



United Nations
Economic Commission for Africa



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SESSION 2: The Future of the US-Africa Relationship Beyond AGOA

Review of USTR Report on Beyond AGOA

Introduction

1. Greetings today audience members. It is a pleasure to be before you to present and comment on the latest USTR report, Beyond AGOA – Looking to the Future of US-Africa Trade and Investment. In doing so I will outline the key conclusions of the report and how these relate to African trade policy, before delving into the implications for regional integration in Africa, the lessons that can be learned from similar engagements, the importance of negotiating with Africa at the continental level, and the capacity for least developed African countries to undertake trade liberalising reforms.

Objectives of USTR Report

2. The principal objective of the report is to prepare the ground and build the justifications for a new US trade policy towards Africa to succeed AGOA. To do so it couches a summary of AGOA and US-Africa relations within developments in the global trading system, possible foundational “building blocks” for future relations, and recommendations for moving beyond AGOA. This is buttressed by a selection of case studies which are supportive of these recommendations.

The end of US unilateral preferences

3. The linchpin underlying the Report recommendations is the desire for reciprocal trade arrangements with Africa. The provision of unilateral preferences towards Africa is cited as being untenable while Africa negotiates reciprocal agreements with other regions and countries, and while other providers of non-reciprocal preferences to Africa, such as the EU and Canada, move towards reciprocal arrangements.
4. It frequently alludes to increasing commercial and domestic pressure in the US for reciprocal arrangements. It also presents Africa’s rising economic significance, in terms of development improvements and increasing economic size, suggesting that with these opportunities American businesses could be at risk of “being left out” in competition with other trading partners with which Africa is has, or is developing, reciprocal agreements.
5. Chief among this competitive scramble is the EU, with its Economic Partnership Agreements, and China, which is mentioned no less than 51 times in the Report. China does not yet actually have serious reciprocal agreements under negotiation in Africa, but overtook the US in 2004 as the second biggest supplier of Africa’s imports (after the EU) and in 2012 as the second biggest destination for African exports (again after the EU).

6. Also suggested is that “unilateral preferences are shrinking”, based on a reduction in the number of countries eligible for EU GSP preferences in 2014 from 176 to 89 countries (mostly based on existing countries establishing alternative arrangements with the EU). However what isn’t mentioned is the EU’s Everything But Arms – which amounts to an extension of unilateral access for LDCs. Or DFQF access developments at the WTO which seek to expand duty-free access for LDCs to all developed countries.

The Form of Future US-Africa Integration

7. It is acknowledged that US-Africa trade and investment continues to be overly focused on a small number of African countries, particularly South Africa and Nigeria, and especially concentrated on the extractive resource sector. The American consumer market and partnerships with American on-line and creative industries are cited as Africa’s opportunities for further US-Africa engagement. Greater integration is posited as a potential solution, drawing from the case studies of Vietnam to Peru.
8. Here a broad range of potential ‘policy building blocks’ are given for such integration including trade facilitation, intellectual property rights, labour, sanitary and phytosanitary measures, market access, services, investment, environment, technical barriers to trade, and transparency and anti-corruption, which can all be built into future US-Africa arrangements. The point here is to prepare the ground for *comprehensive* US agreements that go far beyond merely market access, incorporating a selection of suitable ‘policy blocks’.
9. This is contextualised by highlighted changes in the global trading landscape: the increasing number and depth of preferential trade agreements which address behind the border issues such as investment rules and protections, intellectual property rights, sanitary and phytosanitary measures, technical requirements, services, labour and environmental policies.
10. The report details 4 potential options for what Beyond AGOA trade agreements could look like with Africa:
 - 1) US Style trade arrangements: these would be comprehensive, involving many behind the border issues. These would also include limited asymmetry, with all countries agreeing to the same obligations with at most a longer transition period for implementation.
 - 2) Asymmetrical EU-type agreements: these would be modelled on the EPAs and demand fewer obligations of African countries. However it is indicated that the US does not have a history of establishing such agreements, and that US negotiators would ostensibly find these difficult to sell at home.
 - 3) Stepping Stone arrangements for countries with limited capacity: these would be collaborative arrangements in which the US helps African countries reach international standards on, for instance, SPS, TBT and

trade facilitation with the aim of bringing these countries to a level form which negotiations of an FTA could be completed.

- 4) And finally, continued unilateral preferences: however these would come with further requirements for African countries to meet higher standards to incentivise them to undertake policy reforms conducive to allowing more trade and investment from the US.

Regional Integration and Beyond AGOA Arrangements

11. The Report hints heavily at a multi-layered approach to engaging different African countries based on their divergent characteristics and appetites, such as levels of development, wealth and readiness for expanded trade engagements.
12. This suggests an approach of pre-selecting 'can do' countries as 'regional leaders' for individual FTAs, after which other countries can be possibly folded into these agreements when they are ready.
13. This presents a clear challenge to African regional integration, with the risk of fragmenting, rather than consolidating African integration. This is despite "African regional integration" being stated as one of the three underlying principles of any new US-Africa trade framework and the report also identifying "small fragmented markets" as among Africa's key challenges to its competitiveness.

