

AGOA: Mechanism For Strengthening Business Relations



By Kester Kenn Klomegah

ADDIS ABABA, Ethiopia, August 12, 2013 (Business Africa) — Since the introduction of the *African Growth and Opportunity Act*, (AGOA) in 2000, experts have said that it has helped considerably to increase or improve trade and business relations between African countries and the United States and have urged governments the to need to create further an enabling environment to make sure that those investments become sustainable.

"We want to help promote intra-regional trade, and through our [Trade Africa](#) initiative we're working with the East African Community and other economic communities to help promote regional integration. Agoa is a cornerstone of Trade Africa, and we're working through AGOA to ensure that Africa can benefit and be as competitive as possible in the global market," Michael Froman told AllAfrica media in an interview on the eve of his departure to Addis Ababa, capital of Ethiopia, where his delegation seeks to discuss with African representatives about future trade with the United States.

He said that in AGOA's 13 years, two-way trade has more than doubled, U.S. exports to Africa have tripled, African oil exports to the United States have tripled and an estimated 43 million jobs in Africa have been created. "By all those metrics, it is a significant success," Froman has said in a briefing at the Brookings Institution, a Washington-based policy research centre. He stressed that the United States wants "to take the relationship even further" by helping Africa realise more of its economic and trade potential.

The annual ministerial-level U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum mandated under the law is taking place in Addis Ababa on August 12-13. Leading the U.S. delegation is Michael Froman, made his first overseas trip as U.S. Trade Representative, a Cabinet-level position he assumed in June. Previously, he served in the White House as deputy national security advisor for International Economic Affairs where he was a principal author of President Obama's 2012 Africa policy directive

"We've launched a [Doing Business in Africa](#) campaign to promote even more interactions with U.S. companies and investors. So Trade Africa has a number of different dimensions to it, building on Agoa as well," Michael Froman informed. Since

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[*African Growth and Opportunity Act*](#)

(AGOA), which allows eligible countries to export products duty-free to the United States) has defined American trade relations with sub-Saharan

Africa. However, Froman admitted that "there is a gap between actual risks on the ground, which are not insubstantial, and the risk perception of the continent as a whole. When companies do get involved and are successful, they tell that story and it has positive spillover effects on companies that are hesitant to go there."

Currently 39 sub-Saharan African nations participate in the trade programme.

The negotiator said that since AGOA was signed into law in May 2000, much in Africa has changed. Economists, he said, now say that sub-Saharan Africa, home to six of the top 10 fastest growing economies in the world, "is rising." To build on AGOA's successes, the United States wants to help the agreement's 39-member countries create economic environments for private investment. Private-sector-led growth, Froman said, will help Africa connect with major markets in Africa and with markets around the world.

According to Froman, President Barack Obama has been a leader and will continue to be so when it comes to Africa. He went to Ghana in his first year, and he has directed his administration to be very much involved in the region. It's one reason why we took a new approach to development - the [Presidential Policy Directive on Global Development](#) strategy in 2010. He then issued a new [policy on sub-Saharan Africa](#) in 2012, and he directed a number of us to follow up and implement that strategy.

Dr. Scott Firsing, a US-Africa expert who is the CEO of LINK Advisory and the Director of the North American International School in Pretoria, South Africa, and also an adjunct research fellow at Monash, told Business Africa that "there are numerous benefits for African countries to partner with the United States. In broad terms, the most obvious is increasing their exports to the world's largest economy. Secondly, it would prove fruitful for African countries to attract U.S. multinationals. American companies are innovative and there is always the possibility of technology transfers and increasing the skill and knowledge base of Africans who work for American multinationals."

Moreover, only roughly a quarter of Africans have stable, wage jobs, and this will help create more jobs. Lesotho is a perfect example, who partnered with the U.S. in terms of the apparel industry, which has drastically increased exports and created jobs. And often American investors follow, which is obviously crucial in terms of the bigger, infrastructure type projects. American companies are also known to be strong in various economic sectors such as agriculture, these opinions according to Dr. Firsing.

According to the U.S. Department of Agriculture (USDA), in 2012, the U.S. imported US\$285 million worth of South African agricultural products, led by wine, macadamia nuts, and citrus fruit. More importantly, Africa has a huge amount of untapped cropland, providing it with a golden opportunity to partner with the U.S. to develop its agricultural sector and reduce unemployment.

