U.S. Trade and Investment Relations with sub-Saharan Africa and the African Growth and Opportunity Act

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Summary

Following the end of the apartheid era in South Africa in the early 1990s, the United States sought to increase economic relations with sub-Saharan Africa (SSA). President Clinton instituted several measures that dealt with investment, debt relief, and trade. Congress passed legislation that required the President to develop a trade and development policy for Africa.

Between 1960 and 1973, Africa's economic growth was relatively strong, followed by a period of stagnation and decline for the subsequent two decades in many SSA countries. Current perspectives, however, indicate that many of the fastest-growing countries in the world are on the African continent, and the International Monetary Fund (IMF) projects that the SSA region will grow in terms of real GDP by 5.3% in 2012 and 2013.

In 2000, Congress approved new U.S. trade and investment legislation for SSA in the African Growth and Opportunity Act (AGOA; Title I, P.L. 106-200). According to U.S. trade statistics, U.S. trade with SSA has comprised 1% to 2% of U.S. total trade with the world. AGOA extends preferential treatment to U.S. imports from eligible countries that are pursuing market reform measures. Data show that U.S. imports under AGOA are mostly energy products, but imports of other products have grown significantly. AGOA mandated that U.S. officials meet regularly with their counterparts in SSA, and 11 of these meetings have been held to date. The 11th AGOA Forum was held from June 14 to June 15, 2012, in Washington, DC.

AGOA also directed the President to provide U.S. government technical assistance and trade capacity support to AGOA beneficiary countries. Government agencies that have roles in this effort include the U.S. Agency for International Development, the Assistant U.S. Trade Representative for Africa (established by statute under AGOA), the Overseas Private Investment Corporation, the Export-Import Bank, the U.S. and Foreign Commercial Service, and the Trade and Development Agency. In AGOA, Congress declared that free-trade agreements should be negotiated, where feasible, with interested SSA countries. Related to this provision, negotiations on a free-trade agreement with the Southern African Customs Union (SACU), which includes South Africa and four other countries, began in June 2003, but were suspended in April 2006.

The 112th Congress enacted legislation to extend through September 2015 an expiring provision in AGOA, which allows apparel made in lesser-developed countries to be made of yarns and fabrics from any country and still receive duty-free treatment, subject to a cap (P.L. 112-163). This amendment to AGOA also added South Sudan to the list of SSA countries eligible for AGOA benefits. Eligible countries may become AGOA beneficiaries subject to approval by the Administration.

Legislation is pending to further enhance U.S.-SSA trade relations. H.R. 4221 and S. 2215 seek to increase U.S. exports to Africa, in part, through strategies aimed at further developing relationships between the United States and African countries on a government-to-government level, fostering private sector U.S.-African ties, and targeting more U.S. export financing toward trade with Africa. An amended version of S. 2215 was ordered reported by the Senate Foreign Relations Committee in September 2012. H.R. 656, a separate initiative, would create at the State Department a Special Representative for United States-Africa Trade, Development, and Diaspora Affairs that would also promote U.S. trade and investment ties with SSA.

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Introduction

A key element in U.S. policy toward Africa is the potential benefit from increased trade and commercial ties between the United States and Africa.[1] Interest in increasing bilateral commerce began after the end of the apartheid era in South Africa in the early 1990s. In 1993, Congress approved the end of anti-apartheid restrictions, and later that year then-Commerce Secretary Ron Brown led a business delegation to South Africa. In subsequent years, the Administration has also instituted several measures to help sub-Saharan African (SSA) countries and increase U.S. trade and investment in the region.

At the same time, Congress developed legislation that sought to improve U.S.-Africa trade relations. In the 1994 legislation to implement the Uruguay Round of multilateral trade agreements (P.L. 103-465), Congress directed the President to develop and implement a comprehensive trade and development policy for the countries of Africa, and subsequently introduced legislation to authorize a new trade and investment policy for sub-Saharan Africa. In 2000, Congress approved the African Growth and Opportunity Act (AGOA; Title I, P.L. 106-200). AGOA offers trade preferences and other economic benefits to SSA countries that meet certain criteria, including progress towards a market economy, respect for the rule of law, and human and worker rights. In AGOA, Congress also declared that free-trade agreements should also be negotiated, where feasible, with interested SSA countries.

