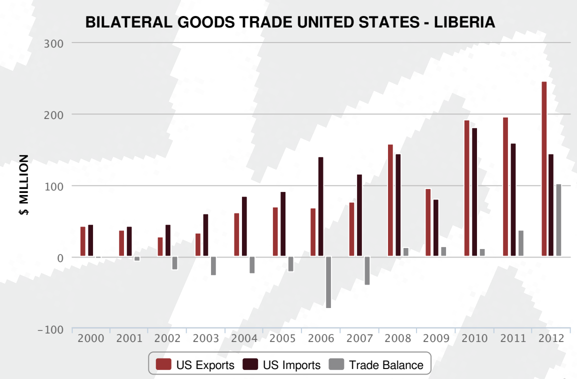
Small, mountainous, and completely landlocked by South Africa, Lesotho is a least developed country in which about three-fourths of the people live in rural areas and engage in subsistence agriculture. Lesotho produces less than 20% of the nation's demand for food. Lesotho relies on South Africa for much of its economic activity. Lesotho imports 90% of the goods it consumes from South Africa, including most agricultural inputs.

Trade Profile: Ivory Coast



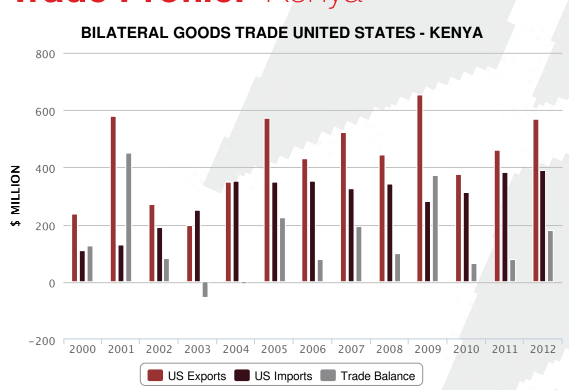
Cote d'Ivoire is heavily dependent on agriculture and related activities, which engage roughly 68% of the population. It is the world's largest producer and exporter of cocoa beans and a significant producer and exporter of coffee and palm oil. Consequently, the economy is highly sensitive to fluctuations in international prices for these products, and, to a lesser extent, in climatic conditions. Alongside Cocoa, oil, and coffee as top export revenue earners, the country also has gold.

Trade Profile: Liberia



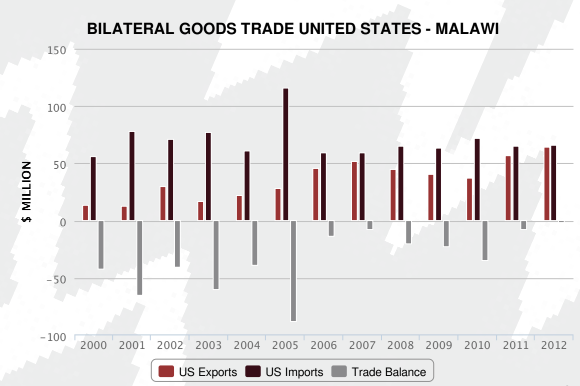
Liberia is a low income country heavily reliant on foreign assistance for revenue. Civil war and government mismanagement destroyed much of Liberia's economy, especially the infrastructure in and around the capital, Monrovia. Many businesses fled the country, taking capital and expertise with them, but with the conclusion of fighting and the installation of a democratically-elected government in 2006, several have returned.

Trade Profile: Kenya



As East Africa's largest economy, Kenya has been hampered by corruption and by reliance upon several primary goods whose prices have remained low. Low infrastructure investment threatens Kenya's economy. The country has experienced chronic budget deficits, inflationary pressures, and sharp currency depreciation, and the discovery of oil in March 2012 provides an opportunity for Kenya to balance its growing trade deficit if deposits are commercially viable.

Trade Profile: Malawi

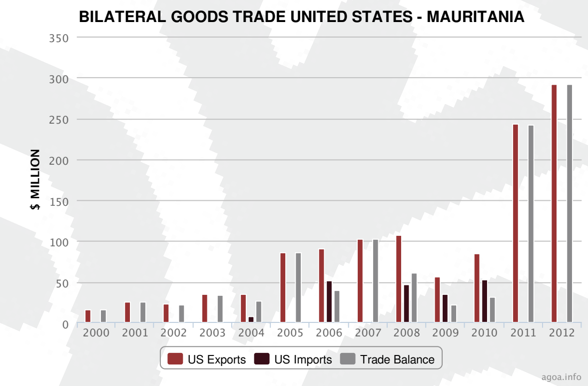


Landlocked Malawi ranks among the world's most densely populated and least developed countries. The economy is predominately agricultural with about 80% of the population living in rural areas. Agriculture, which has benefited from fertilizer subsidies since 2006, accounts for one-third of GDP and 90% of export revenues. The performance of the tobacco sector is key to short-term growth as tobacco accounts for more than half of exports.

Trade Profiles and Graphs from www.agoa.info

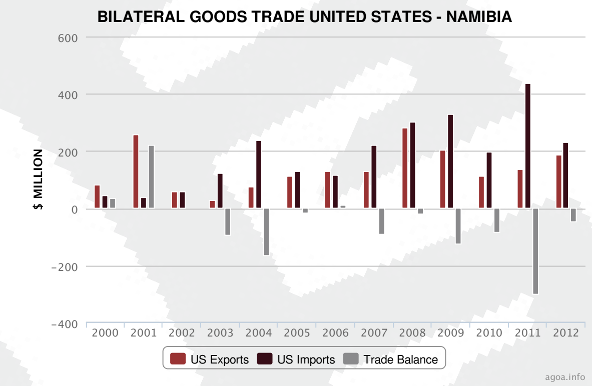
AGOA Beneficiary Trade Profiles:

Trade Profile: Mauritania



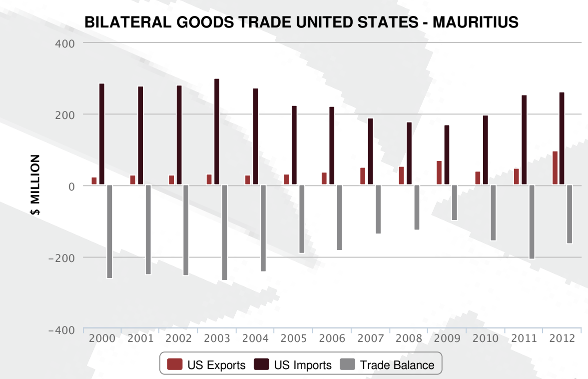
Half the population still depends on agriculture and livestock for a livelihood, even though many of the nomads and subsistence farmers were forced into the cities by recurrent droughts in the 1970s and 1980s. Mauritania has extensive deposits of iron ore, which account for nearly 40% of total exports. The nation's coastal waters are among the richest fishing areas in the world but overexploitation by foreigners threatens this key source of revenue.

Trade Profile: Namibia



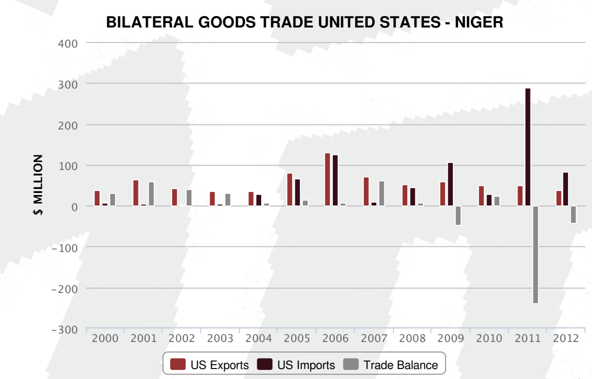
The economy is heavily dependent on the extraction and processing of minerals for export. Mining accounts for 8% of GDP, but provides more than 50% of foreign exchange earnings. Rich alluvial diamond deposits make Namibia a primary source for gem-quality diamonds. Marine diamond mining is becoming increasingly important as the terrestrial diamond supply has dwindled. Namibia is the world's fourth-largest producer of uranium, also producing zinc and gold, *et al*

Trade Profile: Mauritius



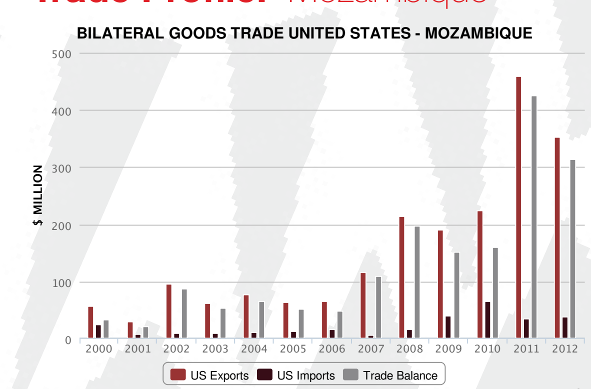
Since independence in 1968, Mauritius has developed from a low-income, agriculturally based economy to a middle-income diversified economy with growing industrial, financial, and tourist sectors. For most of this period, annual growth has been on the order of 5% to 6%. This achievement has been reflected in more equitable income distribution, increased life expectancy, lowered infant mortality, and a much-improved infrastructure.

Trade Profile: Niger



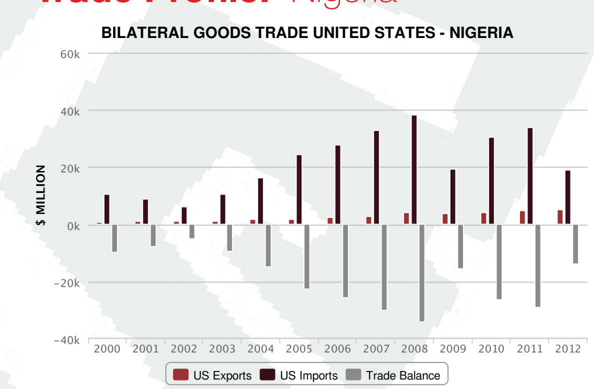
Niger is a landlocked and depends on subsistence crops, livestock, and some of the world's largest uranium deposits. Agriculture contributes about 40% of GDP and provides livelihood for about 90% of the population. It also has sizable reserves of oil, and oil production, refining, and exports are expected to grow significantly between 2011 and 2016. Niger shares a common currency and a common central bank with seven other members of the West African Monetary Union.

Trade Profile: Mozambique



At independence in 1975, Mozambique was one of the world's poorest countries. In 1987, the government embarked on a series of macroeconomic reforms designed to stabilize the economy. These steps have led to dramatic improvements in the country's growth rate. Fiscal reforms, including the introduction of a value-added tax and reform of the customs service, have improved the government's revenue collection abilities.

Trade Profile: Nigeria

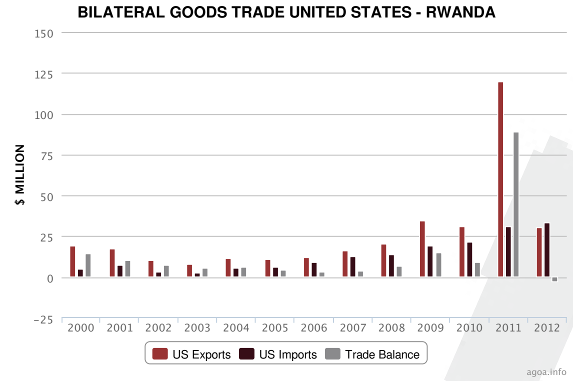


Oil-rich Nigeria has been hobbled by political instability, corruption, inadequate infrastructure, and poor macroeconomic management, but in 2008 began pursuing economic reforms. Nigeria's former military rulers failed to diversify the economy away from its overdependence on the capital-intensive oil sector, which provides 95% of foreign exchange earnings and about 80% of budgetary revenues.

Trade Profiles and Graphs from www.agoa.info

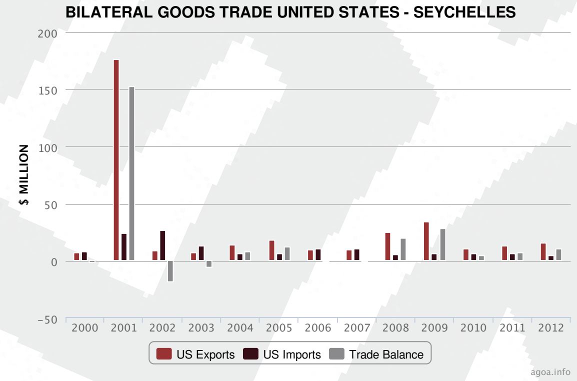
AGOA Beneficiary Trade Profiles:

Trade Profile: Rwanda



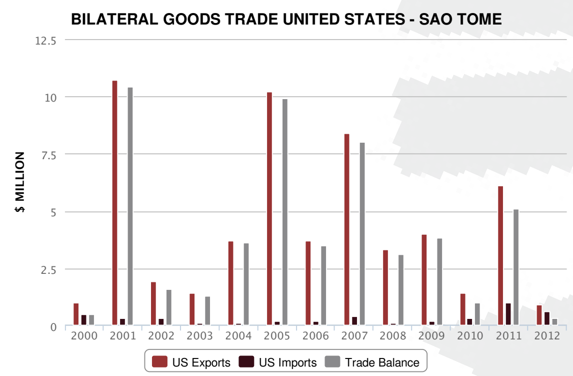
Rwanda is a poor rural country with about 90% of the population engaged in (mainly subsistence) agriculture and some mineral and agro-processing. Tourism, minerals, coffee and tea are Rwanda's main sources of foreign exchange. However, Rwanda has made substantial progress in stabilizing and rehabilitating its economy to pre-1994 levels. GDP has rebounded with an average annual growth of 7%-8% since 2003 and inflation has been reduced to single digits.

Trade Profile: Seychelles



Since independence in 1976, per capita output has expanded to roughly seven times the pre-independence, near-subsistence level, moving the island into the upper-middle-income group of countries. Growth has been led by the tourist sector, which employs about 30% of the labor force and provides more than 70% of hard currency earnings, and by tuna fishing. In recent years, the government has encouraged FDI to upgrade hotels and other services.

Trade Profile: Sao Tome

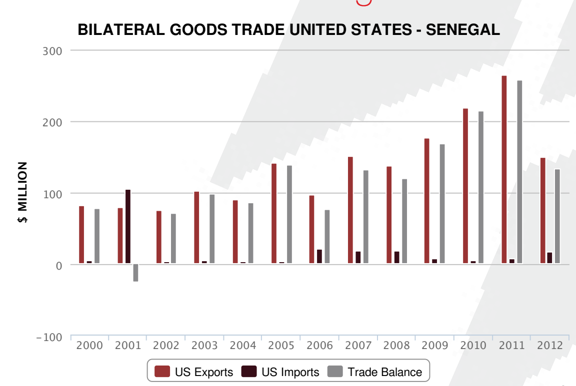


This small, poor island economy has become increasingly dependent on cocoa since independence in 1975. Sao Tome and Principe has to import fuels, most manufactured goods, consumer goods, and a substantial amount of food, making it vulnerable to fluctuations in global commodity prices. Over the years, it has had difficulty servicing its external debt and has relied heavily on concessional aid and debt rescheduling.

Trade Profile: Sierra Leone

Sierra Leone is an extremely poor nation with tremendous inequality in income distribution. While it possesses substantial mineral, agricultural, and fishery resources, its physical and social infrastructure has yet to recover from the civil war, and serious social disorders continue to hamper economic development. Nearly half of the working-age population engages in subsistence agriculture. Political stability has led to a revival - rehabilitation of bauxite and rutile mining.