Comparatively speaking, he said that "competition is increasing among the BRICS members, Russia seems to be left behind in terms of several types of infrastructure and hence the recent call by Russian leader Vladimir Putin for investors to develop its own infrastructure. A lot of their infrastructure was built during the Soviet days, and they like Africa, require significant upgrades and building if they are going to reach their full economic potential."

"However, Russia has offered to assist some African countries like South Africa in their energy infrastructure. For example, Russia is hopeful that it will be able to assist Pretoria with its nuclear energy plans, and has even offered to pay for it. China has proven itself in Africa over the past decade, especially in terms of loans, infrastructure projects and trade. Japan is also coming into Africa in a big way," Dr. Firsing observed in his interview comments to Business Africa.

In another email interview with Business Africa, Harvard academic Garikai Chengu thinks that, all things considered, "US economic influence on the continent is far more trouble than it is worth. U.S. led Neoliberalism is a post-colonial cancer that has spread across the continent and ravaged it for decades. It is my view that poverty and disunity have been the essential ingredients that have allowed Africa's neo-colonial exploitation to continue. But, thanks largely to soaring mineral prices and Chinese win-win investments, poverty levels are beginning to tumble."

Disunity however persists. America is making sure of it. Washington is fomenting disunity by funding reactionary neo-liberal political parties across the continent as well as the odd "good dictator." Africa is China's success story: where the Americans bring drones and destabilization, the Chinese bring roads, bridges and dams. The IMF's austerity urges African nations to cut social services, Whereas, China provides Africa with interest free loans for such services, according to the views of Chengu.

"The new cold war between America and China will be over resources, not ideology. Africa will take centre stage. Should America's hard power and divide-and-rule approach triumph, Africa may descend into one large theatre of war with many actors, chapters and a tragic ending. Should China's soft power and win-win economic approach triumph, this may end up becoming a truly African Century," Chengu told Business Africa.

Mrs Fatima Haram AUC Commissioner for Trade and Industry speaking at opening of the

session expressed both the U.S. and African nations have benefited from the AGOA though the imbalance is huge in favor of U.S. The tripartite discussion offered the participants a room to find ideas for change. Haram said despite the achievements registered in the last 12 years the eligible African states need do to a lot to fill in the gaps.

Mulu Sollomon, President of Ethiopian Chamber of Commerce and Sectorial Association, said Ethiopia being one of the beneficiaries from African Growth and Opportunity Act (AGOA) has collected significant amount of revenue. But it has a long way to go in terms of maximizing the benefits AGOA can offer.

Stephen Hayes President of Corporate Council on Africa emphasized Africa should work to meet the demand by meeting the necessary requirements for trade. He added capacity building is fundamental to realize sustainable competitiveness. All in all, at the 12th AGOA forum in Addis Ababa at African Union (AU) headquarters with a theme "sustainable transformation through trade and technology" on August 10, African women's entrepreneurship associations, private sectors and civil societies held deliberations on how to maximize development impacts of AGOA .

(Source: Buziness Africa)

Fact Sheet: African Growth and Opportunity Act

The African Growth and Opportunity Act (AGOA), enacted in 2000, allows 39 eligible African countries to export most products duty-free to the United States. The 39 African countries are: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Chad, Comoros, Côte d'Ivoire, Republic of Congo, Djibouti, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Kenya, Lesotho, Liberia, Malawi, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, South Sudan, Swaziland, Tanzania, Togo, Uganda and Zambia.

Trade has proven to be a powerful engine of growth, and the theme of the 2013 AGOA Forum is Sustainable Transformation through Trade and Technology. Private sector and civil society programs will take place August 10-11, preceding the two-day ministerial in Addis Ababa, Ethiopia, August 12-13.

AGOA promotes economic development and expedites the integration of African economies into the world trading system. It provides a framework for governments, the private sector and civil society to work together to build trade capacity and expand business links between the United States and Africa.

Increasing trade capacity involves technical assistance on world trade rules, customs reform and modernization, development of industry standards and regulations, intellectual property rights (IPR) enforcement and infrastructure modernization.

In 2012, eligible countries exported nearly \$35 billion in products to the United States under AGOA and its related General System of Preferences (GSP) provisions. Total exports under AGOA have risen more than 300 percent since the program's start. Although petroleum products accounted for 84 percent of AGOA imports to the United States in 2012, the program has helped promote other, value-added exports such as vehicles, apparel, footwear, processed agricultural products and manufactured goods. Non-oil exports to the United States from sub-Saharan Africa totaled \$4.7 billion in 2012, rising more than 250 percent since AGOA's inception.

