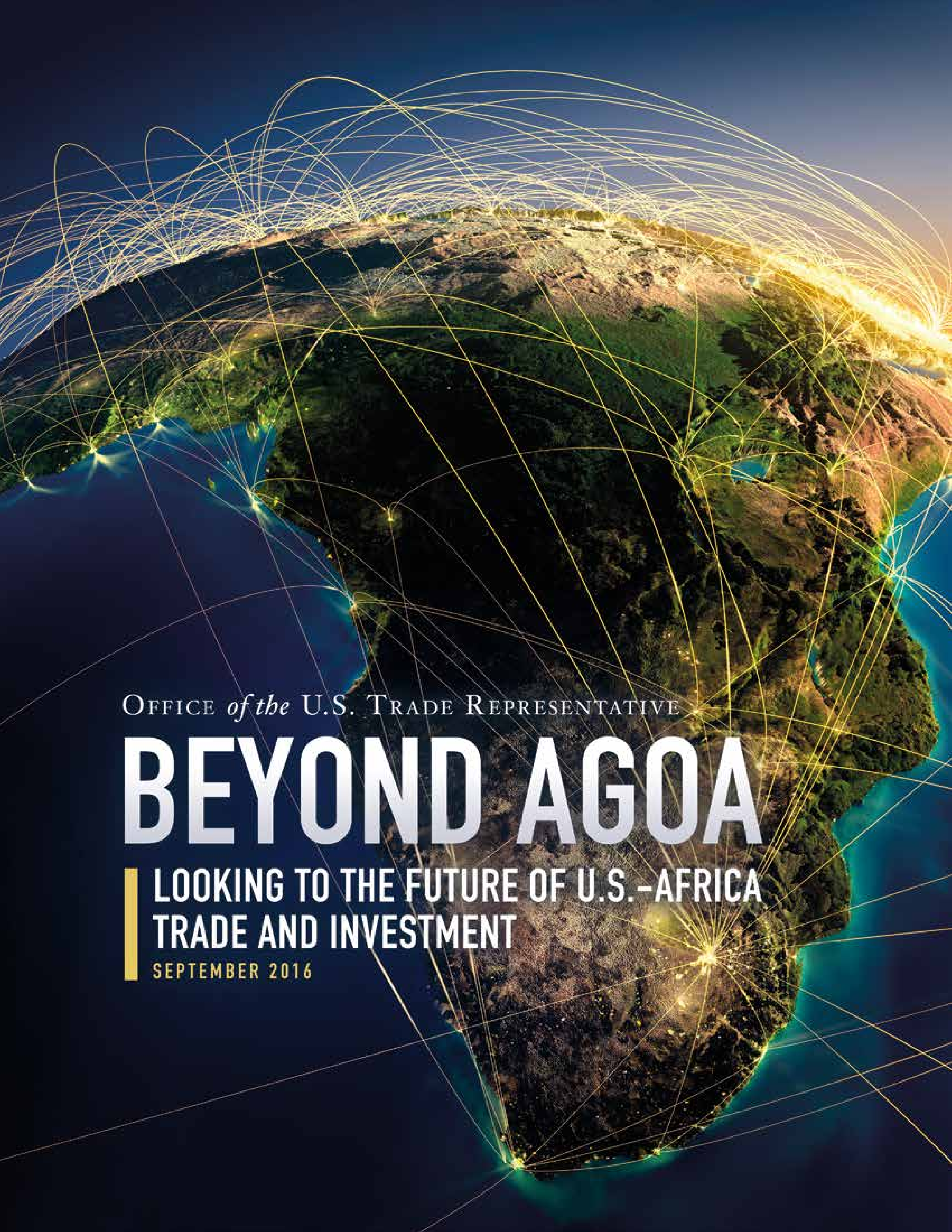

OFFICE *of the* U.S. TRADE REPRESENTATIVE

BEYOND AGOA

LOOKING TO THE FUTURE OF U.S.-AFRICA TRADE AND INVESTMENT

SEPTEMBER 2016

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE *of the* UNITED STATES TRADE REPRESENTATIVE

U.S. TRADE REPRESENTATIVE MICHAEL FROMAN

Executive Summary

> **"The question now is not whether AGOA is an important tool—it has been and, for many countries, will continue to be vital for the near future. The question is whether we also need to develop new trade policies for the new Africa, given the broad spectrum of countries that now make it up and the changing global trading system of which it is part.**
>
> **U.S. Trade Representative Michael Froman**
> **Beyond AGOA Hearing, January 28, 2016**

THERE HAVE BEEN SIGNIFICANT changes in Africa and the global trade policy landscape in the nearly two decades since the African Growth and Opportunity Act (AGOA)—the cornerstone of our trade relationship with sub-Saharan Africa—came into effect. Today, Africa, as a whole, is more prosperous, more developed, and better-connected to the global economy, and its growth prospects have improved. Moreover, African countries are generally moving towards greater market opening and regional economic integration, and more recently, integration with outside partners, including the European Union (EU). The trade landscape in the United States has been changing as well since 2000, with many more reciprocal free trade agreements in place with partners around the world, including with developing countries, and various multilateral and plurilateral trade initiatives underway. Given these changes, it is important to assess the trade policy framework that we have in place with sub-Saharan Africa and to determine whether new policies are needed for this new era.

THE CASE FOR DEEPENING U.S.-AFRICA TRADE AND INVESTMENT TIES

The case for developing new policies to strengthen the trade and investment relationship between the United States and Africa has never been stronger. Africa can gain significantly from partnering with the United States. Moreover, there are significant risks to Africa of not pursuing a diversified export strategy, which are already playing out in the slowdown Africa has experienced over the last year attributable to such factors as weak demand in China. At the same time, the United States also has much to gain from a rising Africa. Africa's consumer market holds great potential for U.S. exporters across a wide range of industries, and investment in many African countries is now much more attractive. This potential could continue to grow as demographic trends, such as a dramatic increase in Africa's labor force, manifest over the next 15 years.

GLOBAL TRENDS UNDERSCORE THE NEED TO RETHINK U.S. TRADE POLICIES TOWARDS SUB-SAHARAN AFRICA

A number of trends are particularly relevant as we think about our trade policy toward Africa. First, as sub-Saharan African countries establish closer trade ties with other countries both within and outside the continent, American businesses will be increasingly interested in strengthening their own ties to sub-Saharan African countries. Second, there is likely to be growing interest in the United States in reviewing unilateral trade preference approaches, particularly as an increasing number of beneficiaries of such programs enter into reciprocal trading relationships with others, including with the EU and China. This is also particularly likely as other important preference provider countries, such as the EU and Canada, move away from preferences with all but the poorest countries and towards free trade arrangements. Finally, while there has been a general global, African, and American trend towards more stable, reciprocal trading arrangements, there is also great variation in the kinds of arrangements countries have chosen, particularly as to scope, quality, and degree of implementation and enforcement. As the United States assesses policy prospects, it will be important to determine which approaches would be most effective in deepening trade and investment ties.

LEARNING FROM HISTORY—LESSONS FROM VIETNAM, SOUTH AFRICA, PERU, AND LIBERIA

This report considers a number of case studies to shed light on the question of which policies and approaches will be most effective at encouraging deeper integration.

Vietnam

Vietnam has had significant success in transforming an agricultural economy damaged by post-war command socialism into one of the world's major agricultural and light manufacturing export centers. The United States has been a key partner in this transformation. The Vietnam experience suggests three basic points for policymakers to consider: (1) ambitious trade liberalization programs are attainable for lower-income countries, (2) strong economic and strategic incentives foster political will for trade agreements, and (3) an incremental approach may offer a way forward.

South Africa

The EU-South Africa and later EU-Southern African Development Community (SADC) negotiations highlight the complexities of negotiating reciprocal trading arrangements with sub-Saharan African countries with varying interests and levels of economic development. This case study suggests a number of conclusions: (1) regional agreements and commitments in Africa can be a significant complicating factor in considering new trade arrangements with sub-Saharan African partners, (2) regional leaders can play an important role, (3) taking on all of Africa at once with one single approach is unlikely to be effective, and (4) there have to be strong economic motivations on both sides in order for an initiative to work.

Peru

Peru's experience with economic liberalization, its motivations for pursuing reforms, and the factors that allowed it to be successful offer a number of lessons. Peru's path demonstrates that preference programs—while important—have their limits, incremental approaches towards deeper trade arrangements can be very effective, and focused leadership commitment to reform across changes in administration can be critical to economic integration into the global economy.

Liberia

In connection with its WTO accession, Liberia has committed to an extensive and, in some ways, demanding set of trade policies that reflect a significant level of ambition for an extremely low-income country recovering from conflict. Liberia's commitments provide a sense of the minimum standards that might be sought in future trade arrangements with sub-Saharan African countries, as well as insight as to the greater level of reciprocal engagement that could be expected of the continent's larger and more advanced economies.

POLICY BUILDING BLOCKS

The framework we put in place to deepen U.S.-African ties is unlikely to be effective if it does not include strategies to improve the conditions for trade. Accordingly, in developing such a framework, U.S. and sub-Saharan African policymakers should consider incorporating commitments in a number of policy areas such as trade facilitation, intellectual property, labor, sanitary and phytosanitary measures, market access, services, investment, environment, technical barriers to trade, and transparency and anti-corruption. These are "building blocks" that, together, can help to expand trade and attract investment. The policy blocks can be part of different trade instruments—from free trade agreements, to cooperative arrangements like Trade Africa, to preference programs, to possible hybrids and alternative approaches in between—and commitments within each building block can be scaled up as countries develop and increase their capacities. This report explores scalable standards within each potential building block area that could serve as the basis for reform.

POTENTIAL STRUCTURAL AND STRATEGIC OPTIONS FOR MOVING BEYOND AGOA

Finally, policymakers will need to consider policy instruments that are most appropriate for U.S.-Africa trade and investment. AGOA has supplied the policy architecture for nearly two decades. But, while AGOA has had important successes, our experience suggests that it is unlikely to be sufficient for achieving transformative changes in trade and investment. To deepen and expand the U.S.-African trade and investment relationship over the long term, we will need more effective mechanisms to address both tariff and non-tariff constraints to trade, at the border and beyond. The United States, the European Union, sub-Saharan trading partners, and others have used a number of different policy instruments to seek to deepen trade and investment ties, from: (1) comprehensive U.S.-style trade agreements, which may be an option for sub-Saharan African partner countries that are willing and able to undertake the generally higher standards of such an approach; to (2) limited, asymmetrical EU-type agreements, which have no precedent in the United States and may offer limited benefits on both sides; to (3) collaborative arrangements like Trade Africa that may be useful "stepping stones" for countries with limited capacity to undertake comprehensive trade agreements in the near term; to (4) preference programs with policy-based eligibility criteria. U.S. and African policymakers should consider the advantages and disadvantages of the full spectrum of approaches in determining a way forward.

Further, as U.S. and African policymakers assess a future trade policy architecture, they may wish to consider certain guiding principles and some of the key lessons from U.S. and African experiences building trade relationships in recent years. Specifically, a new U.S.-Africa trade and investment policy architecture should:

- **Support African regional economic integration.** The goal of creating viable regional markets in sub-Saharan Africa is both an African and a U.S. priority. While initiating expanded trade discussions with one regional leader may be the best first step, as the EU did with South Africa, the goal should be to expand to a more regional footing over time.

- **Move toward greater reciprocity.** As more reciprocal arrangements go into effect within sub-Saharan Africa and between African countries and other developed country partners, the pressure to consider more stable, permanent, and mutually beneficial alternatives to AGOA will grow in the United States as well.

- **Support African value-added production and promote diversification of exports.** Africa's economic future depends, in important part, on its ability to add value on the continent to its vast natural resources and agricultural commodities, as well as on its ability to diversify its exports.

- **Include African reforms across a broad range of policy areas.** As the Vietnam and Liberia case studies confirm, developing countries—even the least developed among them—are capable of taking on significant policy reform obligations and drawing powerful benefit from them in growth, economic diversification, and the alleviation of poverty.

- **Promote African integration into the global trading system.** There is a strong correlation between developing countries that have reformed, liberalized, and integrated their economies into the global trading system and those that have experienced the most significant improvements in development outcomes. This includes developing country U.S. FTA partners.

- **Account for different levels of readiness and capacity across the region.** Sub-Saharan Africa is comprised of a diverse group of countries at differing levels of development, wealth, and readiness for expanded trade engagement. The next generation trade framework with sub-Saharan Africa will need to recognize this and avoid a "lowest common denominator" approach, while also helping to bring standards up in all countries over time.

This report has sought to make the case for reinvigorating the U.S.-Africa trade and investment relationship and for reimagining the policy architecture to propel this relationship into the future. This is the start of an important conversation, which policymakers on both continents need to engage in with the same spirit of shared commitment, pragmatism, and urgency that spurred on the creation of AGOA nearly two decades ago. ■

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PHOTO CREDIT: WORLD BANK

Introduction

> **A half-century into this independence era, it is long past time to put aside old stereotypes of an Africa forever mired in poverty and conflict. The world must recognize Africa's extraordinary progress. Today, Africa is one of the fastest-growing regions in the world. Africa's middle class is projected to grow to more than one billion consumers. With hundreds of millions of mobile phones [and] surging access to the Internet, Africans are beginning to leapfrog old technologies into new prosperity. Africa is on the move, a new Africa is emerging.**
>
> **President Barack Obama**
> **Mandela Hall, African Union Headquarters, July 28, 2015**

IN 1994, AS THE UNITED STATES implemented the Uruguay Round agreements creating the World Trade Organization, the most significant reform of the world trading system since the creation of the General Agreement on Tariffs and Trade (GATT), Congress also drew attention to the issue of U.S.-Africa trade. Concerned that, as the United States moved into a new era of multilateral trade, the U.S. relationship with Africa should also be strengthened, Congress directed the President in Section 134 of the Uruguay Round Agreements Act to "develop and implement a comprehensive trade and development policy for the countries of Africa."[1]

In the years that followed, the Clinton Administration, key Congressional leaders on both sides of the aisle, and a broad array of stakeholders, both American and African, grappled with the question of the appropriate trade and development framework for the United States and its sub-Saharan African partners. A series of five reports developed by the Clinton Administration in response emphasized market access, policy reform, investment support and technical assistance.[2]

Early legislation developed by a bipartisan group of House Ways and Means Members, entitled "African Growth and Opportunity: The End of Dependency Act," called for, among other things, the establishment of a United States-Sub-Saharan Africa Free Trade Area by 2020 with those countries committed to making necessary economic reforms and the creation of a Trade and Economic Cooperation Forum modeled on the Asia-Pacific Economic Cooperation (APEC).[3] Over time, this concept evolved into the basic AGOA framework that we have in place today—providing preferential access to the U.S. market for nearly all (97.5 percent) of products from eligible sub-Saharan African countries that meet certain basic eligibility criteria that promote a rules-based, market-based economy and sustainable development.[4]

Twenty years later, Congress accompanied its 2015 renewal of AGOA with similar inquiries regarding the future of the U.S.-Africa trade relationship and the policy that supports it. Those inquiries are not only timely, but necessary, given the changes in Africa and the global trade policy landscape since AGOA's passage in 2000.

A DIFFERENT AFRICA

The Africa of 2016 is a far wealthier and more developed region than was the Africa of 2000. With a regional real GDP that has more than doubled, a more urban population, and economies more extensively connected to the world through Internet and mobile technologies, Africa is better equipped than ever before to supply America with goods and to buy American products. Africa's policy landscape has also changed substantially since 2000. Africa has generally been moving towards greater market opening and internal economic integration, and more recently, integration with outside partners. Regional economic communities (RECs) have emerged and have been developing agreements among themselves, and Africa is now turning to broader continental efforts. Even with trading partners on other continents—such as the European Union and China—Africa has been updating and formalizing its relationships.

These are generally positive developments. But in some cases they may also pose challenges for U.S. exporters to Africa, who do not have comparable access to African markets and are increasingly finding themselves hemmed out of the African market by their foreign competitors. Moreover, even as Africa pursues openness, a number of countries have put in place nationalist economic policies—like forced localization policies—that further impact U.S. interests and undermine efforts to deepen trade and investment ties.

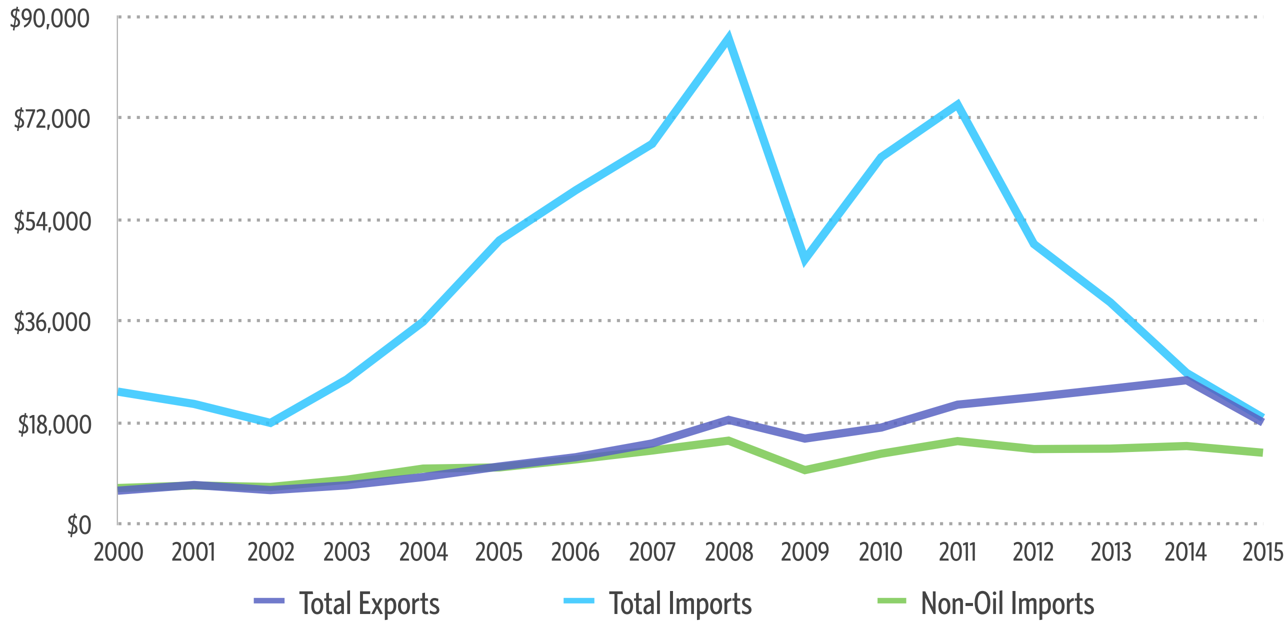
A DIFFERENT AMERICA

The trade landscape in the United States has been changing as well. When AGOA was enacted, the United States was party to only two free trade agreements—one with Israel, and the other with Mexico and Canada. In the 16 years since, the United States has implemented 12 more agreements, with an additional 17 countries, ranging from high-income developed countries like Australia, Korea, and Singapore to lower-middle income developing countries like Honduras, Morocco, and Guatemala. In 2016, the United States also signed the Trans-Pacific Partnership (TPP) agreement with 11 Asia-Pacific countries, and is negotiating the Transatlantic Trade and Investment Partnership (T-TIP) agreement with the 28 member states of the European Union. When T-TIP and TPP are implemented, they—together with the other U.S. FTAs—will cover nearly two-thirds of the global economy. These agreements—and multilateral and plurilateral initiatives that the United States is undertaking as well—will establish a network of deep, mutually beneficial ties that will carry U.S. trade through the 21st century.

THE SUCCESSES OF OUR EXISTING APPROACH TO U.S.-AFRICAN TRADE

These changes in the trade landscape require an assessment of the adequacy of the trade policy framework that we have in place with sub-Saharan Africa, the primary foundation of which is the AGOA program. Undoubtedly, AGOA has had an important and positive impact on U.S.-African trade over the last 16 years. While overall U.S.-Africa trade flows have fluctuated with the price of oil, non-oil total goods trade has grown from $13 billion a year to nearly $30 billion since AGOA was enacted. Petroleum products still make up the largest portion of U.S. imports from sub-Saharan Africa, but non-oil AGOA imports—including automobiles, apparel, and processed agricultural products—totaled $4.1 billion in 2015, almost triple the amount recorded for the program's first full year in 2001. U.S. exports to sub-Saharan Africa have

Figure 1: U.S. Trade with Sub-Saharan Africa, 2000-2015 (millions of U.S. dollars)



SOURCE: U.S. DEPARTMENT OF COMMERCE, BUREAU OF CENSUS

grown as well. Merchandise exports rose from $5.9 billion in 2000 to nearly $25 billion in 2014, though dropping back noticeably in 2015 and 2016 as a consequence of the decline in Africa's commodity revenues and therefore of Africa's global imports (see **Figure 1**).[5] Services trade has grown as well, with U.S. exports up from $3.7 billion in 2000 to $8.6 billion in 2014 (which are as of this writing the most recent data available). U.S. goods exports have increased by 204 percent since 2000, or 7.7 percent annually, while the U.S. trade deficit with sub-Saharan Africa shrank in 2015 to its smallest margin since the 1970s, as U.S. imports of energy declined. Services exports have also risen steadily, from $6.2 billion in 2000 to $14.6 billion in 2015.[6]

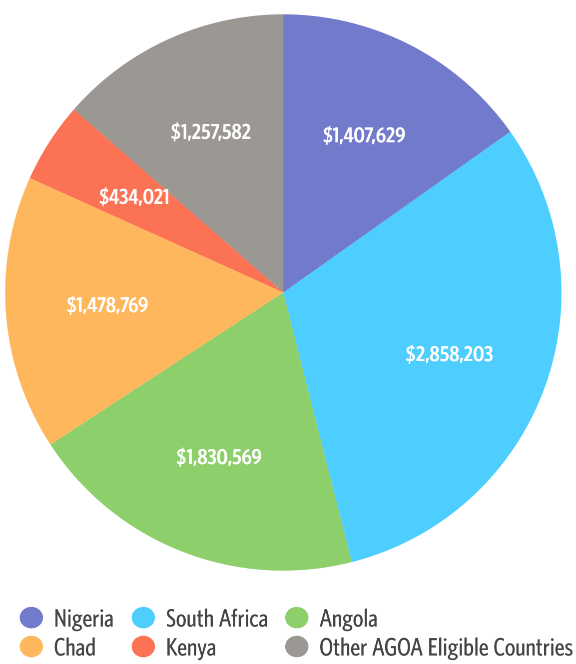
In addition, AGOA has helped a number of African countries diversify their export portfolios away from natural resource goods to include light manufactures. For example, AGOA's generous textile and apparel provisions have encouraged retailers to consider Africa as a sourcing location, helping African apparel manufacturers compete with wealthier and more established exporting countries, and supporting hundreds of thousands of jobs in sub-Saharan Africa.[7] The recent ten-year extension of AGOA has further increased the attractiveness of investment in African apparel and textile production, with a number of investors now considering further incorporating the continent into their global supply chains. For example, a major recent project in Ethiopia by the PVH Corporation, one of the largest global apparel companies, includes new investment in upstream yarn and textile production, which suggests the beginning of integrated production with greater stability and investment in downstream apparel production.

Finally, beyond the trade figures, AGOA's eligibility criteria and convening power have helped foster an improved business environment in many African countries, provided incentives for African economic and political reforms, supported regional integration (including through AGOA's rules permitting cumulation among program beneficiaries), and expanded trading opportunities for both African and U.S. businesses.[8] Moreover, AGOA has become a powerful symbol of the commitment the United States and Africa have made to one another's prosperity.

THE LIMITATIONS OF AGOA

At the same time, there are challenges that AGOA has not been able to fully address. In a global sense, despite AGOA and similar tariff incentives offered by other developed countries, sub-Saharan Africa's share of global trade remains small at about two percent of global exports in 2015. This is comparable to the levels of 2000. And while natural resource commodities now play a smaller role in U.S.-African trade than they did in the 1990s, this rests more on U.S. energy discoveries than a change in sub-Saharan Africa's trade patterns, which worldwide remain highly dependent on energy and ore exports. As Africa's economic downturn (and the associated recent drop in U.S. exports to sub-Saharan Africa) since the end of the commodity boom show, a more diverse future export portfolio for the region—in which manufactured goods, services, and agriculture balance resource exports—would mean more stable growth for Africa, and more stable African markets for the United States. Though sub-Saharan Africa's presence in the U.S. market has grown in absolute terms, it remains small in relative terms, at one percent of total U.S. imports in 2015. Moreover, notwithstanding the broad product coverage of the AGOA program, and the Generalized System of Preferences (GSP) scheme on which it is built, preferences have been claimed on only a fraction of the 6,475 AGOA-eligible tariff lines, and the number of large-scale AGOA users remains limited, with the top five beneficiary countries accounting for 86 percent of AGOA imports in 2015 (see **Figure 2**).[9]

Figure 2: U.S. Imports under AGOA from Top Five Beneficiary Countries, 2015 (Thousands of Dollars, Customs Value)

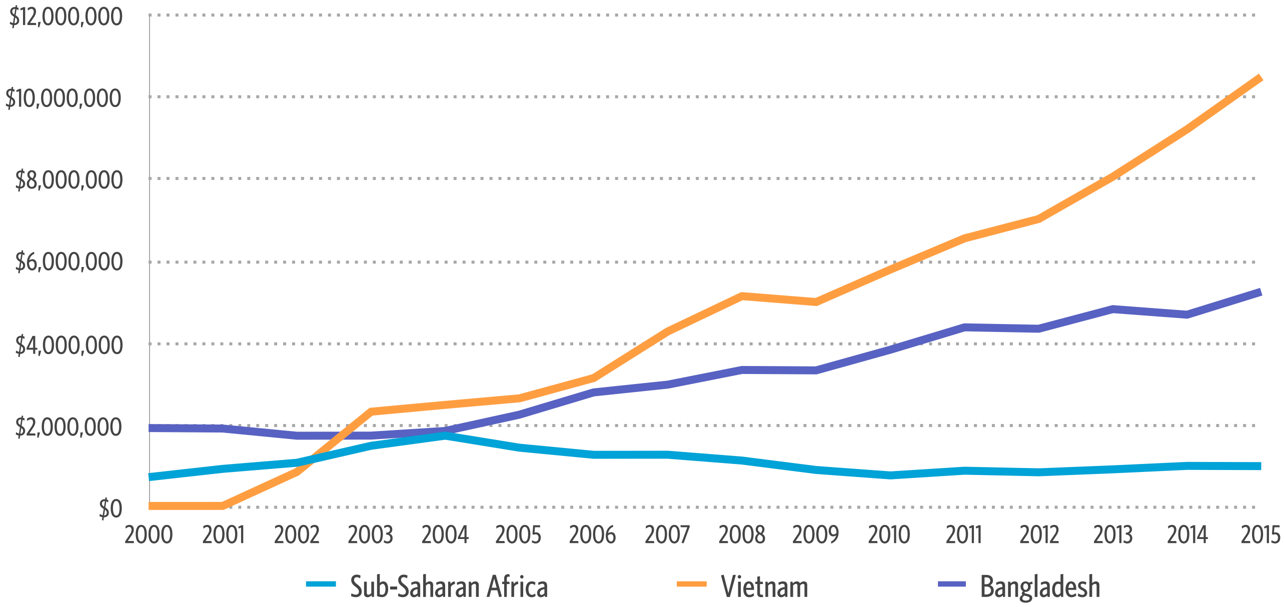


SOURCE: U.S. DEPARTMENT OF COMMERCE, USITC DATAWEB

AGOA's apparel story also has been uneven. Starting from a low base of roughly $600 million in 1999, African apparel exports to the United States quickly rose to a high of $1.62 billion in AGOA's early years, but then dropped back after the elimination of textile quotas in 2004, before rising again to nearly $1 billion in 2015. By comparison, over the same period, Vietnam's apparel exports to the U.S. have grown from essentially zero to $10.7 billion in 2015, even while being subject to non-preferential, most-favored nation (MFN) tariff rates, and Bangladesh's from $1 billion to nearly $6 billion, also under MFN rates. And in apparel, as in the overall program, use remains limited, with four countries (Kenya, Lesotho, Mauritius, and Madagascar) accounting for 92 percent of AGOA clothing exports in 2015 (see **Figure 3**).[10]

This experience suggests that while AGOA's tariff waivers have been valuable policy tools, their effects are limited. Indeed, a recent comprehensive review of AGOA conducted by the Office of the United States Trade Representative (USTR) confirmed this conclusion. The review found, among other things, that tariff benefits alone are insufficient to produce transformational change of the kind that U.S. policymakers have sought in Africa for decades. Other factors are equally, if not more, important. In particular, it is important to improve the trade and investment climate, including by eliminating supply-side constraints and barriers to the flow of trade and investment. This includes implementing improvements in logistical and communications systems, but also extends to market access barriers, which can reduce the competitiveness of exporters (and producers for local markets), and depress purchasing power. Policies addressing these obstacles need to be in place in order for market access incentives like tariff elimination in the U.S. and other buyers of African products to be most effective.