Trade Profile: Senegal



Senegal relies heavily on donor assistance and FDI. The country's key export industries are phosphate mining, fertilizer production, and commercial fishing, and its also working on iron ore and oil exploration projects. Since 1993, Senegal made an important turnaround which led to real growth in GDP averaging over 5% annually during 1995-2007. Annual inflation was pushed down to the single digits. The global economic downturn reduced growth to 2.2% in 2009.

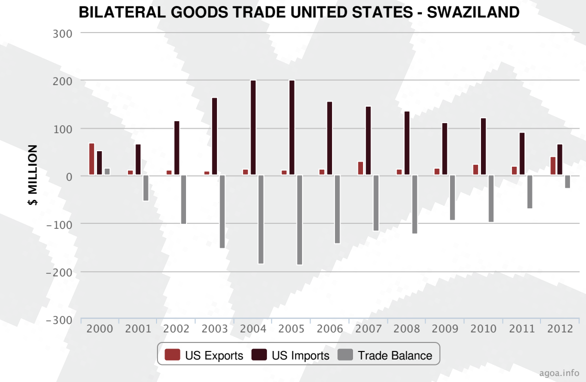
Trade Profile: South Africa

South Africa is a middle-income, emerging market with an abundant supply of natural resources; well-developed financial, legal, communications, energy, and transport sectors and a stock exchange that is the 15th largest in the world. Even though the country possesses modern infrastructure that support a relatively efficient distribution of goods to major urban centers throughout the region, some components retard growth.

Trade Profiles and Graphs from www.agoa.info

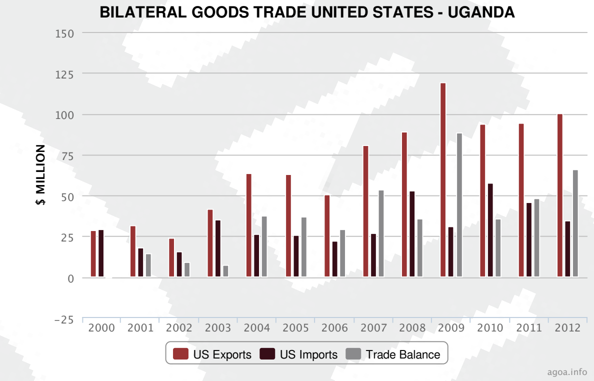
AGOA Beneficiary Trade Profiles:

Trade Profile: Swaziland



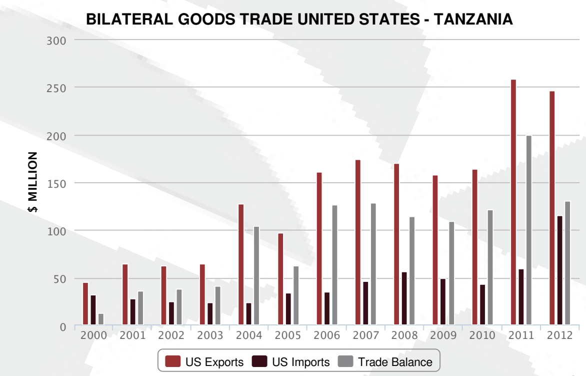
Surrounded by South Africa, except for a short border with Mozambique, Swaziland depends heavily on South Africa from which it receives more than 90% of its imports and to which it sends 60% of its exports. It's currency is pegged to the South African rand and the government is heavily dependent on customs duties from the Southern African Customs Union (SACU), and worker remittances from South Africa supplement domestically earned income.

Trade Profile: Uganda



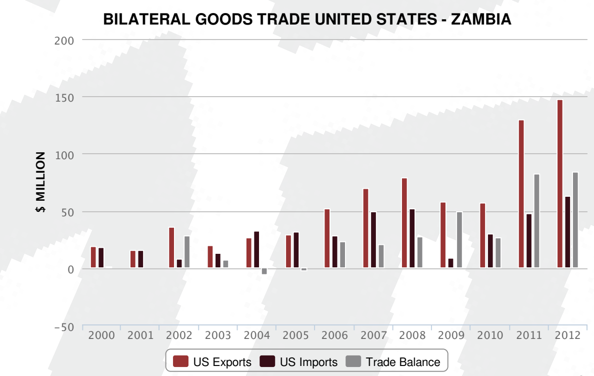
Uganda has substantial natural resources, including fertile soils, regular rainfall, small deposits of copper, gold, and other minerals, and recently discovered oil. Agriculture is the most important sector of the economy, employing over 80% of the work force and coffee accounts for the bulk of export revenues. Since 1986 - with international donors - the country has reformed; raising prices on export crops, increasing prices of petroleum products, and improving civil service wages.

Trade Profile: Tanzania



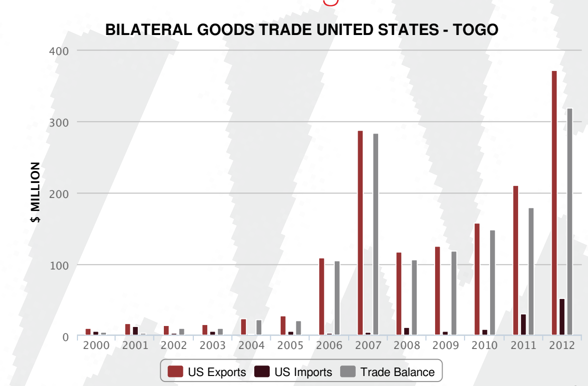
Tanzania is one of the world's poorest economies in terms of per capita income, however, it has achieved high overall growth rates based on gold production and tourism. It is now a liberalized market economy, though the government retains a presence in sectors such as telecommunications, banking, energy, and mining. The economy depends on agriculture, which accounts for more than one-quarter of GDP, provides 85% of exports, and employs about 80% of the work force.

Trade Profile: Zambia



Zambia's economy has experienced strong growth in recent years, with real GDP growth in 2005-12 more than 6% per year. Privatization of government-owned copper mines in the 1990s relieved the government from covering mammoth losses generated by the industry and greatly increased copper mining output and profitability to spur economic growth. Copper output has increased steadily since 2004, due to higher copper prices and foreign investment.

Trade Profile: Togo



This small, sub-Saharan economy depends heavily on both commercial and subsistence agriculture, which provides employment for a significant share of the labor force. Some basic foodstuffs must still be imported. Cocoa, coffee, and cotton generate about 40% of export earnings with cotton being the most important cash crop. Togo is among the world's largest producers of phosphate and Togo seeks to develop its carbonate phosphate reserves.

Trade Profile: South Sudan

Trade between South Sudan and the U.S. is largely one-way, with South Sudan being a net-importer. The country's recent eligibility under AGOA may assist with reversing this situation, especially given the fact that oil qualifies for preferential exports, but over time agricultural and manufactures may follow.

Industry and infrastructure in landlocked South Sudan are severely underdeveloped and poverty is widespread, following several decades of civil war with Sudan. Subsistence agriculture provides a living for the vast majority of the population. Property rights are tentative and price signals are missing because markets are not well organized. South Sudan has little infrastructure and electricity is produced mostly by costly diesel generators and running water is scarce.

Trade Profiles and Graphs from www.agoa.info

Stephen Hayes

President + Chief Executive
Corporate Council on Africa

What We Know & Don't Know About Trade with Africa

Editor's Note: *In this two-part article, the author is crystal clear: There is potential for the doing business in Africa - and the U.S. based firms had better take advantage not just of the opportunity on the continent, but of this epoch of change - where they could shape and influence this process. Both parts (November 18 & November 26, respectively) are redacted, and were originally published at* **www.usnews.com**.

Part I

On September 30, U.S. Trade Representative Michael Froman wrote to Irving Williamson, chairman of the U.S. International Trade Commission, requesting that the Commission conduct four investigations and reports related to the

African Growth and Opportunity Act (AGOA) and our trade relationship with Africa. Results from these studies may very well change how we develop future trade agreements and policy with the planet's second largest land mass, not to mention more than a quarter of the world's nations.

To understand the significance of the letter – and here, we focus on the first investigation - one has to understand AGOA. Passed by the U.S. Congress in 2000, this legislation was designed to grant African economies far greater access to the American market, seemingly duty-free.

Since it was the first major legislation on behalf of the African continent, some likened AGOA to the North American Free Trade Agreement (NAFTA). While it was far from NAFTA, AGOA became a point of pride and accomplishment in Washington, DC. Very quickly, it became politically incorrect to question the benefits of AGOA without being attacked as anti-Africa or worse. Later, under President Bush, AGOA legislation was further strengthened, with the intent to increase exports from Africa to the United States.

Now, 13 years later, few if any, say that AGOA has been an unqualified success. The oil and apparel industries in Africa have been primary beneficiaries of AGOA, as has South Africa, which exports car parts and textiles to the U.S. duty-free. Some even argue that China has also been a major beneficiary of AGOA, since it owns many of the textile and apparel plants in Africa that are shipping duty-free products. But beyond that, there's been little benefit for most AGOA beneficiaries.

The reason for this is to do with legislation and more to do with the fact that most African countries do not have the infrastructure or the capacity of a trained workforce to use AGOA effectively. Furthermore, many African nations have been slow to reform their economic sectors, inhibiting more private sector development and limiting the possibility for investment. This is hardly a secret, and is discussed openly everywhere. In fact, a recent British study noted that AGOA has largely not affected African development, and stated unequivocally that except for the apparel industry, a few sectors benefited from AGOA.

Yet, here we are again, advocating for the extension of AGOA for another 10 years or longer, arguing that Africa only needs time to develop in order to use it effectively. This argument has certain logic to it. Eventually Africa will develop and it will be able to use AGOA. There are also those that argue for the extension of AGOA because to abandon AGOA is to be seen as abandoning Africa. Indeed, it would be difficult to say we weren't abandoning Africa if we scorched the only significant trade arrangement on the continent.

Enter the Froman letter: In the first investigation that the USTR asks to be made public, in its entirety, ITC is to review all literature on the AGOA preference program, particularly "in terms of expanding and diversifying the exports of AGOA beneficiary countries to the United States, compared to preference programs offered by third parties such as the EU." Froman also asks ITC to give an accurate report on the sectors that have increased the most in exports to the U.S., excluding petroleum sectors.

The ITC must also identify the effects AGOA has had on the business climates in AGOA-beneficiary countries and a comparison of trade arrangements to AGOA between sub-Saharan African countries and other countries, including areas that are likely to affect U.S. trade with Africa.

More than anything else, this report should go a long way in giving an objective analysis of AGOA, both its benefits and shortcomings, and it should then allow Congress, the USTR and others to develop a more effective trade policy towards sub-Saharan Africa, filled with more substance and objectivity and far less emotion and bias. Any new trade policy on Africa, whether it be called AGOA or any other name, should address the causes that prevent greater trade and economic investment in development.■

Part II

Since the passage of AGOA, there have been two legislative improvements to the act, but the expiration date has stayed the same. The original legislation stated that the act would expire in 2015.

Many assumed that Africa would be able to use the provisions of the act to improve its trade position in the world and many of the African nations would rise to a higher level of development. However, what was clearly not factored into the thinking was the near complete lack of infrastructure in Africa. Neither was the resistance to change in governance in many countries in Africa well calculated.

There really is little drama at this time about whether AGOA will be extended. Indeed, the United States simply cannot allow AGOA to expire and expect to be able to compete in the African market, or just as importantly, to have any political leverage in future negotiations on trade or politics. To allow the only legislation ever passed solely for Africa to expire would be viewed as a statement of apathy and neglect. Without AGOA as a base for trade between the United States and Africa, the latter would turn more to traditional and new trading partners, and American companies would likely face an uphill battle to gain footholds in the world's largest emerging market.

To not extend AGOA would be far more damaging to American interests than any damage inadvertently done to Africa through the culmination of AGOA. Yet the political environment in Washington is as uncertain and unsettled as perhaps it has ever been since the founding of the republic. Nothing is going to move on a fast track under these circumstances and care must be taken to make sure that not only is AGOA passed, but it is passed in such a way that benefits to the American economy are as well understood as the benefit to African nations. And this is exactly what Froman has done in the aforementioned letter to the International Trade Commission

The remaining three investigations may not be released to the public, but will be available for key policy makers in government and the halls of Congress. Froman asks for a confidential assessment of AGOA's impact on the American economy and for this investigation to focus on both our own manufacturing as well as benefits to consumers.

Froman also asks for an assessment of how AGOA can better promote regional integration, the merging of small markets into more cohesive, comprehensible and coherent regional markets. He asks that the ITC look at what products and exports would benefit from regional markets. I read this as a desire to look at what besides the traditional textile route of development used since the Industrial Revolution might work for Africa. This examination can only be good and it can also help the U.S. decide how better to interact with Africa.

The last investigation may be the thorniest of all to tackle. It is what some call "the South Africa question." South Africa has been, above all nations, the primary beneficiary of AGOA. It has a well-developed infrastructure, and it has a greater work force capacity than any other country in Africa. Those that argue for "graduation" of South Africa argue that the purpose of AGOA was to promote development in Africa and, since South Africa is far more developed than any country in Africa, it should no longer have the same advantages offered to less developing nations.

There are also those that point out that since South Africa had AGOA, they have seen little reason for any kind of reciprocity in our trade relationship. There are still considerable barriers to U.S. companies attempting to enter the South Africa market. Unions in South Africa, which have generally opposed the entry of foreign competitors into the South Africa market, are very strong and a life force for the African National Congress, the only party that has been in power since apartheid ended in 1994.

Froman has wisely asked for an ITC assessment of the EPA on the U.S. ability to compete on a level trading field with other countries. Nevertheless, if the U.S. were to exclude South Africa from AGOA, our relationship with the most developed nation on the continent will enter a new and increasingly chilly era. We can ill afford to alienate South Africa, for it has been essential as an ally, albeit sometimes a reluctant one. One must also be cognizant that the leader of the African Union is now the former Foreign Minister of South Africa, Dr. Dlamini-Zuma.■

Bio

Stephen Hayes is president and CEO of The Corporate Council on Africa. In his 13-year tenure as president, he has led CCA to become fully engaged in the most political and economic issues affecting commerce between the U.S. and Africa. These complex issues range from intricate trade legislation and small business development to workplace AIDS concerns. For his work at CCA,

Hayes was awarded by the U.S. Department of Commerce its highest award in 2008, The Ron Brown Award for International Leadership. Before coming to CCA, he was engaged in the international non-profit sector, including key positions in some of the world's largest international non-profit organizations, including the World Alliance of YMCAs in Geneva, Switzerland, and the world's largest student exchange organization, AFS International.

Hayes founded in 1985 the American Center for International Leadership, which was funded by the Rockefeller Brothers Foundation, Ford Foundation and others. In 2008, the Africa Chamber of Commerce of the U.S. honored Hayes with its award for outstanding contribution to U.S.-Africa relations, following then U.S. Sen. Barack Obama as the previous recipient.

Hayes was a principal founder of the Infant Formula Campaign, often popularly known as the Nestlé's Boycott, the only successful global citizens' campaign.