AGOA has helped many African countries -- Lesotho, Swaziland and Kenya, for example -- to create tens of thousands of new jobs and boost their international competitiveness.

Lesotho is a good example of how AGOA makes a difference. In Lesotho, AGOA has spurred a vibrant textile and apparel industry that is the nation's largest private sector employer. The sector has generated more than 36,000 jobs, mainly for women.

Lesotho is now sub-Saharan Africa's largest exporter of garments to the United States, with more than \$300 million in clothing exports to the U.S. in 2012 under AGOA.

Since AGOA's adoption, Mauritius' exports to the U.S. have grown more than 400 percent. The textiles and apparel sector has grown annually at a rate of 5 percent and leading nonapparel exports have grown at an overall rate of 12 percent since 2001, AGOA has contributed to an expansion of the apparel industry in Mauritius on a scale that the country likely would not have achieved otherwise.

Women are key beneficiaries of AGOA. The African Women Entrepreneurship Program (AWEP), started by the U.S. State Department in 2010, is a network of women-led businesses that has been exporting to the United States under AGOA since 2010. There are currently 152 members in 48 countries. AWEP companies trading under AGOA can be found in Ghana, Cameroon, Kenya, Ethiopia, Liberia, Côte d'Ivoire , Mauritania, South Africa, Swaziland, Tanzania, and Zambia in agribusiness, textiles, home décor, food processing and other sectors. AWEP entrepreneurs have played a critical role to ensure that gender issues are considered under AGOA.

AGOA also supports regional economic integration and provides incentives for African countries to improve their investment climates, reduce corruption, respect human rights and the rule of law, improve infrastructure and harmonize trade standards to help them become more competitive in the global marketplace.

Empowering Trade

During his recent trip to Africa, President Obama announced "Power Africa" and "Trade Africa," two initiatives to support the continent's economic growth, increase trade and "unleash the power of entrepreneurship and markets to create opportunity here in Africa."

With more than two-thirds of the population of sub-Saharan Africa's population without electricity, lack of accessible and affordable energy is a key constraint to economic growth. The president's Power Africa initiative seeks to double access to power in sub-Saharan Africa. Power Africa will bring to bear a wide range of U.S. government tools to support investment in Africa's energy sector, from policy and regulatory best practices, to pre-feasibility support and capacity building, to long-term financing and technical assistance. The initiative will also leverage private sector investments, beginning with more than \$9 billion in initial private sector commitments to support the development of more than 8,000 megawatts of new electricity generation in sub-Saharan Africa.

Trade Africa is a new partnership to increase internal and regional trade within Africa and expand trade and economic ties between Africa, the United States, and other global markets. Trade Africa will initially focus on the member states of the East African Community (EAC), with the goals of doubling intra-regional trade in the EAC and increasing EAC exports to the United States by 40 percent. It also will support EAC regional integration and increasing EAC trade competitiveness. The United States will also form public-private partnerships with East African and U.S. industries and trade associations to stimulate trade in goods under AGOA. The United States also hopes to expand its collaboration with other regional economic communities in Africa, including in cooperation with other partner nations.

The U.S. Agency for International Development (USAID) currently supports private sector engagement and investment in Africa through three regional trade hubs in Accra, Ghana; Nairobi, Kenya; and Gaborone, Botswana. These trade hubs provide technical assistance to governments, private sector and civil society organizations to enhance their competitiveness in global markets and help African businesses use trade opportunities available under AGOA. The trade hubs also support African businesses and entrepreneurs in writing business plans, raising capital, increasing productivity and improving production processes so that they can meet U.S. and world export standards. In support of AGOA and Trade Africa, USAID will seek to strengthen the trade hubs and build their capacity for effectively supporting trade and investment in Africa.

Extending AGOA

The Obama administration will work with Congress to extend AGOA beyond the current 2015 expiration. The 2013 AGOA Forum will celebrate the progress achieved through AGOA since its inception in 2000 and will help pave the way to AGOA's renewal so that more Africans can take advantage of the opportunity to export to the United States. The forum will engage ministers from AGOA countries and senior U.S. officials in a dialogue on the future of U.S.-African trade and economic cooperation. **(Source: State Department)**