

# Africa faces WTO hurdle in bid to extend US trade pact

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Africa must lobby the World Trade Organisation for exemption to rules that bar member states from signing non-reciprocal trade pacts if the United States is to extend the Agoa pact beyond 2015, trade experts said.

Extension of the African Growth and Opportunity Act (Agoa) beyond 2015 is seen to be critical to Africa's ability to attract investment it needs to prop up the competitiveness of the sectors that produce for export under the preferential terms.

Trade experts say the six years remaining before expiry of Agoa is limiting capital investments in the relevant industries leaving Africa without the capacity to export to the US.

Erastus Mwencha, the deputy chairman of the African Union, says that while the US is not opposed to extending Agoa, Africa must lobby the WTO for a waiver of rules that outlaw non-reciprocal trade pacts.

Agoa offers Africa non-reciprocal duty and quota-free access to the US market for 6,500 products and is set to expire in 2015. This means that while Africa can export to the US duty-free and without limitations on volumes, the US cannot do the same in Africa.

WTO rules do not allow such arrangements on grounds that they "encourage unfair global trading practices."

The WTO allowed the US to trade with Africa under the concessionary terms on grounds of widespread poverty and underdevelopment on the continent until 2015. Its extension would enable Africa to continue enjoying duty- and quota-free access to the world's largest economy.

Initially, Agoa was meant to expire in 2008 but Africa lobbied the WTO for an extension that took it to 2015. Trade experts say underinvestment in sectors that produce export goods has prevented Africa maximising the benefits of Agoa's extension.

"We used global solidarity to lobby for its extension," said Mr Mwencha, who now admits that there is need for a more permanent arrangement that can boost investor confidence and help Africa to acquire the money and technical assistance it needs to trade under the Agoa platform.

African trade officials say only a permanent pact will attract investment into sectors that produce for Agoa-eligible goods and increase the continent's export volumes for the desired social and economic impact.

Eric Mgendi, the communications coordinator for Africa at ActionAid, reckoned there is room within the WTO rules for extension of Agoa.

"WTO is not cast in stone. It is a moving target and can be changed if there is political goodwill in Europe and the US," he said.

With the support of Europe and the United States, Africa can lobby for an amendment to the WTO's General Agreement on Tariffs and Trade (GATT) to allow it to continue enjoying duty- and quota free access to the US market reciprocation.

Mwangi Kimenyi of the US-based Brookings Institution, who has studied the impact of Agoa on African economies says only significant US investment in Africa will enable the continent to reap the desired fruits.

Analysts say having Africa-based American firms exporting to the US under Agoa would give Africa the weight it needs to lobby for better terms of trade.

Prof Kimenyi says Africa should lobby for a more "friendly" Agoa deal that is free from non-tariff barriers to agricultural exports.

"The product approval process is cumbersome and takes unnecessarily long even for products that are exported to other developed economies," he said.

Some African participants who attended last week's Agoa conference in Nairobi said the US had offered Africa "tactical support to lobby for extension of pact at the WTO."

Should the lobbying fail, Africa will have to offer the US reciprocal treatment for Agoa to continue. Some trade experts say such an arrangement would expose Africa's nascent industries to competition from US producers and wipe out thousands of jobs and investments.

But others maintain that the danger of swamping is much less because the US exports to Africa are mainly composed of advanced goods and services not produced locally.

US mainly exports aircraft and parts, oil and gas field machinery, motor vehicles, oil seeds and grains, and construction machinery.

Others are petroleum and coal products, industrial chemicals, engines, turbines and power transmission equipment, and communications equipment to Africa.

Joel Mphoke, a trade expert from Botswana said if the push for non-reciprocal extension fails, Africa could offer US future reciprocal trade arrangement that is anchored on the extension of Agoa.

That would require the US to extend the Agoa pact beyond 2015 in return for reciprocal treatment beginning 15 years from 2015. It is an option that is in practice elsewhere and would, therefore, not be strange to WTO members.

Senior officials who attended the Agoa forum in Nairobi would not comment on the matter but US trade representative Ron Kirk told African nations exporting to the US under the Act to first focus on how to take the full advantage of the deal rather than dwell on extension.

Mr Kirk maintained that many of the 39 Agoa-eligible African countries "have difficulties that can be solved locally [by increasing competitiveness and aggressive marketing in the US market] ... and have nothing to do with the range of products or the timeline."

"Energy spent worrying about extension of the pact should be directed to making the hard decisions that need to be made to help these countries strengthen their capacity to export," he said.

### **Proposed laws**

Mr Kirk, however, indicated that the US is pursuing bilateral investment agreements with African countries to deal with the WTO challenge.

US has trade, investment, and development cooperative agreement with five of the Southern Africa Customs Union members (Botswana, Lesotho, Namibia, South Africa, and Swaziland) and bilateral investment agreements with six other African countries.

The bilateral arrangements are more or less similar to the economic partnership agreements (EPAs), a reciprocal trade arrangement that the European Union is pursuing with African regional blocs.

But even as Africa lobbies, reports say US Congress is planning to introduce a number of bills that would extend Agoa-like preferences to other less-developed countries.

The proposed laws would extend benefits to countries such as Cambodia and Bangladesh that are competitive in manufacturing compared to African countries.

If all options fail, analysts said it is the responsibility of Africa to come up with ways to allow developing countries to access their markets without doing harm to fragile industries and produce of the developing world.

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