AGOA has been amended several times since its initial enactment. In 2002, Congress amended AGOA to further increase market access for products from SSA.[2] In 2004, Congress passed legislation to extend AGOA benefits beyond the original deadline and to clarify certain provisions. This legislation also included directives to the President on investment initiatives and technical assistance. Congress passed legislation in 2006 to further amend AGOA and extend certain provisions concerning textile and apparel imports to 2012.[3] One of these provisions, the "third-country fabric provision," permits imports, subject to a cap, of apparel made in designated lesser-developed SSA countries of third-country yarns and fabrics (meaning that the yarns and fabrics may come from any country). This provision was recently extended through September 2015.[4]

This report examines African economic trends and U.S. trade and investment flows with SSA. It discusses the provisions of AGOA and the changes that have occurred since its enactment. It concludes with a brief discussion of issues for Congress.

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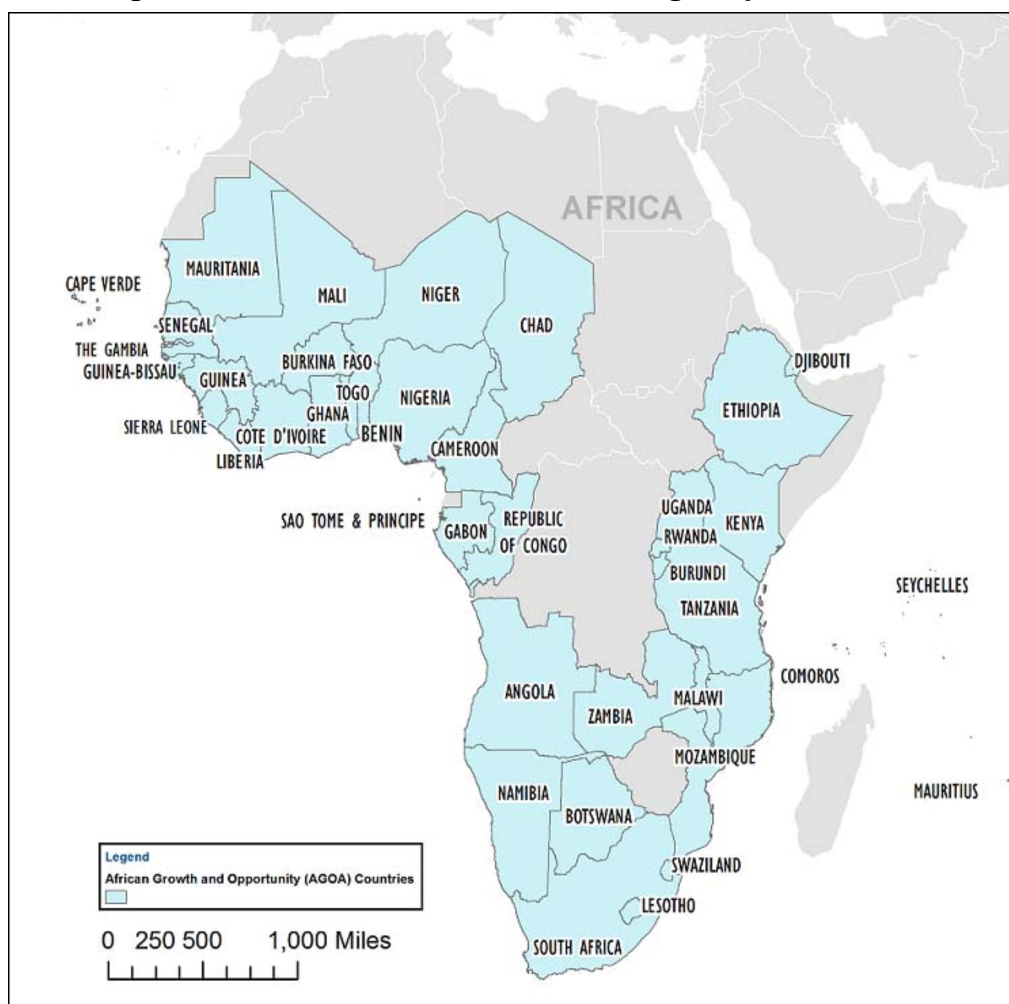
[1] The White House, *U.S. Strategy Toward Sub-Saharan Africa*, June 2012, p. 4, http://www.whitehouse.gov/sites/default/files/docs/africa_strategy_2.pdf.