Figure 3: Apparel Exports to U.S. from Sub-Saharan Africa, Vietnam, and Bangladesh, 2000-2015 (in 1,000 dollars)



SOURCE: U.S. DEPARTMENT OF COMMERCE, USITC DATAWEB

LOOKING FORWARD

The recent ten-year extension of AGOA provides an important degree of predictability to investors and buyers who are looking to invest in or source from Africa and will help keep our trading relationship with sub-Saharan Africa on a positive track. But, it is also important for U.S. and African policymakers to begin drawing up a strategy appropriate for a new era. This report examines pathways for advancing the U.S.-Africa trade and investment, encourage investment in sub-Saharan Africa, and build new markets for American products and services, building off the basic premise that deepening and expanding these ties is in the critical interest of both the United States and our sub-Saharan African partners.

We begin in Section 1 with a review of Africa's remarkable growth record over the years since passage of AGOA, as well as prospects for the future, and underscores the importance of the United States and Africa partnering together in this growth. Section 2 looks at the evolution of the African and global trade landscape since the passage of AGOA, highlighting the general trend toward economic integration, but also recognizing growing economic nationalism in some countries. Section 3 examines four case studies—Vietnam's evolving relationship with the United States, the EU's negotiations with South Africa and its neighbors, Liberia's accession to the WTO, and Peru's trade agreement with the United States—that shed some helpful light on the question of a new trade framework for Africa. Section 4 considers possible substantive building blocks that can help us deepen our trade and investment relationship. Section 5 concludes the report with a look at the various architectural and policy approaches that have been employed by U.S. and African policymakers to date, which will be important considerations as we move towards a future beyond AGOA. ■

PHOTO CREDIT: USAID

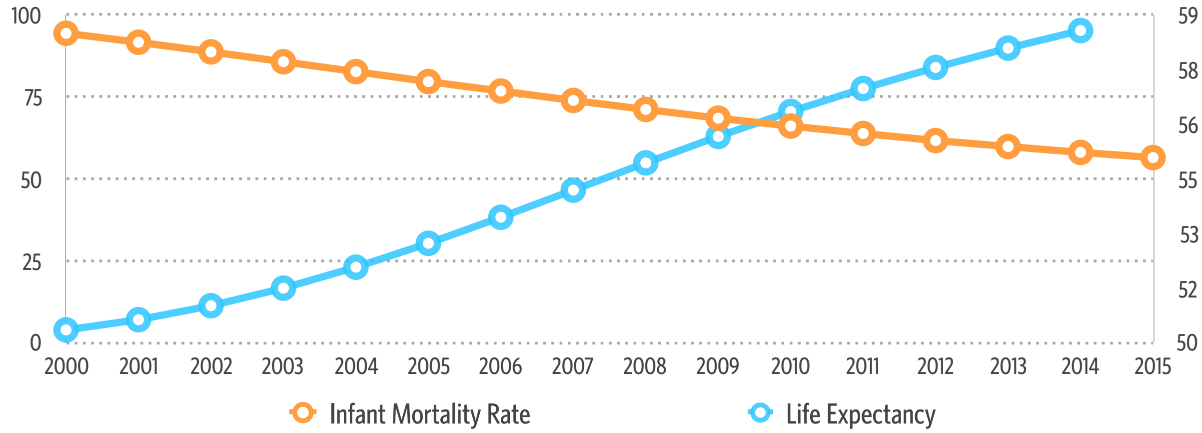
The African Imperative: The Case for a Deeper Trade and Investment Relationship with Sub-Saharan Africa

> **There are a thousand reasons Africa and the United States should work together for the 21st century, reasons buried deep in our past, reasons apparent in the future just ahead. . . . Over 100,000 American jobs depend upon our exports to Africa. There could be millions more when Africa realizes its potential. As Africa grows it will need what we produce and we will need what Africa produces.**
>
> **President William Jefferson Clinton**
> **Conference on U.S.-Africa Partnership for the 21st Century, Department of State**
> **March 16, 1999**

> **Because Africans and Americans share a belief in the values of liberty and dignity, we must share in the labor of advancing those values. In a time of growing commerce across the globe, we will ensure that the nations of Africa are full partners in the trade and prosperity of the world.**
>
> **President George W. Bush**
> **Remarks to the Corporate Council on Africa's U.S.-Africa Business Summit**
> **July 26, 2003**

FOR DECADES, THE IMPORTANCE of close economic ties between the United States and Africa has been unquestioned. Rooted in mutual economic interest, a deep and complex shared history, and in the common values of our societies, it has been in the interests of both the United States and sub-Saharan Africa to hew together. That rationale has not changed; if anything, the case for a strong trade and investment relationship is greater today than it has ever been. The ubiquitous narrative of "Africa rising" has very real foundations—in an Africa already much more developed than in 2000, and likely to be one of the world's growth drivers over the next two decades, but an Africa still facing economic and technological challenges that the United States is uniquely placed to help address. Failure by the United States and sub-Saharan Africa to closely

Figure 4: Sub-Saharan Africa Infant Mortality Rate, 2000-2015 (per 1,000 live births) and Life Expectancy, 2000-2014 (total (years))



SOURCE: WORLD BANK DEVELOPMENT INDICATORS DATABASE

partner in this growth could have serious repercussions for the United States, sub-Saharan Africa, and the global trading system broadly.

THE IMPORTANCE OF PARTNERING WITH A RISING AFRICA

Since the creation of AGOA, Africa has changed in three basic ways: it is more prosperous, it is better-connected, and its growth prospects have improved.

Africa is more prosperous

Since 2000, sub-Saharan Africa has been one of the world's fastest growing regions.[11] Over this period the region's real GDP has more than doubled, and its share of global GDP has risen from 2.4 percent to 3.1 percent.[12] Sub-Saharan Africa's growth rate has averaged more than five percent per year,[13] exceeding six percent per year in some of the region's fastest growing economies. And while the region consists of 49 diverse economies ranging from diversified middle-income countries such as South Africa and Mauritius to fragile countries such as Burundi and resource-dependent countries such as Chad and Angola, growth was broadly experienced, with 13 countries seeing real growth rates of at least five percent in 2015.[14]

This robust growth has helped reduce poverty, improve health, and raise living standards across the continent.

- **Falling Poverty:** While poverty in Africa remains high relative to other regions, the share of sub-Saharan Africa's population living in extreme poverty declined from 58 percent in 1999 to 43 percent in 2012, and a projected 35 percent in 2015.[15] Based on sub-Saharan Africa's one billion-strong population as of 2015, this is the equivalent of lifting 230 million people out of absolute poverty.

- **Improving Health:** Economic growth, improving governance, and international and U.S. programs addressing African health challenges have sharply improved daily life and health across most of the continent. For example, infant mortality rates in sub-Saharan Africa have declined significantly, falling from 94 deaths per 100,000 births in 2000 to 56 in 2014,[16] while life expectancy at birth rose from 50 to 59 years (see **Figure 4**).[17][18]

- **Rising Purchasing Power:** Consumption of consumer goods has grown along with the African middle class and urban populations; the latter surpassing the combined urban population of Europe and North America as of 2010.[19] The African Development Bank in 2011 estimated a near-doubling of real-dollar consumer spending from $356 billion in 1990 to $680 billion in 2008.[20] Overall, the number of African households with discretionary spending power also nearly doubled to over 100 million from 2000 to 2012.[21]

Africa is More Connected

Africa is better connected to the world—through new mobile and digital technologies, as well as through traditional maritime and air connections—than at any time in its history. When Congress passed AGOA in 2000, about one percent of Africans—roughly seven million people—had mobile phone connections. Today, more than half of Africans have mobile accounts, with more than 754 million individual accounts and over 35 mobile operators.[22] The continent's on-line population has grown almost as fast as its mobile use, from nearly five million in 2000 to over 300 million as of June 2016—a pace of growth about eight times the global average, exceeding the Internet user population in North America.[23] In Kenya, which has been Africa's leader in Internet usage growth, Internet users grew from 200,000 in 2000 to nearly 32 million in 2015, a staggering 15,900 percent growth.[24]

This growth in connectivity has been accompanied by a flowering of creative and digital industry. For example, Kenya's m-Pesa, a mobile payment company launched in 2007, now enables over 15 million Kenyans to buy, sell, pay bills, and build credit histories online constituting approximately 50 percent of Kenya's GDP (see case study below). Similarly, Nigeria's "Nollywood" complex has become one of the most prolific film industries on earth, serving over a billion people through low-budget, CD-based movie releases.

In more traditional terms as well, Africa's links to the world are larger, faster, and steadily growing. One

KENYA'S M-PESA

Launched in 2007 by Vodafone for Safaricom, Kenya's M-Pesa ("m" is an abbreviation for mobile and "pesa" is Swahili for money) is a mobile payment company that enables over 15 million Kenyans to buy, sell, pay bills, and build credit histories online, constituting approximately 50 percent of Kenya's GDP. With each account holding a maximum of $1,000, subscribers use a pin-secured bank account on their mobile phones and make payment for everyday expenses using text messages.[25] M-Pesa has been transformational in reaching previously unbanked populations, spurring other countries in Africa and Asia to follow Kenya's lead.

PHOTO CREDIT: SAFARICOM

interesting indicator is the growth of containerized cargo flows, an indicator of both rising value-added exports and rising imports of consumer goods and industrial inputs. UNCTAD's annual Review of Maritime Transport[26] provides container traffic data suggesting three-fold to six-fold trade growth for ports around the continent since 2000.

Air linkages have grown at a similar pace. The World Bank, for example, reports that in 2002 African airports counted approximately 320,000 international and domestic plane flights in 2002, carrying 16.5 million passengers. By 2015, essentially a decade later, the number of flights had more than doubled to nearly 705,500, and passenger totals had risen even faster to over 45 million.[27]

Africa Has Strong Growth Prospects

Africa's future prospects are steadily brightening. After 15 years of growth and urbanization, Africa is poised for an era of self-sustaining growth, driven by larger urban populations, consumer spending, and—given the continent's large youth demographic—the potential to join, or even succeed East Asia as the world's "factory floor," providing consumer manufactures for world markets.

As with other regions, African growth faces domestic challenges—including, in the near future, the apparent end of the resource boom driven by Chinese growth and, over longer periods, still-weak levels of regional integration, high transport costs, and infrastructure challenges such as electricity supply bottlenecks. Further, African wealth is clearly unevenly distributed among its many nations, with a number of countries still extremely poor.

But, even so, sub-Saharan Africa's growth remains higher than that of most emerging and developing regions. Further, medium-term growth prospects remain favorable—projected to increase in 2017 and 2018, and returning to nearly 5.0 percent in 2021, due in part to the underlying drivers of growth that have been in play domestically in the region over the past decade, including improvements in the business environment and favorable demographics, which remain in place.[28] Overall, the IMF forecasts African growth rates to be nearly 1 percentage point above the global average in the medium-term from 2017 through 2021.[29]

Demographic trends in Africa could contribute meaningfully to global growth as well as economic development on the continent, as the region becomes the largest source of new entrants into the global labor force.[30] With 430 million children under the age of 15 today, by 2030 sub-Saharan Africa will be home to almost a quarter of the world's workforce and of its consumers.[31] With the right policies in place, Africa's young and dynamic labor force and a large and emerging consumer market hold the promise of sigificant further growth opportunities for the continent and for the countries with which it expands its economic ties.[32]

IMPLICATIONS FOR THE UNITED STATES

The United States has much to gain from a rising Africa. Testimony shared with the U.S. Government at a public hearing convened by USTR in January 2016, [33] which included testimony from a diverse set of U.S. and African stakeholders, illuminated the potential Africa's consumer market offers U.S. exporters across a wide range of industries.

Aircraft manufacturer Boeing, for example, explained that a more prosperous Africa will be a region in which air travel rates rise and demand for new aircraft soars:

> Air traffic for the continent's airplane carriers is forecasted to grow at approximately 6 percent annually between 2015 and 2034—outpacing the global average of 4.9 percent. Boeing forecasts that African carriers will need 1,170 new airplanes, valued at approximately $160 billion at list price over the next 20 years.[34]

The U.S. express delivery firm United Parcel Service (UPS) testified to the rapidly rising demand for just-on-time delivery of both industry and consumer goods across the continent:

> We are seeing tremendous opportunity across the continent with its large and young population, improving physical infrastructure, and emerging middle class… With the growth of the middle class comes a greater need for information technology, an automotive sector, machinery and parts, consumer electronics, and new sources of energy. All of these segments are important

> customer verticals for UPS. We go where our customers tell us they need us to go, and an increasing number are seeing opportunity in Africa.[35]

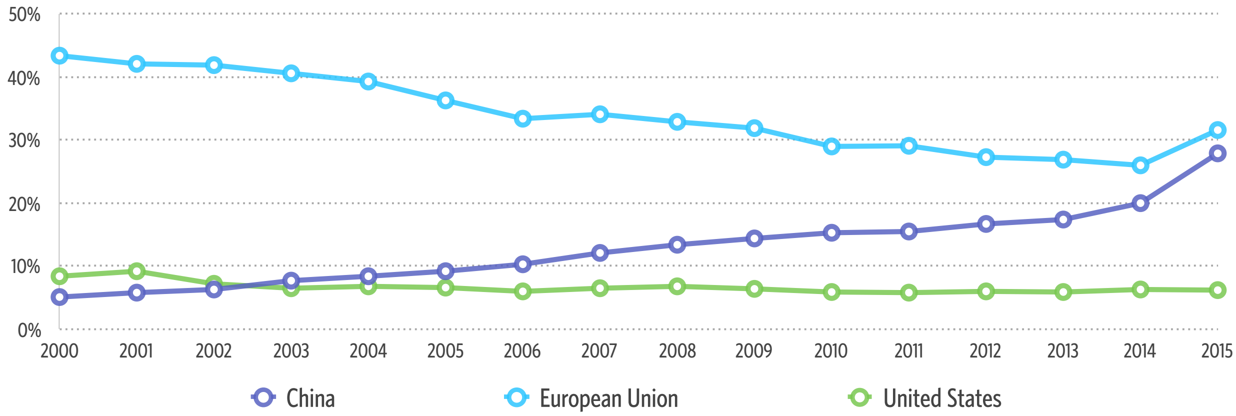
Testifying before Congress, the Chief Supply Chain Officer for PVH Corporation spoke about a recent exploratory trip to East Africa that convinced PVH and a number of other companies to invest in textiles and apparel production in Ethiopia:

> Many of the companies were hesitant to make the trip, being either skeptics or downright cynics, given that similar missions in the past had not yielded much success. Leveraging our long term relationships, we convinced them to come with us and give it another chance. What we saw this time around changed everyone's mind. The countries we visited demonstrated that they had laid the foundations necessary to attract significant foreign direct investment and were prepared to undertake the commitments necessary to secure socially responsible companies. . . .[E]very one of the other companies we had cajoled to join us on the trip agreed that Africa is ready for significant investment. They, and I, saw the opportunities that reminded us of some apparel production powerhouses today—and where they were 20 years ago. This is not a supposition. We know it because we have discussed it with other companies and we know there is great excitement about the very near term growth potential in Africa.[36]

And there is still further potential for small businesses, providers of digitally deliverable services, and other institutions just beginning to reach potential African clients and markets as Africa's on-line communities grow and seek relationships with American partners.

Going beyond commercial interests, the United States also has strategic interests in strengthening its trade and economic ties with sub-Saharan Africa. As President Obama wrote in 2012, putting forward the U.S. Strategy Toward Sub-Saharan Africa, "sustainable, inclusive growth is a key ingredient to security, political stability, and development, and it underpins efforts to alleviate poverty, creating the resources that will bolster opportunity and allow individuals to reach their full potential."[37] A secure, stable and prosperous Africa is important to the United States for its own sake, as well as for the myriad ends to which the United States and Africa work together, including issues that transcend national boundaries like terrorism, climate change, trade in counterfeit medicines and other products, and illegal fishing and wildlife trafficking. A strong U.S.-sub-Saharan African trade and investment partnership can help support sustainable, inclusive growth on the continent, including because of the unique U.S. approach to trade engagement with its partners—incorporating comprehensive policy reforms for stronger rule of law, transparency and anti-corruption measures, sustainable labor and environmental practices, strong intellectual property protections, and open markets in services, agriculture and

Figure 5: Principal Exporters to Sub-Saharan Africa, 2000-2015 (% of Total Exports)



SOURCE: UN COMTRADE, WORLD INTEGRATED TRADE SOLUTIONS (WITS) DATA PORTAL

digital products.

Notwithstanding the importance of the region, and despite AGOA's measurable successes, the U.S. still has a relatively small economic presence on the continent. The U.S. accounted for only 5 percent of sub-Saharan Africa's total trade of over $660 billion in 2015, lagging behind Europe (24 percent) and China (18 percent), with over 60 percent concentrated in three countries (South Africa, Nigeria, and Angola) and over 50 percent of U.S. goods imports from sub-Saharan Africa related to extractive industries (see **Figures 5 & 6**).[38] U.S. exports to sub-Saharan Africa have mirrored this concentration and suffered from the volatility of African resource economies. In 2013, goods exports to Angola, South Africa, and Nigeria accounted for 65 percent of U.S. goods exports to sub-Saharan Africa as a whole, and these exports have since dropped by a third as their resource industries have slowed.[39] And beyond trade flows, U.S. foreign investment in Africa has been limited, averaging $45 billion since 2004, less than one-third of FDI from Europe and lower than FDI from the Middle East and BRIC nations.

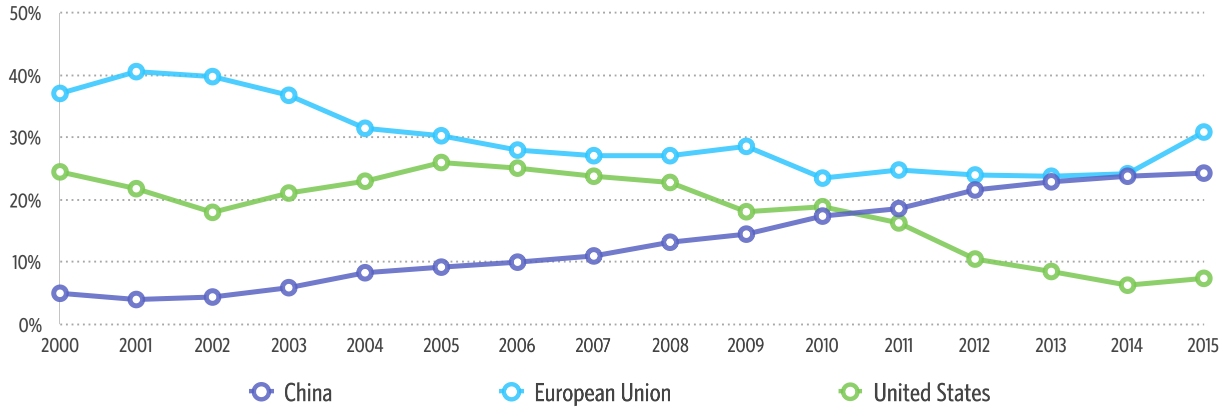
These trends suggest that new strategies are necessary to develop even stronger trade and investment relationships and to pursue the joint U.S. and African interests in long-term sustainability and poverty reduction.

AFRICA'S INTERESTS IN EXPANDED TRADE AND INVESTMENT TIES TO THE UNITED STATES

From the perspective of the sub-Saharan African countries, the case for expanded ties to the United States is similarly strong. Trade and investment have been key sources of African growth, with Africa's inflows and outflows of goods, services, and finance rising from $440 billion in 2000 to $1.8 trillion in 2014 (72 percent of GDP). However, sub-Saharan Africa's export pattern makes the region vulnerable to commodity price shocks and the region remains a net exporter of fuel, minerals and metals, and agricultural commodities. The combined export share of fuel, ore, and metals in the region's exports has actually increased from 47 percent in 2001 to over 60 percent in 2014. By contrast the share of manufacturing in African exports has declined from 27 percent in 2001 to 16 percent in 2014, and the share of agricultural commodities declined from 20 percent in 2001 to 10 percent in 2014. [40]

Internally, despite 15 years of strong growth, Africa's overall competitiveness remains constrained by small and fragmented markets, weak institutions, an infrastructure deficit, and other factors. In addition, Africa's labor productivity in the agriculture and trade service sectors, where most agricultural labor has shifted, bypassing the manufacturing sector, remains low on a global basis. Disparities across countries are wide, and many countries have taken major steps forward. But the region's weak overall competitiveness and declining commodity prices—a key driver of Af-

Figure 6: Principal Importers from Sub-Saharan Africa, 2000-2015 (% of Total Imports)



SOURCE: UN COMTRADE, WORLD INTEGRATED TRADE SOLUTIONS (WITS) DATA PORTAL

rica's growth—make it far from certain that sub-Saharan Africa will be able to sustain its growth in the future, weather external shocks, and leverage the "demographic dividend" of its young and growing population.[41]

Indeed, the dangers to sub-Saharan Africa of over-reliance on resource exports and lack of a more diversified export strategy are, to some extent, already playing out in the slowdown African trade experienced over the last year attributable to lower commodity prices, rising borrowing costs, weaker growth in major trading partners,[42] and developments in China, including China's rebalancing of growth away from raw material intensive sectors.[43] Over the last two decades, China's role in African trade has grown dramatically. In 2011, China became sub-Saharan Africa's largest single-country trading partner, with the Chinese share of the region's trade—negligible in the 1990s—reaching 17 percent.[44] However, the fall in commodity prices and slowing Chinese growth cut China's imports from Africa by half in a single year, from above $110 billion in 2014 to barely $50 billion in 2015—a decline so large as to affect Africa's macroeconomic prospects, and one that illustrates Africa's vulnerability and the dangers inherent in dependence on natural resource exports for growth. The drop in commodity price levels and the tightening of global credit markets has not only cut export revenue but jeopardized many governments' fiscal stability and left them still more vulnerable to external shocks, further complicating the challenge of accelerating poverty reduction in the region.[45][46] Sustainable growth and poverty reduction require new sources of demand and new productive industries.

Here, the American consumer market remains a unique potential driver of African light manufacturing expansion. And Africa's newest growth drivers—the on-line and creative industries—require partnerships that the United States is uniquely suited to provide. Mobile connections and financial transfers depend ultimately on information technology platforms developed and made secure largely by the American information technology and financial services industries. The African film, video game, and other creative industries have much to gain from partnering with the American entertainment and tech industry. American Internet and software firms lead in developing innovative, low-cost means for African individuals, families, and small businesses to access the Internet. And the potential for African farm and manufacturing exports to replace natural resources as the next decade's growth driver benefits from a strong connection to the U.S. consumer market.

In these ways, closer relations with the United States are vitally important to Africa's next decades of growth. And where tariff preference margins are valuable in supporting African exports, they may not be enough for an era in which the needs are for larger-scale production, faster delivery, lower-cost logistics, efficient and pro-innovation telecom and Internet policies, and policy frameworks that ensure low-cost access to inputs and high-quality, technologically sophisticated investment. ■

PHOTO CREDIT: WORLD BANK

Key Trends in the Global Trading System

> **We are all caught in an inescapable network of mutuality, tied into a single garment of destiny. . . .Did you ever stop to think that you can't leave for your job in the morning without being dependent on most of the world? You get up in the morning and go to the bathroom and reach over for the sponge, and that's handed to you by a Pacific islander. You reach for a bar of soap, and that's given to you at the hands of a Frenchman. And then you go into the kitchen to drink your coffee for the morning, and that's poured into your cup by a South American. And maybe you want tea: that's poured into your cup by a Chinese. Or maybe you're desirous of having cocoa for breakfast, and that's poured into your cup by a West African. And then you reach over for your toast, and that's given to you at the hands of an English-speaking farmer, not to mention the baker. And before you finish eating breakfast in the morning, you've depended on more than half the world. This is the way our universe is structured, this is its interrelated quality.**

Dr. Martin Luther King, Jr.
A Christmas Sermon on Peace, December 24, 1967

AS WE CONSIDER THE FUTURE policy architecture of the U.S.-African relationship, we need to look also at the ways the world is moving—from sub-Saharan African countries' efforts to more closely integrate with each other and into the global economy, to our own efforts to expand our economic ties to others, including developing country partners, and at broader trends in world trade. What is clear from that assessment is that our trading relationship with sub-Saharan Africa—based, as it is at present, largely on a one-way preference arrangement—is increasingly out of step with an international trading system moving towards deeper and more reciprocal integration.