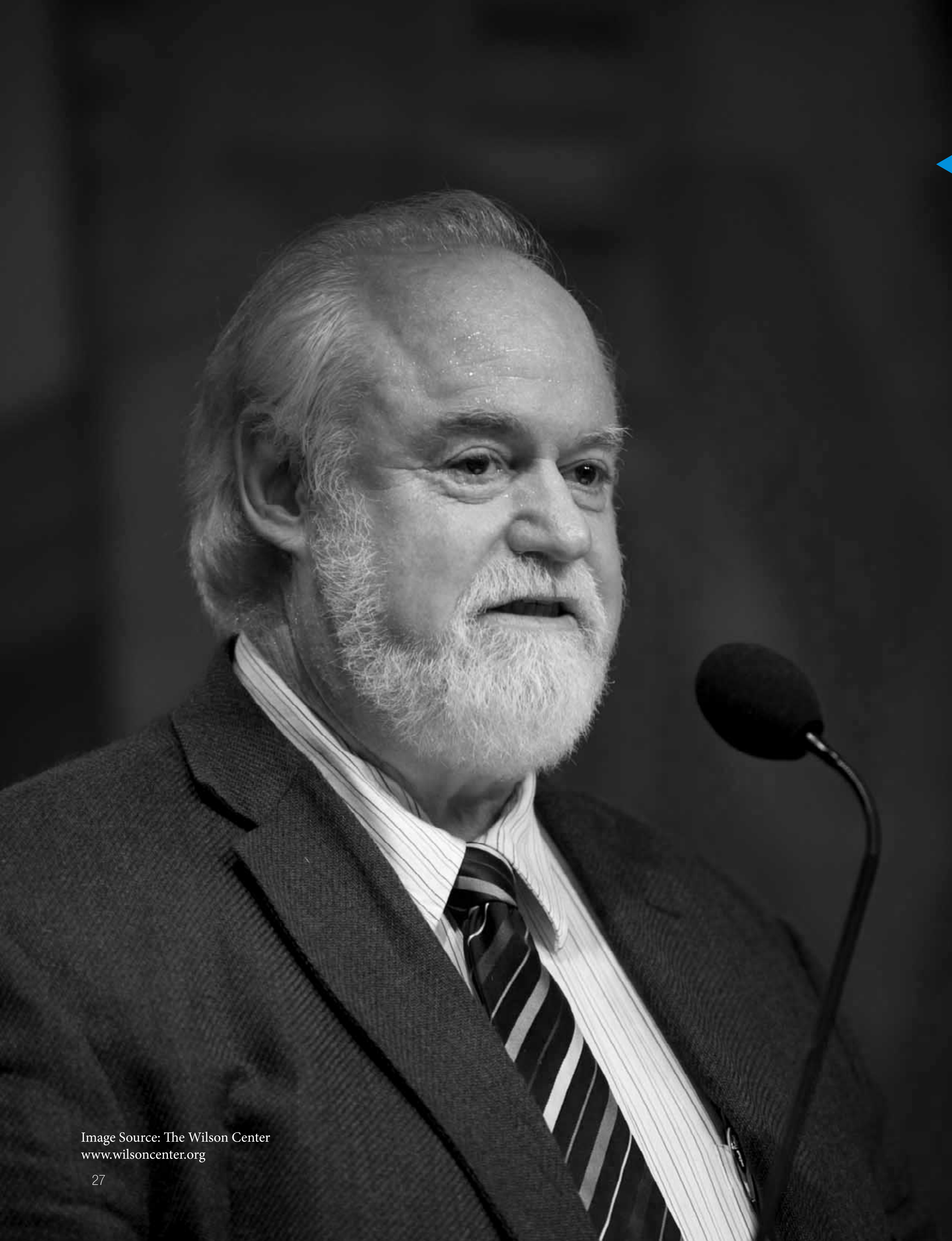


Image Source: The Wilson Center
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Obama's 2014 Summit Presents a Turning Point.

Steve McDonald

Senior Advisor | Africa Program
The Wilson Center

Editor's Note:

When we called Steve for this interview, he was not feeling too well. However, when we started getting into the heart of the matter, he was suddenly himself again - he was engaged, eloquent; passionate. The chat was transcribed by Papiso Matsau.

PM: Let's start on a familiar ground: Both your sons were born in Africa - in Uganda and South Africa. What kind of Africa do you hope for them and for their families?

SM: (Laughs heartily). I see where you are going with this - and I understand exactly what you're trying to achieve! But obviously, as someone who has spent a lifetime in Africa - married an African - what matters is to have the ability to move freely - in terms of people and capital. For instance, both my sons had to give up their African citizenship because they had to make that choice and they would not do that as a trade off to losing their American citizen. This was all because Africa is not seen as physically or economically secure and so, the ideal now would be for me to be able to make investments, to move capital, to have bank accounts ... that's what matters. And here, my two touch points - Uganda and South Africa where my sons were born and where I have deep ties - these two are very different countries.

South Africa is easier. I can go ahead and buy property and even retire there and collect my pension there - without a problem. Right now, my wife's mother who lives with us gets her pension paid here in the U.S. These things are very important and the things I can take for granted here in the U.S. are not things I can take for granted in Africa. For example, if I have an investment in Africa or a retirement plan in Africa, I am not going to get these things out easily, or even to use them or to even profit by them. So, that normalcy of financial and personal freedom that concerns me.

As a correspondent for the Africa Agriculture Magazine, Papiso Matsau spends her time speaking and engaging with various policy makers from Africa and from the United States. She has a BA and MA from Howard, and a BA from University of Cape Town.

PM: So, what should be done to increase the volume of business between the U.S. and Africa?

SM: While many things are being done by different agencies, individuals and organizations in these United States - from the Corporate Council on Africa to the USTR - the major point of interest to make these things happen has to be with the President and the Presidency, and to get a clear presidential priority as we have done with the Trans-Pacific Partnership (with the Pacific nations).

Once there's that level of focus that gives the private sector the confidence to begin to move forward, then a natural progression with all the mechanisms can start to change as well - whether issues with ExIm Bank or other federal agencies. These can be overcome if there's a high level impetus behind it. So, this is where it starts.

PM: How Has the Obama Administration Done so far?

The Obama Administration has made some significant moves. But honestly, they have not given Africa as high a priority as it could receive. And outside this circle of Africanists we belong to, many might think that this is understandable. However, that is somewhat short-sighted because they do not fully understand the potential and future that Africa holds - be it as the breadbasket of the world or the earning center and the real driver of the world economy in the next generation or two. So, the President's trip to Africa was welcome and his announcement of both *Trade Africa* and *Power Africa* and other initiatives were welcome as well - built on existing programs. But still, the President has not given it that highest priority. We understand he is spending time with **Affordable Healthcare Act** and Immigration policy, what have you – all domestic priorities - but that level of attention to Africa is what's lacking.

PM: But Surely, you cannot put it all on the American president? What have the 39 African governments done collectively to get President Obama to see Africa as a priority?

SM: You're quite right there since it is a two-sided street - and Africans in the past - governments and presidents - have not been the most responsible of partners. That imagery still hangs out there. But I do believe that Africa is moving very strongly with the new leadership at the African Union, the push on regional economic integration, dropping of intra-Africa non-tariff and tariff barriers. There's now a great understanding of what needs to be done. But this is a generality. There are still African governments that are autocratic and corrupt and hard to deal with. But Africa is still there as a willing partner and quite accepting of American involvement. So, that's where engagement needs to happen.

The coming summit that President Obama announced during his June - July 2013 trip to Africa may be a very critical departure point and I am hopeful that if its done right, it will be a launching pad for opening up these relationships and bringing Africa on board to do what it can. But I am aware that African governments have struggled

- the RECs, some are stronger than others, and the Tripartite Group of SADC, EAC, and COMESA give us seeds and initiatives to build on. I think all this can happen if we can get a real focus as a priority from the U.S. side and the coming summit in September 2014 gives us that chance.

PM: If you were in the enviable position of advising African governments in the process of prepping for the Obama Summit in 2014, what would you tell them?

SM: Any African president about to come to the Obama Summit should first of all not just offer commitment but specific ideas on how to move forward. A lot of the intra Africa trade barriers - including movement of labor and capital - are politically motivated and conflict related. So, presidents and prime ministers coming to the Summit must be ready to begin to put their houses in order and make that commitment.

This would say to the U.S. that there is hope. Some presidents have made moves - but of course, their motivations may be suspect. And there are roadblocks to trade and investment and making things better for most Africans. These all depend on the individual leaders and how they put real commitments and engagements that can help them move forward.

PM: But if I may be a little skeptical, what should motivate the African governments to deal with the U.S.? After all, they have China giving them the lay of the land, so to speak?

SM: First, China does not give Africa everything it wants. China brings in a lot of development capital with no strings attached - but they have their own motivations, quid pro quo in terms of mineral exploitation and also importing food products back to China. The U.S. does the same thing to a certain extent.

But there's a natural dispensation for those free markets of Africa currently opening up towards the greatest free market nation in the world, which is, obviously, the U.S. Of course, this differs from country to country. And overall, there's receptivity to partnerships with America - both private and public sector. Its not a matter of whether the Chinese are doing it all - of course they can't.

Besides, the Chinese are doing things that America is not well placed to do like infrastructure development. The U.S. has different roles to play and the Africans understand this better than both the Chinese and Americans do. Hence, its not really a competition: Africans can pick and choose who is best for a particular project or a particular objective they have in developmental terms for what they are trying to achieve. Again, China is not giving them everything they need - at least enough to forget the U.S.

Besides, the European Union is there, India is there, Brazil is there, Japan is there, Turkey is there ... Brazil is now a major investor all over the continent and so, the U.S. is not going to go away. Importantly, the major economic power in the world is not easy to ignore even if China is the biggest trading partner at this point of time - eclipsing the U.S., Japan and Europe. But everyone is a major player on the continent. And Africa would be very shortsighted if they threw all their eggs in one basket and dealt only with China.

PM: What do you have to say about the Froman Letter to the USITC?

I like that Michael Froman is there and he is doing a review based on who he is - he cares and he is engaged and is quite knowledgeable. But I want to make sure that he carries the weight of the presidency behind him - and that this is not a paper exercise. That there's an understanding that Africa is all a part of the global village with the Far East, with Asia and with Europe and a partner of the U.S. in terms of trade, investment and in our view of the world.

PM: Thank you, Steve. I really appreciate your time - and hope you feel better.

SM: Thank you, as well - and take care. ■

Bio

As a Foreign Service Officer from 1970-80, McDonald served as Political Officer in the U.S. Embassies in Uganda and South Africa and as the Desk Officer for Angola, Mozambique, Cape Verde, Guinea Bissau, Sao Tome and Principe.

He also was support staff for negotiated settlements in Rhodesia/Zimbabwe and Namibia in the late-1970s and did conflict resolution work in Northern Ireland and Burundi. From 1982 – 1985, as Executive Director of US – South Africa Leader Development Program, McDonald designed and conducted educational exchange programs with institutions like Johns Hopkins School of International Advanced Studies and Harvard's Niemann Fellowship.

McDonald worked with both the National Endowment for Democracy, as a consultant from 1985-1992, and with the African-American Institute, from 1992-97, in implementing democratization activities. He has personally led missions of elections observers to Ethiopia, Benin, Gabon, Sierra Leone, and Madagascar. He has worked on assessment teams to design civic education, monitoring and training for elections officials for elections in South Africa and Uganda and has done assessments of human rights situation in Nigeria.

He initiated and organized a series of regional conferences, with USAID, Department of Defense, World Bank and United Nations funding, on the role of the military in democratization in Africa. McDonald also oversaw the African Regional Electoral Assistance Fund which engaged in training of elections officials, civic voters education, observation and monitoring of elections throughout Africa, to include 34 separate country activities in partnership with the National Democratic Institute of International Affairs, the International Republican Institute, and the Carter Center at Emory University. McDonald also served at the Aspen Institute as the Director of the Southern Africa Policy Forum, a project that brought members of Congress together with Southern Africa leaders from 1988 – 1992 to become more engaged and informed about the South Africa transition to democracy.

McDonald has taught at University post-graduate level at Drury College, Springfield, Missouri; the Advanced Areas Studies Course for Francophone Africa at the Foreign Service Institute, Washington, DC; and guest lectured at several universities and institutions, to include the National War College, Georgetown University, and Yale University, amongst others. He has an MA in African Politics from the University of London, an MA from the University of Missouri; and a BA from South West Missouri State University.

Stephen Lande
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The Perfect Storm.

Image Source: The Habari Network
www.thehabarinetwork.com

The Perfect Storm.

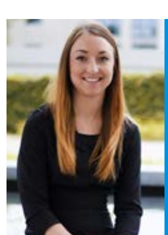
By Stephen L. Lande

Abstract

Conditions favoring *the perfect storm* are currently in place: With so much work already done these past 13 years by respective stakeholders on both sides of the Atlantic; with USTR Michael Froman's letter to the U.S. International Trade Commission, and with a historical Obama Summit in the works for 2014, not only can the timely and seamless renewal of current AGOA provisions occur; the program could be enhanced to significantly increase benefits to both sub Saharan Africa and the U.S. private sector.

As displayed by the AGOA African Ambassadors' Group in Washington, DC and by the African Union, sub Saharan African countries are not wasting any opportunity to participate in this comprehensive process. They seek to go beyond trade preferences and are keen on deeper cooperation between the U.S. and Africa.

Most of all, Africa is, ostensibly, ready to do more business, ready to attract more FDI from the U.S. and especially ready to make progress on its regional economic integration goals.



Loulou Geboers is a Fall Associate at Manchester Trade and contributed to this Stephen Lande's piece. A law student from Belgium, she has been integral to this process and is usually quick to roll up her sleeves - after a good breakfast, of waffles and friut, of course.

It is in the interest of the United States, of sub-Saharan Africa that economic relations between the largest economy in the world and the fastest growing subregion on the planet deepen, mature and evolve into a truly equitable partnership.

A mutually beneficial relationship between the U.S. and Africa will benefit the global economy in infinite ways - and this opportunity is within reach; waiting to be plucked.

The path to this facet of international prosperity starts with an AGOA that is renewed for a long-enough period of time. Like Katrin Kuhlmann of the New Market Labs suggests, this period of time should be determined by what the market feels is appropriate for value chains and distribution networks to develope.

Externally, any deepening of partnership between the U.S. and Africa must be built upon a foundation of regional integration. Here, the U.S. must set about gaining the region's agreement on establishing a mechanism that removes or lessens those impediments to U.S. exports and investment. Requisite will be a welcoming level playing field that keeps its eye on including those AGOA enhancements that have the greatest impact on Africa's ability to export to the U.S. This is the ideal scenario.

Now, if this level playing field involves including some TRQ products into AGOA, so be it. At the same time, if we must also develop, alongside the European Union, a common approach to reciprocity, this should stave the disruptive economic partnership agreements and also work towards replacing all those unilateral sanctions the U.S. imposes with more effective actions.

Nonetheless, all these things will come to naught if they are not part of an overall Obama Agenda. Fortunately, the U.S. already has two legs of a regional economic approach covered: The TransAtlantic Trade and Investment Partnership (TTIP) with Europe and the Trans Pacific Partnership (TPP) with the Far East are high quality free trade agreements (FTAs).

An arrangement with sub Saharan Africa could complete a *legacy-generating trifecta*. After all, like Stephen Hayes of the Corporate Council on Africa says, the region is not a small one.

Importantly, although a partnership with Africa is crucial, it must not be based on a Free Trade Agreement – at least not for the next 15 years – allowing Africa to have progressed in its own economic integration efforts.

An Obama Initiative in Africa must be based on a blend of U.S. programs like AGOA and those African ideas around a African continental FTA, possible customs union by the end of the decade, removal of non-tariff barriers and excessive formality, tighter and more complete infrastructure networks and the development of stronger regional institutions.

And as he enters the final two years of his presidency, Barack Obama can ensure an exception to the *Lame Duck* by achieving something significant on both the foreign and domestic fronts. This is why Michael Froman's elevation to USTR is very critical. Not only does Ambassador Froman have the President Obama's ear; he is also a member of the National Security Staff, and it is also important to note that he is one of the only people at his level that has spent any significant amount of time in Africa.

Hence, based on at least two action-forcing events, Africa should expect so much more from Froman. The first event is an AGOA meeting before the Obama Summit, some time in 2014, and the second is the Summit itself. Like he did in announcing the Presidential Directive on Sub Saharan Africa at the 2012 AGOA Forum in Washington, DC, Froman could also be very influential at the events that Steve McDonald of the Wilson Center refers to as a *turning point*.