[2] Section 3108 of the Trade Act of 2002, P.L. 107-210.

[3] Section 6002 of the Tax Relief and Health Care Act of 2006, P.L. 109-432.

[4] P.L. 112-163

Figure 1. African Countries and AGOA Eligibility Status, 2012



Source: Adapted by CRS (6/21/2012).

Perspectives on the sub-Saharan African Economy

Historical Perspectives

The historical pattern of contemporary Africa's economic growth provides insights to help understand Africa's current economic situation and policy options. Between 1960 and 1973, which is the period immediately following independence in most African countries, economic growth was reasonably strong in many SSA countries. Most African countries experienced a sharp decline in their growth trends at some point between 1973 and 1980, followed by persistent stagnation until the early 1990s. Average SSA per-capita GDP (PPP data) reached its minimum point in the mid-1990s, and still had not recovered to 1970s levels in 2005.[5] Another factor that

[5] Jorge Saba Arbache and John Page, "Patterns of Long Term Growth in Sub-Saharan Africa," World Bank, November 2007. Purchasing Power Parity (PPP) estimates attempt to determine comparative prices across countries for similar (continued...)

characterized growth in many African countries—and in many cases continues to affect economic development patterns—is high economic growth volatility, a common feature in SSA countries' historical trends. A 2007 World Bank study found that SSA has experienced more growth volatility than other regions, resulting in dampened investments and obscuring periods of good performance for some countries. The report found that this volatility has been caused by conflict, poor governance, and fluctuating world commodity prices. The authors of the study contend that reducing volatility is at least as important as promoting growth.[6] In the 1990s, many African countries made a modest recovery until about 1994, but the growth rates for the remainder of the period tended to remain far below the first post-colonial phase.[7]

The causes of this period of slow economic growth in the region have been a source of debate among development economists. Analysts have cited poor governance, political instability, geographic features, and historical conditions such as colonialism as different reasons for Africa's economic malaise. Other factors cited included slow accumulation of both human and physical capital, dependence on single commodity exports, low productivity growth and pressures from high population growth rates, and high dependence on foreign aid.

Following this period of stagnation, the past decade has seen considerable improvements in governance and economic growth in many parts of Africa, although many countries continue to experience political instability, poor economic performance, and lack of progress in improving social welfare indicators. Poverty and inequitable income distribution also remain common in many countries. Despite these challenges, many countries are experiencing rapid economic growth.

Current Perspectives

The International Monetary Fund (IMF) projects that the SSA region will grow in terms of real GDP by 5.3% in 2012 and 2013 (see **Table 1**).[8] These projections, however, mask significant disparities among the 44 countries the IMF considers in its regional analysis. For example, in its *Regional Economic Outlook*, released in October 2012, the IMF projected that oil-exporting countries in SSA would experience average real GDP growth of 6.7% in 2012, and 6.0% in 2013. Relatively stable, low-income, non-energy-producing countries (such as Ethiopia, Burkina Faso, and Kenya) are expected to grow on average by 5.9% in 2012 and 6.1% in 2013, while middle income countries (such as South Africa) are projected to grow by 3.4% in 2012 and 3.8% in 2013. The IMF also projects that more than half of the 12 SSA countries identified as "fragile" countries, due to prolonged institutional weakness or conflict (such as the Democratic Republic of Congo, Guinea, and Liberia), are expected to see stronger or stable growth in 2012 (6.6%) and 2013 (5.8%).[9] This improved economic performance may reflect many factors, including better governance, increased trade flows, strong commodity prices, rising aid flows, and debt

(...continued)

baskets of goods, taking into account exchange rates and various cost of living measures. This generates an artificial, but uniform, global exchange rate, which can be used to measure the local purchasing value of national currencies.