GROWTH OF RECIPROCAL TRADE ARRANGEMENTS AND SHRINKING PREFERENCE REGIMES

Reciprocal Trade Arrangements

Regional and bilateral reciprocal trading arrangements are proliferating in the global trading system. As the WTO noted in its 2011 World Trade Report on such agreements:

> From the 1950s onwards, the number of active [preferential trading agreements (PTAs)] increased more

or less continuously to about 70 in 1990. Thereafter, PTA activity accelerated noticeably. The number of PTAs in force in 2010 was close to 300. The surge in PTA activity is driven both by a growing number of countries taking an interest in reciprocal trade opening and by an increase in the number of PTAs per country.[47]

Developing countries are increasingly significant players in this shifting picture. According to the WTO, in the 1970s, nearly 60 percent of all PTAs were between developed and developing countries (so-called "North-South" agreements) and agreements between developing countries (so-called "South-South" agreements) accounted for only 20 percent of the total. This balance had flipped almost completely by 2010, with South-South agreements accounting for two-thirds of a much larger group of PTAs, and North-South agreements accounting for only one-quarter.[48]

Not only are developing countries increasingly active participants in these agreements, the agreements themselves are becoming "deeper"—incorporating commitments that go beyond traditional tariff reductions to address behind-the-border issues such as constraints on the supply of services, investment rules and protections, intellectual property protections, sanitary and phytosanitary measures, technical requirements for trade in goods, and labor and environmental policies. This evolution is a natural extension of early trade liberalization efforts. Since the establishment of the GATT in 1948, over the course of multiple rounds of multilateral and plurilateral negotiations at the WTO, and with the explosion of free trade arrangements, tariffs have been significantly reduced. According to the WTO, for example, tariffs in major trading countries were reduced from a pre-GATT average of 20-30 percent to about 4 percent by 2009, with tariff reductions happening in virtually all regions of the world (albeit to different extents).[49] As tariffs around the world fell during the 1970s and 1980s, the impact of non-tariff barriers and behind-the-border issues became more pronounced, and trade agreements increasingly looked to address such issues, usually in ways that went beyond the WTO obligations of the parties (either exceeding WTO commitments, for example in intellectual property, or covering issues not covered by WTO agreements, such as labor and environment).[50]

Unilateral Trade Preferences

At the same time, unilateral trade arrangements are shrinking. For example, in 2000, under the former Cotonou Agreement, the EU made clear that it intended to eliminate its generous trade preferences for the African, Caribbean, and Pacific Group of countries and replace the preferences with reciprocal arrangements. The EU also revised its lower-benefit Generalised Scheme of Preferences in 2014 to limit it to only 89 beneficiary countries (40 least developed countries and 49 low and lower-middle income countries). Excluded from the scheme were 87 previous beneficiaries—20 high and upper-middle income countries, including Brazil, Argentina, and Malaysia; 34 countries that had negotiated trade agreements with the EU, including sub-Saharan African countries that had negotiated Economic Partnership Agreements (EPAs);[51] and 33 countries and overseas territories that had alternative access to the EU market. In explaining the shift, EU Trade Commissioner Karel De Gucht stated that "[i]t was an important recognition that key developing economies have become globally competitive. This now allows us to tailor our pro-development trade scheme to give the countries still lagging behind some additional breathing space and support."

Canada also revised its General Preferential Tariff (GPT) program as of January 1, 2015 to exclude "higher-income and trade-competitive" countries, defined as countries that: (1) are high income or upper-middle income economies according to the World Bank; or (2) have a one percent or greater share of world exports. Applying these criteria, Canada excluded 72 of 175 beneficiaries, including China, Brazil, India, Indonesia, Thailand, and Turkey. Canada explained the rationale for these changes saying they "ensure that the GPT is appropriately aligned with the global economic landscape and target the benefits to countries most in need of this type of assistance. These changes also better align the GPT with similar programs of other major tariff-preference granting countries, such as the EU."[52]

Even in the United States, the number of preference beneficiary countries has declined, although not

AFRICA'S OVERLAPPING REGIONAL ECONOMIC COMMUNITIES

East African Community (EAC)

Common Market for Eastern and Southern Africa (COMESA)

Southern African Development Community (SADC)

Economic Community of West African States (ECOWAS)

Tripartate Free Trade Agreement (TFTA)

SOURCE: UNCTAD, THE ECONOMIST

through formal revisions to the preference programs. Rather, in the United States, a number of countries have graduated from preference programs into free trade arrangements. This includes the six countries of the Central America-Dominican Republic Free Trade Agreement (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, as well as the Dominican Republic), Colombia, Panama, and Peru.

SUB-SAHARAN AFRICAN TRADE POLICY TRENDS

For Africa, as with the rest of the world, the trade policy trend has generally been towards greater market opening and economic integration with neighboring countries and, more recently, developed country partners and China. But there are also important exceptions. Four trends, in particular, deserve consideration as the United States considers next-generation policies with respect to sub-Saharan Africa: (1) regional and continental integration, (2) movement towards agreements with Europe and China; (3) limited participation in plurilateral initiatives, and (4) economic nationalism in some countries.

Regional and Continental Integration

Over the last few decades, regional economic communities (RECs) have come to dominate the African landscape. At present, there are 17 such blocs, eight of which are officially recognized by the African Union (see map: **Africa's Overlapping Regional Economic Communitites** on page 17).[53] Only some of these trading blocs have sought to establish free trade areas, and in many of those RECs, implementation of regional trade agreement (RTA) obligations remains low.[54]

But, even so, RECs have contributed to growth in trade and investment over the last decade. Intra-African trade, while still low compared to other regions of the world, grew from 9.3 percent in 2000 to 11.3 percent in 2015.[55] Sub-Saharan African countries also account for a significant share of total FDI inflows into the region, with South Africa being the leading investor and Kenyan firms ranking second. In addition, African investors are more likely than investors from other regions to invest in services and manufacturing, rather than in natural resource extraction or processing.[56]

The shift towards services and manufacturing FDI is important for sub-Saharan African participation in regional and global value chains, in which services and manufacturing play an important role. Intra-African investment was also strong in the communications sector. South African firms were important investors in the region.[57] Similarly, in 2014, Nigeria accounted for a large portion of sales and purchases in intra-African mergers and acquisitions (M&As).[58]

Africa now appears to be moving toward broader continental integration. In June 2015, the 26 member countries of the three largest African RECs—the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), and the Southern African Development Community (SADC)—launched the negotiation of the Tripartite Free Trade Area (TFTA) between them, including commitments on elimination of tariffs and non-tariff barriers, customs cooperation and trade facilitation, TBT, and SPS measures, among others. The TFTA, once concluded and fully implemented, would cover over 600 million people, a land mass about the size of Russia (17 million square kilometers), and a combined GDP of $1.2 trillion (58 percent of the GDP of Africa).

Also in June 2015, at the 25th Summit of the African Union (AU), the 54 AU member countries agreed to establish a continental free trade area (CFTA) in goods and services by 2017. These negotiations are underway, though they are reportedly behind schedule. The U.N. Commission on Trade and Development (UNCTAD) has estimated that:

> the full liberalization of trade in goods (manufactures and agriculture), backed by rules of origin compatible with African productive capacity, could have raised the share of intra-African trade in total African trade from about 10.2 to 15.5 per cent between 2010 and 2022. This share may have further increased to around 22 per cent with the improvement of trade facilitation measures, especially transportation linkages and customs clearance for intra-African trade.[59]

Agreements with Outside Partners

A third relevant trend is Africa's movement toward new, more reciprocal trading arrangements with outside partners. Most recently, in 2014, the European Union concluded such agreements, known as "Economic Partnership Agreements" (EPA) with: (1) the 15 Members of the Economic Community of West African States (ECOWAS) and Mauritania in West Africa, (2) the six members of the SADC EPA Group in Southern Africa,[60] and (3) the five members of the EAC in East Africa. Since 2009, the European Union has also had interim EPAs in place with Cameroon (Central Africa) and Mauritius, Seychelles, Zimbabwe and Madagascar (Eastern and Southern Africa), with negotiations underway for comprehensive regional EPAs in each of those areas in the future.

In addition to the EPAs, the sub-Saharan African countries have negotiated four additional agreements with non-African partners: (1) the EU-South Africa Trade Development and Cooperation Agreement (TDCA), which was signed in 2000 and became fully implemented (i.e., all tariff cuts phased in) in 2012; (2) the Southern African Customs Union (SACU)-European Free Trade Association[61] (EFTA) agreement concluded in 2008; (3) the SACU-Mercosur[62] agreement concluded in 2009; and (4) the Turkey-Mauritius agreement concluded in 2013 (see **U.S. & African Third-Country Trade Agreements** timeline on page 20).

All of the sub-Saharan African agreements can be classified as relatively "shallow," insomuch as they solely or primarily cover goods trade and elimination of tariffs. And, in the case of the EPAs, the tariff elimination obligations are also asymmetrical—under the agreements, the EU undertakes to provide tariff elimination on significantly more lines than its sub-Saharan trading partners. As they are implemented, these agreements also stand to put U.S. exporters in many sectors at a competitive disadvantage vis-à-vis their foreign counterparts. As the African market grows and gains in importance globally, these competitive pressures will likely increase. As a result, United States will likely have an increasing interest in identifying trade policies that will help equalize the conditions of competition and level the playing field for American businesses and workers in the sub-Saharan African market.

Finally, there is movement in Africa towards formalizing trade and investment arrangements with China. Chinese trade with the region grew by 26 percent per year from 1985 to 2013, reaching a total value of $170 billion, or approximately 24 percent of total sub-Saharan African trade (up from 2.3 percent in 1985).[63] China is now sub-Saharan Africa's largest single country trading partner. It is also one of the largest investors in sub-Saharan Africa, with Chinese FDI exploding from negligible amounts in 1985 to $24 billion in 2013 and more than 2,200 Chinese enterprises now operating on the continent.[64] Parallel to this expansion in trade and investment, in 2000 China and the sub-Saharan African countries established a Forum on China-Africa Cooperation (FOCAC), the primary forum for engagement on trade and investment matters. And, in 2011, China negotiated Framework Agreements on Economic and Trade Cooperation with the EAC and ECOWAS, to expand cooperation in trade facilitation, investment, cross-border infrastructure construction, and development aid. As EPAs are ratified and come into effect, China may also look to more binding, reciprocal trading arrangements.[65] Indeed, at the Sixth Ministerial Conference of the FOCAC in December 2015, China stated that it would look to negotiate:

> ...comprehensive trade agreements that will cover trade in goods and services and investment cooperation. We will fully unlock the potential of bilateral commercial cooperation and improve the institutional environmental for trade and investment liberalization and facilitation so that more African goods will have access to the vast Chinese market and more Chinese businesses will be attracted to invest in Africa.[66]

Although the United States believes expanded Sino-African relations are generally positive for Africa and for the global trading system, reciprocal arrangements between China and sub-Saharan Africa without parity for American exporters will only intensify concerns that U.S. exporters will find themselves being left out of African markets.

U.S. & SUB-SAHARAN AFRICAN THIRD-COUNTRY TRADE AGREEMENTS SINCE 2001

U.S. trade agreement
Sub-Saharan African trade agreement

2001
- US-Jordan FTA

2004
- US-Singapore FTA
- US-Chile FTA
- EU-South Africa FTA

2005
- US-Australia FTA
- US-CAFTA-DR FTA

2006
- US-Bahrain FTA
- US-Morocco FTA
- US-Oman FTA

2008
- EFTA-SACU FTA

2009
- US-Peru FTA
- Interim EU-Cameroon FTA
- Interim EU-Cote d'Ivoire EPA
- Interim EU-SADC EPA
- Mercosur-SACU Preferential Trade Agreement

2012
- US-Panama FTA
- US-South Korea FTA
- US-Colombia FTA
- Interim EU-Eastern & Southern Africa EPA

2013
- Transatlantic Trade & Investment Partnership (T-TIP) Negotaitions Launch between US & EU
- Turkey-Mauritius FTA

2014
- EU-ECOWAS EPA Concluded
- EU-EAC EPA Concluded
- EU-SADC Group EPA Concluded

2015
- Launch of Tripartite FTA Negotiations
- AU Agreement to Establish CFTA

2016
- Trans-Pacific Partnership (TPP) signing

SOURCE: EUROPEAN COMMISSION TRADE WEBSITE; U.S. DEPARTMENT OF COMMERCE, USITC

Rise of Economic Nationalism in Some Countries

Several African countries—including the continent's two largest economies—have experimented with nationalist economic policies as well as with trade liberalizing agreements. Nigeria, for example, has ordered multinational companies operating in Nigeria to source all hardware products locally, though in practice domestic sources of supply are often not available. And South Africa has experimented with similar, if less sweeping, policies. Whereas agreements with Europe and China have high potential for Africa but could have negative side-effects for the United States by virtue of trade diversion, localization measures of this sort present little benefit for Africa (they are rarely successful development policies for their authors) and pose clear challenges to U.S. interests.

Multilateral and Plurilateral Initiatives

Africa represents the largest bloc of countries in the WTO. The 41 sub-Saharan African members now account for a quarter of the organization's 164 members. Most are long-time participants in the multilateral trading system, with 26 having joined before the conclusion of the Tokyo Round of GATT in 1979—that is, before such economies as the Philippines, Thailand, Hong Kong, Mexico, China, Taiwan, Saudi Arabia, Vietnam, and Russia. Only two large African countries, Ethiopia and Sudan, still remain outside the WTO.

This large membership gives Africa substantial weight in the multilateral trading system, and several individual countries are active and influential members across a range of policy issues, including South Africa, Nigeria, Kenya—host of the 2015 WTO Ministerial Conference in Nairobi—Mauritius, and others. However, as the multilateral Doha Round negotiations have yet to produce a comprehensive outcome, various plurilateral initiatives have been launched. Africa's engagement in these efforts has been limited. For example, only Mauritius, the Seychelles, and Cape Verde have joined the Information Technology Agreement (ITA), which eliminates tariffs on products like computers and telephones; by contrast, the ITA includes six ASEAN members, eight Latin American countries, and six Middle Eastern states. No African country has joined the Government Procurement Agreement; none are participating in the Environmental Goods Agreement (EGA) negotiations, and, Mauritius is the only sub-Saharan African country participating in the Trade in Services Agreement (TiSA) negotiations (not formally a WTO agreement but a plurilateral trade liberalization initiative) (see **Table 1**). This leaves Africa with higher costs—whether for information technology, major goods necessary for public services, or manufacturing—and weakened ability to participate in global value chains, and also leaves Africa outside many important policy discussions on these issues.

TABLE1: SUB-SAHARAN AFRICAN COUNTRIES' PARTICIPATION IN MULTILATERAL AND PLURILATERAL TRADE INITIATIVES

Initiative	Participating SSA Countries
Environmental Goods Agreement	None
Government Procurement Agreement	None
Information Technology Agreement	Cape Verde, Mauritius, Seychelles
Trade in Services Agreement (TiSA)	Mauritius

SOURCE: WORLD TRADE ORGANIZATION (WTO)

U.S. TRADE POLICY TRENDS

Free Trade Agreements

The United States has expanded significantly the number of countries with which it has comprehensive, trade-liberalizing agreements—from two in 2000 to 20 in 2015 (see **U.S. & African Third-Country Trade Agreements** timeline on page 20). Earlier this year, the United States and 11 other Asia-Pacific countries signed the TPP agreement, which will expand the count of U.S. FTA partners further when the agreement is ratified and entered into force. The United States is also seeking to conclude T-TIP negotiations with the EU. The current FTAs and the FTAs under negotiation provide improved access for American exports to 53 countries with a combined market of 1.5 billion consumers[67] (21 percent of the world's population) and $49.2 trillion in annual GDP [68] (64 percent of world GDP).

The U.S. agreements are among the most comprehensive and legally binding in the world. TPP—the highest-standard agreement negotiated to date—covers nearly 30 issue areas, ranging from goods and services market access, customs, e-commerce, investment, intellectual property, labor, environment, development, government procurement, competition policy, transparency, and anticorruption. One fundamental element of the U.S. approach to trade agreements has been the principle of symmetry and uniformity—that all countries, no matter their level of development, take on the same high-standard obligations, even if some countries require flexibility, such as additional time, to achieve full compliance. This has become increasingly important as the United States has engaged with developing country trading partners, such Vietnam, Malaysia, and Brunei, in the TPP negotiations.

Multilateral and Plurilateral Agreements

The United States has also pursued trade liberalizing agreements at the WTO, including the TFA concluded in December 2013—the first multilateral agreement negotiated under WTO auspices—which is aimed at improving efficiency and reducing the costs of trade, particularly for the world's poorest countries. In addition, the United States is playing a leading role in finalizing expansion of the WTO ITA, the first major tariff-liberalization deal achieved at the WTO in two decades, which will eliminate hundreds of tariffs on roughly $1.3 trillion in global information and communication technology exports. Work is also well underway on the TiSA with 22 other economies that, together, represent 70 percent of the world's $55 trillion services market in 2014—or approximately half of the global economy. And negotiations are ongoing on the EGA with 16 of the world's major traders of environmental goods to eliminate tariffs on green technology products currently facing tariffs as high as 35 percent.

Sub-Saharan African Countries

With sub-Saharan African countries, AGOA continues to be the main U.S. trade policy mechanism for engagement. Sub-Saharan African countries are not currently part of any free trade agreement with the United States. Although the United States and SACU began such negotiations in 2003, the negotiations stalled and were suspended in 2006. In addition, as noted above, other than the TFA, sub-Saharan African countries are largely absent from the WTO's plurilateral agreements

To begin to bridge this gap, the Obama Administration has moved forward with a number of new trade initiatives that, over time, could pave the way for the kind of comprehensive and reciprocal trade arrangements that the United States has negotiated with other developing country partners around the world. Importantly, in July 2013, President Obama launched "Trade Africa" with the five members of the EAC—Burundi, Kenya, Rwanda, Tanzania, and Uganda—to support increased regional and U.S.-EAC trade and investment. As part of this Trade Africa engagement, the United States and its EAC partners negotiated, and have been working to implement, a Cooperation Agreement covering sanitary and phytosanitary measures, technical barriers to trade, and trade facilitation.[69] These are areas in which cooperation by the United States and EAC—including through technical and capacity building assistance—could help the latter meet their WTO obligations and support increased regional and international trade. Currently, the United States and EAC are discussing expansion of the issues, including to the possible negotiation of the first regional investment treaty.

In 2015, the Administration expanded the Trade Africa initiative to Cote d'Ivoire, Ghana, Mozambique, Senegal, and Zambia, and committed to provide technical support on trade matters to ECOWAS. As with the U.S. engagement with the EAC, the first phase of the engagement with these new Trade Africa partners will include support on SPS, TBT, and trade facilitation to help foster an improved business climate and address capacity issues that constrain trade.

Complementary to these efforts, the United States has boosted trade capacity building assistance through Trade and Investment Hubs on the continent, which are expected to facilitate over $200 million in new investments and foster the creation of 37,000 jobs by 2020. And the United States has tackled basic hard and soft infrastructure challenges through Power Africa, which aims to add 30,000 megawatts and 60 million electricity connections in sub-Saharan Africa by 2030; the Millennium Challenge Corporation, which has invested in ports, roads, energy and other projects that help Africa trade more; and a host of other technical assistance from agencies across the U.S. Government.

CONCLUSION

An assessment of these key trade trends leads to a number of general conclusions. First, as sub-Saharan African countries establish closer trade ties with other countries both within and outside the continent, American businesses will be increasingly interested in strengthening their own ties to the sub-Saharan African countries. Especially as the sub-Saharan African market develops and grows in importance, American workers and businesses will not want to be left behind. U.S. commercial and strategic interests will require us to identify new policy approaches to better integrate the United States and sub-Saharan Africa.

Second, there is likely to be growing interest in the United States in rethinking unilateral preference approaches, particularly as more beneficiary countries choose permanent, reciprocal trading relationships with others, including other developed country partners and China. In order to ensure long-term continuity of access to the U.S. market, the United States and sub-Saharan African countries should begin exploring, developing, and implementing workable policies that could be in place by the time the current extension of AGOA lapses.

Third, while there has been a general global, African, and American trend towards more stable, reciprocal trading arrangements, there is also great variation in the kinds of arrangements countries have chosen, particularly as to scope, quality, and degree of implementation and enforcement. As we assess policy prospects, it will be important to determine which approaches would be most effective in deepening trade and investment ties. As we discuss in Sections 3 and 4, there is a strong argument that trade arrangements that promote comprehensive policy reforms and address non-tariff barriers to trade—rather than those that focus solely or primarily on tariff reductions—would likely better meet the challenges of deepening trade and investment with sub-Saharan Africa. ■

SECTION III

Vietnam, South Africa, Liberia, and Peru: Relevant Case Studies

> **“[T]he poor are poor not because of too much globalization, but because of too little—because they are not part of it, because they are excluded.**
>
> **Kofi Annan**
> **Address at Millennium Forum, May 22, 2000**

IN THIS SECTION, WE EXAMINE four relevant case studies: (1) the evolution of the U.S.-Vietnam trade relationship, culminating in the negotiation of the TPP agreement; (2) the evolution of the EU-South Africa relationship, culminating in the negotiation of the TDCA and later the EU-SADC EPA; (3) the shift from a closed market to preferences and free trade arrangements in Peru; and (4) the accession of Liberia, one of the poorest countries in the world, to the WTO. These case studies offer insight into a number of questions that are important as we think about future policy approaches to U.S.-sub-Saharan African trade, including what factors are important to countries in deciding to pursue policies of deeper integration, what approaches can be appropriate to address the challenges of trade and investment in developing countries, and what minimum commitments can be undertaken by countries regardless of their level of development.

U.S.-VIETNAM TRADE AND INVESTMENT

> **I can't think of two countries that have worked harder, done more, and done better to try to bring themselves together and change history and change the future and provide a future for people which is now very, very different.**
>
> **Secretary of State John Kerry**
> **Remarks to Ho Chi Minh City Business Community and Fulbright Economic Teaching Program Participants, December 14, 2013**

In 1995, Vietnam was an extremely poor country, with a PPP-basis GDP per capita income of $1,459 and nearly half the population living in absolute poverty.[70] Today, Vietnam is one of Asia's economic "miracle stories." By 2012, the latest estimate, the number of people living in poverty had fallen to 2.9 million—only 3.2 percent of Vietnam's population. Life expectancy had grown by 5 years from 71 in 1990 to 76—nearly at par with the United States—and infant mortality had dropped from 37 to 17 per 100,000 births.

Market opening reforms and growing trade with the world—including with the United States, currently Vietnam's largest trading partner—are credited with being an important factor in this transformation.[71] Since resuming trade relations in the 1990s, the U.S. and Vietnam have grown bilateral trade 200-fold, from approximately $220 million in 1994 to $45.1 billion in 2015, making Vietnam the 19th largest trading partner for the United States.[72] This growth resulted as, over the course of a generation, the two countries undertook a series of incremental, confidence-building steps to surmount seemingly intractable challenges, including contentious bilateral relations in the aftermath of the Vietnam War, competing political and economic philosophies, and Vietnamese laws, regulations, and institutional capacity less developed than that of many African countries today.

A "STEPPING STONE" APPROACH TO DEEPENING TRADE AND INVESTMENT

A series of "stepping stones" have helped to deepen U.S.-Vietnamese trade and investment ties over the last 20 years, beginning after the end of the embargo with the negotiation of the BTA and culminating most recently in the negotiation of the TPP agreement.

A TWENTY-YEAR TRANSFORMATION OF TRADE AND INVESTMENT RELATIONS

The following timeline describes the remarkable transformation of the U.S.-Vietnamese trade and investment relationship over the course of the last 20 years—beginning with a trade embargo and culminating in the negotiation of the most comprehensive, highest-standard trade agreement in either country's history.

1975	Following protracted military conflict in the 1960s and 1970s, the United States imposes a trade embargo in 1975 that prohibits bilateral trade and financial transactions and that dominates the trade relationship between the U.S. and Vietnam for over 20 years. The bilateral trade relationship is further limited by the Jackson-Vanik Amendment to the Trade Act of 1974, which denies MFN tariff status to countries that, like Vietnam, are designated as non-market economies and violate the Amendment's conditions.
1980s	Major political and economic developments set the conditions for a thaw in U.S.-Vietnam trade relations. Politically, the two countries work to resolve a sensitive issue in the United States—recovering the remains of U.S. military personnel declared "missing in action" during the Vietnam War—and Vietnam withdraws from Cambodia in 1989. Economically, Vietnam initiates a transformation of its Soviet-style centrally planned economy into a market economy under the Doi Moi (change and newness) policy of 1986, spurring rapid economic growth during which Vietnam's real GDP growth averages about 7 percent per year beginning in 1991.[73] These political and economic developments remove critical irritants, develop confidence and momentum, and strengthen the economic justification for renewing bilateral economic and trade relations.
1994	President Bill Clinton orders an end to the U.S. trade embargo on Vietnam.[74] However, because of the Jackson-Vanik Amendment, Vietnam continues to be subject to non-MFN tariffs (i.e., the original—often very high—rates established under the Smoot-Hawley Act, roughly averaging 40 percent).[75]
1998	President Clinton grants Vietnam a waiver under the Jackson-Vanik Amendment, allowing OPIC and Ex-Im Bank services for U.S. businesses engaged in trade and investment in Vietnam and for imports from Vietnam to enjoy MFN duties on a temporary basis.[76]
2001	After five years of negotiations, the Bilateral Trade Agreement (BTA) between the U.S. and Vietnam enters into force. The agreement provides for mutual extension of MFN status and commitments on issues such as services, investment, and intellectual property. The U.S. Government also establishes the Support for Trade Acceleration (STAR) program to support implementation of the BTA and provide assistance to Vietnam in acceding to the WTO.
2006-7	The United States and Vietnam conclude a bilateral protocol establishing the conditions for Vietnam's accession to the WTO and the United States grants Vietnam permanent normal trade relations status upon its accession to the WTO.[77]
2007	The U.S. and Vietnam sign a Trade and Investment Framework Agreement (TIFA).[78]
2008	The U.S. and Vietnam launch talks to establish a bilateral investment treaty (BIT) designed to improve the climate for foreign investors by establishing dispute settlement procedures and protecting foreign investors from performance requirements, restrictions on transferring funds, and arbitrary expropriation.
2010	Vietnam comes into the TPP negotiations, joining the United States, Brunei, Chile, New Zealand, Singapore, Australia, Malaysia, and Peru. Mexico and Canada join the negotiations in 2012 and Japan in 2013.
2016	The United States, Vietnam, and ten other TPP countries conclude and sign the TPP agreement.

1. **Bilateral Trade Agreement (2001):** BTA negotiations, which were to set the path for Vietnam's accession to the WTO, began in 1996, and were completed in the fall of 2000. Congress approved the agreement the next year. The BTA was substantially more demanding than previous such agreements (e.g., with China or Russia) had been, requiring Vietnam to reduce tariff rates on an MFN basis and bind the resulting rates, open a number of services markets, pass upgraded intellectual property laws based on WTO standards, and guarantee trading and distribution rights to businesses operating within Vietnam. In exchange, the United States agreed to the grant of normal tariff rates, which meant dropping the high Smoot-Hawley era tariffs on goods from Vietnam. As a result, tariffs dropped from an average of 42 percent to the roughly 1.7 percent trade-weighted MFN tariff rate applied to products from other countries. This provided a massive incentive for Vietnam to undertake the significant reforms reflected in the BTA.[79] At the same time, the U.S. Government established the Support for Trade Acceleration (STAR) program to support implementation of the BTA and, later, provide assistance to Vietnam in acceding to the WTO. The STAR program—designed by USAID and USTR—established a significant in-country presence and provided targeted technical assistance to help the Vietnamese government undertake the substantial legal and regulatory changes required by the BTA, and subsequent training and implementation assistance needed to ensure on-the-ground changes. The first phase of the STAR program lasted five and a half years (from 2001 to 2007) and cost $13.6 million.[80] Subsequent iterations of the program lasted until 2013.