Considering that President Obama will host heads of African governments for the first time in U.S. Africa relations' history, it could be the venue for the president to offer a clear vision of where the U.S. – Africa relationship is headed. So, based on lengthy discussions and via following other experts in this field, we would like to suggest a few ideas.

- For starters: To accommodate Africa's requests that current preferences - particularly those applicable to garments - are renewed no later than Oct, 2014 or before the 113th Congress adjourns, a bipartisan agreement on AGOA being renewed or improved upon by the end of next year should be generated. The major Congressional committees are familiar with AGOA, have a history of supporting it and may want to move quickly.

But like Dr. Witney Schneidman suggests, another possibility could be a short-term extension of the program perhaps for two or three years, allowing time for Government to develop a meaningful Africa initiative during Obama's term. Importantly, others suggest that Congress has precedent of past preference program legislation.

Like happened under the Caribbean Basin Initiative (CBI) – which was renewed in the 1980's without a specific time period for expiration – there's evidence that within ten years, CBI was requesting an FTA with the U.S. to ensure dispute settlement and tariff bindings. Unlike unilateral duties, the latter cannot be withdrawn.

Essentially, if what occurred under CBI should happen under AGOA - and there's a high probability of this - we could have an extension of duty-free treatment for an undefined period in a quick piece of legislation, eliminating periodic renewal which leads to uncertainty in the market, and especially not needing new legislation find budgetary offsets to continue preferences.

Like happened under CBI, extending the preference program in this manner not only recognizes the long-time benefit to U.S. business and workers from being able to incorporate large enough African units in supply chains and distribution networks; it also allows the U.S. to reduce its dependence on suppliers from the Far East.

- Secondly, the U.S. should definitely seek to reduce impediments to U.S. exports and create the kind of level playing field China has created for its business class. More often than not, these impediments are more trade restrictive than tariffs. In fact, many duties in Africa are from 5% - 10% and are not considered very protective. The fact here is that products subject to higher duties may not even impact sales since African countries do not produce domestically to compete against American ones.

The same cannot be said for preferential agreements - EPAs - with third countries such as the EU, which could and are already seriously disrupting exports and business projections from the United States.

- Thirdly, like the African Ambassadors and the African Union suggest, focus should be on attaining enhancements to AGOA that have the greatest impact on Africa's ability to export to the U.S. Extending AGOA and its third country fabric provision should benefit investment, and enacting more liberal rules of origin should be a key provision since the current requirement of 35% for value-added is considered too high for LDCs.

- *Lastly,* the U.S. should, in spite of past performance and what opposition may come, seek to provide duty-free access or some form of more liberal access for agricultural products currently subject to prohibitive duties. Key candidates for this sort of treatment are groundnuts, sugar, cotton, sweetened tea and tobacco leaf. Of course, I am fully aware of the powerful domestic lobbies. And both Paul Ryberg and Eric Trachtenberg eloquently speak to this. However, there is evidence and solid material to make a compelling case to the American market. The recent Brookings/UNECA report of July 2013, and also a DFID Report from 2011 tell us that the domestic producers in the United States have nothing to fear from African production. Besides, like in the case of African leaf tobacco, neither the Americans nor the Brazillians are affected that much since Africa's commodity is slated for a different part of the manufacturing process.

Summarily, the U.S. must consider three additional elements:

- First, it must develop an approach that recognizes South Africa as a key player in the region and a peg to regional integration.

- The second is that considerable effort must be expended in supporting AGOA beneficiary countries to develop and implement their respective national AGOA export strategies. To this, we must also recognize the significant milestone that the Economic Community of West African States has been able to reach with its recent customs union declaration.

- The third issue is in regard to unilateral actions from the U.S. Here, because the first two aspects support regional integration, the last one depends on entities like the African Union to determine collective action against aberrant regimes by applying some kind of peer pressure.

Ambassador Johnnie Carson speaks of the support the U.S. has given the AU - elevating its position in the U.S. Besides, ensuring that the African Union speaks on behalf of the African countries is considered less damaging than removing countries like Madagascar from AGOA eligibility following a coup.

Not only should these three aspects work with the other ideas to ensure harmonization in the region, they ought to guarantee Mr. Obama a bigger legacy in Africa than the one he attained on being elected president. ■

Bio

With a 50-year career at State, USTR, and private sector, Stephen was pivotal to adding bilateral and plurilateral elements to U.S. trade policy - policy that had almost exclusively been based on the General Agreement on Tariffs and Trade (GATT). He has been involved in international trade since the 1960s and was initially assigned as a Foreign Service Officer to the Economic Bureau before going to the U.S. Embassies in Athens and Luxembourg. He had a 12-year career at USTR as a Senior Trade negotiator and the first of a long-line of Assistant USTRs. He negotiated agreements in Asia, Middle East and the Caribbean.

Fondly referred to as 'Father' of both the Generalized System of Preferences and the Caribbean Basin Initiative, Stephen was an early force in creating the North American Free Trade Area and works with African governments, RECs and the U.S. to promote enhanced trade and investment initiatives and is applauded for FTAs with Israel, Mexico, Canada and the Dominican Republic.

Alongside Manchester Trade, he also serves as adjunct professor of international trade at the School of Advanced International Studies, Johns Hopkins University.

For more information on Stephen, please go to www.manchestertrade.com

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Why Congress should extend AGOA now.

Editor's Note: *Dr. Schneidman's article was published both on the Brookings Institution website and also at* ***www.agoa.info.*** *But what should be most instructive is how the author fuses pragmatism with an overall hope for an enhanced AGOA - an AGOA that can actually help President Obama achieve a more sizable legacy in sub Saharan Africa - benefitting U.S. based businesses in the process, and actually improving living standards on the continent.*

Over two years ago at the AGOA forum in Zambia, then-U.S. Secretary of State Hillary Clinton committed the Obama administration to a "seamless renewal" of AGOA, the cornerstone of the U.S.-African commercial relationship. However, AGOA's extension has become needlessly protracted and increasingly uncertain, notwithstanding the current political dysfunction in Washington. To ensure that AGOA does not expire on September 31, 2015, as currently scheduled, the administration and Congress should work together to extend the legislation as soon as possible, in its current form, for another five years, until 2020.

Complicating Factors

Before submitting to Congress legislation that would extend the act, the administration plans to undertake a full review of AGOA's strengths and weaknesses. The idea is that the review will be completed in time for discussion at the summit of African leaders in 2014, which President Obama announced during his trip to Africa this past July. Expectations are that the summit will be held August-September.

Following the summit, revised AGOA legislation will be sent to Congress. Unfortunately, the Congressional calendar does not work in favor of the administration in its mission to extend AGOA.

For one, it is unlikely that Congress will act on what presumably will be a significantly revised piece of trade legislation in its 2014 fall session. After all, it took Congress more than a year to extend AGOA's third country fabric provision in 2012, a provision that had already been extended twice. While the provision was eventually extended, it happened at the 11th hour, leading to the cancellation of contracts and the loss of jobs in AGOA-eligible countries.

More probable is that the debate over extending AGOA will slip into 2015. At best under this scenario, AGOA's extension will be yet another cliffhanger, creating uncertainty about U.S. commitment to the African continent and strengthening the commercial advantage of America's competitors, especially Chinese companies that are rapidly establishing their market share in Africa.

The prospective renewal of the Generalized System of Preferences (GSP), which expired next July, further complicates AGOA's extension.

Nearly 5,000 of the 6,800 product lines that AGOA allows into the U.S. duty free and quota free are "scored," or credited to GSP. This keeps AGOA's cost to the American taxpayer relatively low, at approximately $300-400 million per year.

The cost of AGOA would nearly triple if renewed before GSP. Even so, AGOA would remain one of the most cost-effective economic development programs ever initiated by the United States.

Minimizing Uncertainty

There is no question that the administration's review of AGOA is timely and necessary. For one, the review will engage all stakeholders, including Congress, U.S. government agencies, the private sector and civil society organizations. The review will also tackle a range of important issues. For example, why have only an estimated 300 of the total product lines been utilized by AGOA beneficiaries? Should AGOA create investment incentives for U.S. companies to strengthen productivity and manufacturing in AGOA-eligible countries? What are the implications for AGOA if African countries move forward and sign the European Union's Economic Partnership Agreements? For how long should AGOA be extended? These and many other similar issues are in need of deliberate consideration.

Nevertheless, the results of this review can be addressed in separate pieces of legislation. For example, if the administration and Congress wanted to provide tax incentives to stimulate more investment in the region, this would presumably be done under tax legislation. If there was an interest in allowing more agricultural products into the U.S., the Farm Bill would again presumably be the vehicle.

AGOA was signed into law in 2000, at a time when there was negative economic growth in Africa, conflict was pervasive and there was little competition for the African market.

However, with 6 of the 10 fastest growing economies in the world today and the emergence of a consumer class on par with those found in China and India, there is no question that AGOA needs to become more relevant to the U.S.-African commercial relationship.

Crucially, this increased relevance can be achieved without compounding the uncertainty and sense of risk that most American investors have when it comes to investing on the continent.

Extending AGOA in Early 2014

Therefore, AGOA's extension in its current form for five years should be included in other trade legislation, such as the Trans-Pacific Partnership agreement, that is likely to come before Congress early next year.

Extending AGOA as soon as possible would bolster U.S. commercial relations with the Africa. It would enable President Obama to use next year's summit of African leaders to focus on a broad range of trade and investment issues, in particular the steps African governments need to take to more fully utilize AGOA, without having the extension issue be a distraction.

Finally, an extension would not prevent the administration from revising AGOA, as should occur. An extension now would be a clear signal that the U.S. is serious about being a long-term commercial partner to one of the world's most dynamic regions. ■

Bio

Witney Schneidman is Senior International Advisor for Africa at Covington & Burling LLP. He is also a Nonresident Fellow at the Africa Growth Initiative at Brookings, a member of the Trade Advisory Committee on Africa in the Office of the U.S. Trade Representative, the Sub-Saharan African Advisory Committee at the U.S. Export-Import Bank, the Council on Foreign Relations and the Corporate Council on Africa.

He helped to create the Africa - China - U.S. Trilateral Dialogue on behalf of the Leon H. Sullivan Foundation, the Council on Foreign Relations, the Brenthurst Foundation and the Chinese Academy of Social Sciences. During the Obama presidential campaign, Dr. Schneidman was co-chair of the Africa Experts Group and a member of the Presidential Transition Team.

In the Clinton Administration, Dr. Schneidman served as deputy assistant secretary of state for African Affairs, and his responsibilities included the passage and implementation of AGOA. Dr. Schneidman is the author of Engaging Africa: Washington and the Fall of Portugal's Colonial Empire in Africa, He is the author of the report, A Ten Year Strategy for Increasing Capital Flows to Africa, and "Twelve Years of AGOA He has written extensively on African economic and political issues, and has served as a commentator for CNN, the BBC and NPR, among other media outlets.

He received a Ph.D. in international relations from the University of Southern California, an MA in international relations from the University of Dar es Salaam, Tanzania, and his BA (Cum Laude) from Temple University.

For more information on Witney, please go to www.cov.com

Image Source: Eric Trachtenberg
www.maglobal.com

Art of Possible

Eric Trachtenberg

Director, Food & Agriculture
McLarty Associates

Editor's Note:

Like many of the professionals we spoke to during this process, Mr. Trachtenberg has, for long, held deep feelings about the continent of Africa. He sees the opportunities that currently exist on the continent - and especially sees the kind of things preventing the continent from getting to where it needs to be in the global supply chains. This interview is transcribed by Liwam Berhane.

LB: Eric, I'd like to leverage your overall specialty in Food and Agriculture to, simply, touch upon the U.S. - Africa trade preferences program, AGOA. Let's discuss what you would like to see happen during this era of great change?

In an ideal state, the U.S. - Africa trade relationship should be open to as many agricultural products as possible - and here, under AGOA, I'd add products like groundnuts, leaf tobacco, sugar, cotton and others currently facing tariff rate quotas (TRQs).

However, the reality is that a future AGOA bill must make it through Congress. If you ask for too much, you may get nothing. So, if anything is going to make the whole AGOA renewal process collapse, then we might just have to compromise and deal in the art of the possible. This reality will limit the number of products given reduced or duty-free entry in the United States.

In any case, African agriculture could benefit greatly from trade capacity building that enables them to meet rich-country phytosanitary standards that prevent the trade of many products now. If products meet US safety standards, they should be able to enter the U.S. market.

Liwam Berhane is an Associate at Manchester Trade Limited, Inc. She is playing the operational role for the Ideal Partnership Between the U.S. and Africa, and is also in charge of the various related events. She is passionate about policy analysis.

LB: Now that we are touching on the overall U.S. - Africa trade and investment pact, or arrangement, what kind of things do you want to see?

ET: If I were in a position of power or influence on whatever side of the Atlantic, I'd focus on two things: Open markets and then assistance on making African farmers ready for those open markets. I say this because this is one of the reasons you have poverty; Simply, agriculture as a business in Africa could do a lot better.

For instance, if you're looking at why farmers in Africa are poor, it usually comes down to things like the lack of fertilizers and other inputs, lack of market linkages to local, national, regional and global markets, underdeveloped infrastructure and the like. This can be encapsulated into my point on assistance to farmers. An ideal scenario is that African countries exports price competitive agricultural products and processed food products. At the same time, African countries would import products at a lower price to benefit urban consumers.

This two-way trade would be consistent with the principle of comparative advantage – and would be built on an approach where donors and businesses work together to supply both public goods and development market-based institutions. This would enable African agriculture to be more productive, increase capital and raise incomes.

Specifically for now, extending AGOA for a longer term would be more helpful than extending it for a shorter time. If the program is only extended for a few years, it makes it harder to invest in the supply chains – which can take many years to develop.

And if you really want to get people to invest, you must give them the security of a few years. The other thing to it is that you need to focus on regional integration, which, on its own, would ensure that supply chains work more efficiently. It'd also be highly desirable to increase capacity to enable Africans to meet both SPS and industry standards in importing countries.

LB: So, what do you have to say about the difficulties of exporting to the U.S.?

ET: Generally speaking, every well intended rule could make it more difficult for farmers to sell more products or to comply. One of the biggest problems in the field - for example, in our cold chain development horticulture project in Tanzania - is complying with import/export standards. Sometimes, it is the phytosanitary standards for food and vegetables. But sometimes it's the industry standards such as Global Gap. So, every time there's another rule, it becomes harder for people - those who are poor and do not have a lot of resources - to actually access the market.

So, I am buffeting it up with AGOA because the program has not had a significant and positive effect for agriculture – for several reasons. There's underdeveloped infrastructure; also the lack of investments in production logistics or some commodities are just not competitive in the U.S. There are also issues of market linkages and institutions. But there are currently efforts to reverse that. But anything that helps build the capacity to export will increase the likelihood of success.

Bio

Eric Trachtenberg has more than 20 years' in this field. Before joining McLarty in January 2012, he was Vice President, International Trade Policy, for the USA Poultry & Egg Export Council (USAPEEC). Before USAPEEC, Trachtenberg worked for Foreign Agricultural Service (FAS) in Washington and China, Taiwan and Russia. From 2001 to 2005, Trachtenberg was Deputy Chief of the Agricultural Affairs Section at the American Institute in Taiwan, and from 1998-2001 he was assigned to the Office of Agricultural Affairs at the U.S. Embassy in Moscow. Prior to his career at FAS, Trachtenberg worked in the U.S. House of Representatives, the Environmental Protection Agency, and on the Taiwan stock market.He has an MPA. from the University of Southern California and an MsC. in Agricultural Economics from Michigan State University. He also completed a BA from Cornell University with a double major in Government and Economics.