Learning Lessons: EPAs and FTAs

14. Here lessons can be drawn from the EU and the EPAs. An EPAs type approach to US-Africa trade relations after AGOA should be avoided. Not only did the EPAs create fragmented regional entities, adding another layer to the challenge of rationalizing multiple trade arrangements, they have little popular support and indeed were forced through under the threat of preferential market access withdrawal for non-LDCs. Aside from the SADC region, the EPAs have not been fully concluded anywhere else. A recent implication in this is Brexit, which has introduced further complications for the future viability of the EPAs as the UK is a significant trade partner for several African countries.
15. Yet here the report takes an entirely different perspective, suggesting that the failure of EPA negotiations is due to regional approaches which draw in too many countries of divergent characteristics and interests. Ironically the one concluded EPA with SADC is actually that with the continent's most divergent countries because of its inclusion of South Africa, Africa's most advanced economy.
16. The US is likely drawing lessons instead from its experiences in Latin America and the failure of the US-led Free Trade Area of the Americas (FTAA) initiative, in which a one-size fits all trade agreement with no flexibilities for its less developed members was ultimately rejected by the 34 countries of the Americas.

17. However, there is a caution for Africa from the FTAA experience also. After the FTAA was finally buried in 2005 the U.S. subsequently picked individual 'can do' Latin American countries for bilateral negotiations. While many of these FTAs were concluded and have now entered into force, they created a split in Latin America: those which had trade agreements with the U.S. and those which didn't, and weren't willing to. To this day the split remains, evidenced by the MERCOSUR countries to the East of South America as a separate block from those in West South America, many of whom are now involved in the TPP negotiations and closer integration with the US.
18. This approach can clearly be highly divisive for the process of regional integration, as seen in Latin America. In considering the Beyond AGOA options, Africa should remain cautious of such fragmentations and should instead press for a comprehensive continental agreement.
19. In this context, we should be cognizant of the fact that such an individual 'can do' FTA approach may again be the desire of the U.S. This is all the more reason for us to ensure conclusion and implementation of the CFTA before 2025, such that we are prepared to address the U.S. as a single, coherent, and stronger entity so that individual FTAs do not pick apart the African regional integration agenda and the considerable benefits it can provide.

U.S. Engagement at the African Continental Level

20. The US perspective of the CFTA and engagement at the continental level is agnostic at best. Underlying this are concerns about the overlapping "spaghetti bowl" of regional economic communities in the African continent, the limited evidence of implementation of agreed integration, that continental integration in particular remains "behind schedule" and that it is not known in it what "disciplines will ultimately be included".
21. For here we can draw lessons from the Association of Southeast Asian Nations (ASEAN), which was until recently regarded as both behind schedule and limited in implementation, but which today amounts to a highly integrated economic community with a single market and widely considered a big success.
22. Furthermore, there is currently considerable policy commitment to the continental integration within Africa, with the CFTA being a major flagship policy of the African Union's Agenda. The recent Kigali Summit recommitted to the 2017 deadline and instructed that the negotiations should be conducted on the basis of a template. The template, which is now completed, includes pro-development disciplines on goods, services, movement of persons and investment.
23. Implementation will be a challenge but there are no grounds at this stage for US pessimism. In fact US support will help make the CFTA a success.

24. Moreover, the CFTA is aimed specifically at the rationalisation of overlapping trade regimes, and the creation of a continental market with common rules for goods, services and investment. It will facilitate trade policy coherence with external partners. Post -AGOA , the US should aim at a comprehensive partnership with the CFTA and including elements of the trade and investment capacity support that have been built into the EAC Trade Africa initiative.
25. Here it is short-sighted for the US to focus on 'sub-Sahara Africa' - and even within this configuration to cherry pick the most promising countries - when the ambition is for a continental market to facilitate regional value chains. The role of Egypt in COMESA is a case in point. UMA's trade strategy is focused on its southern neighbours and we now see countries like Algeria exploring how to engage. Just this Friday Morocco asked to re-join the African Union after four decades outside.
26. What cannot be lost from sight are the tremendous attractions to regional integration in Africa, which are ostensibly recognised in the Report's identification of African regional integration as a "guiding principle". Research from the ECA shows that this integration will help make Africa's markets more attractive to inward investment, it will help improve Africa's scope for innovation, facilitate intra-Africa trade for regional value-chains to help Africa engage with external trading partners at a greater level of value-added trade and boost African industrialisation, as well as fostering improved allocation of food security crops to address droughts and shortages related to climate change.

Capacity for least developed African countries to undertake trade liberalising reforms

27. Finally, the US approach to Africa beyond AGOA needs to be cautious of Africa's level of development, its scope for innovative policy space, and of not pushing the poorest African countries into liberalisation prematurely.
28. The Report uses the case of Liberia to emphasise how least developed countries can take on liberalising commitments. Yet the Liberia example in the report is disingenuous. Arguably Liberia took on WTO+ commitments. On the other hand Vietnam avoided this route, but this is not mentioned in the Vietnam case study nor is highlighted the considerable benefits Vietnam derived from regional integration with ASEAN which helped establish the regional value chains that aided its development. And Ethiopia too is avoiding WTO+ commitments in its accession – yet is currently among the fastest growing countries in the world.
29. The report's "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". Yet the first lesson of statistics is

correlation does not equal causation. The case for rapid liberalisation remains highly controversial for good reason, and the US should be cautious of pressing African countries into situations for which they are not ready.

30. However, with these poorest of African countries, significant value can be provided by US leadership, which is required to complete the Doha round including the development-friendly disciplines that Africa has prioritized.

Concluding remarks

31. In concluding this presentation it is important that I re-emphasise the cautions mentioned before. Principally this is to safe-guard African regional integration at the continental level. The benefits of doing so represent a more coherent and valuable partner for the US as well as being vital in promoting a prosperous Africa in line with Africa's policy agenda at the African Union level. Lessons must be learned from the EU's EPA experiences in Africa, as well as from the experiences of Latin America and South-East Asia. And efforts should be made to ensure that the least developed African countries are not prematurely pressed into liberalising when they are not ready. Ultimately the US is, and will remain, a highly important partner of Africa – not just in terms of trade, trade assistance and investment, but in development and strategic interests more broadly.