2. **WTO Accession (2007):** Vietnam began negotiations on WTO accession shortly after the BTA was ratified and implemented in 2001. These negotiations took place over four years and were capped by a WTO accession agreement in which Vietnam again sharply reduced tariffs on industrial goods (and abolished tariffs on information technology goods and in other sectors consistent with the zero-for-zero commitments in the Uruguay Round) and bound all tariff rates at applied levels. Vietnam also agreed to full implementation of the WTO Agreements on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and Trade-Related Investment Measures (TRIMs), and opened logistics, telecommunications, financial services, and other service sectors. All of these commitments would be enforceable by WTO dispute settlement rules, marking a new level of commitment by Vietnam to be bound by international rules.[81]

3. **Trans-Pacific Partnership:** Building on 20 years of efforts to reduce barriers to goods and services trade and implementing (albeit imperfectly in some cases) an extensive set of rules for subsidies, intellectual property, investment policy, and distribution, Vietnam joined the TPP negotiations in 2010. That agreement goes beyond Vietnam's previous commitments to include labor, environment, data flows, state-owned enterprise reform, and others, as well as further trade liberalization and intellectual property commitments. Notably, TPP establishes high-standard commitments across all areas for all signatories, regardless of their level of development. But the agreement acknowledges the different needs and capacities of developing country partners such as Vietnam by providing flexibilities—most often in the form of additional time for implementation.[82]

MOTIVATING FACTORS—OPPORTUNITY AND NEED

Strong economic factors motivated Vietnam and the United States to pursue a path of trade liberalization with each other. For Vietnam, by the mid-1980s, disastrous economic conditions led to the adoption of *Doi Moi* reforms, under which the government gave farmers greater control over production, abandoned central state planning, cut subsidies to state enterprises, reformed the price system, and opened the country to FDI. Beginning in the late 1980s, Vietnam began to look to foreign trade, including with the United States, to drive growth. This was particularly important as Vietnam sought to become an industrialized country by

2020 without the same benefits of protectionism and subsidization that the East Asian tigers employed previously.[83]

A slowdown in Vietnam's economy also provided critical momentum for the BTA negotiations. After recording robust growth for much of the 1990s, Vietnam's economy slowed during the 1997-1999 Asian financial crisis, with annual economic growth declining from a peak of 9.5 percent in 1995 to 4.8 percent in 1999 and 6.8 percent in 2000. FDI—a major stimulus for the country's growth—declined from over $8 billion in 1996 to $600 million in 1999, the lowest level since 1992. A significant portion of Vietnam's leadership came to see increased U.S. investment and MFN access to the U.S. market as major ways for Vietnam to reverse declining growth rates.[84] This was particularly important given Vietnam's demographics. Due to a post-war baby boom, a majority of Vietnamese citizens were young (under the age of 25). Approximately 1.5 million youths were entering the labor force each year in need of jobs, and millions more needed jobs in order to come out of poverty in the Vietnamese countryside.

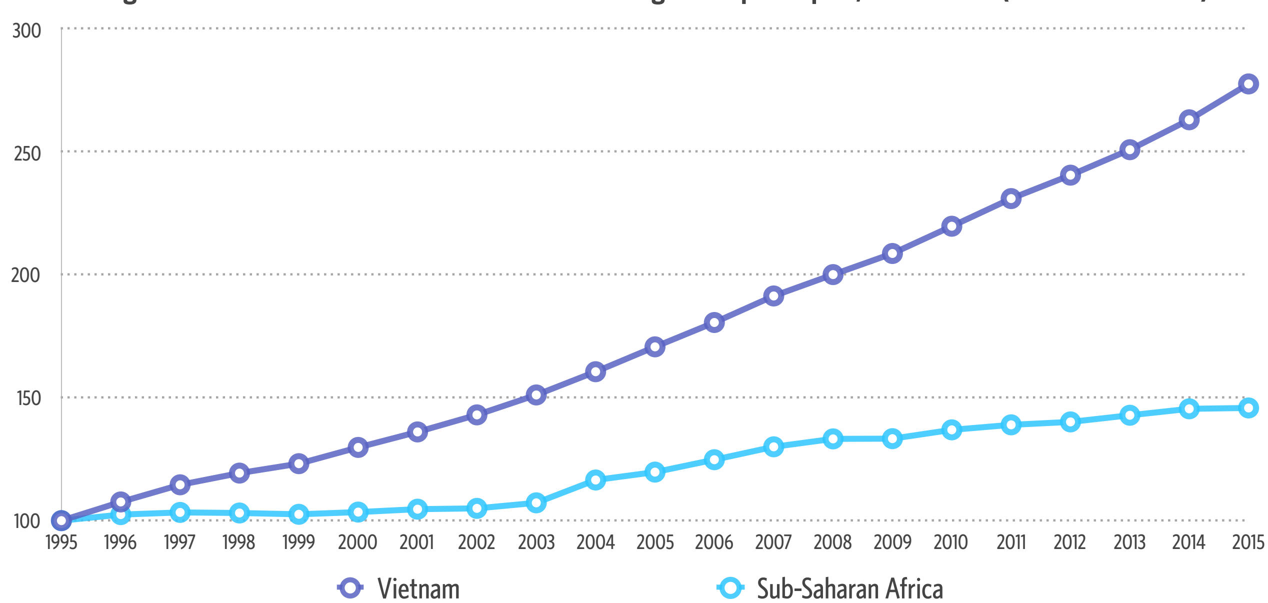
For the United States, Vietnam represented a large, rapidly growing market to U.S. companies and investors. Following the launch of *Doi Moi* reforms in 1986, and over the next 20 years, Vietnam was one of the world's fastest-growing economies, with real annual GDP growth averaging between seven and eight percent. Vietnam presented an attractive export and investment opportunity in several sectors, particularly computer hardware and services, telecommunications equipment and services, and energy-related machinery and services. For many multinational companies, Vietnam also presented an attractive alternative destination for FDI relative to factories and suppliers in China.[84]

CONCLUSION

Vietnam has had significant success in transforming an agricultural economy damaged by post-war command socialism into one of the world's major agricultural and light manufacturing export centers; and in turn, in providing jobs for migrants from rural areas and reducing poverty. The United States has been a key partner in this transformation.

This success is far from complete, however. Vietnam continues to face challenges with its large state-owned sector, with limited labor, environmental, intellectual property protections, and with transparency and corruption; areas where TPP's additional disciplines will be helpful. Moreover, the Vietnamese experience is not automatically transferrable to the African context, as it owes a great deal to the friend-

Figure 7: Vietnam vs. Sub-Saharan Africa Average GDP per capita,1995-2015 (Index 1995=100)



SOURCE: WORLD BANK WORLD DEVELOPMENT INDICATORS ly and integrated environment ASEAN has created, to the regional growth pushed along by China, and other unique factors. Nonetheless, the U.S.-Vietnam experience suggests three basic points for policymakers to consider in assessing the future of U.S.-sub-Saharan African trade:

1. **Though each country's capacity may differ, ambitious trade liberalization programs and high-standard trade rules are within the grasp of lower-income countries.** Indeed, in the early 1980s, Vietnam was the third poorest country in the world, slightly behind Bangladesh and slightly ahead of Ethiopia. Even in the mid-1990s, average per-person GDP in Vietnam was less than the average per-person GDP in sub-Saharan Africa ($1,459 as compared to $1,671 in sub-Saharan Africa) (see **Figure 7** on page 29).

2. **Where the incentives are sufficient the political will can follow.** Liberalization in the U.S.-Vietnam case required strong economic motivations on both sides (as well as strategic and other incentives). Over time, this was sufficient to overcome resistance to reform. While the incentives are different for sub-Saharan Africa (not only do we provide MFN treatment, we provide preferential trade terms to most African countries under AGOA), there are important economic and other reasons to pursue further trade integration (see Section 1). These reasons should be borne in mind in developing the next generation of U.S.-Africa trade policies.

3. **Incremental approaches to deepening trade and investment may offer a way forward.** The BTA and WTO accessions involved much more modest tariff cuts and other liberalization measures than a traditional U.S. FTA would require, but these incremental changes in policy placed Vietnam much closer to FTA-type policies than it was in 2000. In considering a path towards more comprehensive and reciprocal trade with sub-Saharan African countries, we should consider whether there are "stepping stones" that could make eventual free trade arrangements easier to negotiate.

EU NEGOTIATIONS OF RECIPROCAL TRADE AGREEMENTS IN SOUTHERN AFRICA

> **"Trade is a tool to spur economic growth and sustainable development. It's also an important factor for integrating regions and forming stronger bonds between countries. With the Economic Partnership Agreement that we are signing today, we want to base our trade relations with our partners in the Southern African region on commonly agreed, stable rules. Trade has helped lift millions of people from poverty throughout the years. Thanks to agreements like this one, we are preparing the ground for that process to continue.**
>
> **COMMISSIONER FOR TRADE CECILIA MALMSTRÖM**
> **European Union Press Release—*EU Signs Economic Partnership Agreement with Southern African Countries*, June 10, 2016**

The experience of the EU-South Africa and later EU-SADC negotiations highlights the complexities of negotiating reciprocal trading arrangements with sub-Saharan African countries that are at varying levels of economic development and interests, and that operate under unique structural incentives and constraints. This subsection provides an overview and key lessons learned from the EU's negotiations with South Africa on the TDCA and, thereafter, negotiations with the "SADC Group" comprising Botswana, Lesotho, Mozambique, Namibia, South Africa, and Swaziland on an EPA.

NEGOTIATING THE TDCA

Over the last two decades, the European Union has pursued a number of reciprocal trade agreements in Africa. The push started, in 1995, with the newly-democratized South Africa, then emerging out of the economic isolation of the apartheid years. Although South Africa sought initially to gain unilateral access to the European market through the Lome Convention, the EU instead offered a reciprocal free trade agreement. Following a reportedly difficult four-year negotiation, in 1999, the EU and South Africa signed the TDCA. The TDCA established an asymmetrical set of obligations for the two parties, focused largely on trade in goods, and was accompanied by a development/technical assistance package.[86] Coming into effect provisionally in 2000, and definitively in 2004, the TDCA was the first trade agreement concluded by South Africa, marking its reintegration into the global economy, as well as the first agreement concluded by the EU after the conclusion of Uruguay Round negotiations establishing the WTO and its new rules for global trade.

Although South Africa was then a member of the SACU, the world's oldest customs union, the other members of SACU were not included in the negotiations of the TDCA. Nonetheless, the SACU countries have a common external tariff, do not collect tariffs on trade between themselves, and participate in a tariff revenue sharing arrangement. As a result, Botswana, Lesotho, Namibia and Swaziland (BLNS) were *de facto* parties to the TDCA insomuch as free access to the South African market also meant free access to the BLNS countries.[87] Those countries, would not, however similarly benefit from the market access gained by South Africa into the EU market. This situation generated significant concern in the BLNS countries, with the EU eventually providing $1.3 million to Swaziland, to "cope with any fall-out or effects from the South Africa-EU free trade agreement."[88] Similar offers were reportedly also made to the other BLNS countries, paving the way for the SACU countries to give their approval for the deal, as required under the terms of the SACU charter.[89]

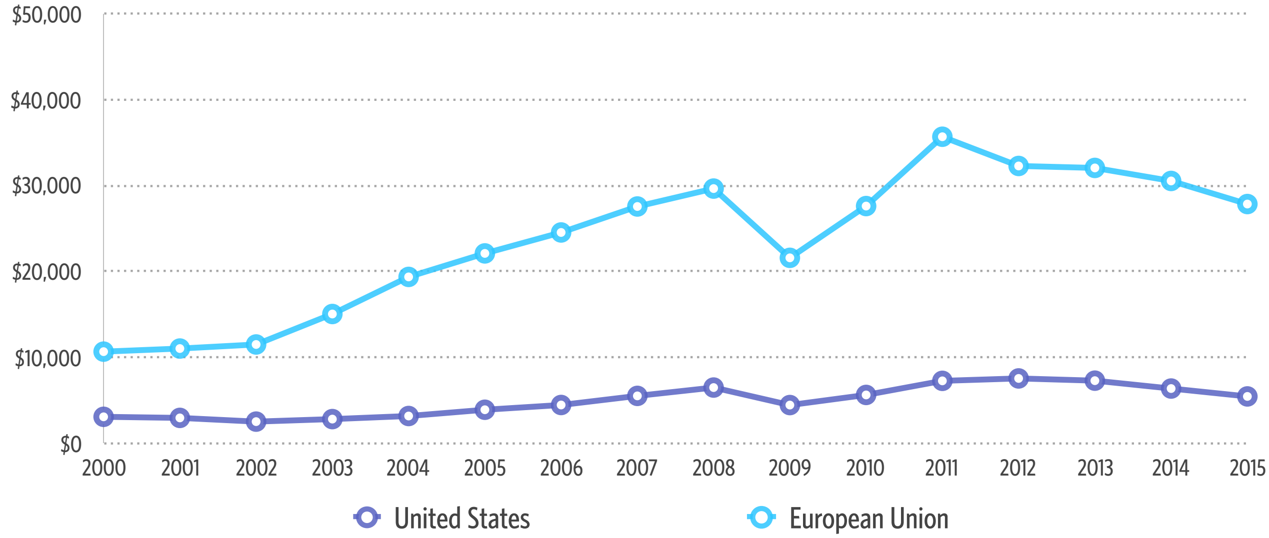
PROVISIONS OF THE TDCA AND IMPACTS

The TDCA is, by and large, a tariff reduction agreement on goods.[90] Few other disciplines are included in the agreement, and those that are—for example, intellectual property, services liberalization, SPS—simply affirm WTO commitments or commit the parties to cooperate (or both). The agreement eliminated tariffs on approximately 95 percent of EU imports from South Africa over a period of ten years, and South Africa eliminated tariffs on 86 percent of imports from the EU over twelve years (ending in 2013).[91] Both sides took exceptions for "sensitive" products—agriculture in the case of Europe and textiles and autos in the case of South Africa. Although the agreement was ostensibly asymmetrical in South Africa's favor, critics called the agreement a "raw deal" for South Africa, pointing out that, while that country removed duties on roughly 81 percent of agricultural imports from the EU, the EU removed tariffs on only 61 percent on South African agricultural imports, notwithstanding that agriculture is a significant sector of opportunity for the latter. There was concern also that the EU's agricultural phaseouts were backloaded, delaying benefits to South Africa. Further, some argued that the tariff reductions impacted South Africa more heavily—specifically, 40 percent of South Africa's imports from the EU, subject to an average weighted tariff of 10 percent, were affected by South Africa's tariff reductions. By contrast, only 25 percent of the EU's imports from South Africa were affected by a tariff reduction, and they were only subject to average weighted tariffs of 2.7 percent.[92]

Nonetheless, following the negotiation of the TDCA, trade between the EU and South Africa grew significantly, including in comparison to trade between the United States and South Africa. Specifically, total EU goods exports to South Africa grew by 153 percent in the 12 years after the FTA's provisions began being implemented, from $9.84 billion in 2000 to $25.0 billion in 2015. This closely reflects the growth of the South African economy during this period by 56 percent in real terms, or by 157 percent in nominal terms from a current-dollar GDP of $122 billion in 2000 to $313 billion in 2015. By comparison, U.S. goods exports to South Africa grew by only 85 percent, off a low base, from $3.25 billion in 2000 to $6.0 billion in 2015 (see **Figure 8** on page 33).

Under the terms of the TDCA, the agreement was to be reviewed within five years of its entry into force. [93] During the review conducted in November 2005, the EU and South African negotiators agreed to revise the bilateral TDCA trade provisions under the framework of ongoing plurilateral negotiations for an EPA, formally launched on July 8, 2004 between the EU

Figure 8: EU and US Goods Exports to South Africa, 2000-2015 (millions of dollars)



SOURCE: U.S. DEPARTMENT OF COMMERCE, BUREAU OF CENSUS

and the "SADC Group" countries.[94]

NEGOTIATING THE SADC EPA

Under the 2000 Cotonou Agreement, all of the countries belonging to the ACP Group of States, other than least developed countries, would need to transition to reciprocal free trade arrangements by December 31, 2007 in order to maintain the kind of access to the EU market they had enjoyed unilaterally before. If they did not, they would be transitioned into the EU's Generalised Scheme of Preferences program, with that program's lower level of benefits. With this framework in place, in Africa, the EU pursued EPAs with five regional groupings—(1) SADC, (2) ECOWAS, (3) the EAC, (4) a grouping of Eastern and Southern African (ESA) countries, and (5) the Central African Economic and Monetary Community. Although, at the start of the EU-SADC negotiations in 2004, South Africa was a member of SADC, because it already had an agreement in place with the EU (the TDCA), South Africa chose to engage in the negotiations only as an observer.

By most accounts, the EU-SADC talks were difficult. They were also plagued with complex structural issues and questions, including:

- **The role of South Africa.** South Africa which already had a bilateral agreement with the EU, but was also part of SADC and in a customs union with the SACU countries, declined initially to participate in the EPA negotiations. South Africa moved from observer status to participant in the SADC negotiations in 2007. As South Africa joined, however, the EU made clear that it considered South Africa to be at a different level of development than the other SADC countries and would treat South Africa distinctly in the negotiations.

- **Overlapping memberships in regional groupings.** The SADC and COMESA membership overlapped, with Mauritius, Malawi, Zambia, and Zimbabwe choosing to negotiate their EPA with the latter grouping under the ESA banner, splitting up SADC.

- **Diverse membership and continued Everything But Arms preferences for Least Developed Countries (LDCs).** The SADC Group includes countries at very different levels of income and development, from LDCs like Lesotho and Mozambique to upper middle income countries like Namibia, Botswana and South Africa. Further, the LDCs would remain eligible for generous Everything But Arms (EBA) preference benefits in the EU market, raising questions about their level of motivation to conclude any EPA arrangement. [95]

European Union Negotiations in Southern Africa

1999 — EU and South Africa sign **Trade and Development Cooperation Agreement (TDCA)**.

2000 — EU and ACP countries sign **Cotonou Agreement**.

2004 — Full implementation of **TDCA**.

2007 — Deadline establishes under **Cotonou Agreement** for sub-Saharan African countries to sign **Economic Partnership Agreements (EPAs).**

2007 — EU passes **Market Access Regulation 1528/2007**, allowing countries to continue receiving preferences if they have signed or initialed an EPA.

2009 — Botswana, Lesotho, Mozambique, and Swaziland sign an **interim EPA (IEPA)**.

2014 — EU withdraws the **Market Access Regulation 1528/2007** creating risk of loss of market access for some African countries.

2014 — EU and SADC Group, now including Botswana, Lesotho, Mozambique, Namibia, South Africa, and Swaziland, initials **a new comprehensive EPA**.

2016 — EU and SADC Group signs **the EPA**, with ratification expected no later than October 2016.

By December 31, 2007, the original deadline set in the Cotonou Agreement, none of the African regional groupings had concluded a final EPA with the EU. To avoid massive trade disruption, the European Union passed Market Access Regulation 1528/2007, which became effective on January 1, 2008, and allowed countries to continue receiving preferences if they signed or initialed an EPA, even without full ratification or implementation. In 2009, Botswana, Lesotho, Mozambique, and Swaziland signed an interim EPA,[96] largely to preserve their EU market access. They thereafter suspended their ratification of the agreement while negotiations on a final agreement continued.

On May 21, 2013, the EU withdrew the Market Access Regulation (effective October 1, 2014), with the effect that any country that did not have an EPA formally in place by that time would either lose their preferential access to the EU market or revert to EBA or GSP status, depending on their level of development. On July 15, 2014, the EU and SADC Group,[97] now including Botswana, Lesotho, Mozambique, Namibia, South Africa, and Swaziland, initialed a new comprehensive EPA. On June 10, 2016, the EU and SADC Group signed the EPA, with ratification expected by October 2016 (see **European Union Negotiations in Southern Africa** timeline).

PROVISIONS OF THE SADC EPA AND IMPACTS

The EU-SADC EPA provides better market access to the lesser developed SADC Group members than to South Africa. Specifically, the EU provides 100 percent duty-free quota-free access to the EU market (excluding arms) to Botswana, Lesotho, Mozambique, Namibia, and Swaziland, but only provides South Africa access to 98.1 percent of tariff lines (98.7 percent by trade volume). Nonetheless, the EPA improved upon South Africa's market access under the earlier TDCA. According to South Africa's Department of Trade and Industry, South Africa gained "improved market access for 32 agricultural products, with a significant improvement in our access to the EU market for wine (110 million liters duty free), sugar (150,000 tons duty free) and ethanol (80,000 tons duty free). There is also improved access for our exports of flowers, some dairy, fruit and fruit products." In addition, the EPA includes a bilateral protocol between the EU and South Africa on the protection of geographical indications and on trade in wines and spirits.[98] The EU has reported that, for its part, it will "obtain better access to the Southern African Customs Union (SACU) market--in particular for wheat, barley, cheese, meat products and butter."[99] Further, under the bilateral EU-South Africa protocol addressing geographical indications, "South Africa will give exclusivity to more than 250 names of European food products, wines and spirits." The EU-SADC EPA also includes an expansive "most favored nation" (MFN) clause requiring that any additional market access extended to other generally more developed trading partners by the SADC Group also be extended to the EU.

CONCLUSIONS

The EU-Southern Africa experience provides some particularly relevant insights into the challenges and opportunities of negotiating reciprocal trading arrangements in sub-Saharan Africa. The following are four key points:

1. **The "spaghetti bowl" of regional agreements and commitments in Africa are a significant complicating factor.** The various obligations and constraints of REC and customs union membership can have a significant impact on policy decisions, particularly with respect to reciprocal trade agreements. In the case of South Africa, for example, the BLNS needed to provide their consent to the TDCA under the terms of the SACU charter and also were directly impacted by the agreement in such areas as revenue collection. Similarly, in the case of the EU-SADC EPA, the overlapping memberships of sub-Saharan African countries in various RECs and customs unions affected negotiating decisions, both as to who was included in the negotiations and the commitments undertaken. These factors will need to be a critical consideration as we consider the architecture of U.S.-African trade relations in the future.

2. **Regional leaders can play an important role.** Supporting regionalization in sub-Saharan Africa has been a long-standing U.S. goal, and the creation of regional markets is important to growing trade and investment. However, engagement with entire integrated regions—especially with diverse membership—will likely be challenging. The Southern Africa case suggests one possible pathway—starting engagement with one regional leader and then expanding the circle to include other regional actors. An agreement with a regional leader can stand alone, if there is insufficient willingness or capacity on the part of other regional actors to engage, as the TDCA did for a number of years. But it can also serve as a model or basis for engagement with other countries in the region, if there is broader momentum.

3. **Taking on all—or almost all—of Africa at once with one single approach is unlikely to be effective.** Today, two decades into its effort to negotiate EPAs with the African regional blocs, the EU still has yet to complete outstanding negotiations with many countries. Moreover, many observers—including participants in USTR's January 2016 hearing—have expressed concern that implementation of some of the newly concluded EPAs will be a rocky process. Some part of these difficulties likely stem from the EU's general approach—seeking to engage all countries, at all levels of development, within most of the major African RECs all at once. A more targeted, tailored, and incremental approach, focusing on the most forward-leaning countries in the first instance, but creating an open platform for later comers, may be more effective.

4. **There has to be strong economic motivations on both sides.** As with Vietnam, the key motivator in the Southern African case was economic. South Africa could only gain Cotonou-type access to the EU market by negotiating the TDCA. Certain of the SADC Group countries—particularly Botswana and Namibia—stood to lose key preferential market access in the EU without an EPA. And, for the EU, the agreements provided an important economic foothold in sub-Saharan Africa. These factors led the parties to follow the path of free trade agreements with each other.

PERU'S INTEGRATION INTO THE GLOBAL ECONOMY

> **Today the challenges to our societies are the consolidation of freedom, democracy, social justice and peace; as well as the promotion of scientific and cultural development. The information and communication revolution allows countries to reach these goals and strengthen the links between our peoples by tearing down boulders, and consolidating the foundations of human culture, based in tolerance and respect to each other. Free trade agreements and world fora are important tools for these endeavors.**
>
> **Alan Garcia, President of Peru**
> **Signing of U.S.-Peru Trade Promotion Act, December 14, 2007**

Over the past decade, Peru has been actively negotiating free trade agreements, signing more than 16 such agreements bilaterally, including with the United States and China, and with regional blocs such as the group of TPP countries, the EU, and MERCOSUR. These changes have corresponded with steady improvement in Peru's economic condition as well as its business and regulatory environment. According to the IMF, over the last ten years, real GDP growth for Peru is up 76 percent compared to an increase of 40 percent during the previous decade (1995-2005), per capita GDP has risen 50 percent on a real basis to $6,021 in 2015 compared to 2005, and poverty rates declined from 14.2 percent of the population in 2005 to 9.3 percent in 2013.[100]

This subsection looks at Peru's transition to FTAs, its experience with economic liberalization and policy reform, its motivations for pursuing reforms and the factors that allowed it to be successful, and considers key lessons learned that could be relevant to U.S. and African policymakers.

PERU'S INTEGRATION INTO THE GLOBAL TRADING SYSTEM

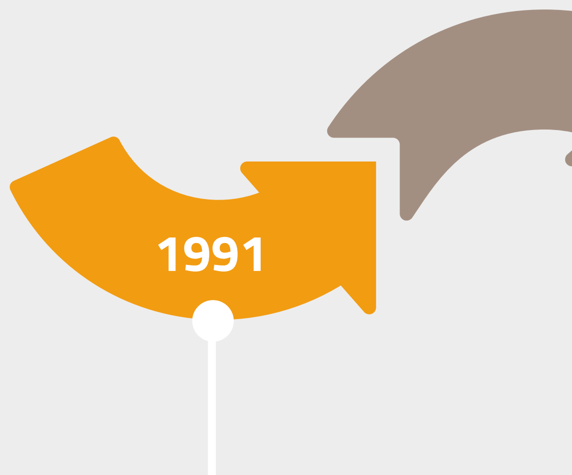
ECONOMIC LIBERALIZATION AND REFORM

The following timeline highlights Peru's experience with economic liberalization and reform:

- From the 1960s through 1970s, Peru enacted import substitution industrialization policies in an effort to drive growth and protect the domestic market. The state intervened heavily in the economy through trade protection, price controls, and fixed rates on wages, interest rates, and exchange rates. The government provided subsidies to import-competing industries and nationalized companies. But results were weak. Annual export growth dropped from 7.6 percent between 1945 and 1972 to 1.7 percent between 1972 and 1981. [101] Resources were misallocated, poverty remained at around 50 percent of the population, and macroeconomic instability was extensive.

- During the 1980s, public sector foreign debt grew unmanageable, and Peru faced high inflation levels that reached a state of hyperinflation. Real GDP dropped by 30 percent between 1987 and 1990.[102] A balance of payments crisis and an external debt crisis brought capital inflows to a stop and motivated people to substitute away from domestic currency. As a result, several attempts at trade liberalization failed. Domestic production fell by 20 percent between 1988 and 1990. [103] This period of time was also characterized by political violence and terrorism.