Anthony B. Kim
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Anthony B. Kim researches international economic issues with a focus on economic freedom and free trade at The Heritage Foundation. As a Policy Analyst in Heritage's Center for International Trade and Economics (CITE), Kim assumes the primary responsibility of coordinating the complex research and production process by which the Index of Economic Freedom is produced.

The Index is co-published annually with The Wall Street Journal. It tracks the march of economic freedom around the world by measuring 10 freedoms – from property rights to entrepreneurship – in 157 countries. In 2007, after a decade of publishing the Index, Heritage executives decided that the Index needed changes to make it more accessible to more people - from the congressional staffer to the college student, from the finance minister to the financial adviser.

As one of the handful of Heritage experts who grades the Index's 157 countries, Kim helped oversee those changes and his work earned him Heritage's prestigious Drs. W. Glenn and Rita Ricardo Campbell Award in 2007. The award is given to the employee who has delivered "an outstanding contribution to the analysis and promotion of a Free Society."

Before joining Heritage in 2001, he studied economics at Rutgers University and earned his master's degree in international trade and investment policy from the Elliott School of International Affairs at the George Washington University. He lives in Washington, D.C.

Charlotte Florance studies U.S. policy toward Africa and the Middle East, concentrating on economic freedom, democratic institutions, development and security cooperation, as a research associate in The Heritage Foundation's Allison Center for Foreign Policy Studies.

Before joining Heritage in 2013, Florance was a research fellow responsible for international security and foreign policy issues on the federal financial management subcommittee of the Senate Homeland Security and Government Affairs Committee. On the staff of then-Sen. Scott Brown (R-Mass.), her duties included research on post-conflict reconstruction in Libya and oversight investigations of the Foreign Terrorist Organization designation process and implementation of the Peace Corps Protection Act.

She previously worked in Voi, Kenya with a local Catholic Relief Services partner organization, St. Joseph Shelter of Hope, as a program development assistant. She concentrated on sustainable alternative livelihood projects for individuals who tested HIV-positive, under the President's Emergency Plan for AIDS Relief program, or PEPFAR.

Florance also has been part of business enterprises that managed small-scale production projects in East Africa. She has spoken to Catholic service organizations in the U.S. and Kenya about the need for sustainable development in Africa. In addition to Kenya, she has lived and worked in the United Kingdom and traveled extensively to more than 30 countries on five continents, spending significant time in Colombia, Morocco and Turkey.

She holds a master of arts degree in conflict, security and development from the War Studies Department at King's College London, graduating with the highest distinction. She received a bachelor of arts degree in international relations with a concentration in international security from the University of Southern California.

Brett D. Schaefer is the Jay Kingham Fellow in International Regulatory Affairs at Heritage's Margaret Thatcher Center for Freedom. Schaefer analyzes a range of foreign policy issues, focusing primarily on the United Nations and affiliated funds and programs. He frequently speaks and publishes on issues related to the world body and its activities.

Schaefer is editor of the 2009 book, ConUNdrum: The Limits of the United Nations and the Search for Alternatives (Rowman & Littlefield). It features chapters written by fellow experts on an array of international activities and responsibilities conducted by the U.N. and related international organizations, among them diplomacy, international law, peacekeeping, the environment, disarmament, health, human rights, trade and development.

A frequent visitor to sub-Saharan Africa, Schaefer has written extensively on economic development and peace and security issues there and how those issues affect America's national interests. Schaefer's writing and analysis include contributions to rankings of individual nations in the annual Index of Economic Freedom, published by Heritage and The Wall Street Journal.

He speaks frequently to audiences of business leaders, congressional staff and academics, and has testified before Congress on the United Nations and foreign assistance and development. Schaefer's appearances on a variety of radio and television programs include CNN, Fox, MSNBC, BBC and C-SPAN.

He joined Heritage in 1995 and was named Kingham Fellow in September 1996. He worked at the Pentagon as an assistant for international criminal court policy from March 2003 to March 2004. Schaefer received his master's degree in international development from the School of International Service at American University, Washington, D.C. He also holds a bachelor's degree in Anthropology from Florida State University. He and his family reside in Washington, D.C.

Time to Upgrade the African Growth and Opportunity Act

Editor's Note: *This piece from the Heritage Foundation called for a continental FTA in Africa, and astutely juxtaposed economic freedom with economic growth. It, thus, made sense to include this seminal discourse in a collection of work on the ideal circumstances under which the U.S. and Africa should relate.*

Abstract

Since 2000, the African Growth + Opportunity Act (AGOA) has contributed to more than doubling trade with AGOA-eligible countries. The countries of sub-Saharan Africa are increasingly viable economic partners that deserve focused attention and deeper engagement. If the U.S. fails to advance AGOA beyond a trade-preference arrangement, it risks losing ground to Europe and other nations eager to enter into more robust economic partnerships.

Congress and the Obama Administration should work together to renew and upgrade AGOA to advance economic freedom in Africa, encourage economic integration within the region, and set the stage for a free trade agreement between the U.S. and Africa. Vibrant economic growth and lasting development in sub-Saharan Africa depends greatly on increasing the competitiveness of African entrepreneurs through expanded economic freedom. Since the African Growth and Opportunity Act (AGOA) was signed into law in May 2000, AGOA has contributed to that goal by providing expanded duty-free access for most imports from the region and encouraging good governance and economic freedom. Over the past 13 years, the preferential access granted under AGOA has deepened the U.S. trading relationship with sub-Saharan Africa. Exports from AGOA-eligible countries to the U.S. in 2012 were more than twice the level of exports in 2000, U.S. exports to Africa have more than tripled.

However, AGOA will not realize the full potential for trade-led economic growth, increased investment, and broad-based economic development as long as it remains limited to a trade-preference arrangement. To gain full advantage of the opportunity for mutually beneficial trade and investment, the Obama Administration and Congress should work together to renew AGOA along with provisions to encourage regional integration, expand the number of products granted duty-free access, eliminate quota restrictions, and require gradual reciprocal duty-free treatment for American exports with the objective of negotiating a free trade agreement (FTA) between the U.S. and Africa by 2025.

The upcoming renewal of AGOA presents a timely opportunity to upgrade AGOA from a limited trade arrangement into a pathway toward a free trade and investment partnership that will solidify America's engagement with Africa and benefit individual Americans and Africans.

AGOA: The Cornerstone of America's Economic Interaction with Africa.

Charting a new course for America's practical engagement with sub-Saharan Africa, Congress passed the African Growth and Opportunity Act as part of the Trade and Development Act of 2000, and President Bill Clinton signed it into law on May 18, 2000. In August 2002, President George W. Bush signed amendments to AGOA that expanded preferential access for eligible sub-Saharan African counties. Two years later, President Bush signed the AGOA Acceleration Act of 2004, which extended preferential access for imports from eligible countries through September 30, 2015, and broadened and clarified textile-related provisions in the act.

AGOA has built on existing U.S. trade programs by expanding the duty-free access previously available to developing countries under the Generalized System of Preferences (GSP) program. While the United States generally maintains relatively low average trade barriers, its highest trade barriers tend to apply to goods that developing countries export. Under the GSP, the U.S. grants preferential duty-free access to 127 developing countries around the world for 4,975 products as defined by the Harmonized Tariff Schedule. In 2012, GSP reduced tariffs by $742 million.

AGOA provides duty-free treatment for 1,827 additional goods not covered under the GSP. Notably, AGOA "provides duty-free access to all clothing (as well as certain textile) exports from countries that qualify under the Act's 'wearing apparel provisions', subject to the Rules of Origin (RoO) being met." Between the GSP and AGOA, eligible sub-Saharan African countries can export approximately 6,800 goods to the U.S. duty-free.

AGOA's primary purpose is to increase trade and enhance the development of eligible countries through preferential access to the U.S. market. The premise is that preferential access lowers export costs to the U.S. market, which should make African exports more competitive and spur trade-related investment in AGOA-eligible countries, thereby creating jobs and contributing to economic growth and development.

The data indicate that AGOA has led to an increase in two-way trade since its inception in 2000. As shown in Chart 1, U.S. exports to AGOA-eligible countries increased from $6.7 billion in 1999 (before AGOA) to $21.8 billion, as measured in constant 2012 dollars. Despite the considerable variance since 2008, U.S. imports from these countries increased from $17.8 billion in 1999 to $46.8 billion in 2012.

While AGOA imports were 35% lower in 2012 than in 2011, this decline was principally driven by a 38% decrease in oil and gas imports. With these fuel products excluded, AGOA imports—almost exclusively dominated by raw materials—were $4.8 billion in 2012, decreasing by 4 percent from the previous year. However, imports of agricultural products increased by 28% percent. According to Rep. Chris Smith (R–NJ), AGOA has generated about 350,000 direct jobs and 1,000,000 indirect jobs in Sub-Saharan Africa, and about 100,000 jobs in the United States." The top 5 AGOA beneficiary countries in 2012 were Nigeria, Angola, South Africa, Chad, and Gabon. Other leading AGOA beneficiaries included the Republic of Congo, Lesotho, Kenya, Mauritius, and Cameroon.

AGOA's trade and investment incentives are also intended to press African governments to improve their political and economic governance because sound policy is crucial to sustained economic growth and broad-based development. As a result, sub-Saharan African countries are not automatically eligible for AGOA benefits. Instead, the U.S. President must designate eligible countries based on their progress in areas such as establishing market-based economies, representative government, strengthening the rule of law, combating corruption, eliminating barriers to U.S. trade and investment, safeguarding intellectual property, reducing poverty, expanding health care and educational opportunities, and protecting human rights. However, a country need not make progress in all areas to qualify for AGOA benefits. Currently, 39 of 49 sub Saharan Africa are eligible for AGOA benefits.

Moving AGOA Past Preferential Trade

The expanded two-way trade under AGOA is significant and welcome. Without the GSP and AGOA, goods from eligible countries would face significant tariff-related costs that would make a number of African exports less competitive, hindering trade and trade-related economic activity between the U.S. and sub-Saharan African nations. Those interested in boosting economic growth and development in Africa should support the renewal of both the GSP and AGOA.

However, substantial benefits from trade remain unrealized under AGOA, which is a largely one-sided trade preference arrangement rather than an FTA. Moreover, AGOA retains tariffs and quotas on a few key products. According to a recent Brookings Institution economic study, if the U.S. were to grant duty-free and quota-free treatment to all imports from AGOA-eligible countries, exports from those countries to the U.S. would increase by more than $105 million while U.S. production of those goods would fall by only $9.6 million. Yet those gains would be small compared to actions African governments could undertake themselves.

Indeed, the study projected that implementing 5 RECs in sub-Saharan Africa would increase intra-African trade by $8 bn and a continental free trade area would boost intra-African trade by $37.5 bn. More importantly, the U.S. trading relationship with sub-Saharan Africa is based on a regional perspective that is increasingly less accurate. AGOA was established to provide a hand up to a region in need of economic assistance.

Much of the region remains poor, but it has become considerably more dynamic and integrated into the global trading arena since 2000. Africa's place in the world is changing rapidly. Despite setbacks caused by political turmoil in some countries, overall trade and investment policy has gradually improved, contributing to growth and living standards.

According to the Index of Economic Freedom, sub-Saharan African economies as a group have gradually moved toward greater economic freedom since 2000. Mauritius is now the world's eighth freest economy, while Rwanda, Cape Verde, Angola, and Botswana have also made notable improvements over the years. As documented, trade facilitation and other regulatory reforms have strongly contributed to advancing economic freedom in these countries, enhancing competitiveness and the general entrepreneurial environment. 24 of the 39 AGOA-eligible countries - excluding South Sudan, which is ungraded - have moved toward greater economic freedom since 2000.

These policy reforms have coincided with high economic growth over the same period. On average, African countries have registered consistent growth of around 5%, which were only temporarily interrupted by the global economic downturn. In 2012, the economies of about one-fourth of African countries grew at 7% or higher, and the economies of Sierra Leone, Niger, Ivory Coast, Liberia, Ethiopia, Burkina Faso, and Rwanda are among the fastest growing in the world. Net private capital flows to the region increased by 3.3% to a record $54.5 bn in 2012, and FDI into the region increased by 5.5% in 2012 to $37.7 bn.

Not by coincidence, overall poverty in the region is also declining. Economic research shows that the entrepreneurship encouraged by greater economic freedom leads to innovation, economic expansion, and overall improvement in living standards and human development. With improved policy environments and a rich resource endowment, many economies in the region have become more attractive trading partners to the rest of the world. The EU is currently pressuring African countries to enter into economic partnership agreements that would make preferential access to EU markets contingent on reciprocal preferential access to African markets. China's trade with Africa exceeds $160 bn, overtaking the U.S. as Africa's largest trading partner in 2009. Emerging partners—including Brazil, India, and South Korea—account for around 40% of the continent's merchandise trade, up from 23 percent a decade ago. ■

GreenbergTraurig

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Come on into Africa. The Water is *actually* Nice.

By Dennis Matanda

You could say that Vicky McPherson and I are friends. We finally met in Addis Ababa many AGOA-Civil-Society-conference-calls later. She's so much nicer in person - and even pardoned my tardiness when I came horribly late for a post- Addis meeting. Aron Ambia and I met only recently at a Greenberg Traurig event. A Harvard-educated attorney, he was also almost minus Ivy League airs. In fact, the one thing that came across was his huge white smile. And so, when we sat down for this conversation - I was at my house in New Jersey, while they were at their corporate office in Washington, DC - things could not have gone better.

We started off directly. I wanted to know what could be done to increase the sheer volume of business between the U.S. and Africa. You could almost hear Vicky smile, and her response was clinically delivered: 'One of the major impediments from a U.S. perspective' Vicky said, 'is just the hesitation on the part of mid-size companies to get into Africa. Since the multinationals are obviously already in Africa. The huge U.S. corporations are there – and they are doing well and flourishing.'

Here, Vicky hesitated and her response took my earlier question to another level: She suggested that instead, we should be asking how we could expand that middle market – looking into whether or not it's even feasible for smaller businesses to play in the African market. The focus, she suggested, ought to be on educating medium sized American companies to take advantage of the opportunities in Africa. This would, in simple terms, expand their horizons and especially demystify Africa for them because they, very clearly, have a negative perception of what it means to do business in Africa; a perception not in line with the reality.

'There's a wrong perception in terms of the risk, and also, in terms of the real economic opportunities that exist,' Vicky continued. 'These two things are completely not in alignment.' She went on to mention that there are huge gains to be made in Africa, and that this is overshadowed by the belief that American businesses stand to lose so much more.

At this point, I wanted to know what specific role the both of them could play to facilitate the commercial partnership between the two parts of the world. After all, here they were - both lawyers - one was Kenyan and the other was American.

Again, Vicky went straight to the heart of things. She said that there were already governmental agencies that could do a much better job for those medium sized enterprises best placed to make a killing in Africa. She gave an example of the Small Business Administration.

Via further research, I discovered that the SBA does not necessarily focus on 'Mom & Pop' as their core business. In fact, when you think about it, small businesses in the U.S. could actually mean medium sized companies and some start ups. Besides, perusing the SBA guidelines, one will find that to garner the agency's support, the international or outward focus ought to have an American connection as well.

Essentially, because the SBA is keen on making a return, it seems as though they would even be interested in both those medium sized companies that want to look outside the U.S. and also those not yet looking outside of the U.S. to expand their own margins. Vicky suggested that one way for the medium sized enterprises to get into Africa would be through agencies like the SBA (and perhaps, the Minority Business Development Agency - MBDA), and via participating in forums where such companies and agencies are playing.