[6] Jorge Saba Arbache and John Page, "More Growth or Fewer Collapses? A New Look at Long Run Growth in SSA," World Bank, October 2007.

[7] *The Economist*, May 13-19, 2000.

[8] International Monetary Fund *Regional Economic Outlook: Sub-Saharan Africa*, October 2012, http://www.imf.org.

[9] Ibid, p. 95

forgiveness.[10] Rising incomes and expanding urban middle classes in some countries, economic diversification, increased access to communications technologies, and multiple other factors could also contribute to such trends.

U.S. foreign direct investment (FDI) flows to the region in 2011 amounted to about $3.1 billion, with South Africa ($722 million), Angola ($707 million), Ghana ($250 million), and Liberia ($113 million) as the major destinations of those investment flows.[11] According to United Nations (UN) data, total world FDI to SSA amounted to about $35 billion in 2011.[12] Leading SSA country destinations for worldwide direct investment in 2011 included Nigeria ($8.9 billion), South Africa ($5.8 billion), and Ghana ($3.2 billion).

Table 1. Real GDP Growth in sub-Saharan Africa

(percent change)

Country Group	2004-2008 (average)	2009	2010	2011	2012 (projected)	2013 (projected)
Oil Exporters	8.6	5.1	6.6	6.3	6.7	6.0
Middle Income	5.0	-0.6	3.8	4.5	3.4	3.8
Low Income	7.3	5.4	6.4	5.5	5.9	6.1
Fragile	2.5	3.1	4.2	2.3	6.6	6.5
Total SSA	6.5	2.8	5.3	5.2	5.3	5.3
World	4.6	-0.6	5.1	3.8	3.3	3.6

Source: International Monetary Fund, Regional Economic Outlook, sub-Saharan Africa, October 2012.

Notes: IMF Country Groupings: **Oil Exporting Countries**: Angola, Cameroon, Chad, Equatorial Guinea, Gabon, Nigeria, Republic of Congo**. Middle Income Countries**: Botswana, Cape Verde, Ghana, Lesotho, Mauritius, Namibia, Senegal, Seychelles, South Africa, Swaziland, Zambia. **Non-Fragile Low Income Countries:** Benin, Burkina Faso, Ethiopia, the Gambia, Kenya, Madagascar, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Tanzania, Uganda. **Fragile Countries:** Burundi, Central African Republic, Comoros, Democratic Republic of the Congo, Cote d'Ivoire, Eritrea, Guinea, Guinea-Bissau, Liberia, Sao Tome and Principe, Togo, Zimbabwe.

Investment and Growth Challenges

Despite improved economic performance in many African countries in recent years, the economic challenges facing Africa remain significant. African countries are vulnerable to volatile weather conditions, commodity price fluctuations, and poor road and other infrastructure conditions, as well as ongoing political instability in parts of the continent. Many countries have also faced difficulties in reducing high rates of poverty, improving social welfare indicators, combating corruption, and diversifying their economies. In addition, limited integration of regional trade regimes and transport systems often inhibits intra-regional trade, as well as foreign investment.

[10] The World Bank, *Global Development Finance,* 2006 and 2007.

[11] Bureau of Economic Analysis (BEA), Foreign Direct Investment database.

[12] United Nations Conference on Trade and Development, *World Investment Report 2012: Towards a New Generation of Investment Policies*, p. 169.