- Beginning in 1990, Peru's economic policies underwent a major shift, including more open, transparent economic policies. The newly-elected President, Alberto Fujimori, pushed through major trade reforms over the course of a decade, including liberalizing controls on prices, wages, interest rates, exchanges rates, and capital flows. During this period, subsidies to state-owned enterprises ended and state import monopolies were eliminated. Banking laws and regulations were also improved, the tax system was reformed, and state intervention in credit allocation ceased. All quantitative import restrictions were eliminat-



1991 Andean Trade Preference Act (ATPA)—Initially applicable to Bolivia, Colombia, Ecuador, and Peru, the ATPA extended tariff benefits to approximately 5,600 products

1998

Peru joined the **Asia-Pacific Economic Cooperation (APEC)** forum.

2001

ATPA extended and broadened via the **Andean Trade Promotion and Drug Eradication Act (ATPDEA)**, now covering approximately 6,300 products.

2009

The **U.S.-Peru Trade Promotion Agreement (PTPA)** entered into force in 2009, making permanent duty-free access previously provided under ATPA/ATPDEA and GSP.

2010-

Since signing the FTA with the U.S., Peru has **implemented FTAs with Canada, Chile, China, Costa Rica, the EFTA, the EU, Japan, Mexico, Panama, Singapore, South Korea, MERCOSUR, and Thailand**, which have entered into force. Peru has also signed pending FTAs with Honduras and Guatemala and with the TPP countries.

ed and tariffs were reduced to three rates only (10 percent, 25 percent, and 50 percent); by March 1991, the highest rate was reduced to 25 percent.

- As a result of these reforms, inflation dropped and macroeconomic stability returned. With controls on capital flows lifted, Peru began to attract foreign investment once again. GDP grew on average by 5.8 percent per year between 1992 and 1997. The fiscal balance returned from a deficit of 3 percent of GDP in 1992 to a surplus of 0.5 percent of GDP in 1997.[104] Exports were diversified to include non-traditional sectors.

- Successive Peru governments continued and expanded these policies. Peru's GDP growth rate increased from 2.8 percent in 1996 to 7.5 percent in 2006. The fiscal balance increased to a surplus of 1.9 percent of GDP in 2006.[105] South American resource exporters are generally seeing decelerating growth since the end of the commodity boom. But Peru's growth rate remains relatively strong, forecasted by the IMF to be the continent's second-highest in 2016, and highest in 2017 and 2018.[106]

FROM PREFERENCES TO FTAS AND GREATER GLOBAL INTEGRATION

Peru's process of economic liberalization linked with an increasing participation in the global marketplace (see **Peru's Integration into the Global Trading System** chart on pages 38-39). In terms of trade with the United States, the Andean Trade Preference Act (ATPA), enacted by the United States in 1991, provided the early framework. Initially applicable to Bolivia, Colombia, Ecuador, and Peru, the ATPA extended tariff benefits to approximately 5,600 products (i.e., adding about 2,000 lines to the 3,500 lines duty-free under GSP). To qualify, countries had to meet certain minimum eligibility requirements, including with respect to cooperation on combating illegal drug production and trafficking, a major objective underlying the establishment of the program. The program was initially authorized for ten years, to end in December 2001, but was subsequently extended and broadened via the Andean Trade Promotion and Drug Eradication Act (ATPDEA), which covered approximately 6,300 products. Textiles, apparel, footwear, petroleum, certain watches and watch parts, and tuna in foil or other flexible airtight packages were some of the newly added categories under the updated

program.[107] In 2005, of the $5.1 billion imports from Peru, 97 percent entered duty-free—50 percent under MFN provisions, 46 percent under ATPA/ATPDEA, and 4 percent under GSP.[106]

Peru also pursued avenues of opening trade relations with others. In 1998, Peru joined APEC, a major step in returning to the global financial sphere after the 1980s crisis, and paving the way for the government and businesses to build public and private sector relationships in Asia.

In May 2004, the United States began FTA negotiations with Colombia, Ecuador and Peru. The U.S.-Peruvian agreement—the PTPA—was ratified in 2007 and entered into force on February 1, 2009, making permanent the duty-free access previously provided under ATPA/ATPDEA and GSP. Unlike the preference programs, the PTPA was fully reciprocal and binding on both parties. In addition, also unlike ATPA/ATPDEA, the trade agreement required Peru to undertake a comprehensive slate of reforms to promote trade, investment, and sustainable development. For example, on environment, PTPA required Peru to implement a number of multilateral environmental agreements covering fisheries issues, trade in endangered species, marine pollution, ozone depletion, and wetlands. PTPA also established a dedicated forestry annex, leading to establishment of an important new system of forest governance for the Peruvian Amazon.

Since signing the FTA with the U.S., Peru has signed FTAs with Canada, Chile, China, Costa Rica, the EFTA, the EU, Japan, Mexico, Panama, Singapore, South Korea, MERCOSUR, and Thailand, which have entered into force. Peru has also signed FTAs with Honduras and Guatemala and with the TPP countries, which have not yet entered into force.

In addition, Peru is a member of the Pacific Alliance, along with Chile, Colombia, and Mexico. The Pacific Alliance is more than a free trade agreement, moving into areas such as integrated national stock markets, joint international trade missions, and the removal of visa restrictions between members.

MOTIVATING FACTORS

Several factors motivated Peru to pursue trade liberalization during the 1990s and to pursue an FTA with the United States even though it had generous, unilateral market access into the United States with relatively limited eligibility requirements.

- **Economic crisis and past policy failures:** Peru's trade liberalization reforms were grounded on a widespread realization that past protectionist policies had failed. When Fujimori took office in 1990, Peru was in the midst of a severe economic crisis. The public recognized that existing policies of import substitution industrialization had failed, and they elected Fujimori on a platform for change and reform, seeking to restore macroeconomic stability.

- **Success of Asian economies:** The success of Asian economies served as an example for Peru's reforms. A 2001 Peruvian government study found that various Asian countries had per capita incomes similar to that of Peru in 1970 but had surpassed Peru's growth rate over the next few decades. This seminal study formed a basis for many in the public and in the business community to believe that a country starting from Peru's position could succeed through trade and economic openness. Fujimori's policies, which prioritized building relationships with the Asia Pacific (such as through joining APEC), gave Peruvians further exposure to the Asian models of export-led growth.

- **Preferences provided an important start but were insufficient for the long-term:** ATPA gave Peruvian companies an opportunity to do business in the United States and, with this, leaders saw the potential of the relationship. A unilateral preference program, subject to periodic expiration, and unilateral determinations of eligibility, however, did not provide the long-term certainty necessary for full investment in the relationship.

CONCLUSIONS

While Peru's story is unique, its experience may offer a number of lessons that are relevant in the African context.

- **Preference programs have their limits.** The ATPA/ATPDEA framework provided an important beginning step for the U.S.-Peruvian trade and investment relationship, but had its limits. The preference program had supported limited reforms in Peru, not only with respect to the environment, where ATPA/ATPDEA (and GSP) imposed no eligibility-related obligations, but also with respect to other issues like intellectual property and labor, where the preference obligations were relatively limited and generally less high-standard. Reforms under the FTA—together with the stability of the FTA mechanism—supported additional trade and investment. Since 2009, when the U.S.-Peru FTA entered into force, total goods trade between the U.S. and Peru increased significantly, from around $9 billion in 2009 to $13.8 billion in 2015.[107] Further, global FDI stocks in Peru soared from $34 billion to $86 billion, though the U.S. direct investment stock remained relatively stable at about $6.5 billion in 2014.[110]

- **Incremental approaches can be very effective.** The U.S. initially deepened engagement with Peru as a partner in the war against drugs, but the ongoing dialogue between the countries and their joint focus on encouraging legitimate economic activity paved the way for stronger and more robust trade engagement. The ATPA/ATPDEA framework was replaced with a more stable, comprehensive, and bilateral free trade agreement, which in turn spurred Peru to pursue the Pacific Alliance with regional partners and allowed the United States and Peru to develop an even broader, more comprehensive multilateral engagement under the TPP umbrella.

- **Leadership matters.** Across leadership changes, the Peruvian government kept a focus on the benefits of integration into the world economy. Both Presidents Toledo and Garcia demonstrated a commitment to the negotiation of the U.S.-Peru FTA and rallied the public to the value of attracting foreign investment and competing in world markets. Leaders on both sides of the Atlantic will similarly play an influential role as the United States and African countries seek to deepen their trade relationships.

PHOTO CREDIT: WTO

LIBERIA'S ACCESSION TO THE WORLD TRADE ORGANIZATION IN 2016

> **"Liberia's accession to the World Trade Organization today is a turning point in our history as we embark on a journey of economic transformation for inclusive growth. Liberia intends to serve as an active member to foster trade as a tool for driving trade and investment for development and poverty reduction.**
>
> **Dr. Ellen Johnson-Sirleaf, President of Liberia**
> **December 16, 2015**

Liberia's accession to the WTO, agreed upon at the WTO's 10th Ministerial Conference in Nairobi last year and capped by Liberia's formal accession to the WTO on July 14, 2016, is a remarkable achievement for a small least-developed country still recovering from a prolonged internal conflict. As President Johnson-Sirleaf observes, the accession agreement is an important part of Liberia's development strategy, both as an internal policy tool to help the country encourage exports, investment, confidence, and growth, and as a way to strengthen Liberia's place in the world economy, providing Liberia with legal defenses against trade discrimination, rights to participate in future negotiations, and power to defend its rights through dispute settlement.

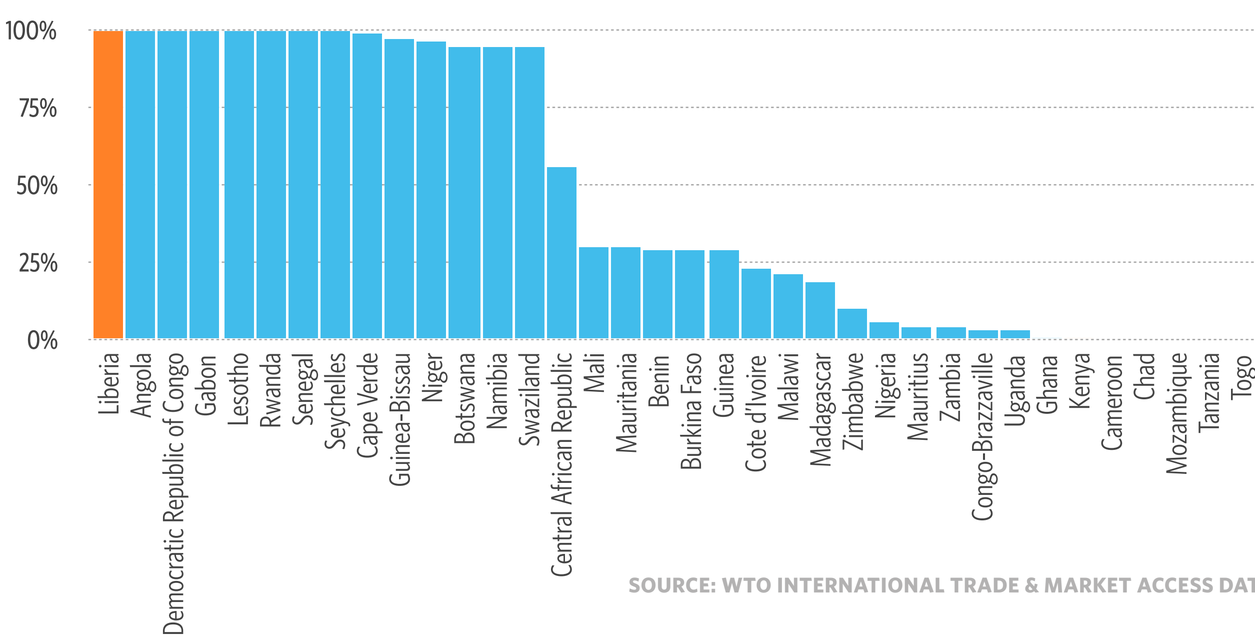
Although Liberia's accession relates to multilateral trade liberalization, it nonetheless provides an interesting case study for U.S. and African policymakers considering the future of their trade relationship. Liberia—with a per capita income estimated by the World Bank at $380 in exchange-rate terms (or $720 per year on a PPP basis)[111]—is the world's fourth-poorest country. The country is also recovering from a prolonged period of conflict, having suffered two civil wars from 1989 through 1995 and then again from 1997 through 2005, during which most government institutions, including the education system and health system as well as ministries, collapsed. The commitments that Liberia has undertaken in order to accede to the WTO, therefore, offer some insight as to the minimum standards that any country—no matter what its level of development—is capable of taking on as part of a strategy to expand its trade and investment engagement. They may suggest a "baseline" that policymakers can consider—particularly, under a phased or incremental approach to deepening trade and investment ties.

LIBERIA'S COMMITMENTS

As a general matter, Liberia's WTO accession agreement is comparable to those implemented by other LDCs that have joined the WTO over the last decade, such as Cape Verde, Cambodia, Samoa, Laos, and Nepal. The agreement covers the full range of WTO commitments, extending from tariff bindings to services commitments, trading rights, intellectual property, investment policy, customs valuation, trade facilitation, and others. At the same time, it offers Liberia longer transition times for implementation of a number of particularly complex agreements than emerging economies might need, and requires somewhat less reduction of tariffs and liberalization of services sectors. A summary of these commitments includes:[112]

- **Market Access:** Liberia makes two basic commitments on tariffs—overall tariff bindings, and bindings at low applied rates in sectors particularly important to development and living standards.
    - **100% Tariff Binding:** Liberia binds 100 percent of tariffs lines, at rates averaging 26.7 percent (or, in greater detail, 27.2 percent for nonagricultural tariff lines and 23.8 percent for agricultural lines). The 100 percent binding commitment is much more ambitious than the levels a number of long-term African GATT members (and also some non-African developing countries) have taken. For example, Nigeria has bound only 6 percent of industrial tariff lines, and Kenya and Ghana only 1 percent.[113] Liberia's applied tariff rates are well below the bound levels, at a simple mean average of 10 percent to 11 percent. This is high by world standards but comparable to Africa's continental 10.2 percent simple average tariff, and consistent with the 11.5 percent worldwide average the World Bank reports for low-income countries.[114]
    - **Binding at Applied Rates for Certain Key Goods:** Liberia has bound its tariffs on Information Technology Agreement goods at rates now applied—for example, computers at 5 percent and 10 percent. Liberia has also bound tariffs at applied rates for several other sectors and individual goods

Figure 9: Tariff Binding Coverage for Non-Agricultural Products, WTO Members in Sub-Saharan Africa



SOURCE: WTO INTERNATIONAL TRADE & MARKET ACCESS DATA in which low-cost imports are important to living standards and economic development goals. Examples include rice, for which tariffs are bound at rates of 10 percent to 15 percent, and construction and mining equipment, at 5 percent and 7.5 percent.

- **Customs, Trade Facilitation, and Related Matters:** Liberia will implement the WTO agreements on customs valuation, import licensing, rules of origin, and pre-shipment inspection, with transitions for implementation of WTO rules on customs, transit, and port fees, and excise taxes to allow time to find other revenue sources.

- **Technical Barriers to Trade:** Liberia will implement the WTO's TBT Agreement, using standards-setting and conformity assessment procedures in line with internationally accepted standards and agreeing to notify the WTO of new measures.

- **Agriculture:** Liberia bound agricultural export subsidies and domestic support at zero, with a 10 percent de minimis allowance for agricultural support. It will also implement the SPS) by August 2017, allowing a transitional period for capacity-building.

- **Services:** Liberia made comprehensive services commitments in 11 services sectors and in 102 subsectors. These include business and professional services, telecom and audiovisual services including the Telecommunication Reference Paper, distribution services, and financial services including banking, securities, and insurance. The commitments include a right of commercial presence in most sectors, and represent commitments consistent with many developed country GATS Schedules, and substantially more ambitious than those undertaken by most LDCs.

- **Transparency:** Liberia will publish all laws, regulations, and administrative rulings related to trade (as well as to other topics covered in WTO agreements, such as intellectual property and investment rules) before they become effective.

- **Trading Rights:** Liberia will grant individuals and businesses within Liberia the right to import goods and export goods, without requiring investment, on a non-discriminatory basis. Laws and regulations relating to the right to trade in goods and all fees, charges or taxes levied on such rights will conform to Liberia's WTO obligations, and requirements for commercial registration or application for trading rights will be for customs and fiscal purposes only.

- **Intellectual Property Rights:** Liberia, a member of the African Regional Intellectual Property Organization, indicated that it will implement the WTO's TRIPs Agreement, further advancing its commitment to building a robust intellectual property regime.

- **Investment:** Liberia will implement TRIMS rules by November 2019, with a transitional period to phase out supports and implement investment incentives already under contract.

CONCLUSION

As a new WTO member, Liberia will be implementing an extensive and, in some ways, demanding set of trade policies and related regulations over the next three years. Although these are not higher than commitments that other LDCs (in Africa and elsewhere) have taken in joining the WTO over the last decade, they are striking for two reasons: (1) in the ambition they represent for Liberia as an extremely low-income country recovering from conflict; and (2) in that they go well beyond the commitments Africa's more prosperous and advanced economies have historically made, particularly with respect to tariff bindings (see **Figure 9**).

As a case study for policymakers considering options for future relationships with sub-Saharan African economies, Liberia's commitments provide a sense of the minimum standards that might be sought. They also provide some insight as to the much greater levels of reciprocal engagement that could be expected of the continent's larger and more advanced economies as the next decade proceeds. ■

PHOTO CREDIT: USAID

Towards a New Trade Policy: Substantive Building Blocks

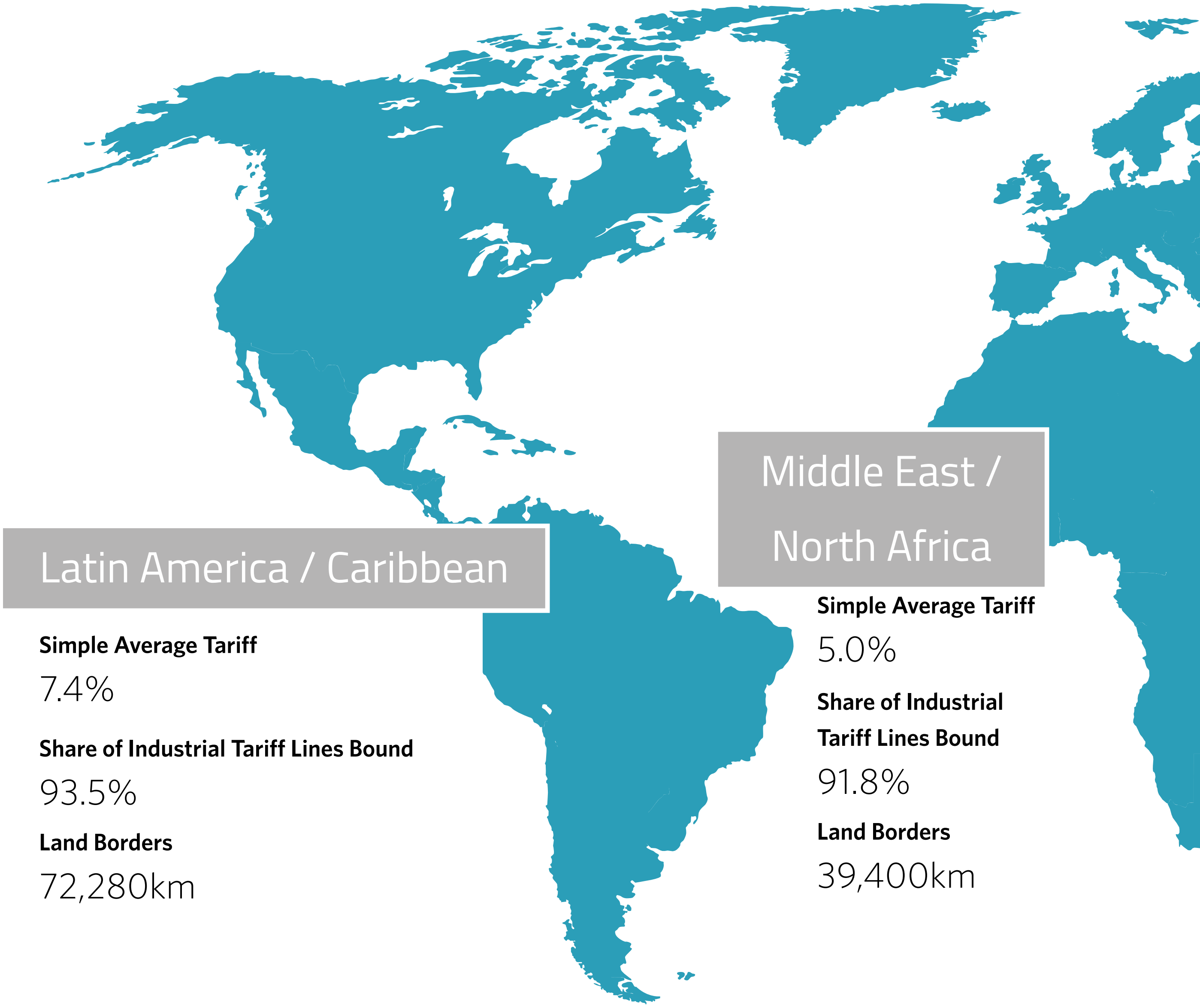
"We are enjoying in Africa what I call the democracy dividend. The progress we are seeing, economic development are all part of the dividend of good governance, respect for human rights, rule of law. It has created an enabling environment that allows not only foreigners to come in and invest but for Ghanaians to invest. It has created an atmosphere for our young people to be creative, innovative. . . .

President John Mahama of Ghana
World Economic Forum, 2014

ANY NEW U.S.-AFRICA TRADE framework must have at its core strategies to enable sub-Saharan African countries 1) to strengthen their regional integration, 2) to diversify their exports and better engage in value-added trade and 3) to attract investment in manufacturing, services, and technology in addition to natural resources, as well as mechanisms to enhance U.S. opportunities to participate in Africa's growth through exports and investment. We know from nearly two decades of AGOA that traditional market access provisions, like tariff reductions, while important, are often not sufficient to spur transformational changes in these areas. To promote trade and attract investment, countries have to compete on the basis of their respective business environments and ease of trade. Further, to generate long-term interest, they have to be able to make a showing of sustainability as well. In developing a new trade policy framework for their engagement, U.S. and sub-Saharan African policymakers should consider as fundamental "building blocks" commitments in a number of policy areas that further the aims of improving the enabling environment for trade and promoting sustainability, including those discussed in this section.

These building blocks can be part of different policy instruments—from free trade agreements, to cooperative arrangements like Trade Africa, to preference programs, to possible hybrids and alternative approaches in between. For example, investment, intellectual property, and labor commitments are in-

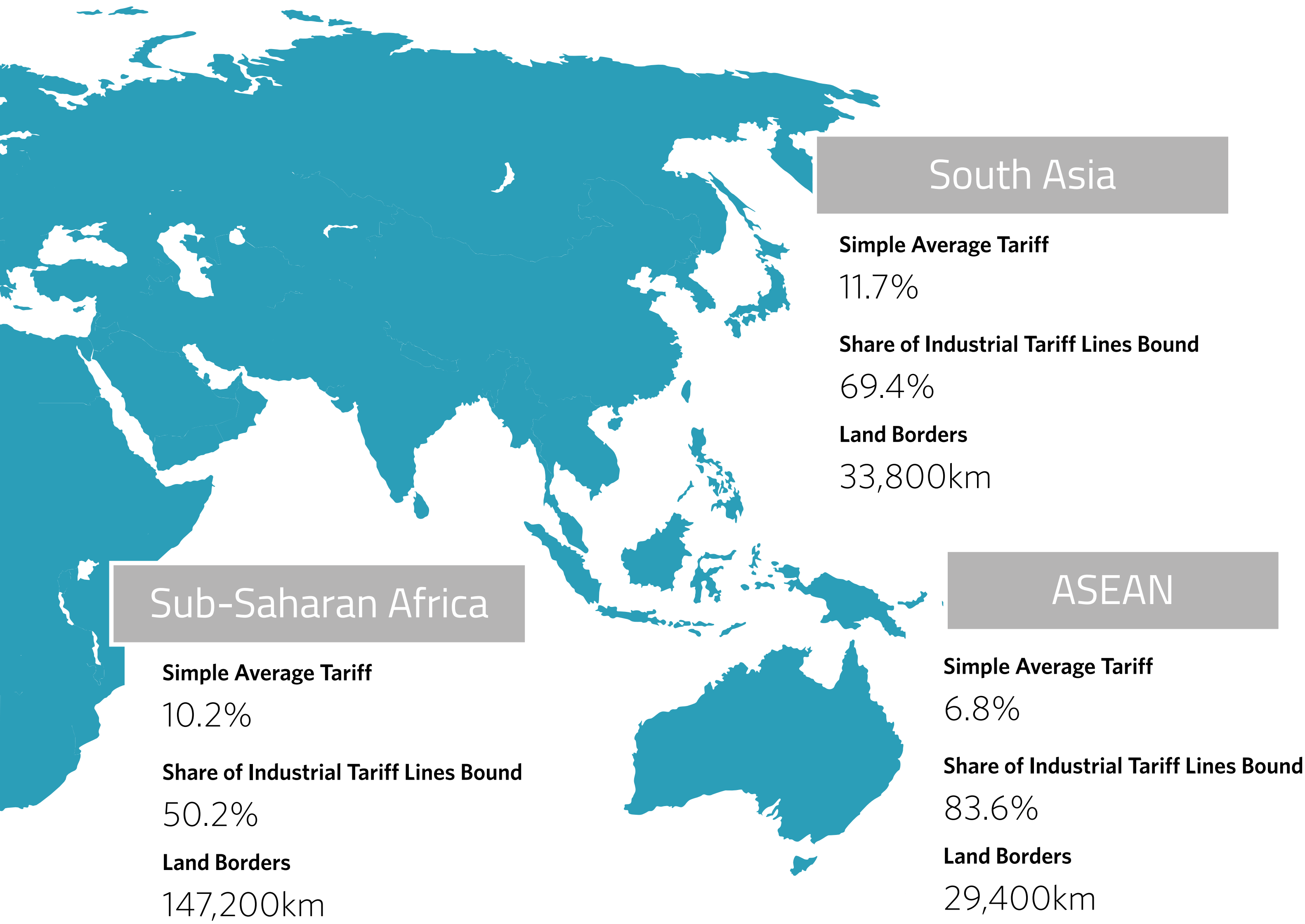
Tariff Levels & Land Borders by Region



cluded in both U.S. preference programs and U.S. free trade agreements. In preference programs, however, the commitments have tended to be more general and less stringent, in line with the basic development goals of preference programs and reflective of the more limited capacity of some of the beneficiaries. In U.S. free trade agreements, the commitments have been generally stronger and subject to dispute settlement, reflecting not only development goals but also the kind of market access and level-playing-field interests that are characteristic of a reciprocal relationship. In this section—which examines possible policy building blocks—we also examine ways that commitments could be scaled up or down to serve different objectives under different instruments to make them suitable for countries at different levels of capacity.