Aron chimed in: 'Vicky is exactly right. Another way would be attending conferences, reaching out expressly to existing clients and throughout the value chain and opening the doors for additional ones to help them create additional opportunities.

For example, those who attend our 'Doing Business in Africa' forums in conjunction with the Corporate Council on Africa are already interested parties and so, providing an additional forum to talk to one another - to collaborate - is another important piece of that as well.'

I then asked: What kind of conventional wisdom would Greenberg Traurig want African countries to know? And at the same time, what would they like American companies to have insight into if they are going to do business in sub Saharan Africa? I was also curious as to what these two would prioritize in terms of doing better business with the U.S.?

Vicky: I think one first has to start at the government level and that means really reforming sectors to ensure that there are clear corporate guidelines then also talking to the banking sector to shore up African companies so that they are equipped to engage with U.S. companies.

These are two of the most important things that can be done that will impact the broader market. Alternatively, a lot of the work that corporate law firms like ours do is corporate sector and government influence.

I think transparency in terms of the actual corporate process of establishing companies - the ease with which foreign companies can come in and establish relationships with local partners - some way for foreign companies to come in and test legitimacy, veracity or wherewithal is key.

For example, in the U.S., if you want to work with a company, you can go to any state's website and do a corporate search and get information about when they were formed - depending on the state - who their directors and officers are; what their registered shared capital is, you can get a certificate of good standing confirming that they have paid all their taxes.

That process is not as transparent and as easy in any African country, with South Africa being the exception. For example, we have an on going issue where local counsel has to fly to the capital city of the country to get a copy of the corporate record - and this slows down the efficiency with which you can do a deal. Because you want to know that a company is abiding by all corporate requirements because that impacts your ability to do anything - a loan, a sale transaction, purchase - all those things are affected by having good corporate governance. These are the requirements needed for people to independently test the company.

Aron: Here, I'd call for an increase in the transparency with which corporate formalities are recognized, governed and then, I'd ensure that there's good legal representation in both sides of the table - identifying with and putting things like risk into context - like the appropriate provisions and agreements in understanding that these are binding.

One of the reasons there's such push back with respect to using the governing law of most African countries is that there's just not enough clarity in terms of what your remedies could be down the line.

Dennis: So, are we, ostensibly talking about doing things the *African Way*, and making certain exceptions.

Here, both Vicky and Aron laughed.

Vicky: On some level, this is true - meaning if we have to get on a plane more often than you normally would, then you are doing things the African way ... Or you could do things via electronic ways. But there's a different level of building relationships that is required in the African context that we are not used to here in the States - and one needs to get over that.

And that is doing it the African way. This is acceptable.

Social networks are key and relationships are key anywhere. Not trusting someone is different than not simply liking them – and my experience is that there's a measure of personal comfort level that is required in the African context - Because the legal framework is not as solidified in Africa in some instances, one does rely on that and so you sometimes rely on social networks in a different way. This is similar to Asia in fact.

Dennis: What then, in your collective opinion, is the ideal trade and investment partnership between the U.S. and Africa?

Vicky: We must change the paradigm: There's nowhere else in the world where we say: 'How do we improve the U.S.-South American relationship; or the U.S. – European Union partnership; or the U.S. - Asian Relationship. So, the first thing is to change the conversation. I do not even think it is appropriate to say: How do we change the U.S. - sub Saharan Africa relationship. But it needs to be really driven; especially from an American perspective, by the U.S. interests.

And so, the question is: How do we expand U.S. economic growth through a relationship with strategic African partners?

That might be a better question. Everyone is not going to be our partner and so, we need to figure out, strategically, where we are best served because aid, for instance, is cyclical and so, it has to be based on an independent U.S. interest because just aid depends on who is in power. But if it is about U.S. interests, that is always constant.

Dennis: Aron, from your perspective, what would you like to see changed?

Aron: We must figure out what types of specific bilateral agreements are required. There needs to be a recognition that not all African countries are in the same position. A better recognition of tiered benefits would probably be helpful; to support some of the under-performing economies, those that have benefits - not to phase them out but to give an advantage to those still developing or emerging.

Dennis: Are you two suggesting that South Africa receive special treatment or be handled differently when it comes to the African Growth and Opportunity Act benefits and privileges?

Vicky: I do not think its graduating since South Africa is still a huge part of the African economy and so, if it goes, certainly this will have ripple effects throughout the continent. And so, I do not think it's appropriate to talk about graduating. Additionally, to go back to how we should think about the U.S. and Africa commercial relationship afresh: We need to look at two levels: Government-to-Government | Business-to-Business. What we'd like to see more - and we see an emerging trend - is the U.S. government involving itself in the commercial interests that are found in Africa.

And of course, we have *Power Africa* and *Trade Africa* initiatives from the Obama Administration - and so, when the U.S. government involves itself specifically in African economies, you then have the second level of the private businesses following on this pathway that the U.S. has created for them. This has a more sustainable and more consistent plan to address some of the major fears and issues that U.S. businesses need to (delve into Africa). The U.S. needs to forge a way, saying: 'Come on in - the water is nice.'

With that, we ended the conversation: Vicky told me she was going to be traveling again while Aron was more than bullish on the potential between the U.S. and Africa.

I, on the other hand, could not stop thinking about the astute observation - the one about personal relationships trumping the system. I thought of how much things were similar in both Africa and America. And then I remembered: It would, indeed, be easier to do business with someone you do not like in the U.S. ■

Bio

Vicky Beasley McPherson focuses her practice on corporate transactions, with an emphasis on mergers and acquisitions and project finance. She also has experience advising on initial and follow-on private equity investments for early-stage companies and strategic investments on behalf of private equity firms.

Her representative matters on behalf of institutional and private equity investors include domestic and international fund formation, real estate joint ventures and corporate finance in connection with the acquisition and management of portfolio companies. Vicky represents clients from around the world, including those located in Africa, Eastern Europe, Asia and South America. She is an integral member of the firm's Africa Practice Group.

As part of her general corporate practice, Vicky advises clients on corporate investment strategies, governance matters, private equity and real estate investments, secured and unsecured debt financings, mergers, stock and asset transfers, corporate acquisitions and divestitures, corporate reorganizations, and venture capital financing.

Bio

Aron John Ambia is an experienced Kenyan lawyer working with Greenberg Traurig's Africa Practice. He joined Greenberg Traurig in September 2013 as a Foreign Associate in the Corporate & Securities Department and focuses on project finance, private equity and energy transactions. His practice also focuses on mergers and acquisitions, energy & infrastructure, as well as private equity.

Prior to joining Greenberg Traurig, Aron worked with Kaplan & Stratton Advocates in Nairobi for over 3 years. While at Kaplan, he was part of transactional teams that handled some of Kenya's largest privatization projects as well mergers and acquisitions. In addition, Aron advised leading international non-governmental organizations on their Kenyan operations.

Aron's passion is to see his clients thrive in Africa through excellent legal representation. He is an alumnus of the University of Nairobi Law School and Harvard Law School.

Image Source: The Habari Network
www.thehabarinetwork.com

Dan O'Flaherty

Vice President
National Council on Foreign Trade

South Africa is not much different from the rest of Africa.

Editor's Note:

Dan O'Flaherty is an Africa specialist. More to that, he is a specialist on South Africa, and is a walking wealth of information on that part of the world. He sat down for a conversation with Marie-Pier Michaud.

MPM: Is it possible to talk about the ideal commercial partnership between the U.S. and Africa as a whole?

D'OF: Its difficult to talk about Africa in general. I think we are better served if we could parcel this into specific countries: After 29 trips to South Africa, for example, I'd like to focus on the ideal trade relationship between our two countries. And we must start from where we are right now.

So - the key to African development is regional integration and also a basis for American commercial success in the region because the markets are larger and the barriers are lower. And South Africa is key to all this especially because it is unique on so many levels - infrastructure, exposure, political history and of course, their mineral base. And also, their evolution in Africa is unique because they had European businesses creating a system that favored them and not much else.

Historically, South Africa has major conglomerates - half a dozen companies that dominate the market - and they have developed strategic alliances with European companies, joint venture partnerships - so you have a difficult business environment to crack into. When Nelson Mandela became President, American companies were thrilled.

Marie-Pier Michaud is a Fall Associate at Manchester Trade. The Montreal native is writing her MBA thesis on the trade dynamic between North America and Africa and is a firm believer that business can be brisk between the two regions with more communication.

They went down there and found that it looked like Southern California, they had running water, freeways; Internet. And then, they found out that it was a highly competitive oligopolistic market where entry was tough.

You have diversified conglomerates that do everything from toilet paper to manufacturing and mining. Simply, expectations were never met in terms of American investment there. We tried to negotiate a free trade agreement with the Southern African Customs Union (SACU); after three years of a lengthy process, we found that there were a series of stumbling blocks. Some of these were on the U.S. side and others were based in the South African government and private sector. Some powerful interests in South Africa - forces that had been in place before the economy opened up - did not want to allow the Americans in because that would shake their profitability. Some American companies went into South Africa - and simply could not get in.

Pepsi could not even get shelf space, while Coca Cola had to enter into a joint venture with SAB Miller, a South African brewer. Whatever case, this sort of behavior - which would be antitrust violation here in the U.S. is what went on. But on both sides, we should have spent more time preparing and ensuring that our respective stakeholders were ready to go for a free trade agreement. That, of course, goes way beyond AGOA. But as a preference program, if AGOA's criteria and caveats are combined with GSP, this could provide a vehicle for supply chains to be invigorated on the continent.

Nonetheless, trade has been fairly robust with South Africa - not necessarily other members of SACU - but this could have been a template for other parts of African RECs. As long as those economies are still primarily commodity exporters, there's a limit to their growth trajectory. The other limit in South Africa is political: the requirement for black joint ventures to advance black empowerment policy from the government which, on its own, is something American companies simply will not go for.

Alternatively, we must look at this: The average cost of labor in South Africa is about the same as the cost of labor in South Korea. The productivity of South Korea is 7 times that of South Africa. So, that's an issue for South Africa to deal with. But just because we could not conclude an FTA does not mean that all is lost. South Africa could, for instance, sign the government procurement agreement with the World Trade Organization. Since a lot of business there is government driven - just like in most African countries - having a GPA means you have transparency and that the processes are fair and that you have dispute resolution possibilities.

Many American companies went into South Africa - with large teams - and bid for work. But they left with no explanation as to why their bids were rejected. These all wanted to provide services there. So, transparency is very key to attract investment and trade from the U.S. Or better still, the U.S. and South Africa could sign a bilateral investment treaty (BIT). We are investing BITs with China and India - and this is a big deal because it gives dispute resolution to companies, investors state provisions - overall, although a BIT does not guarantee that we shall invest, it gives an additional level of comfort - risk mitigation, so to speak. Short of FTAs, both the GPA and the BIT can be done plurilaterally or bilaterally. This is what can get you part of the way to a more usable framework for American trade and investment not just in South Africa but everywhere on the continent.

MPM: Away from just South Africa, what would you have to say to a group of Secretaries-General - for example those of the Tripartite Group - to help spur them along the road of regional integration?

DO'F: The U.S. and the regional economic communities have an asymmetrical relationship: RECs in Africa are interested in increasing their exports - which involves finding markets in the U.S. - while we are looking for ways to export and invest in the region. So, to increase FDI from the U.S., you must look into two things: Mergers and Acquisitions and Greenfield investments. This simply means, in the first place, that countries and RECs must be open to state owned and other private enterprises being bought by American companies. Airlines come to mind, in this regard. Although this is politic]ally tough, it is the pattern globally - and the bulk of M & As is with existing SOE. But secondly, for Greenfield investments where companies start new businesses - hire, train workers and start to produce - RECs must push for a policy environment that encourages this.

MPM: So, let's talk about graduating South Africa ...

DO'F: While there are people who'd like to graduate South Africa, I do not think this should be done especially because South Africa's median income does not necessarily reflect equitable distribution of income. Essentially, South Africa is not necessarily rich. It is just more advanced than other African countries. A portion of the population is poor - and so, the average income does not mean anything. Because industrialization has not necessarily been able to envelope the informal sector, graduation would be premature.

MPM: What would you say to African Heads of State of Africa to prepare their respective economies for American investment?

DO'F: Conventional advice to presidents on how to increase the volume of U.S. - Africa business is to liberalize their economy, privatize state owned enterprises and reduce trade barriers. Unconventionally, we must move away from standard IMF economic growth templates. If you have country that is dependent on a natural resource for export, a tiny market internally and a lot of trade barriers - including unskilled workers - the IMF model is not going to help them very much.

The most important thing to attract FDI is to focus on education and ensuring a higher quality labor force, tax reform, corruption and transparency ventures - and also looking into armed conflict. The other key point is the expansion of agriculture. African countries must drop their objections to genetically modified crops. Monsanto sells more grain in South Africa than in China - and this eventually gets into Africa.

African countries must also do product specificity and also focus on showing how competitive they are vis-a-vis the East Asian countries and also those in South America. Besides, there's now a change of heart: State Governors are going out there to attract FDI into their respective states. They give tax breaks and all sorts of incentives, and they have set up offices in Africa to promote their products - just like Georgia did in South Africa. But ultimately, there's only so much government can do to promote trade. The private sector must be at the heart and soul of thing.

MPM: Finally, what can you say about AGOA as it stands and elements of either renewal or enhancement?

While some Africans are calling for a simple extension of AGOA, I think that things like eligibility should be relaxed so that more countries are included. And more American companies should be encouraged to take advantage of AGOA - to elaborate supply chains. Too much of AGOA is oil as it does not generate many jobs. The opportunity here is to give preferences to products where Americans can exploit supply chains. And in regard to rules of origin, it is very important. The rules of origin have the potential to exclude many products and should be liberalized.

For more information on Dan, please go to www.nftc.org

Bio

J. Daniel O'Flaherty became Vice President of the National Foreign Trade Council in Washington in 1987 and was Executive Director of the US-South Africa Business Council when it was formed by the NFTC in 1993. He has worked on range of trade policy issues with NFTC member companies, especially unilateral economic sanctions issues on which he helps to manage the NFTC-sponsored USA Engage coalition. His work also includes US - China trade relations, Vietnam normalization and commercial relations with the former Soviet Union.

Mwangi Kimenyi
Director | Africa Growth Initiative
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Strategies to Enhance Gains of AGOA

Editor's Note: *This note was originally published by the African Development Bank website - www.afdb.org. Even more importantly, the authors breakdown core aspects of the U.S. - Africa trade relationship and make astute observations for policy makers and businesses to take advantage of. It is republished here with the kind permission of both the authors and the AfDB.*

The African Growth and Opportunity Act (AGOA) is the primary legislation that defines the U.S.-Africa commercial relationship. The benefits provided by AGOA have allowed for an average of around 70% of all imports from Sub-Saharan Africa to enter the U.S. duty-free since the enactment of the legislation.

While AGOA has been successful in providing duty-free access, it still leaves a great deal to be desired regarding the promotion of sustainable economic gains for the continent. Understanding where AGOA has been successful and considering how to enhance its impact is important, especially at this time when its renewal is being debated and requires decisive action over the next 12-18 months.

Examining the gains

AGOA has accomplished a great deal in terms of increased access to the U.S. market. However, this access has largely benefited African exporters of petroleum products to the U.S., which have made up around 90 per cent of AGOA imports over the last decade. Nevertheless, non-oil imports under AGOA tripled from about $1.2 billion in 2001 to $4.5 billion in 2011, peaking in 2008 at $4.7 billion. Within the non-oil sector, textiles and vehicles have benefited the most, with the latter coming mostly from South Africa.

