Will Global Recession Damage U.S. Africa Trade Ties?

by Paul Collier and Rosa Whitaker
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Aug 12, 2009 (The Whitaker Group/All Africa Global Media via COMTEX) -- Writing after last week's United States-Africa trade forum in Nairobi, Paul Collier and Rosa Whitaker call on both the U.S. and African nations to craft a meaningful strategy to prevent better trade relations from becoming "a casualty of the recession and of the drift towards political expediency and protectionism."

This week in Nairobi, Kenya, Secretary of State Hillary Clinton led a US delegation to the 8th Annual African Growth and Opportunity Act (AGOA) Forum. This Forum, a meeting of US and African ministers, business and civil society leaders, was created as part of AGOA -- the first comprehensive US tradepolicy towards Africa. Enacted under the Clinton Administration in 2000, AGOA continues to garner laudable bipartisan support in the US Congress and strong approval in sub-Saharan Africa. AGOA effectively removed tariffs on essentially all African products exported to the US, providing Africa with a preferential trading scheme that has since bolstered its development. Africa's exports under AGOA have increased by 300% and over 300,000 AGOA-related jobs have been created in the region. While AGOA's full potential is yet to be realized, this trade-centered policy approach provides a model that is helping the "bottom billion" to converge with the rest of the world.

The fact that Secretary Clinton elected to attend the Forum along with Secretary of Agriculture Tom Vilsack and US Trade Representative Ron Kirksends a clear signal that AGOA will remain a cornerstone of US Africa policy. What is less clear, however, is how the US and African governments will work to solidify AGOA's gains and ensure that progress is not eroded in this daunting global environment.

As this meeting takes place, Africa is at risk of becoming the largest casualty of the global recession. So far in 2009, Africa's exports to the US have declined by 58% -- far more than any other region. The UN Economic Commission for Africa projects that the current economic downturn could cost the continent $251 billion in 2009 and $277 billion in 2010 in export earnings, despite earlier predictions that the region would not be hard hit.

We urge leaders from both sides of the Atlantic to craft a meaningful strategy to ensure that AGOA is not a casualty of the recession and of the drift towards political expediency and protectionism.

This strategy should contain three important elements to push Africa along the path of convergence. AGOA needs to be bigger, better and longer. AGOA should be expanded to include more textiles and agricultural export products, specifically those on which many African families depend for their livelihood such as sugar, peanuts, cotton, and a range of processed cocoa products.

AGOA's gains will not expand if they are not protected. The delegates to the Forum should, therefore, agree that extending AGOA to all Least Developed Countries (LDCs) as proposed by some

Members of Congress is dangerous for Africa's development. The rationale for privileged access is to pump-prime new entrants so that they can get established in competition with the established producers, who thanks to their large scale have lower costs. This proposal would provide the same preferential market access to the well-established apparel sectors of Bangladesh and Cambodia as it does to the struggling new garment industries in Africa. In 2008, Bangladesh and Cambodia together exported over $5.5 billion dollars in garments to the US-- nearly five times as much as the garment exports of all 48 sub-Saharan African countries combined. If these super-competitive Southeast Asian nations are given AGOA's preferential market access, Africa's fragile industries will be decimated. For manufacturing industries to take root in Africa and eventually become globally competitive, they will need temporary protection from dominant Asian industries. This is rational protection because it is strategic and is kick-starting a growth process. Trade preferences should be, by nature, a development tool for the most vulnerable and not an extra advantage for those industries already thriving without them.

To make AGOA better, it needs a stronger investment response. Certainly, the US ought to give serious consideration to providing tax incentives to US companies that invest in manufacturing, infrastructure and other sectors in Africa with a large development impact. Tax codes are powerful investment incentives, as was evidenced by US investment in Israel and Ireland, and conversely, the wide-spread corporate divestment from apartheid South Africa when the US enacted double-taxation on American companies doing business there.

AGOA also needs to be made longer. It currently expires in 2015, and this ever-changing expiration date and the uncertainty about its renewal discourage long-term investments.

Finally, AGOA needs to be global-not in terms of who gets it, but who gives it. The G8 should harmonize its market access for Africa, using AGOA as a model.

Kenya, the host of this meeting, provides a good example of a country that would benefit from a bigger, better and permanent AGOA. Since AGOA's inception in 2000, Kenya's exports to the US have more than tripled, increasing from $111 million to $344 million in 2008. The country's apparel exports alone have increased eight-fold, from $30 million in 2000 to $244 million in 2008. Behind these numbers are families, jobs and hope.

We found a policy instrument that works. Now is time to scale it up.

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