This section does not purport to present an exhaustive list of possible policy building blocks, but rather illustrates the kinds of issues likely to be key to boosting the U.S.-African trading relationship. As with other U.S. trade programs and agreements, the particular mix of policies that are relevant to specific countries will depend on a number of factors including, importantly, the challenges and needs in the countries.

SOURCE: WORLD TRADE ORGANIZATION (WTO)



MARKET ACCESS

Importance of Market Access to Deepening U.S.-Africa Trade and Investment

With abundant natural resources, ports capable of serving large-scale maritime and air cargo trade in East, Southern, and West Africa, and the world's most rapidly growing labor force, sub-Saharan Africa potentially has the ingredients to be among the next decade's fastest-growing exporters of manufactured goods and services as well as to be important buyers of American products. However, the continent's current tariff and customs regimes establish substantial barriers to achieving these goals, reducing Africa's ability to improve regional integration, develop its value-added capacity, attract high quality investment, diversify its urban economies, and participate in global value chains.

As a group, sub-Saharan African countries retain relatively high applied tariff rates, comparable on average to those of South Asia, and well above Southeast Asia, Latin America, and the Middle East.[115] In addition, despite the fact that 41 sub-Saharan African countries are WTO members, Africa has a far lower level of tariff binding than any other developing region, meaning African tariffs are not only costly but variable and unpredictable. In fact, new WTO members Liberia, Seychelles, and Cape Verde have been far more ambitious in binding tariffs than have many of Africa's larger economies. For example, they have each bound 100 percent or nearly 100 percent of industrial tariffs; by contrast, Nigeria has bound only 6 percent of industrial tariffs, while Kenya and Ghana have each bound only 1 percent of industrial tariffs.[116]

Geography magnifies the challenges these high and variable tariffs create. With 49 countries, sub-Saharan Africa has nearly 150,000 kilometers of internal land borders—more than Asia and the Middle East combined—and more land-locked states than all other developing regions combined. This makes for perhaps the most complex regional trade environment in the world, in which variable tariff rates and expensive land crossings make market access an even larger challenge to exporters to Africa, and to Africa's own industrial development, than the continent's average tariff rates would suggest (see map: **Tariff Levels & Land Borders by Region** on pages 48-49).

In addition, the sub-Saharan region's overlapping and incomplete customs unions can actually increase the costs associated with trade. In some cases, tariffs remain on trade within customs unions, and members can take deviations from the common external tariff rates, creating complexity and uncertainty for traders. Coupled with vast internal land borders and a large number of landlocked countries, complicated trade rules and tariff rates make intra-regional trade costly and inefficient.

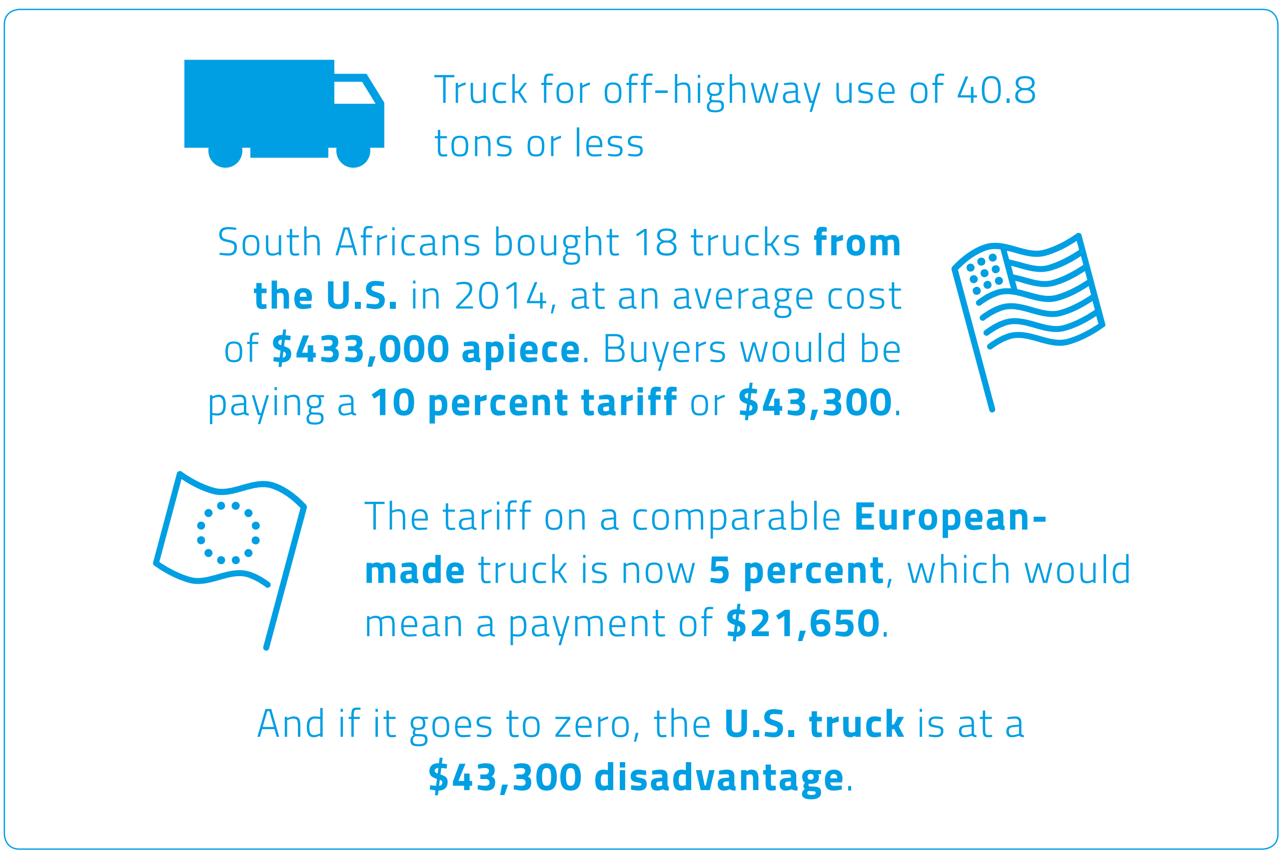
Some countries also have non-tariff measures that further amplify the challenges that tariff rates pose for U.S. exporters and intra-African trade. For example, during the resource boom driven by Chinese demand, major continental economies such as South Africa and Nigeria have experimented with nationalist economic policies, such as forced localization and import-substitution rules, which disadvantage imports and limit market access for components and intermediate goods that are necessary for the development and integration of regional supply chains.

The cost of such policies to development can be high. Tariffs and other barriers to imports of computers, telecommunications equipment, and industrial inputs—e.g., the fabric, dyes, and buttons used in garment productions—are well-known to reduce the competitiveness of manufacturers, whether they are producing for export markets or competing against imported goods in local markets. This in turn contributes to heavy reliance on resource exports, which experience shows are variable, for growth and revenue. High import barriers can also have generally depressing effects on living standards and purchasing power. World Bank research on Nigerian trade policy published in 2012, for example, estimated that lifting import prohibitions on consumer goods (a list of banned imports ranging from birds' eggs and noodles to ballpoint pens, soap, toilet paper, aspirin, and clothes) would improve living standards substantially, raising national income by 9 percent and lifting 3 million people from extreme poverty as of 2010, and would have especially strong benefits in rural and remote areas.[117]

The impact is amplified as the EU concludes EPAs with African regional organizations and countries, and China seeks similar preferential relationships, placing U.S. exporters at a disadvantage vis-a-vis other competitors in products ranging from agriculture to consumer goods to capital equipment. For example, upon full implementation of the TDCA in 2012, the elimination of South Africa's 10 percent tariff on large specialized off-road trucks used in the mining industry reduced the cost of a European truck by tens of thousands of dollars relative to a U.S.-made truck (see **Figure 10**).

Certainly, African trade regimes have not been static in the 16 years since the passage of AGOA, nor have they evolved invariably toward higher trade barriers. Three sub-Saharan African countries have joined the WTO, each on the basis of very strong accession agreements. And the various regional organizations have launched integration plans of varying ambition. But the evolution of African policy has also in some ways been unfavorable to the United States on issues

FIGURE 10: REAL WORLD EXAMPLE OF EU TARIFF ADVANTAGE IN SOUTH AFRICA



SOURCE: USTR ANALYSIS BASED ON DATA FROM DEPARTMENT OF COMMERCE, USITC DATAWEB of market access, and based on current trends it is likely to grow more so.

The challenge, therefore, is to work with African governments toward a market access environment that better suits the needs of both the United States and of African industrial development.

Possible Market Access-Related Standards

Possible commitments for U.S. and African policy makers to consider could range from: (1) work toward a simpler and less variable environment, in which more African countries agree to bind tariff rates in the WTO and better implement existing WTO and regional integration obligations; to (2) a more ambitious program in which major African economies join plurilateral agreements like the ITA and EGA; to (3) free trade agreements with African countries willing and able to undertake the comprehensive commitments typical of U.S. trade agreements.

- **Simpler, Less Variable Trade Environments:** The following WTO-based approaches could help create predictability and manage trade barriers:
  - **Bind Tariffs:** WTO members generally commit to maximum tariff levels by binding their individual tariff rates. But only seven sub-Saharan countries have bound 100 percent of their tariffs—Angola, Djibouti, Gabon, Lesotho, Rwanda, Senegal, and Sierra Leone. Binding levels are less than 15 percent for Cameroon, Gambia, Ghana, Kenya, Mozambique, Tanzania, and Togo. Only 7 percent of Nigeria's non-agricultural tariff lines are bound; for Ghana, only 1.3 percent; for Tanzania, a mere 0.3 percent.[118]
  - **Improve notifications to the WTO of import-related measures and procedures:** The WTO has several notification requirements relating to measures and procedures that affect imports, including import licensing, quantitative restrictions, and technical barriers to trade. Regular reporting allows members to learn about regulatory developments that may affect trade and to plan for them, thereby reducing costs and delays. Sub-Saharan African members have had an inconsistent record of meeting these WTO notification requirements to date.
  - **Reduce localization requirements:** The WTO TRIMS Agreement identifies specific investment measures that require the use of domestic goods or restrict the use of imported goods as inconsistent with the obligations in Articles III and XI of GATT 1994. In addition, the Subsidies and Countervailing Measures Agreement prohibits national requirements to use domestic over imported goods.
- **Participate in sectoral tariff agreements:** The WTO includes several plurilateral sectoral agreements through which groups of members commit to eliminate tariffs for a specified group of products on an MFN basis. The most significant of these is the ITA, which resulted in a global expansion in information technology production and helped transform the economies of participants like China, Korea, India, Malaysia, Philippines, and Thailand. As noted earlier, only three countries—Mauritius, the Seychelles, and Cape Verde—have joined this agreement to date. Any WTO Member can, however, join the ITA in the future. Similarly, any Member can choose to participate in the ongoing EGA negotiations.[119]
- **Free trade agreement-type commitments:** U.S. FTAs include obligations to eliminate customs duties on qualifying goods and to provide equivalent treatment to U.S. goods as that which they provide their own nationals, in addition to provisions concerning the elimination of import and export restrictions, performance requirements, import licensing, and export subsidies, among other measures. Less robust market access commitments are included in the agreements that the EU has negotiated with sub-Saharan African countries and those agreements also all include broad "MFN clauses" which would require the African countries to extend to the EU any additional market access concessions that the countries provide to certain other more developed country partners, including

PHOTO CREDIT: USAID

the United States. The EU's MFN clauses create a disincentive for sub-Saharan African countries to make more robust market access commitments; a factor that would need to be overcome in any future U.S.-Africa trade negotiations. To that end, a possible incremental approach could begin with reciprocal market access comparable to that provided by African countries to the EU and other third countries, with a transition period to the fully comprehensive levels of traditional U.S. FTAs.

TRADE FACILITATION

Importance of Trade Facilitation to Deepening U.S.-Africa Trade and Investment

The World Bank has described trade facilitation as "the plumbing of international trade ... necessary for trade to flow smoothly and ... an essential building block for efficient regional integration."[120] Simplified, harmonized, transparent, and predictable customs and border procedures are critical to reducing costs, risks, and delays associated with cross-border trade and to creating truly integrated regional markets. Importantly, trade facilitation reforms will help small-scale African traders and businesses, which are disproportionately affected by trade costs, to increase their participation in regional and global markets.

Currently, sub-Saharan Africa is one of the costliest and least efficient trading environments in the world, with corruption, poor transportation infrastructure, and inefficient customs and border procedures raising costs, reducing the speed and efficiency of transport, and limiting opportunities for small businesses. UNCTAD's most recent Review of Maritime Transport report, for example, finds Africa's overall freight costs equivalent to 11.4 percent of cargo value—the highest regional rate in the world, and substantially above sub-Saharan Africa's (also relatively high) 8.6 percent average applied trade-weighted tariff rate.[121] In practical terms, reducing African freight costs to Latin America's 8.0 percent of cargo value would save African businesses, consumers, and public-sector buyers roughly $11 billion per year. The World Bank's Logistics Performance Index (LPI), an interactive benchmarking tool for trade logistics across 160 countries globally, places only one African country (South Africa) among the top 50 countries, but 25 of the 50 lowest-ranked countries and eight of the lowest ten countries are from sub-Saharan Africa (see **Table 2**).[122] African port costs are approximately $550 above ASEAN and South Asian rates and $300-$400 above Latin American port costs, and shipments to Africa require 6-10 days longer delivery on average.[123] Ten days extra transit time and $550 in extra port costs is equivalent to a U.S. tariff between 15 percent and 25 percent—before considering challenges in inland transport and importing inputs. Differences in costs and the time gap between using Africa's ports and those of competitors in South Asia, ASEAN, and Latin America would nullify most tariff advantages provided by tariff preference programs for the types of consumer goods typically carried by maritime container ships.

Stakeholders at USTR's January 2016 public hearing on deepening the U.S.-Africa trade and investment relationship focused heavily on the importance of trade facilitation reforms to unlocking manufacturing opportunities, developing regional value chains, and driving regional economic integration. UPS stated, for example, that "in Africa today, it is challenging to meet consistent standards of guaranteed service, in part because the infrastructure is unreliable, but also because customs processes are outmoded and inefficient. We see a ready-made opportunity to support the changes that Africa needs to address the costly and cumbersome border procedures and administrative burdens that raise trade-related transaction costs within Africa to unsustainable levels."[124]

Possible Trade Facilitation-Related Standards

The WTO Trade Facilitation Agreement (TFA) is the foundational international agreement for trade facilitation. The TFA establishes multilateral rules relating to expediting movement, release, and clearance of goods, improving cooperation among WTO Members on customs matters, and helping developing countries fully implement the obligations. The TFA will enter into force once two-thirds of the WTO membership (110 of 164) have completed their domestic ratification process. As of early September 2016, 92 WTO members, including 12 sub-Saharan African countries, have ratified the TFA.[125]

Key provisions of the TFA include commitments

TABLE 2: RANKING OF SUB-SAHARAN AFRICA COUNTRIES IN WORLD BANK LOGISTICS PERFORMANCE INDEX

20	South Africa
42	Kenya
47	Botswana
58	Uganda
61	Tanzania
62	Rwanda
79	Namibia
81	Burkina Faso
84	Mozambique
88	Ghana

SOURCE: WORLD BANK LOGISTICS PERFORMANCE INDEX

to: (1) publish information relating to import and export, including all importation, exportation, and transit procedures for points of entry, applicable duties, taxes, and fees, and customs classification and valuation rules; (2) issue "advance rulings," upon request, regarding the classification and origin of goods to be imported; (3) increase transparency with respect to procedures for inspection, detention, and audits of goods being shipped across borders; (4) provide additional trade facilitation options for trusted operators; (5) limit import/export fees and charges to the cost of carrying out the activities associated with importation or exportation; and (6) establish procedures for pre-processing import documentation, for electronic payment of duties, taxes, fees, and charges, and release of goods under bond.[126]

The agreement provides developing countries and LDCs certain flexibilities, including to determine for themselves the timetable for implementation and to identify provisions that they would be able to implement only upon the receipt of technical assistance and capacity building support. To help provide that support

USAID is working with the Global Alliance for Trade Facilitation, a public/private partnership advancing implementation of the TFA.

The TFA is a relatively recent agreement, and requirements related to trade facilitation have not been incorporated into any of the eligibility criteria of U.S. preference programs. In recent U.S. FTAs, however, Customs and Trade Facilitation Chapters (CTF) have extended beyond the standards in the WTO TFA regarding the scope of commitments and breadth of the customs practices. For example, with respect to the commitment to issue advance rulings, the scope of the obligation in U.S. FTAs is broader than that in the TFA. The United States also seeks additional commitments on release and guarantees, automation, and, for the first time in T-TIP, commitments on standards of conduct, treatment of shipping containers, and transit. Future CTF chapters could expand the list further to include additional obligations necessary to trade in the specific partner countries.

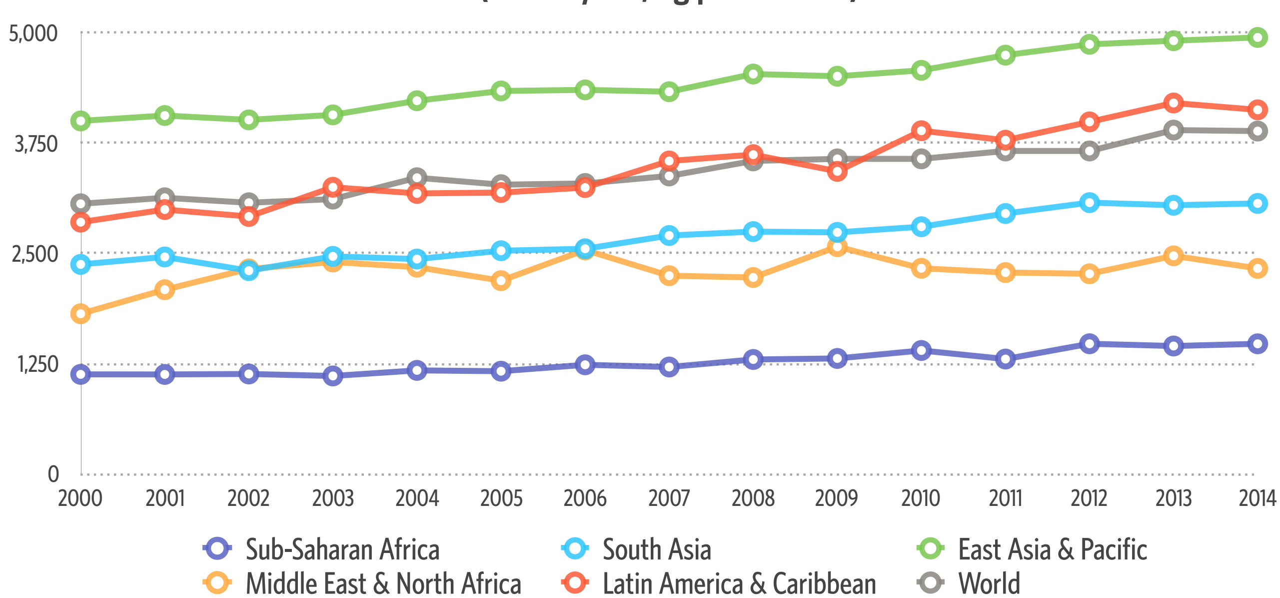
In looking at standards that could potentially be applicable to future trading arrangements with African countries, the basic standards of the TFA would seem to be the most appropriate starting point, particularly given the significant flexibilities for developing and least developed countries it provides and its early ratification by 11 African WTO members. Indeed, the EAC adopted the TFA standards and developed a work plan to implement those standards with the EAC countries as part of the Cooperation Agreement signed in February 2015.[127] For countries able and willing to take on greater obligations, the broader commitments under U.S. FTAs would be appropriate.

SANITARY AND PHYTOSANITARY MEASURES

Importance of SPS Measures to Deepening U.S.-Africa Trade and Investment

Dubbed agriculture's "final frontier," Africa will be a critical source of supply and demand in the global agriculture system in the coming years.[128] Much of Africa missed the "green revolution," the postwar movement that boosted crop yields through the use of modern crop inputs, irrigation techniques, and farming technology in many parts of the world (see **Figure 11**). This is a particularly painful missed opportunity, as sub-Saharan Africa ranks behind only South Asia in agricultural share of GDP and in the share of population living in rural areas.[129] Increasing production in Africa by simply adopting existing technologies and practices would contribute significantly to Africa's capacity to feed itself as well as the rest of the

Figure 11: Cereal Crop Yields by Region (cereal yield, kg per hectare)



SOURCE: WORLD BANK WORLD DEVELOPMENT INDICATORS world.[130] In addition, strong national commitments in sub-Saharan Africa to agricultural science and technology research and commercialization would significantly improve production, and could greatly accelerate the continent's participation in international trade.[131] With such approaches, Africa has the potential to dramatically expand agricultural trade and develop regional value chains within the continent and globally, while also becoming an attractive export market for U.S. agricultural products. As the middle class and disposable incomes grow in Africa, there will be increasing demand for higher quality agricultural product. The World Bank estimates that this sector is poised for tremendous growth, with the possibility of reaching a value of $1 trillion by 2030.[132]

Adopting transparent, science-based, and risk-based SPS measures consistent with international standards will be critical to sub-Saharan Africa realizing its potential as an agriculture producer and satisfying the demands of its rising consumer class. However, despite positive strides being made by some countries, SPS systems across the region are frequently inadequate and disjointed. USAID's East Africa Trade Hub stated, for example, that "[l]engthy border inspections by phytosanitary inspectors often slow access to markets for agriculture products. As a result, SPS is viewed as a non-tariff trade barrier that can reduce intra-regional trade and drive up costs along the value chain. Inadequate SPS systems can also decrease the reliability of food supplies, create fluctuations across seasons and years, and increase the dependence on imports from outside the region."[133]

Stakeholders at USTR's January 2016 public hearing also highlighted the importance of developing sub-Saharan Africa's capacity to meet international SPS standards. For example, Joshua Meltzer, Senior Fellow at the Brookings Institution, commented that "U.S. SPS requirements raise the cost of African exports, at times enough to offset any additional competitiveness gained through lower tariffs. Progress here would not mean lowering U.S. SPS standards, but instead working with African governments and producers to help them meet U.S. standards."[134]

Possible SPS-Related Standards

Most sub-Saharan African countries are WTO Members and are subject to the WTO SPS Agreement. Key principles of the SPS Agreement include commitments: (1) to base SPS measures on science and on assessments of the risk that a particular substance or product poses to human, animal, or plant life or health; (2) to base measures on international standards, guidelines, and recommendations where possible, such as those developed by the Codex Alimentarius Commission for food safety, the International Plant Protection Convention for plant health, and the World Organization for Animal Health for animal health; (3) to publish SPS measures promptly; and (4) to ensure that SPS measures are not more trade restrictive than necessary to meet a Party's appropriate level of protection.[135]

Historically, U.S. FTAs have simply affirmed the WTO SPS commitments. However, starting with TPP, the United States has included new obligations, which support and build on the SPS obligations, including additional measures to promote science-based and transparent regulation, rapid notification of detained shipments, and conducting audits of an exporting country's food safety regulatory system by importing countries.[136]

U.S. preference agreements do not include specific SPS provisions (though AGOA has more general provisions relating to market access). However, the 2015 U.S.-EAC Cooperation Agreement provides for technical assistance and capacity building to support EAC member countries in implementing the WTO SPS Agreement and meeting international SPS standards.[137]

In considering the level of standards to incorporate into future trading arrangements with African countries, full implementation of the WTO SPS Agreement may be an appropriate starting level commitment. Cooperative approaches like the EAC Cooperation Agreement may be an important tool to consider in this regard, to help African countries meet the objective of full implementation.

APEC may also present a useful model. The APEC Food Safety Cooperation Forum (FSCF), composed of governmental representatives, has led successful initi-

atives on SPS issues across the Asia-Pacific region. The forum identifies capacity building needs and shares this information with the private sector, non-governmental organizations, and academia through the Partnership Training Institute Network (PTIN). The FSCF and PTIN work together on the implementation of specific SPS capacity building activities. A similar arrangement could be considered for sub-Saharan Africa.[138]

For countries or RECs demonstrating political will and readiness, the SPS provisions of the TPP Agreement could serve as a high-standard model and provide commitments that go beyond those incorporated into the WTO SPS Agreement.

TECHNICAL BARRIERS TO TRADE

Importance of TBT Disciplines to Deepening U.S.-Africa Trade and Investment

Currently, over 70 percent of global trade is in intermediate goods, services, and capital goods, with this trade concentrated around manufacturing hubs in Europe, North America, and East Asia.[139] While Africa accounted for only 2.2 percent of this global trade in recent years, its share increased by 60 percent since 1995.[140] The region has an imperative to build on this progress in the future. Increasing sub-Saharan Africa's participation in regional and global value chains will be critical for developing competitive agriculture, manufacturing, and service sectors, connecting local producers and SMEs to rapidly growing markets, and leveraging the region's "demographic dividend," with a labor force projected to increase to 830 million people by 2050.[141]

An effective, internationally compatible standards-setting system helps ensure that manufactured goods are reliable, and also—as manufacturing becomes steadily more reliant on global value chains (GVCs) that require coordination of internationally produced parts and components—encourages cooperation and efficient production across national borders. Sub-Saharan Africa has had relatively low integration into the GVCs that have helped bring sophisticated investment to Southeast Asia and certain Latin American countries (see **Table 3** on page 58). This is in part a result of the continent's standards environment. With 49 countries and numerous regional organizations, African standard-setting is complex and of widely varying quality and transparency. Some major African economies are adopting idiosyncratic

TABLE 3: SHARE OF VALUE-ADDED TRADE BY REGION IN 2011

Europe	50.9%
East Asia	16.2%
North America	11.8%
Southeast Asia	6.8%
Latin America	4.2%
Middle East	3.0%
Africa	2.2%
Russia and Central Asia	2.0%
South Asia	1.7%
Oceania	1.3%

SOURCE: AFRICAN DEVELOPMENT BANK, AFRICAN ECONOMIC OUTLOOK 2014

and opaque national standards that weaken the ability of local businesses to participate in GVCs, reduce Africa's attractiveness as an investment site relative to Asia or Latin America and simultaneously hamper American exporters to Africa and slowing Africa's emergence as a producer of value-added goods.

For example, the Ghana Standards Authority has promulgated more than 500 Ghanaian standards for certification purposes,[142] with some of the indigenous standards creating difficult challenges. To illustrate, Ghana has defined 20 "high risk goods" that must be tested at the port to ensure they meet Ghanaian standards. These kinds of requirements can create significant complexity for exporters, compounded by the fact that a number of major African economies do not make these standards widely available to prospective exporters or investors seeking to understand the rules of participation in the market. Ghana, for example, has made only 9 notifications of standards-related measures to the WTO. Nigeria has notified only four, and Cote d'Ivoire none at all.[143] Adopting higher quality, more coherent, and transparent TBT standards and disciplines, consistent with international standards, will be critical in the coming years.