It is within this non-oil sector, however, where AGOA has led to substantial gains in job creation and economic opportunity, so it is important to examine this sector when considering the real economic impact of AGOA. While AGOA has not been a panacea when it comes to spurring the diversification of African economies across all regions, it has helped incentivize growth in some non-traditional sectors and within several regions and countries.

As demonstrated in the 2013 Brookings-United Nations Economic Commission for Africa (UNECA) AGOA report, if the legislation was not extended for 10 years beyond 2015, there would be declines in Africa's exports of textiles, meat products, leather products, manufactured products and vegetable products. AGOA has provided significant benefits to those regions and countries that have been able to utilize the legislation's trade preferences.

Based on the report, southern Africa, East Africa and Mauritius would potentially stand to gain the most if AGOA were to continue for another 10 years as is, with several other regions seeing slightly lesser gains.

Employment has also increased in the same regions that have seen export growth – AGOA is credited with having created around 300,000 jobs predominantly in the apparel sector stemming from the duty-free export advantages that it provides. Many of these jobs provide employment for women, which has proven to be a key economic benefit of the legislation.

Were AGOA to expire, we forecast that wages would decline in skilled and unskilled non-agricultural sectors in the countries of the Southern African Customs Union (although not as dramatically in South Africa and even less so in Botswana). Malawi, Mauritius and, to some degree, Nigeria would also see decreases in wages in these sectors.

As an example of how impactful AGOA has been for job creation and increases in non-traditional export sectors, the Africa Growth Initiative at Brookings recently met with a representative from a textile company operating a factory in Lesotho that has grown immensely since the enactment of the legislation. The company has expanded its capacity fivefold since it opened in 1992, thanks to the duty-free access to the U.S. market provided by AGOA and to additional incentives offered by the government of Lesotho, especially since the enactment of the legislation in 2000. Interestingly, this one factory alone is cited as making up 20 per cent of all formal sector private employment in the country, which means that AGOA's impact on Lesotho has been considerable.

Stories like this are indicative of the valuable benefits that AGOA can provide, outside of the extractive sector, which positively impact local communities if the trade preference is utilized by investors and promoted by the government.

Recommendations on Enhancing the Economic Impact of AGOA

AGOA has the potential to be impactful legislation for spurring economic growth and development if exploited effectively. While it ultimately rests in the hands of the U.S. Congress to extend AGOA – and lobbying Congress to do so while presenting a strong argument for the mutual benefits of the legislation is important – there are many ways that African countries can also work to better exploit and enhance their benefits from AGOA.

Identifying how AGOA is useful to both Africa and the U.S. will be important to qualify now for the argument in favour of extension. Beyond this, two of the most critical options geared towards African countries for enhancing AGOA after its renewal involve fully utilizing the legislation explicitly through developing country-specific AGOA strategies; and working to enhance regional integration on the continent, which will provide benefits well beyond AGOA exports. The U.S. could also be supportive by continuing to expand upon its new Africa strategy and ensuring that the different AGOA-related actors in the government are working together to achieve this.

Importance of Country Specific AGOA Strategies

AGOA strategies should focus on providing information about the successes and achievements of different export sectors, strategies for addressing internal and external barriers, and specific information and contacts for existing AGOA-relevant organizations that exporters could use for support. It would also be useful to have market data and to identify sectors where each country has the potential to scale exports by looking at products that could be processed or manufactured with a competitive advantage based on interest, available commodities or skills that could be easily accessed or obtained.

Similarly, identifying the barriers to expansion or investment in these potential growth sectors would be important to demonstrate (e.g., lack of financing or inability to find capital, the need for partners with experience and knowledge of production, etc.);

Ethiopia and Zambia have recently announced plans to pursue AGOA strategies; Ethiopia in particular has made a great deal of progress with its strategy thanks to efforts made by the Ethiopian Ministry of Trade and the African Trade Policy Center at the United Nations Economic Commission for Africa. As of right now, however, Kenya appears to be the only country with an AGOA strategy in place. Kenya's Ministry of Trade pursued creation of the strategic document in collaboration with the East Africa Trade Hub.

The strategy is useful, in that it identifies some of the major domestic and external barriers that Kenyan companies face in trying to export both domestically and externally in reaching the U.S. market. Additionally, it pinpoints sectors that have benefited under AGOA; lists institutions and organizations that are available to help exporters; and identifies strategies for moving forward in the short, medium and long term to address barriers and increase utilization of AGOA.

The Kenyan strategy comments specifically on the difficulty of fully attributing the success of export sectors (apart from the textile sector) to AGOA and not to other factors, which is both understandable and difficult to measure. The one limitation is that, while it indicates that market data is necessary to get more product-specific details and tailored recommendations for exporters, the strategic document does not actually provide such data. Regardless, it serves as a useful example for other countries to consider when developing their own strategies.

An additional idea that could prove very important for country-specific AGOA strategies (and which the Kenyan strategy begins to address) is the development of an actionable framework that identifies the necessary actors and steps for addressing barriers to utilization of the legislation.

For example, if direct flights from Nairobi to the U.S. could be useful in ensuring more exports of fresh-cut flowers to the U.S. market, identifying the necessary stakeholders for this discussion could bring more specifics to the country strategies. In such a scenario, it would be useful for the strategic document to indicate whether the Ministry of Trade intends to foster these connections or if it assumes the private sector will use the information to lobby for its own interests. Furthermore, if certain incentives were needed to promote investment in new sectors, identifying how they could be created and providing for necessary next steps would be important.

Scaling Regional Integration

In addition to country-specific AGOA strategies, African countries absolutely must work toward scaling efforts for increased regional integration. The AGOA report cited above examined the effects that different region-specific free-trade areas (FTAs), as well as a continental free-trade area (CFTA), could have on trade within the continent and with other trading partners. The gains are both unquestionable and immense.

The report examines different scenarios, one in which regional FTAs (as dictated by the EU's Economic Partnership Agreements) are implemented immediately following an extension of AGOA and another in which all African countries implement the CFTA in 2017. With just the FTAs, exports from Africa would increase by $6.9 billion in the year 2025 compared to the status quo. With a CFTA in place, exports would increase by $21.7 billion in 2025 – as compared to the status quo determined in the report, which would involve extending AGOA for 10 years. The gains for the continent from simply eliminating trade barriers are vast.

A Comprehensive U.S. Approach to African Trade and Investment

Similarly, there are recommendations for the U.S. government to increase the effectiveness of AGOA. Until recently, the U.S. had not placed enough effort on commercially engaging the continent, but its recent Trade Africa and Power Africa initiatives are definitely an attempt to correct this oversight.

Expanding product coverage could also provide some additional export gains, but our recent report indicates that even if AGOA-eligible countries had 100 per cent duty-free quota-free access they would only stand to gain around $70 million in additional exports, whereas regional integration efforts would result in billions of dollars of increased trade.

Apart from this, ensuring that the U.S. government moves toward a clearer way of managing its different actors working in Africa trade- and investment-related capacities will also be critical to ensuring AGOA's future success. Navigating the passage of legislation through a divided Congress will be equally important, although it has the potential to be very difficult if the recent shutdown serves as any indicator.

While these recommendations only briefly examine ways in which African countries can work toward better utilization of AGOA, issues such as improving infrastructure, increasing capacity building to better meet international standards, addressing non-tariff barriers and improving business environments all remain important as well. Additional support to aid for trade focused on trade capacity-building and facilitating integration will be important for progress to be made. If the U.S. and African countries can scale up efforts to enhance the use of this potentially powerful legislation, there will be important economic gains for both regions.

Bio

Mwangi S. Kimenyi is Senior Fellow and Director of the Africa Growth Initiative at the Brookings Institution. He also currently serves as an advisory board member of the School of Economics, University of Nairobi, and he is a Research Associate with the Center for the Study of African Economies, University of Oxford, U.K. Prior to working with Brookings, he was a faculty member of the Department of Economics at the University of Mississippi and the University of Connecticut. He is also the Founding Executive Director of the Kenya Institute for Public Policy Research and Analysis (KIPPRA).

Bio

Zenia A. Lewis is a Research Analyst with the Africa Growth Initiative at the Brookings Institution. Her work has mainly focused on issues related to African trade, U.S.-Africa commercial relations, and revenue management for natural resources.

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The Brookings Institution is a non-profit public policy organization based in Washington, DC. The Africa Growth Initiative at Brookings works to amplify the voice of African researchers through its research and analysis, which focuses on attaining sustainable economic development and prosperity in Africa.

Katrin Kuhlmann
President & Founder
New Market Labs

Much Progress has been made; but we haven't tried everything yet.

Editor's Note:

One of the best things about Katrin is how much heart she has. Not only does she care deeply about the things she does; she is not afraid to let everybody know where she stands on the issues. But of course, she is very careful about the way she lays things down. She believes in discourse, discussion and progressing issues from start to finish. If she were in sales, she would be known as The Closer.

THN: Let's go through the process we had to undertake with everyone else in this publication. Let's talk about improving the relationship between the U.S. and Africa. What say you?

This is a significant moment in the trade and investment relationship between the United States and Africa. There are many opportunities coming up with the next stage of AGOA, the trade and investment partnership with the EAC, and the Power Africa and Trade Africa initiatives.

Taking advantage of these will require a real focus on what is possible and what the market could look like in the future. It will also require commitment from all sides and new ways of approaching both market possibilities and challenges, with an emphasis on how improvements to the business climate are implemented in practice.

We have the chance to build upon the foundation AGOA established and develop a true, mutually beneficial partnership with the market as its driver, and this should be the focus of our collective efforts in the upcoming months. Africa has changed a great deal since AGOA was enacted, and many of its markets have become much more commercial. Companies are responding to African markets in a way that is fundamentally different than they may have five or ten years ago. The voice of these companies (and their African counterparts) will need to be part of the dialogue at all stages.

Of course the highest levels of government must also be engaged, but much will need to happen on the ground. In particular, government involvement will need to extend down to the regulators who are making day-to-day decisions in the market. The conversation has to become more specific in order for it to be practical and cannot remain something at the 10,000-foot level.

Both U.S. and African governments will need to take measures to improve markets, yet much of the work can only be done on the African side. These new partnerships can be built through AGOA, the Trade and Investment Framework Agreements (TIFAs), the Trade and Investment Partnership with the East African Community, and other mechanisms as well.

THN: What do you, then, have to say about the current process of regional economic integration?

Having worked on African trade issues for some time, it is really exciting to see regional integration gather momentum from the African side. In particular, regional economic communities like the Economic Community of West African States (ECOWAS), the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC) have made considerable progress.

Regional trade efforts can create much greater benefit for many more people, contributing to larger, more efficient markets, economies of scale, and harmonization of rules and regulations. This is very important, particularly when looking at a continent of many countries that have their own separate rules, laws and standards.

A greater degree of harmonization will have a tremendous impact on many stakeholders, from African producers to U.S. businesses trying to invest in the region. The United States should, under the circumstances, do everything we can to support this momentum.

While this bears further discussion, AGOA could be used to support regional integration more. This was a frequent topic of discussion at the AGOA 2013 Ministerial in Addis Ababa this past August. For example, AGOA could be reinforced to act as a catalyst for implementing some of the harmonization efforts that are underway and are going to be so important for making the markets work.

In particular, greater focus on the non-tariff measures is called for. These include rules around transport and distribution, inconsistently applied sanitary and phytosantiary (SPS) rules and other standards, and measures to move goods across borders and facilitate trade. A number of these components are part of the discussion around AGOA already. As a trade preference program, AGOA cannot do everything, but it is important that the program remain in place and be strengthened to reinforce the market development that is already underway.

THN: Perhaps we should delve into what sorts of roles and responsibilities all parties ought to have in the U.S. - Africa partnership.

As a lawyer, I think about how to make sure that what is agreed to in words or on paper becomes a reality. This is one of the aspects of regional integration that will be most critical. While high-level regional trade agreements are promising, it is very important to see how they translate into real changes on the ground. There is an obligation for all involved to work together to implement these agreements, and we need better mechanisms for doing so.

First, this can only work through partnership, both between nations and between the public and private sectors on an ongoing, day-to-day basis.

Second, the conversation needs to be driven by business and by the market, rather than just political or even emotional considerations.

Third, an emphasis must be placed on reaching the level of people's individual lives. This accountability – making sure agreements work for the farmer who is trying to move something from one market to the next – is what trade is all about in many ways.

THN: What do you have to say about the current conundrum that South Africa finds itself vis-a-vis AGOA, and also its relationship with Europe?

South Africa is a really important part of this conversation, and it has been an economic driver and a linchpin of regional integration. I do not think we should do anything to undermine this role, which graduating South Africa from AGOA would threaten.

I do think that South Africa's FTA with Europe has raised questions of how to make sure that U.S. enterprises are treated fairly, and it is in our long-term interest to make sure that we are part of the South African market going forward.

It is time to engage with South Africa as a partner and recognize and encourage their role in driving regional integration, while working together to ensure that we are true partners moving forward.

THN: I know that you were expecting a question on this: Economic Partnership Agreements. So, let us touch on these, if you may.

The challenge for all of us working in the field of trade is to think about how different mechanisms and models – trade preference programs, free trade agreements, and others – work in practice.

As a model, the EPAs may have had some good intentions, but there have been some real challenges in practice that need to be discussed openly.

The way the EPAs are constructed can actually undermine regional integration by creating another set of possibly conflicting obligations and measures at a time when we need to be streamlining the way markets work. I have often heard people say that the process of negotiating EPAs has built capacity at the regional level.

And I think this is a really interesting point. It is important to think about how any engagement on trade enhances capacity. But I think the details of the agreements really matter, and if you look into the details of the EPAs, from regional exclusions that do not match up to cumulation provisions that make it difficult to add value across borders, the model raises serious questions.

I am sure that there is a better way to approach promising markets like those in sub-Saharan Africa that we have not tried yet, and this should be discussed.

I have always thought that trade preference programs are good economic development tools, but they cannot do everything. One of the challenges of the preference programs has always been that there are many in the market who are not yet ready to trade, making the preferences perhaps a few steps removed from current reality.

Another challenge is addressing the aspects of the market that make trade difficult, including the many rules and regulations needed to move things from one place to another. While we could consider some of these aspects in AGOA's next iteration, we will need other tools as well.

Perhaps the ideal program is not necessarily a 'Preferences Or' but a 'Preferences AND.' In any case, this will involve building from the market up and addressing challenges that stand in the way.

Sindiso Ngwenya

Secretary General
COMESA

Regional Programing Orientation

Editor's Note: *On September 13, 2013, Sindiso Ngwenya gave another speech to an audience in Brussels. The COMESA Secretary General who has referred to Economic Partnership Agreements as 'fatally flawed pacts' was still able to make a strident case for an effective Africa - one in line with his passion for regional integration. We publish it here because it is, perhaps, the most ambitious speech from an African regional community.*

Ladies and Gentlemen, and all formalities observed; I am speaking in my capacity as Secretary General of the Common Market for Eastern and Southern Africa (COMESA) and not on behalf of either the Inter-Regional Coordination Committee (IRCC) of COMESA, EAC, IOC and IGAD or of the COMESA-EAC-SADC Tripartite. Some of our regional partners may also share my views but we have not had the opportunity to consult and to come up with a common position as Regional Organizations.

I am also speaking as an admirer of the European Union and what Europe has achieved since the launching of the Schuman Declaration in May 1950 and the creation of the European Coal and Steel Community with the signing of the Treaty of Paris one year later in 1951. French Foreign Minister Robert Schuman declared his aim was to "make war not only unthinkable but materially impossible" which was to be achieved by regional integration, with the European Coal and Steel Community being the first step of the journey.

The seed that was planted by Schuman has now grown into the mighty tree that's now the European Union and the dividends of the EU, in terms of peace and security and social and economic benefits for its citizens, are enormous and unparalleled and cannot be disputed even by the most hardened cynic.

