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Agoa: An opportunity for Obama to define his Africa legacy



By **KEMAL DERVIŞ AND CARLOS LOPES**

Everyone stands to gain if Africa can sustain and accelerate its progress in tackling poverty and finding jobs for its growing young population, write Carlos Lopes of UNECA and Kamal Dervis of the Brookings Institution

The Africa Growth and Opportunity Act (Agoa) rarely makes headlines in the United States, where the legislation forms a core pillar of African relations. But the frequency with which it was raised during President Barack Obama's recent trip to Africa underlines how important the Act is seen to be on the continent, both as a driver of progress and as a symbol of the US's relations with it. The need to extend Agoa, which is due to expire in 2015, was a clear priority for the countries Mr Obama visited.

It is easy to see why so much importance is attached to Agoa in Africa. The Act enables African countries that show progress towards a market-based economy to export a wide range of products to the US free of quotas or duty. Since it began operating in 2001, it has succeeded in its goal of helping reduce poverty through increased trade and investment with the US. Incomes have been raised and hundreds of thousands of jobs have been created, especially for women.

And while the biggest growth in trade has been in oil, Agoa has also helped strengthen and diversify economies. Lesotho and Kenya are among the nations which have seen Agoa trigger crucial investment in new sectors and industries.

But while Agoa is widely supported across the continent, it remains more controversial in the United States. Critics have warned that extending the Act beyond 2015 would damage America's own interests and employment.

The Act's opponents argue that Africa's impressive growth in the 21st century means the continent no longer needs special treatment. They also claim that it is China and other countries who have been investing in Africa which have been the main beneficiaries from the removal of restrictions and that, in some cases, they are simply re-exporting their own products through African countries onwards to the US.

Hard evidence, however, shows that while African countries have certainly gained, as intended, the most from Agoa, the benefits have not by any means been all one-way. In the first decade since it came into force, US exports to sub-Saharan Africa tripled to \$21bn. As the US commerce department estimates that 5,000 American jobs are created or sustained for every \$1bn worth of exports, this trade is helping support over 100,000 jobs in the US. The US Trade Department has also insisted that proper safeguards are in place to prevent abuse of the rules.

In the long-run, too, an Africa whose economy continues to grow and whose citizens are becoming more prosperous can only provide more opportunities for US companies through investment and exports. Everyone stands to gain if Africa can sustain and accelerate its progress in tackling poverty and finding jobs for its growing young population.

This will not happen, new research by the United Nations Economic Commission on Africa (ECA) and the Brookings Institution has found, if the US scraps Agoa and moves back to the old generalised systems of preferences. Such an outcome would lead to considerable trade losses for African economies. But that study found that if the US was to expand the range of products covered by Agoa, it would deliver huge benefits for the African countries and lead to higher diversification of African exports.

Nor, the research shows, would US producers and exporters suffer. On the contrary it would lead to increased American exports and jobs as African countries look to build up their own economies in new sectors.

There will, doubtless, be some people in Washington who will be tempted by the European Union route of seeking economic partnerships which demand strict reciprocity. But while this might in the short-term increase US exports to Africa, in the long-term it would damage African prosperity and US goals for the continent pursued by both past Democratic and Republican presidents.

The research also shows the importance of Africa stepping up its own plans to accelerate regional integration, remove trade barriers between countries and move towards a free trade area across the continent. This will be particularly important to offset potential losses if other major economies, such as the US and EU, deepen their own trading links.

So it is to be welcomed that Mr Obama, in response to African fears about the future of Agoa, made clear his determination during his trip to encourage Congress not just to renew the agreement post-2015 but to improve it.

An enhanced Agoa would provide a powerful drive to deliver his African strategy set out a year ago and would demonstrate US global leadership for years to come.

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