Possible TBT Standards

The WTO Agreement on Technical Barriers to Trade (TBT Agreement) is the principal agreement establishing multilateral rules governing standards-related measures. It imposes obligations including:

- **Technical Regulations and Standards:** Requires governments to develop standards-related measures through transparent processes, to base these measures on relevant international standards (where effective and appropriate), and to prohibit measures that discriminate against imported products or create unnecessary obstacles to trade.
- **Conformity Assessment:** Establishes rules on developing, adopting, and applying conformity assessment procedures (such as testing or certification) used to determine whether a particular product meets such standards or regulations, as well as voluntary product standards and mandatory technical regulations.

Recent U.S. FTAs build on disciplines in the TBT Agreement, providing for greater transparency, establishing mechanisms for more in depth consultation on specific trade concerns, and facilitating cooperation and coordination with FTA partners on systemic issues. They include provisions to ensure that standards, technical regulations, and conformity assessment procedures are developed in a fair and transparent manner, with opportunities for meaningful input from stakeholders.

AGOA does not include similar policy rules on standards-related measures or good regulatory practice. However, the United States and Trade Africa partner countries, including under the U.S.-EAC Cooperation Agreement, have set a course for a more ambitious TBT program, engaging Africa's regional organizations and key national governments with the support of the Standards Alliance, a USAID-supported funding facility designed to provide capacity-building assistance to developing countries implementing the TBT Agreement.

Notably, other countries have recognized the importance of standards in international trade and of harmonization with national standards. The European Union invests substantially in African programs that promote standards meant specifically to serve the interests of EU exporters. Over time, and especially if implanted in the EU's Economic Partnership Agreement program, this risks creating a systematic bias against American exports.

In considering future trading arrangements with Africa, the Trade Africa approach is a natural stepping stone forward from preferences. This approach focuses on helping trading partner countries implement the WTO TBT Agreement, which can later form the foundation to which additional obligations can be added. Countries with greater readiness—or those that make progress under the Trade Africa approach—could move to the kinds of standards that are in U.S. FTAs, which build on the disciplines in the TBT Agreement with respect to transparency, in- depth consultation on specific trade concerns, and cooperation and coordination with FTA partners on systemic issues.

A wide range of existing mechanisms may be used to assist Sub-Saharan Africa develop their capacity. For example, the Standards Alliance is already working with SADC and the EAC to assist those regions with the implementation of the TBT Agreement and is extending its work to Trade Africa countries and other countries interested in such programming. In addition, the APEC-OECD Integrated Checklist on Regulatory Reform is a voluntary self-assessment tool that countries can use to evaluate their regulatory reform efforts.[144] The checklist highlights issues that should be considered when developing regulatory policy, while recognizing the diversity of economic, political and social environments. APEC has also conducted additional work in this area, such as questionnaires on the application of good regulatory practices that sub-Saharan African countries could adopt for their use.

PHOTO CREDIT: USAID

INVESTMENT

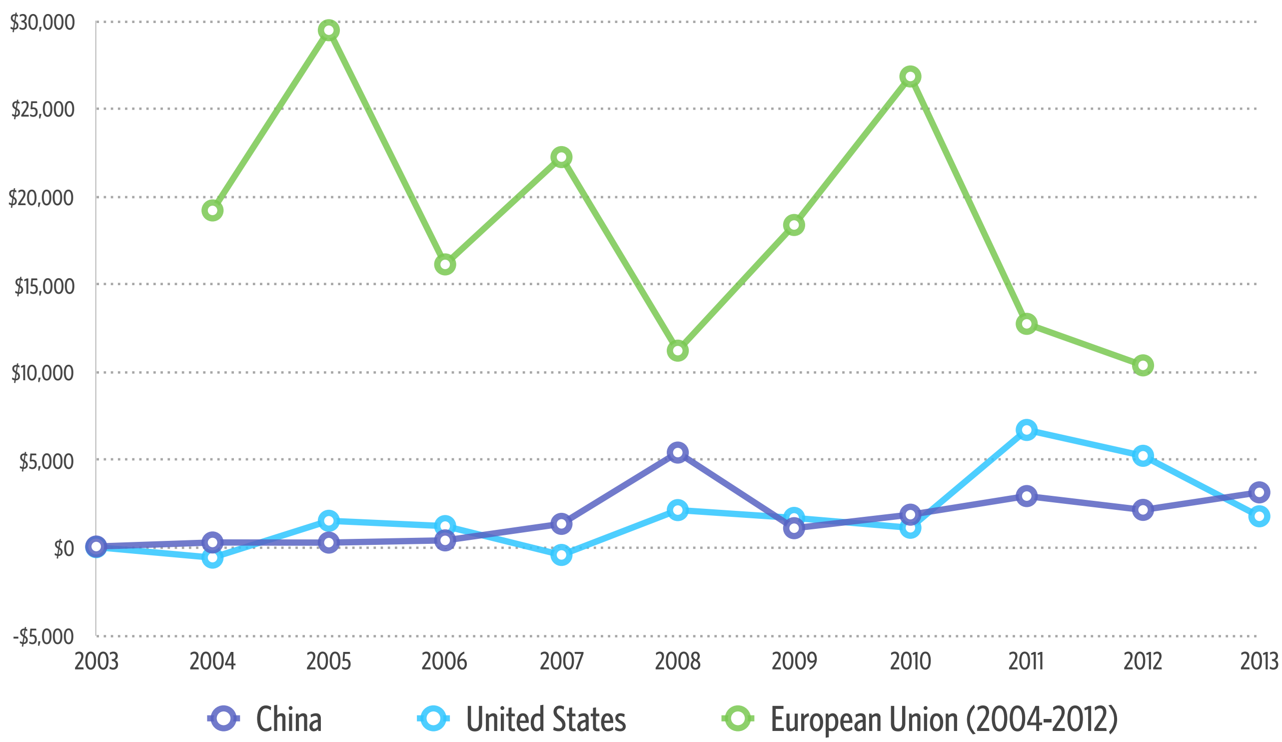
Importance of Investment to Deepening U.S.-Africa Trade and Investment

Some analysts project that sub-Saharan Africa will be the fastest growing region in the world over the next four years.[145] In what a 2015 Economist article described as "a Sub-Saharan Scramble" this enormous growth potential is motivating managers in New York and London "to tak[e] crash courses in Swahili."[146] These investors have caught wind of what many economic projections suggest: the acceleration is the bellwether for a growing consumer class and increased political stability.[147] For U.S. investors, Africa represents a large, and largely untapped, market. For Africa, U.S. investment means access to much needed capital and the expertise of world-leading businesses in sectors critical to the continent's long-term development.

While many factors influence investment flows, U.S. investors currently face a sub-Saharan marketplace with fewer guaranteed investor rights than those secured for their counterparts in the EU and China. In contrast to the six BITs we have with Cameroon, the Democratic Republic of Congo, Congo-Brazzaville, Mozambique, Rwanda, and Senegal.[148] There are 172 such agreements in place between sub-Saharan African countries and EU member states and 16 agreements between sub-Saharan countries and China.[149] These arrangements reflect broader global investment trends. Whereas investment into Africa by firms from large Asian developing economies is growing, firms from developed economies, and the U.S. in particular, were large net divestors from Africa in 2014 (see **Figure 12**).[150]

Public submissions in the course of our review process have noted the important commercial opportunities for investment in Africa, particularly in the burgeoning consumer sector, but have also highlighted the impediments to realizing these opportunities, particularly for U.S. investors. Among the most frequently cited are perceptions of political risk and uncertain

Figure 12: FDI to Sub-Saharan Africa, 2003-2013 (millions of dollars)



SOURCE: MINISTRY OF COMMERCE OF THE PEOPLE'S REPUBLIC OF CHINA; UNCTAD; EUROSTAT; U.S. DEPARTMENT OF COMMERCE business environments, and concerns about the rule of law and framework for protection of investments.[151]

Possible Investment-Related Standards

A number of overlapping agreements set global investment standards. BITs—which some see as the primary source of international investment law[152]—address a number of specific issues that have been identified as impediments to increased U.S. investment in Africa:

- **Non-Discriminatory Treatment:** These obligations—non-discrimination vis-à-vis domestic investors and investors of third countries—address the first impediment that U.S. investors often encounter when attempting to enter African markets: foreign equity limitations and other measures that prohibit or limit foreign participation in key sectors of the economy. U.S. BITs also preclude measures that limit foreign investors' ability to appoint senior managerial personnel of their choosing, as well as market-distorting performance requirements—such as local content requirements—that create disincentives to investment, increase costs, and reduce competitiveness across the economy.

- **Post-Establishment Treatment:** U.S. BITs establish basic rule of law standards that provide investors a baseline measure of protection against unlawful conduct, including an assurance of due process; protection against uncompensated taking of private property; an assurance of compensation for loss incurred in certain situations of armed conflict; and certainty about the ability to repatriate profits and make other financial transfers relating to an investment.

- **Dispute Resolution:** U.S. BITs allow for resolution of investment disputes through international arbitration, providing confidence that investors will have a meaningful remedy for breaches of BIT obligations.[153]

In addition to these core provisions, U.S. BITs also include obligations seeking to establish high standards in such areas as transparency and standard setting, which contribute to the development of a predictable and attractive business climate that facilitates sustainable development. The same standards, largely, are reflected in U.S. FTAs as well.

U.S. preference programs also include basic provisions relating to investment. AGOA eligibility criteria, for example, require that a country establish or be making continual progress towards establishing the elimination of barriers to U.S. trade and investment, including by the resolution of bilateral trade and investment disputes. Similarly, GSP provides that failure to respect arbitral awards rendered in favor of U.S. investors can serve as a basis for finding a country ineligible for preferences.

As noted above, a number of African countries have already concluded standalone BITs with the United States. Other countries, interested and capable of undertaking such commitments, could do so either alone or as part of a suite of "building block" commitments—for example, as part of a "Trade Africa" type of initiative. These agreements could either be undertaken bilaterally or, as the United States is currently exploring with the EAC countries, regionally. For countries unable to go the full distance to an investment agreement at this time, one option may be to publicly endorse U.S.-promulgated principles on international investment that outline the elements of attractive investment regimes, including open and non-discriminatory investment climates and robust transparency and public participation rules.[154] First put forward with the EU, these principles have in recent years been endorsed by countries in the Middle East and North Africa.

SERVICES

Importance of Services to Deepening U.S.-Africa Trade and Investment

The service sector is one of the fastest-growing areas of trade for sub-Saharan Africa, suggesting that this could be an area for dynamic growth of local firms and jobs as well as U.S. investments and exports. Currently, the service sector contributes to nearly half of Africa's output, with growth more than double the global average in recent years, leading to a number of African countries emerging as service-oriented economies.[155] Two thirds of the labor force is employed in services in some countries.[156] Financial, travel, telecommunications, business, and delivery services are all likely to see increasing demand across the continent in the coming years, with digital trade an area of particular promise. Continental Africa's cross-border data transfers increased 70-fold between 2005 and 2013, reflecting the opportunity for digital trade to serve as a force-multiplier for economic growth throughout sub-Saharan Africa.[157]

Policy, regulatory, and institutional frameworks will be important to creating a level playing field for companies and investors, improving the provision of services, and driving sustainable growth in this sector. Recent assessments suggest that Africa lags behind the rest of the world in this respect. The World Bank's Services Trade Restrictiveness Index (STRI) aggregates information on services trade policy across over 100 countries, assigning numerical scores to each country's policy framework across five sectors, and each of the key modes of service supply. Among the 23 sub-Saharan African countries assessed, only seven received scores that surpass the global median (Mauritius, Ghana, Mozambique, Madagascar, Senegal, Burundi, Zambia) (see

TABLE 4: RANKINGS OF TOP SUB-SAHARAN AFRICAN COUNTRIES IN WORLD BANK SERVICES TRADE RESTRICTIVENESS INDEX

33	Ghana
34	Mozambique
35	Madagascar
36	Senegal
39	Burundi
42	Zambia
53	Rwanda
58	Cameroon
59	Cote d'Ivoire
62	Nigeria

SOURCE: WORLD BANK SERVICES TRADE RESTRICTIVENESS INDEX

PHOTO CREDIT: WORLD BANK

Table 4 on page 62).[158]

At USTR's public hearing in January 2016, many stakeholders identified services as a dynamic and attractive growth sector, particularly if the policy and regulatory environment improves. Susan Lund, Partner at McKinsey Global Institute, commented for example:

> Today only 2 percent of U.S. service exports go to Africa, but this could be another area for growth. The continent's enormous infrastructure needs, for example, create demand for many types of specialized services that U.S. companies could provide. Its urbanization requires significant real estate investments that U.S. firms and banks could finance and manage. And African exports of services could benefit U.S. companies: new digital platforms such as Freelancer.com and UpWork expand the options for performing work remotely and collaborating across borders, giving talented African coders, graphic designers, and data processors the opportunity to join the global labor market without leaving home.[159]

Possible Services-Related Standards

The General Agreement on Trade in Services (GATS) provides a baseline set of services trade obligations.[160] The obligations enshrined in the GATS include:

- **National treatment:** Requiring non-discriminatory treatment in the supply of services. This obligation applies to services supplied both through a commercial presence and on a cross-border basis, such as over the Internet.
- **Market access:** Addressing quantitative restrictions that constrain new service suppliers from entering a market. Historically, services like telecommunications were supplied by a monopoly, effectively closing the market to foreign participation. Similarly, some countries impose limitations on the number of banking licenses; or exclusive suppliers are designated for distribution, transportation, postal delivery and other services. The market access obligation provides a means of obtaining access to markets closed due to government-imposed constraints.
- **Most-favored nation treatment:** Providing for non-discriminatory treatment among nations.
- **Domestic regulation and transparency:** Requiring publication of relevant measures and administration of such measures in a reasonable, objective, and impartial manner.
- **Telecommunications disciplines:** Requiring any service supplier to have a right to access and use public telecommunications networks on reasonable and non-discriminatory terms and conditions, recognizing constraints on access to telecommunications could alone have an adverse effect on the ability to engage in trade in a wide range of services. The GATS also requires that the government maintain appropriate measures to prevent major suppliers of basic telecommunications services from engaging in anti-competitive practices.

The GATS provisions above are included in U.S. FTAs. However, FTAs include many additional disciplines, such as—in more recent FTAs—a suite of digital trade disciplines that protect core principles of the global digital economy and provisions aimed at ensuring a level playing field for delivery services and insurance.[161] The TiSA currently being negotiated also includes these GATS+ disciplines. Once concluded, TiSA will be open to any WTO member that can meet its standards.[162]

By contrast U.S. preference programs include no requirements specific to services trade, though AGOA's eligibility criteria do require that a country establish or be making continual progress toward the elimination of barriers to U.S. trade and investment.

Looking at the spectrum of standards, adoption of traditional U.S.-FTA type standards are a natural option for the more forward-leaning countries ready to embark on an agreement with economy-wide effects. Additionally, countries could seek accession to the TiSA, which will be open to all WTO Members upon completion. Joining TiSA could be a viable pathway for those economies that are more advanced at adopting pro-competitive regulatory practices in key infrastructure service sectors like telecommunications, financial services, and transportation and distribution.

With respect to countries unable to undertake significant binding obligations at this time—the United States could pursue interim options to bring partner countries closer to compliance with high-standard policies over time. In digital trade, for example, the U.S. has entered into nonbinding instruments through which each party affirms its adherence to core policy principles, like regulatory transparency and enabling cross-border data flows.[163] While non-binding, these principles can serve as useful signaling devices and statements of best practices, and serve as a stepping stone toward stronger commitments. As part of a Trade Africa suite of commitments, for example, such a non-binding agreement could also be married up to U.S. trade capacity building assistance to help ensure progress towards more ambitious, binding approaches in the future.

INTELLECTUAL PROPERTY

Importance of Intellectual Property to Deepening U.S.-Africa Trade and Investment

The next decade will require more diversified production, higher-quality investment, and creative use of Africa's human and natural resources. Establishing a viable system for promoting and protecting innovation and creativity is key to achieving those goals. As WIPO Director General Francis Gurry has stated:

> "Today, the intellectual component of production is far greater than in the past and IP is an indispensable mechanism for translating that know-how into a tradeable commercial asset and capturing the competitive advantage that it represents. Africa has a great tradition of innovation and creativity and has extraordinary creative resources but has often struggled to realize their full economic potential. That is changing. Increasingly, African economies are seeking to add value to their innovative and creative resources through the IP system."[164]

African IP industries have demonstrated promise in many countries. South Africa, Kenya, and Nigeria have significant creative industry complexes. The Lagos-based "Nollywood" movie industry, for example, is reported to have passed $5 billion in sales and to account for over 1.4 percent of Nigerian GDP (see **Film in Nigeria** case study on page 65).[165] Ethiopian farmers have seen great success in using trademark protection to promote international trade in their distinctive coffees.[166] And the rapid continent-wide growth of Internet and mobile phone use, with Africa's Internet user population rising from less than 5 million in 2000 to over 300 million in 2016, suggests large untapped potential in the online industry.[167]

IP protection offers African countries considerable potential benefits, including with respect to expanding economic growth, advancing job creation, and promoting innovation and creativity. At USTR's January 2016 public hearing on U.S.-Africa trade, stakeholders emphasized the importance of IP protection and enforcement for the growth of creative industries and investment in Africa. Microsoft Corporation, for example, stated that "[c]ommitting to the rule of law through protection of intellectual property rights, a robust legal framework for investment, and transparency and nondiscrimination in regulation gives domestic and international investors alike the confidence to move forward with ambitious projects."[168] To advance this objective, our trade policy will need to help African governments with their efforts to develop robust IP regimes, by improving the quality of legal and enforcement institutions and working with local policy and intellectual leaders to strengthen awareness in the region.

Possible Intellectual Property-Related Standards

The United States is part of international organizations that offer a spectrum of IP standards to consider as we contemplate the future of our trading relationship with sub-Saharan Africa. The WTO TRIPS Agreement is the foundational agreement for IP in the trade context, establishing minimum global standards regarding the availability, scope, and use of intellectual property rights including copyright and related rights, trademarks, patents, and the protection of undisclosed information. Forty-one sub-Saharan African countries are members of the TRIPS Agreement.[169] For 33 LDCs in the region, the member countries of the WTO have agreed to extend the implementation deadline until 2021 for all TRIPS Agreement provisions and until 2033 for certain TRIPS Agreement provisions with respect to pharmaceuticals. Furthermore, the 2001 WTO Doha Declaration on the TRIPS Agreement and Public Health recognized the gravity of the public health problems afflicting many developing and least developed countries, especially those resulting from HIV/AIDS, tuberculosis, malaria, and other epidemics. As affirmed in this declaration, the U.S. respects a trading partner's right to protect public health and to promote access to medicines for all.

In addition to the TRIPS Agreement, treaties administered by the World Intellectual Property Organization (WIPO), a sub-agency of the United Nations with 47 sub-Saharan African member countries, provide operational and well-established best practices to implement IP rules, including with respect to copyright, industrial designs, patents, and trademarks. Of the WIPO-administered treaties, the Paris Convention relating to a variety of intellectual property rights, including patents, trademarks, and industrial designs; Patent Cooperation Treaty relating to patents; and the

FILM IN NIGERIA

The Lagos-based "Nollywood" movie industry is reported to have passed $5 billion in sales, accounting for over 1.4 percent of Nigerian GDP and over one million jobs, the country's second largest employer after agriculture. Surpassing Hollywood in terms of numbers of films produced in 2009, Nigeria's film industry is the second largest in the world after India's Bollywood, releasing more than 2,000 movies in 2013. However, piracy has hampered the industry's financial performance, highlighting the potential benefit of strengthening Nigeria's intellectual property laws.[170]

PHOTO CREDIT: PAUL KELLER

Madrid Protocol relating to trademarks are well subscribed by the sub-Saharan African countries (with 43, 40, and 32 sub-Saharan African parties respectively). The remainder have limited sub-Saharan African participation.

U.S. FTAs like the TPP present the highest standard option. IP provisions in U.S. FTAs affirm standards embodied in the TRIPS Agreement and WIPO treaties, and tackle modern challenges and capitalize on new opportunities afforded by technology. Drawing from and building on other bilateral and regional trade agreements, the TPP agreement's strong and balanced intellectual property rules include commitments on, among other things, trademark, copyright, and civil, criminal, and border enforcement.

At the other end of the spectrum, the eligibility criteria of preference programs like AGOA make tariff benefits conditional on whether a country is "making continual progress toward establishing ...the elimination of barriers to U.S. trade and investment, including by... the protection of intellectual property." As with many preference program eligibility criteria, this is a far more general standard than those reflected in the TRIPS Agreement, the WIPO treaties, or U.S. FTAs.

In considering which level of standards could be applicable to future trading arrangements with African countries, the TRIPS Agreement and WIPO treaties present a foundation of IP protection and enforcement. Such commitments would build on the steps African countries have already taken with respect to enhancing their IP systems, including in the context of regional African organizations, such as the African Intellectual Property Organization and the African Regional Intellectual Property Organization. For countries able and willing to take on greater obligations, the broader commitments under U.S. FTAs could also be considered

LABOR

Importance of Labor to Deepening U.S.-Africa Trade and Investment Ties

In the coming years, Africa has the potential to become the world's "global factory floor." The African workforce has grown faster than that of any other region since 2000 and the African population is projected to grow faster than those of Asia, Latin America, and the developed economies. The United Nations projects a growth of 1.15 billion in world population from 2015 to 2030, with Africa accounting for 493 million or over 42 percent of this total growth (see **Table 5** on page 67).[171] Africa's population, moreover, is rising fastest in cities. The world urban population is set to rise by 2.46 billion by 2050, with 792 million of these new city residents—32 percent—living in sub-Saharan Africa.[172] Given these demographic shifts, and anticipated changes in labor markets around the world, Africa will have the potential to become the global center of assembly and employment in the light manufacturing industry, a position currently held by China and Southeast Asia.

Africa's labor force growth presents an immense opportunity for employment creation, improved development outcomes, and poverty alleviation, as well as a unique opportunity for American businesses and investors considering the markets of the next generation. At the same time, it presents a significant challenge in terms of implementing fundamental labor standards. Currently, the implementation of internationally recognized labor standards is uneven across the region. As the State Department's Country Reports on Human Rights Practices for 2015 points out in its narratives on African countries, freedom of association and the right to bargain collectively are recognized as a matter of law in most African countries, but in many cases workers' ability to form unions and enter into meaningful negotiations with employers are severely limited, and labor inspectorates broadly lack the resources necessary to ensure that labor rights are enforced.[173] In addition, according to the U.S. Department of Labor, an estimated 59 million children aged 5-17, or more than one in five children in the region, are engaged in child labor.[174] There are also 3.7 million

TABLE 5: POPULATION PROJECTIONS BY REGION (POPULATION IN MILLIONS)

Region	2015	2030	2050	2100
World	7,349	8,501	9,725	11,213
Africa	1,186	1,679	2,478	4,387
Asia	4,393	4,923	5,267	4,889
Europe	738	734	707	646
Latin America & Caribbean	634	721	784	721
North America	358	396	433	500
Oceania	39	47	57	71

SOURCE: UNITED NATIONS, DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS, POPULATION DIVISION (2015). WORLD POPULATION PROSPECTS: THE 2015 REVISION. NEW YORK: UNITED NATIONS.

people working in conditions of forced labor in Africa, representing 18 percent of the global forced labor population according to the ILO.[175] With African civil institutions often less developed than those of Asia or Latin America, and governments severely constrained by a lack of resources, the anticipated growth of African manufacturing is likely to seriously challenge the continent's labor authorities, worker organizations, and other institutions as they adapt to new circumstances and strive to create conditions for decent work, and inclusive and sustainable growth.

In stakeholder outreach conducted by USTR, a number of U.S. companies looking to increase their engagement in Africa highlighted the need for improvements in labor standards in the region. U.S. companies opening factories or sourcing in Africa seek high labor standards so that their production across value chains meets the same standards, to enhance productivity of their local workforces, and to maintain and strengthen their brand equity with consumers who have increasing access to information about corporate practices and supply chains. For example, William McRaith, Chief Supply Chain Officer for PVH Corporation, one of the largest apparel companies in the world that is investing in, and sourcing from Africa, emphasized the importance of "soft needs in areas such as development of codes and regulations on building standards; environment, labor and safety codes."[173]

Similarly, labor organizations have highlighted the importance of internationally recognized worker rights to sustainable economic development, as well as the challenges of raising weak standards after the fact. During USTR's January 2016 hearing, for example, the AFL-CIO noted that "[w]hen an economic system becomes addicted to cheap labor, low safety standards, and no social protections or rights for workers and enters the global market, it becomes all the more difficult to change the culture of the labor relations to one in which labor is valued and rewarded as gains in productivity are made."[176]

Possible Labor Standards

There is an international consensus regarding the minimum labor rights that countries should provide to all workers. The International Labor Organization (ILO), a U.N. organization with representation from workers, employers, and governments, recognizes the following fundamental labor rights:

- Freedom of association and effective recognition of the right to collective bargaining.
- Elimination of all forms of forced or compulsory labor.
- Effective abolition of child labor.
- Elimination of discrimination in respect of employment and occupation.

These rights are recognized by all 187 ILO member countries, including the United States and 49 sub-Saharan African countries. The ILO has recognized these as "enabling" rights on which all others build, and which make it possible to promote and realize decent, dignified work.[177]

All U.S. trade preference programs and all U.S. free trade agreements implemented since 2000 have recognized some variation of this list of rights. AGOA, for example, incorporates the concept of "internationally recognized worker rights," similar to the ILO concept of fundamental labor rights, except that it adds "acceptable conditions of work" with regard to minimum wages, hours of work, and occupational safety and health to the list in place of employment non-discrimination. Generally, U.S. preference programs have required trading partners to take steps or make continual progress in affording such rights.

Recent U.S. FTAs—starting with the Peru agreement in 2007—refer to the ILO list of fundamental labor rights specifically and require countries to adopt and maintain those rights in their laws and practices as minimum standards. These FTAs require that countries afford workers their fundamental rights, including through effective enforcement of labor laws, commitments not to waive or derogate from labor laws in a manner inconsistent with the fundamental labor rights, and to provide procedural guarantees to ensure workers have access to fair and impartial tribunals to protect their rights. By contrast, U.S. preference programs, including AGOA, generally require countries to demonstrate improvement in affording internationally recognized labor rights over time.

As the United States and sub-Saharan countries work to deepen trade and investment ties, a key issue will be how countries can move more effectively from a preference-type standard (e.g., "continual progress") toward an FTA-type standard (adopt, maintain, and effectively enforce fundamental labor rights). As part of this process, countries could first develop specific work plans to ensure that laws are compliant with international standards and institutions are in place to guarantee fundamental rights. From there, countries could shift focus to ensuring that effective enforcement can be achieved.