The European Union did not evolve naturally out of the Schuman Declaration and the ECSC. It took the Europeans a lot of hard work and the sacrificing of national sovereignty into a higher authority that became the Commission of the European Union, with the French government being the first to agree to cede sovereignty to this higher regional authority.

It also took a lot of planning and the rigorous implementation of this plan to create first the customs union, then the common market and then the European Union. During the first decade of its existence the European Community successfully implemented the customs union, in July 1968, and the definition of a common agricultural policy necessary for the free movement of agricultural goods between Member States.

These major landmarks and achievements should have silenced any Euro-sceptics but, by the early 1980s, and after the dismantling of the international monetary system, based on the Bretton Woods agreements, in August 1971, followed by the oil crises of 1973 and 1979, there was a common perception in Europe that the experiment of European integration was going to fail.

But those doubters had not taken into account the influence of Jacques Delors, President of the Commission who, in January 1985, declared that in order to achieve the main objective of the EEC Treaty, the creation of a single market, all internal European borders should be eliminated by the end of 1992.

In line with this timetable the Delors Commission forwarded to the European Council a "white paper" on completing the internal market in June 1985. The Commission's proposals for a "single framework" for the amendment of the EEC Treaty and for political cooperation were finalized in the form of a "Single European Act" that not only succeeded in removing the technical barriers to trade, thus creating the Single Market, but had important spill-over effects on many common policies, such as transport, taxation and environment protection.

So how was the Delors White paper such a game changer? Because, in effect, for each Member State, it analyzed the current set of market rules and regulations and made a proposal with costs on what measures need to be implemented, what agencies needed to be established and what rules and regulations needed to be changed or introduced for each member State so that the country could move from its current position to a full participatory member of the internal market. The European Commission made sure that there was a budget to pay for this transformation work. You will all know that the Commission has a regional policy that is based on transfers of funds from richer to poorer countries.

The money is used to boost development in regions lagging behind, to rejuvenate industrial regions in decline, to help young people and the long-term unemployed find work, to modernize farming and to help less-favored rural areas.

These objectives are financed by specific funds – the European Regional Development Fund and the European Social Fund – that top up or stimulate investment by the private sector and by national and regional government and the Cohesion Fund – used to finance transport infrastructure and environmental projects in EU countries whose GDP per capita is lower than 90% of the EU average.

Ladies and Gentlemen:

You are probably wondering why I am giving you this history lesson. The reason is simple – it is because the African model of regional integration draws heavily on the European experiences and, in my opinion, the Delors White Paper, which resulted in the Single European Act, and the funding arrangements used to finance the deepening of regional integration in a planned and structured way – were game-changing events and we need similar game-changing events in Africa to bolster our regional integration efforts.

It is obvious that the Regional Economic Communities in Africa cannot match the level of funding of the structural and cohesion funds of the European Union but it is clear that integration costs money as there is a need to provide funding to strengthen economic, social and territorial cohesion by reducing differences between regions and supporting the structural development and adjustment of regional economies; provide funding for vocational training and job-creation initiatives; and also for transport infrastructure and environmental projects in developing countries whose GDP per capita is low.

The European Union has been a strong supporter of regional integration, especially in Africa. Even when multilateral institutions such as the World Bank and IMF questioned the validity of regional integration as opposed to multilateral liberalization the EC continued to provide support to ACP countries through the European Development Fund governed first by the Lomé Convention and then by the Cotonou Partnership Agreement.

The various European Development Funds change their appearance every 5 years and we are now in a position where we are seeing what changes are being proposed for EDF11 as compared to EDF10. As the Regional Programing Orientations for EDF11, which I will refer to as EDF11 Guidelines, state "EU, ACP States and their regional organizations must learn from 10th EDF experience: more can be done with EU funding, and better. There is a clear need to draw lessons from the past and outline the best way forward."

And this is where the flaw in these EDF11 Guidelines lie – either the people who have written the Guidelines are not taking account of lessons learned from EDFs previous to EDF10 or they have not actually been capable of drawing the lessons from the past and, based on these lessons, been able to outline the best way forward.

I would like to give a few specific examples to illustrate this lack of lesson learning by the authors; or their inability to translate the lessons learned into EDF11 Guidelines.

Let me start with the decision-making process proposed. The Cotonou Partnership Agreement is called a partnership agreement because the authors believed that there should be an equal partnership between the Europeans and the ACP States. This equality seems to be gradually slipping – we are told that "EU Headquarters have conducted a first analysis of sectors, allocations and objectives that could be pursued in each region" and that 'These analyses will be submitted to ACP regional stakeholders, DMROs and NAOs, as a first basis for discussion.'

I am sure that you will agree that this process already reflects an unequal partnership even before the programming process starts. It is hard to understand why the EU Commission feels it has the right or the authority to even suggest to the regions what sectors, allocations and objectives could be pursued. This unequal partnership theme continues with the balkanization of African countries and organizations by the EU Commission into three Regional Indicative Program clusters – one for West Africa; one for Central Africa; and one for Eastern and Southern Africa and the Indian Ocean.

This is reminiscent of the heavy-handed way the Commission tried to coral African countries into arbitrary clusters which the Commission believed they should negotiate EPAs with.

This clustering attempt under EPAs failed, mainly because the Commission did not think it necessary to consult with its ACP partners beforehand, and it seems that the lessons learned from this failure have not been learned.I am going to assume that the region defined as Eastern and Southern Africa and the Indian Ocean is the COMESA-EAC-SADC Tripartite region comprising 27 countries but excluding non-ACP countries. Picture, if you will, the logistical nightmare and expense of preparing a single Regional Indicative Program for these 25+ countries who speak 4 different official languages, whose administrative structures are very different and whose aims and objectives and definitions of what constitutes a priority and a regional program will be very different.

Add to this the fact that the rules of the game have changed and, instead of learning from previous EDFs, we insist on repeating mistakes. We are told that EDF11 "should also support national governments in matters of regional integration and promote trans-border or national projects with a specific regional dimension" and that "cooperation shall develop and strengthen the capacities of regional integration institutions and organizations set up by the ACP States."

Some of you may remember back to the 6th EDF which allowed a regional project to be defined by two ACP States. Under EDF6 this allowed countries to finance infrastructure projects as regional projects if the project was supported by another ACP country. What is wrong with that you may ask? Well, the problem was that the body that made the decision as to whether it was a regional project was the EU Commission in Brussels who had no way of telling whether this was a priority project that would deepen regional integration.

I further believe that the EDF11 Guidelines do not take adequate account of the practical difficulties of programming RIPs under EDF11. We are informed that the Duly Mandated Regional Organizations (DMROs) plus the Regional EU Delegations (in close cooperation with EU Headquarters) plus national authorities in the region, share the responsibility for preparing the draft RIP. This would mean that, for the ESA/IO region, there would be 4 DMROs, 4 EU Delegations and possibly 25+ national authorities sharing the responsibility of preparing the RIP.

We are also told that in each of the 5 RIPs, the DMROs and the EU shall specify: the priority areas of EU aid; specific objectives to be pursued in each priority area; for each specific objective, the main expected results to be achieved as well as related indicators; the most appropriate measures to be taken by the DMROs and their Member States to achieve the specific objectives; and the type of operations which can be financed to contribute to the objectives and results

There are no guidelines on how this will actually be achieved. Normally the Regional Organizations operate on the basis of consensus and no Regional Organisation has more authority or voting rights than any other Regional Organisation. Add to this the EU Delegations and the National Authorities, all with their own agendas - and the outcome will be chaos. The best we can hope for is a divvying out of EDF11 resources to ensure a political and geographical balance, meaning that the resources will be allocated to a multitude of small, unconnected projects and squandered, the sum of which will not result in deepening integration with the aim of developing a single regional market.

This brings me back to Jacques Delors and his white paper. In the COMESA-EAC-SADC Tripartite region all countries have agreed to negotiate a Free Trade Agreement. Negotiations for the Tripartite Free Trade Agreement are on-going and should be completed by mid-2014. But then the difficult part starts as Tripartite Member States will need to put in systems, structures and regulations that will allow them to implement the Tripartite FTA. The Tripartite Member States will also need to move the Tripartite FTA to another level and to move beyond an FTA addressing trade in goods only. The next level is to negotiate and implement a FTA that also covers trade in services, intellectual property rights, competition policy, etc.

The African Union has agreed to start the negotiations of a Continental Free Trade Area (C-FTA) once the Tripartite FTA has been finalized and the C-FTA will be modeled on the Tripartite FTA. One of the most useful processes that has been followed to facilitate the trade negotiations is to do capacity building or training programs for negotiators and trade officials and this could also be done to facilitate the C-FTA negotiations.

Coupled to the FTA is the need to facilitate trade through improving and streamlining customs procedures as well as through designing programs that liberalize the transport market.

There are a number of regional programs that are being implemented, some already supported through the EDF that, if strengthened and up-scaled, would have a major impact on reducing the costs of doing business, thus improving the competitiveness of the region and so fostering economic growth and job creation. In addition, there is a major initiative to finalise a Trade Facilitation Agreement which, if agreed, possibly at Bali at the WTO Ministerial Meeting, will need resources if it is to be effectively implemented.

The African Union, with the African Development Bank, is also promoting infrastructure development through the Program for Infrastructure Development in Africa (PIDA). This is done with inputs from AU Member States feeding into the Regional Organizations who, in turn, feed into the PIDA. PIDA is going through a process of prioritizing programs that will have the greatest impact on connecting African countries and deepening integration through trade.

All these initiatives in Africa are coming together and we have an opportunity to move to the next level in the same way as Europe moved to the next level in 1986 after the passing of the Single European Act, based on the Delors 1985 White Paper. We also have an opportunity to use the EDF11 resources to make changes, through leveraging and blending, with our own resources, with other grant funds and with concessionary finance.

Here, I'd like to suggest an alternative way to program and disburse EDF11 resources - an alternative which builds on the experiences of the EU and the development and implementation of, hopefully, a single internal market as follows:

- With the assistance of the EU and EDF, each country carries out a trade policy and trade facilitation needs assessment of what needs to be done, administratively, politically and technically to meet the commitments of entering a regional free trade area or, a customs union or, most preferably, a single internal market.

- This gap analysis will take account of trade policy, trade facilitation and trade infrastructure issues. - Based on the gap analysis, for each country, an intervention program will be prepared which will take, as its starting point, what is the current actual situation on the ground and will then outline what needs to be done in each area to get institutions, agencies, legislation, regulations and infrastructure in place to allow each country to meet its obligations to fully participate in a single market.

- Costs will be put to each intervention program and EDF11 regional and national resources will be allocated to the implementation of this national transformation program.

- The EDF funds (both national and regional) will be used to leverage additional grant funds from other donors as well as be blended with funds from the national budgets, the latter being important to ensure national ownership.

- The RECs, as duly mandated, will oversee implementation and monitor implementation. Regular monitoring and reporting will be done through the established organs of the RECs as these national transformation programs will be a part of the Treaty obligations of the regional organizations. If this course of action is followed the EDF will be used to support the aims and objectives of the Regional Organizations and the African Union. It will also transform Africa into a single market which, in turn, will result in economic growth through trade, job creation and poverty alleviation.

In 1960, the then British Prime Minister, Harold MacMillan made a speech to the South African parliament in which he said "The wind of change is blowing through this continent, and whether we like it or not, this growth of national consciousness is a political fact. We must all accept it as a fact, and our national policies must take account of it."

The wind of change is, once again, blowing through Africa, except this time it is an economic wind of change. Africa is the next economic frontier and it is important that we get our governance systems, and I use this in the broadest terms, right. The EU has an opportunity to be a partner with African States and their Regional Organizations. We can plan and use the EDF11 resources to change the face of integration in Africa, and do this in true partnership, through leveraging and blending or we can squander and fritter away these resources on disparate and unconnected small projects that have been selected by following a path of least resistance and a regional and political balancing act that, in the end, will not have much of an impact on Africa. The choice is ours to take. ■

Embassy of the Republic of Uganda

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Government | Currently Chair of the East African Community (EAC)'s Summit of Heads of State, and also the Chairman of the Common Market of Eastern and Southern Africa (COMESA) Authority for 2012 and 2013, His Excellency, President Yoweri Museveni is 5th Chairperson-in-office of the Commonwealth of Nations, and fully active in both the AU and UN.

Deputized by Vice President Edward Sekandi, Uganda's Chief Executive, serves with a cabinet of ministers coordinated by the Prime Minister, Hon. Amama Mbabazi, also Head of Cabinet in Uganda's Parliament. Rt. Hon Speaker, Rebecca Kadaga, deputized by the Rt. Hon Jacob Oulanyah presides over a 382-member body of elected members.

Location | Uganda lies in the heart of Africa and astride the Equator. Its territory holds a great many fresh water bodies, substantial rich resources, fertile soils and diverse flora + fauna. Albeit being landlocked, the country is a hub to Sudan in the north, Democratic Republic of Congo to the west, Kenya in the east; and in the South are other other EAC countries, Tanzania and Rwanda (plus Burundi).

The Pearl of Africa | On a safari to Africa, into the then Protectorate of Uganda before he was British Premier, Sir Winston Churchill referred to our land as the Pearl of Africa; a moniker that over 100 years later, is still adorned with pride.

The country is a blend of ancient kingdoms and a host of independent chiefdoms whose heritage is still very much alive in people, traditional outfits, language + practices.

Over 65% of approximately 35 million Ugandans are literate; speak in more than 50 tongues, and have adopted English (and some Swahili) as their official language.

According to the United Nation's World Happiness Report of 2013, Ugandans are the happiest East Africans; aspiring for social progress. Our warmth, friendliness, hospitality - basic aspects of red carpet treatment are also world famous.

Her Excellency Oliver Wonekha

Ambassador . Plenipotentiary
Embassy of the Republic of Uganda | Washington, DC

My colleagues and I have a simple mission: We are here, first and foremost, to enhance the excellent relations between the U.S. and Uganda. We project, promote and protect Uganda's interests in America. We cultivate and establish strategic partnerships all meant to support our Diaspora, source investments and improve Ugandan lives.

Fortunately, commerce forms that crucial symbiotic thread that ties these aspects together. And as one with over 30 years in coffee quality control and the management of Uganda's biggest export, I see very promising trends and patterns. Thus, I am very keen to be that cultural broker and deal maker between Americans and Ugandans.

But there's something even more important on the table: Regional Integration. Like President Yoweri Museveni always says, we are no longer land-locked countries. We are, in fact, land-linked. For instance, one cannot call Rwanda, Burundi or Uganda landlocked anymore. With the East African Community working towards capacity, it might even be safe to say that investors no longer have an excuse to do business with our respective economies. Additionally, Uganda is no longer just 35 million people. We belong to other regional economic communities like COMESA, and to SADC by proxy - bodies that can give an investor access to more than 400 million people - all the way from Egypt and right down to Swaziland and South Africa.

For the 10 years I served as a parliamentarian, two key lessons I garnered were as an African Parliamentary Union delegate, and as Founder of our Savings and Credit Cooperative Society. Combined with my experience in coffee, I now realize that home grown solutions are in place, and Uganda stands to benefit more from regional integration. As a group, we can effectively utilize U.S. programs like an AGOA that encourages Americans to invest in our region.

Again, President Museveni says Uganda and Africa must set about industrializing. One of the fastest ways is for us to ensure that the Americans have someone to do business with. Hence, we must be business savvy, credit worthy; we must be ready. And we must work on these things together.

I pledge to play my part and keep my door open for you with the full knowledge that one day, my colleagues and I will look back with pride because we worked for God and for our beloved Country.