ENVIRONMENT

Importance of Environmental Standards to Deepening U.S.-Africa Trade and Investment

Over the last generation, sub-Saharan Africa's population has boomed, growing from less than 400 million in 1980 to a billion in 2015, and is on track to exceed 2 billion by 2050.[179] At the same time, over the last 15 years, sub-Saharan Africa has seen significant economic growth and development, fueled in part, by the continent's vast natural capital, but also increasing growth in a range of other sectors. This remarkable population boom, and increasing economic activity, has created intense pressures on land and habitats, including on urban living quality, and presented a range of other environmental challenges. For example, the recent Africa Progress Report finds that Africa is losing $17 billion per year to illegal timber trade, and that in the countries sharing the Congo Basin forests—the world's second-largest tropical forest—threats of deforestation range up to 92 percent of cover.[180] These trends are being fueled largely by increasing demand for timber and investment from China. Similarly, off the coast, African fisheries are thought to be among the most overfished in the world, especially in the West, with most of the catch by foreign-based fishing vessels, and illegal unreported, and unregulated (IUU) fishing accounting for one-third to one-half of total catch in West Africa.[181]

A majority of countries in sub-Saharan Africa are in the early stages of developing or standing up their environmental governance structures. Many countries have basic constitutional provisions that establish the right to a healthy environment, but most have no jurisprudence on environmental protection and limited enforcement under these constitutional provisions. Weak laws and minimal or little to no enforcement is at the heart of these interlocking crises. At the same time, countries are increasingly adopting ambitious sustainable development and environmental agendas and even amending constitutions to explicitly protect the environment. U.S. trade facilitation, environmental capacity building and development aid has also made an important impact in sub-Saharan Africa. But as the 2014 African Progress Report also observes, broader "international cooperation in tackling these problems has, for the most part, been limited to information exchanges, voluntary codes of conduct, and broad statements of principle" rather than taking on the more difficult but effective tasks of capacity-building, improvements of policy, and enforcement of standards. [182]

Notably, environmental sustainability increasingly plays an important role in the decisions of many investors and buyers, including U.S. multinational companies like Coca-Cola, Cargill, or Starbucks that have had a longstanding presence in sub-Saharan Africa. Good governance and effective environmental regulation ensures a level playing field and clear rules of the road for foreign and domestic investors alike, and gives domestic companies a clearer path to enter higher-standard, higher-value export markets.

Possible Environment-Related Standards

The environmental standards in U.S. FTAs have evolved significantly from early to more recent agreements. Specifically, early agreements focused solely on effective enforcement of countries' existing environmental laws and regulations, with no specific level or type of environmental laws and regulations required of signatory countries. More recent agreements have identified specific obligations that must be reflected in countries' laws and regulations, generally correlating to the kinds of environmental challenges faced in the relevant region. For example, trade agreements negotiated with Peru, Panama, Colombia, and Korea in 2007-2008 required the implementation of seven trade-related multilateral environmental agreements common to those parties, which focused specifically on the management of certain fisheries and protection of whales, trade in endangered species, protection of wetlands, marine pollution, and protection of the ozone layer. The TPP agreement, concluded this year, included and expanded those elements and also added provisions to address the particular concerns in the Asia-Pacific about illegal, unreported, and unregulated fishing, fish subsidies that contribute to overfishing, and illegal traf-

ficking in wildlife.[183]

To date, U.S. preference programs, including AGOA, have not included environmental standards. Moreover, cooperative arrangements like Trade Africa have not yet incorporated environmental elements.

The environmental challenges in sub-Saharan Africa are varied and, in some cases, broader than those that the U.S. has sought to address in prior FTAs. Certainly, as discussed above, for many countries in sub-Saharan Africa, the issues that have largely been the focus of U.S. FTAs—including illegal trafficking in wildlife and timber and overfishing—are matters of heightened concern. However, for some African countries, the challenges on environment also pertain to fundamental domestic policy and enforcement issues, in particular with respect to land use and water management, air, and waste management and sanitation. Further, the environmental governance challenges are often very high—for example, with respect to putting in place enforcement bodies with authority and capacity to effectively enforce environmental laws, developing capacity for objective, science-based environmental impact assessments, audits and inspections in primary economic sectors (mining, forestry, agriculture, etc.), and building environmental customs capacity at borders, commercial ports, and airports. Efforts at building sub-Saharan African capacity in these areas have long been an important aspect of the international technical assistance provided by the Environmental Protection Agency and others, and these issues are increasingly relevant to the decisions of companies and consumers.

In developing the new framework for engagement, U.S. and African policymakers should consider whether to include issues such as land use and water management, air, and waste management, sanitation, and environmental governance, especially with respect to countries at lower levels of development and capacity. For example, the Trade Africa approach could be expanded to include cooperative engagement around those kinds of issues, to help improve countries' basic environmental regimes, as well as address more traditional FTA issues of natural resource management. For more developed countries that are prepared for free trade agreements, the basic environmental regulatory issues may be a lesser concern, but to the extent there are acute areas of need—like the issues of forestry governance in the U.S.-Peru FTA—specific FTA approaches may be tailored to address the need.

TRANSPARENCY AND ANTI-CORRUPTION

Importance of Transparency and Anti-Corruption to Deepening U.S.-Africa Trade and Investment

Visiting Kenya for the first time in 2015, President Obama described corruption on the continent and elsewhere as "holding back every aspect of economic and civil life. It's an anchor that weighs you down and prevents you from achieving what you could."[184] The 2014 Corruption Perceptions Index put out by Transparency International showed the majority of sub-Saharan African countries scoring less than 50 percent, which "depicts a situation of endemic corruption."

However, not all countries in sub-Saharan Africa are the same. For example, according to Transparency International, Botswana ranked as the least corrupt country in Africa, was among the developing countries worldwide perceived as least corrupt, and ranked 28th out of the 168 countries surveyed in the 2015 survey.[185] Cape Verde, Seychelles, Mauritius, Namibia, and Senegal ranked in the top third of countries worldwide, with Lesotho, Namibia, Rwanda, Ghana, South Africa, and Namibia ranking in the top ten countries perceived as the least corrupt in the region. Several of these countries have been taking concrete steps to improve transparency and combat corruption.

Nevertheless, corruption and lack of transparency continue to hamper trade within Africa and to make it costly, risky, and inefficient to cross borders. For example, the Borderless Alliance has reported that drivers taking products from the port of Abidjan in Cote d'Ivoire to Bamako, the capital of Mali, pay $25 in bribes to cross the border and another $66 in bribes on the road.[186] These opportunities for graft on the roads and at borders are part of a larger issue of corruption in Africa. Every year, nearly 75 million people in Sub-Saharan Africa are forced to pay a bribe, many to obtain access to basic services.[187]

Possible Transparency and Anti-Corruption-Related Standards

The core international convention in addressing corruption is the United Nations Convention Against Corruption, (UNCAC). All African countries except for Chad, Eritrea, Somalia and Equatorial Guinea are parties.[188] The convention is based on four pillars that serve as the global standards in fighting corruption:

- **Prevention:** Measures include the establishment of anticorruption bodies and increasing transparency in governance, including the provision of government services.
- **Criminalization:** The Convention requires that countries pass criminal statutes to cover corruption in domestic law. This requirement includes not only bribery and embezzlement of public funds but also trading in influence and laundering the proceeds from corruption.
- **International cooperation:** The Convention requires countries to cooperate in prevention, investigation, and prosecution of offenders.
- **Asset recovery:** Countries agreed to asset-recovery programs that help governments and individuals to regain assets that had been lost to corruption.

The United States builds on these principles in its FTAs. TPP, for example, requires signatories to ratify the UNCAC, adopt laws to criminalize corruption by public officials, and maintain robust systems for allowing public input prior to the adoption of new laws and regulations and easy access to information on how the measures operate.[189]

With respect to U.S. preference agreements, AGOA's eligibility criteria require that countries establish, or be making continual progress toward establishing "the rule of law and a system to combat corruption and bribery, such as signing and implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions." The OECD Convention is another international agreement with broad membership that addresses corruption, specifically with respect to bribery of foreign government officials.

For sub-Saharan African countries, regardless of their level of development, efforts to ratify and implement UNCAC could serve as a core "building block" of any new trade framework—for example, as part of a slate of cooperative agreements under the Trade Africa approach or as an element of a binding agreement for more advanced sub-Saharan African countries. For those ready for the latter, the additional provisions of traditional U.S. FTAs should also be considered.

CONCLUSION

As tariffs decline, trade is increasingly affected on a relative basis by non-tariff barriers and other considerations, like the ability of suppliers to supply goods and services quickly, predictably and cheaply across borders and to produce under sustainable conditions. Similarly, investment decisions are affected by factors such as the ability of countries to protect intellectual property, provide supportive services, and allow for the import of necessary input goods and services. This means that tariff elimination alone—and, certainly, temporary unilateral tariff elimination programs—can only be expected to deliver limited progress in deepening U.S.-African trade and investment. For there to be transformative change requires committing to, and effectively implementing, policy changes across a range of issue areas important to competitiveness both regionally and globally. This section has explored some of these "building block" policy areas, including what policy improvements in these areas would mean for trade and investment in sub-Saharan Africa and how commitments could be dialed up over time to promote steady progress. Section 5 considers the spectrum of different trade instruments and approaches that have been used by the United States and sub-Saharan African countries in the past, and the extent to which the different approaches can help us promote these policy reforms. ■

PHOTO CREDIT: WORLD BANK

Potential Structural & Strategic Options for Moving Beyond AGOA

> **If you want to go fast, go alone; if you want to far, go together.**
>
> **African Proverb**

AGOA—WITH ITS UNILATERAL market access provisions, convening power, and basic eligibility requirements, including the establishment of market-based economies, rule of law, economic policies to reduce poverty, protection of internationally recognized worker rights, and efforts to combat corruption—has supplied the architecture for U.S.-sub-Saharan African trade and investment for nearly two decades. It has helped generate increased trade, investment, and job creation in the U.S. and sub-Saharan Africa, and created government-to-government and business-to-business dialogues whose continuity and depth have no match in earlier U.S.-African economic relations. As discussed in earlier sections, however, AGOA also has its limits in increasing and diversifying two-way trade. As with any temporary unilateral preference program, AGOA cannot produce the kind of certainty, durability and depth in the U.S.-Africa trade and investment relationship that parties on both continents need in the long term.

To deepen and expand the U.S.-African trade and investment relationship over the long term, we will need more effective mechanisms to address both tariff and non-tariff constraints to trade, at the border and beyond. Section 4 examined some possible policy building blocks, as well as ways to scale up or down the applicable commitments within each of the issue areas for different trading arrangements, objectives, and needs. This section examines the spectrum of architectural approaches and incentives that could be paired together with particular policy commitments to move the U.S.-Africa trade and investment relationship beyond AGOA.

In examining these issues, policymakers should also bear in mind timing. AGOA is expected to expire in 2025. This expiration provides, at once, a sense of urgency for the development of a new trade and investment framework and, for now, an unprecedented stretch of stability in the trading relationship during which the U.S. Administration, Congress, African partners, and U.S. and African stakeholders can plan, consult, and develop a consensus on this new framework.

THE SPECTRUM OF EXISTING STRUCTURAL AND STRATEGIC APPROACHES

The United States, the European Union, sub-Saharan trading partners, and others have used a number of different policy instruments to seek to deepen trade and investment ties. U.S. and African policymakers should review the advantages and disadvantages of approaches across this full spectrum in assessing possible options for advancing the U.S.-sub-Saharan African trading relationship beyond AGOA.

Traditional U.S. Trade Agreements

U.S. trade agreements have traditionally had a number of hallmarks. First, they have generally been comprehensive—covering virtually all trade in goods, most services trade, as well as a broad (and growing) set of policy disciplines, including intellectual property, labor, environment, investment, government procurement, transparency and anti-corruption, technical barriers to trade, and sanitary and phytosanitary measures. Second, they have been high standard agreements, meaning that in many cases they reflect the most far-reaching international standards in an issue area—often going beyond WTO obligations—and, in most cases, subjecting compliance with the standards to dispute settlement and trade sanctions in the event of non-compliance. And, third, they have generally been symmetrical and uniform, meaning that all parties take on the same obligations, no matter their level of development or their capacity constraints. In some cases, however, with free trade agreements involving developing country partners, the United States has negotiated flexibilities—most often in the form of longer transition periods—to allow trading partners to achieve the high standards of U.S. agreements. Given the development and capacity challenges in many African countries, this latter approach may be worth considering with those that are otherwise ready and interested in exploring comprehensive free trade arrangements.

Within the timeframe of this assessment (by the expiration of AGOA in 2025), traditional U.S. free trade agreements may be a viable option for some sub-Saharan African partners, but certainly not all. Selection of trading partners for this type of arrangement will necessarily require assessment both of political and practical readiness. USTR has heard interest from some countries, such as Kenya and Mauritius, in engaging in discussions about a possible free trade agreement. A full exploratory assessment would be necessary before embarking on a path to any such negotiations.

For sub-Saharan African partners that are willing and able to undertake a traditional U.S. trade agreement, options could include:

- **A free trade agreement negotiated *sui generis* with a single country, a REC, or a combination thereof.** The benefit of such a *sui generis* approach—under which the elements of an agreement would be negotiated from scratch rather than from some existing template or base—is that the particular mix of substantive building blocks could be tailored to the needs of the particular trading partner country or countries. This approach would also allow the greatest flexibility in terms of selection of partners; the United States could launch negotiations with whichever country or countries and/or RECs that are ready to proceed to that kind of relationship, without having to wait for others. However, this approach is also likely to require significant periods of time for negotiation, especially with respect to disciplines that have not previously been included in African agreements or at the WTO.

- **A "mega-regional" free trade agreement building on the African free trade agreements.** Such an agreement could be negotiated with the countries to the Tripartite FTA being negotiated between the EAC, COMESA and SADC, or the Continental FTA being negotiated under the auspices of the African Union, and build on those agreements. This could have the benefit of helping to support and strengthen the RECs or the AU's own regional integration efforts, and of putting the United States into negotiations with countries that already have a track record of negotiating with each other. Further, at least in theory, building on the Tripartite Agreement or CFTA could help expedite some of the negotiations between the United States and sub-Saharan African trading partners. However, the Tripartite Agreement and the CFTA are still in the process of being negotiated. It is not yet known when the negotiations will end, though the parties have laid out ambitious schedules. Nor it is known exactly what disciplines will ultimately be included in these agreements, making it unclear to what extent these agreements could provide a "shortcut" for U.S.-African negotiations. Waiting until completion of either the Tripartite FTA or the CFTA could also push any potential

U.S.-African negotiations beyond the 2025 frame.

- **Allowing sub-Saharan African countries to dock onto existing or renegotiated U.S. agreements.** This has many of the advantages of building on the African agreements, discussed above, but with the added benefit that these agreements have already been negotiated and their provisions are known. Certain groupings may have particular appeal. For example, many policymakers in the United States and sub-Saharan Africa have expressed interest in looking at U.S.-African relationships more holistically, including by eliminating trade policy lines between Northern African and the sub-Saharan African countries. The United States already has an agreement—albeit, an earlier model agreement—with Morocco. One question that policymakers could consider is whether the Morocco agreement should be renegotiated to update the agreement and possibly include additional African participants. This could be similar, in some ways, to the updating of NAFTA through the TPP agreement. Having sub-Saharan African countries join existing arrangements—either in their current form or as renegotiated—could also significantly affect the incentive structure for African trading partners. For example, if a sub-Saharan African country were to negotiate a standalone free trade agreement with the United States, a primary benefit would be more permanent access to the U.S. market. If a country were to "dock on" to an agreement like the TPP, however, it would benefit from access to many more markets, and also benefit from the ability to "cumulate" inputs across the full range of member countries. This could help better integrate sub-Saharan African countries into global supply chains and expand the economic incentives for those countries to negotiate a high-standard free trade agreement.

Some have suggested that the stalling of U.S.-SACU free trade agreement talks in 2006 bodes poorly for traditional U.S. trade agreements in sub-Saharan Africa. However, this does not take into account the significant changes that have taken place in Africa over the last decade. Many countries in Africa have now negotiated trade arrangements with each other and with countries outside Africa as well. They not only have experience with negotiations but with the real benefits of open trade and investment. Indeed, as discussed in earlier sections, expanded trade and investment have been key to the African growth story over the last decade. Given these changes, the U.S. experience with the SACU agreement over a decade is a poor indicator of future success with negotiating a free trade agreement with sub-Saharan African partners.

Alternative Reciprocal Agreements

No sub-Saharan African country has yet undertaken a U.S.-style free trade agreement. But many have now signed, and South Africa has implemented, reciprocal trade agreements with the European Union. These European agreements are different in many ways from traditional U.S. agreements. They have a significantly narrower focus, dealing primarily with tariffs and matters directly related to trade in goods. They are asymmetrical, with the European Union and African partners taking on different levels of tariff commitments, and often with significantly less than full tariff reductions or product trade coverage on the African side. And they are, reportedly, matched with significant trade capacity building packages from the European Union.

Some have raised whether the United States should consider such EPA-style agreements with sub-Saharan Africa, either as tariff-only agreements or with a very limited set of tariff-plus obligations. Certainly, this would be easier than negotiating a full traditional U.S. free trade agreement. And given the recent African experience with such agreements with the European Union, there is likely to be higher confidence among sub-Saharan African countries that they will be able to negotiate similar agreements with the United States as well. But there is also little precedent for such an approach in the United States. The closest analog may be the BTA with Vietnam, which required Vietnam to undertake a variety of market-opening measures, with most being less robust than the measures under traditional U.S. FTAs. However, that agreement only required the United States to extend MFN tariff treatment to Vietnam, not permanent preferential market access. It is unclear whether any tariff-only (or other narrowly drawn) agreement could be accepted by U.S. stakeholders and pass the U.S. Congress, especially one with asymmetrical obligations. There may be greater appetite for such an approach if it is a stepping stone towards a more comprehensive agreement, much as the BTA helped to bridge the U.S.-Vietnamese trade relationship from its early post-embargo days to the high-standard TPP agreement. There are also questions about how successful a tariff-only or other narrow agreement could be at deepening U.S.-Africa trade and investment ties. One important lesson from the decades of our AGOA engagement is that policy reforms across a range of areas are necessary to create the right enabling environment for trade and investment and, without this, even generous tariff treatment can have a limited impact. A reciprocal trading arrangement that encourages few policy reforms may be similarly limited in its ability to improve trade and investment between the United States and sub-Saharan Africa.

Collaborative Arrangements

The Trade Africa model of collaborative arrangements between the United States and sub-Saharan African trading partners provides another possible option for countries with limited capacity to undertake comprehensive trade agreements in the near term. Under the current approach, sub-Saharan African countries develop work plans with the United States to meet certain minimum international standards (at present, in the areas of SPS, TBT, and trade facilitation). The United States, in return, undertakes to provide the countries with specialized technical assistance and trade capacity building support to implement agreements and help the countries meet their commitments. This approach, which is currently in place with respect to a select number of countries,[190] could be expanded to others, could be expanded in subject matter coverage, and could also be paired with additional incentives. For example, the United States could extend temporary unilateral tariff benefits to African countries that undertake market opening and sustainable development commitments, such as: (1) binding their tariffs in the WTO; (2) achieving full compliance with WTO rules; (3) joining plurilateral agreements and negotiations such as the ITA, the EGA, future WTO sectorals, and TiSA; or (4) implementing laws conforming to basic ILO norms.[191] These commitments could even span the entire set of substantive building blocks, but—as necessary to accommodate the level of development of the sub-Saharan African trading partner—incorporate less stringent standards than those in traditional U.S. FTAs. Overall, these reforms would aim to bring participants' trade regimes to a level from which negotiation of an FTA could ultimately be completed, replicating the "stepping stone" approach that has been effective in other contexts.

Unilateral Preferences

We cannot predict today how Congress will react to the expiration of AGOA preferences in 2025—whether preferences will be continued for some or all of the current set of AGOA beneficiaries. Certainly there are likely to be some African countries that are too fragile or resource-constrained in the near term to fulfill the full suite of obligations that are traditionally part of U.S. trade agreements, for whom preferences will still be an important bridge. However, an important issue for U.S. and African policymakers is how to ensure that even preference beneficiaries are incentivized to undertake needed policy reforms and basic infrastructure and capacity improvements to allow more trade with, and investment from, the United States. The Liberia case study is instructive in this regard—showing that even very poor and very fragile trading partners have an interest in, and capacity to undertake, key international commitments. To that end, Congress could consider revisiting the preference eligibility criteria to determine whether to incorporate additional or higher standards. Additionally, the United States could consider developing targeted trade capacity building projects to help these countries improve policies and performance in key areas of weakness. One important tool for use in this regard is AGOA utilization strategies, which the USAID Trade and Investment Hubs, the African Development Bank, and others are working with some AGOA beneficiary countries to produce. The utilization strategies could help identify the most viable sectors and products for trade under AGOA, as well as areas for reform that could boost a country's trade competitiveness. Commitments to undertake reform in these areas could be built into the AGOA strategies and create a pathway for even the least developed countries to better integrate into the global economy.

GUIDING PRINCIPLES AND KEY LESSONS

As U.S. and African policymakers assess a future trade policy architecture for their relationship, they may wish to consider certain guiding principles and some of the key lessons from U.S. and African experiences building trade relationships in recent years:

1. **A new U.S.-Africa trade and investment policy architecture should support African regional economic integration.** The goal of creating viable regional markets in sub-Saharan Africa is both an African and a U.S. priority. It is also critical to businesses and workers on both continents—U.S. exporters looking to sell to Africa will benefit from the larger, more integrated markets and a less fragmented regulatory and tariff framework, as will African producers hoping to serve the continent and take advantage of economies of scale. While initiating expanded trade discussions with one regional leader may be the best first step, as the EU did with South Africa, the goal should be to expand to a more regional footing over time, which will enable sustainable economic growth and create larger, more attractive markets for U.S. companies and investors while supporting African regional economic integration.

2. **A new U.S.-Africa trade and investment policy architecture should move toward greater reciprocity.** As discussed in Section 2, the overwhelming global trend—one that is echoed in sub-Saharan Africa, the United States and other major developed countries—is away from unilateral preferences and towards more reciprocal arrangements. As more reciprocal arrangements go into effect between sub-Saharan Africa and other developed country partners, the pressure to consider more stable, permanent, and mutually beneficial alternatives to AGOA will grow in the United States as well. U.S. and African policymakers should work over the next nine years to ensure that—by the next expiration of AGOA in 2025—new trade policy frameworks can be put in place to protect and grow the U.S.-sub-Saharan African relationship.

3. **A new U.S.-Africa trade and investment policy architecture should support African value-added production and promote diversification of exports including value-added agriculture, manufacturing, and services.** Africa's economic future depends, in important part, on its ability to add value on the continent to its vast natural resources and agricultural commodities, as well as on its ability to diversify its exports. Such value addition and export diversification could not only bring more labor intensive links of global supply chains onto the continent and produce more jobs, but it could avoid some of the issues that have made African trade with countries like the United States more difficult. For example, basic agricultural products—like fruits and vegetables—are subject to strict sanitary and phytosanitary controls in the United States, which many African countries struggle to meet. More processed agricultural products like jams and juices present fewer pest concerns, which have made them easier to export for many African countries. A new trade and investment policy should explore ways—whether through market incentives to attract investment, different formulations for rules of origin, capacity building support, or other means—to promote such value addition in Africa and greater diversification of exports.

4. **A new U.S.-Africa trade and investment policy architecture should include African reforms across a broad range of policy areas.** Even in the design of AGOA 16 years ago, Congress recognized that tariff reductions alone would not generate transformational changes in trade and investment. Policy reforms that create an open and sustainable "enabling environment" are key. AGOA sought to incentivize policy reforms through eligibility criteria, even while setting a less stringent bar (i.e., continual progress towards

meeting the policy objectives). As the Vietnam and Liberia case studies confirm, however, developing countries—even the least developed among them—are capable of taking on significant policy reform obligations and drawing powerful benefit from them in growth, economic diversification, and the alleviation of poverty. Given how critical these reforms can be for trade and investment, and economic growth more generally, the next generation trade framework for sub-Saharan Africa should include stronger efforts to bring about reform and higher standards in key policy areas.

5. **A new U.S.-Africa trade and investment policy architecture should promote African integration into the global trading system.** Research shows a strong correlation between developing countries that have reformed, liberalized, and integrated their economies into the global trading system and those that have experienced the most significant improvements in development outcomes, including U.S. FTA partners such as Peru, Chile, Mexico, Vietnam, Malaysia, Oman, Jordan, Morocco, and others. Currently, despite its very high reliance on exports of natural resource goods, sub-Saharan Africa is one of the least integrated regions in the world with respect to trade and investment. Moreover, the rise of regional and plurilateral agreements, the low levels of African participation in existing WTO plurilateral agreements, relatively weak compliance with WTO notification rules in areas like technical barriers to trade, and the stalling of the Doha Development Round at the WTO, has left many African countries outside the major realignment of the global trading system over the past several years. The United States. and Africa stand to benefit significantly from changing this trend and raising standards in the region.

6. **A new U.S.-Africa trade and investment policy architecture should account for different levels of readiness and capacity across the region.** Sub-Saharan Africa is comprised of a diverse group of countries at differing levels of development, wealth, and readiness for expanded trade engagement. The next generation trade framework with sub-Saharan Africa will need to recognize this and avoid a "lowest common denominator" approach. For countries that are more developed, more seasoned in international trade and trade negotiations, or simply more ambitious and willing to take on a deeper set of mutual commitments, the United States could pursue the kind of high-standard agreement that has been possible with countries like Vietnam, and could engage with these countries as leaders in their respective economic communities to bring along their REC partners. While Vietnam received some flexibility in meeting the high standards TPP has set—particularly in the form of additional time for implementation—it took on all of the same ultimate obligations as other TPP participants. This high-standards-plus-flex FTA approach is worth considering with African countries that demonstrate the requisite signs of readiness. For others that have more limited capacity or need additional time, and possibly additional technical support, a staged approach may offer a way forward—for example, starting with agreement in certain "building blocks" or policy areas to which additional blocks could be added over time, made progressively higher in terms of standards, and made more binding.

CONCLUSION

There is an African proverb that provides that "if you want to go fast, go alone; if you want to far, go together." The United States and sub-Saharan African trading partners have come far together in the last 16 years under AGOA, but there is much farther that we can go. This report has sought to make the case for reinvigorating the U.S.-Africa trade and investment relationship and for reimagining the policy architecture to propel this relationship into the future. The major strides being made in many corners of Africa and the positive experience of Vietnam, Peru, and other developing countries that have undertaken significant reforms and liberalization efforts provide powerful inspiration for the United States and our African trading partners.

But the U.S.-African relationship is also unique, and the practicality and feasibility of the policy options must be assessed in light of this unique relationship and with a view to determining which options offer the greatest promise to unlock trade and investment. This report attempts to move that assessment forward, taking into account the lessons of the past, and bringing together the views of our African colleagues and stakeholders in the Congress, business, civil society, academia, and other communities. This is the start of an important conversation, which policymakers on both continents need to engage in with the same spirit of shared commitment, pragmatism, and urgency that spurred on the creation of AGOA nearly two decades ago. The upcoming AGOA Forum provides a key opportunity to engage in the conversation in earnest, with the aim of starting to chart a new course forward. Together we will go far and arrive at something better—a new trade policy architecture that keeps faith with the vision of U.S.-Africa trade underlying the AGOA program, but one that reflects the needs and opportunities of a changed world ■.

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191. Such an arrangement could be maintained under a WTO waiver, much as AGOA is today.

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