Many countries' domestic market demand is not large enough to draw the attention of large foreign and U.S. firms, which may prefer to deal with larger regional markets.[13]

Much of sub-Saharan Africa's trade with the world is largely still based on primary product exports, such as oil and other mineral fuels (about 54% of its exports to the world by value in 2010); precious stones and metals (10%); and ores, slag, and ash (5%).[14] As a result, many sub-Saharan African countries continue to be vulnerable—as do many developing countries and regions—to the rise and fall of international commodity prices.

HIV/AIDS and Other Health Challenges

The HIV/AIDS pandemic is also straining some African economies and threatens to curtail future economic growth. SSA is the region most affected by HIV/AIDS. As of 2010, an estimated 22.9 million people were living with HIV-AIDS in SSA, accounting for 68% of all people living with HIV worldwide. Nine countries with the world's highest HIV prevalence rates worldwide are located in Southern Africa, where an estimated 11.1 million people were living with HIV in 2010. Swaziland has the world's highest prevalence rate (25.9%), and South Africa has the world's largest HIV-positive population (5.6 million).[15] In 2010, about 1.9 million people in SSA contracted HIV and approximately 1.2 million people in the region died from AIDS.[16] The pandemic not only diverts resources from investments in productive resources to social services to care for the sick and dying, but it also erodes human capital by striking some of the most productive members of society: skilled workers, teachers, and professionals.[17]

Africa also suffers disproportionately high disease burdens attributable to such illnesses as malaria, tuberculosis and other respiratory diseases, and water-born diarrheal infections, and many countries face severe health care delivery system constraints.[18]

Table 2. SSA Countries with Highest Estimated Adult (15-49) HIV Prevalence Rate (Percentage), 2009

Country	Estimate (%)
Swaziland	25.9
Botswana	24.8
Lesotho	23.6

[13] Based on remarks of representatives from the Chamber of Commerce and GE Africa speaking on U.S. economic engagement in Africa, June 19, 2012.

[14] CRS analysis using the Global Trade Atlas Navigator database.

[15] UNAIDS*, Report on the Global AIDS Epidemic*, 2010, CRS Report R41645, *U.S. Response to the Global Threat of HIV/AIDS: Basic Facts*.

[16] Ibid.

[17] CRS Report RL33584, *AIDS in Africa*, by Nicolas Cook.

[18] See CRS Report R41644, *U.S. Response to the Global Threat of Malaria: Basic Facts*; CRS Report R41802, *The Global Challenge of HIV/AIDS, Tuberculosis, and Malaria*; and CRS Report R41851, *U.S. Global Health Assistance: Background and Issues for the 112th Congress*, by Tiaji Salaam-Blyther.

Country	Estimate (%)
South Africa	17.8
Zimbabwe	14.3
Zambia	13.5
Namibia	13.1
Mozambique	11.5
Malawi	11.0
Kenya	6.3
SSA Average	5.9

Source: UNAIDS Report on the Global AIDS Epidemic, 2010

Foreign Debt Burden

The debt burden carried by SSA countries has been identified as a drag on the economies of the region. In 2010, the states of SSA owed foreign creditors an estimated total of $143 billion.[19] SSA's total government debt as a percentage of GDP averaged 33.1% in 2011 (see **Table 3**).[20] Declines in some SSA countries' external debt are due to ongoing comprehensive debt relief initiatives begun in 1996, including the Heavily Indebted Poor Countries Initiative (HIPC), the Multilateral Debt Relief Initiative (MDRI), and the Paris Club agreement with Nigeria.[21]

Table 3. SSA Government Debt

(as percent of GDP)

Country Grouping	2004 – 2008 (average)	2009	2010	2011
Oil Exporters	29.4	21.8	20.5	20.5
Middle Income	32.6	31.5	34.9	37.8
Low Income	50.6	34.8	37.2	37.3
Fragile	112.5	88.8	58.3	65.1
Total SSA	38.7	32.3	31.5	33.1

Source: International Monetary Fund, Regional Economic Outlook, sub-Saharan Africa, October 2012.

Notes: IMF Country Groupings: **Oil Exporting Countries**: Angola, Cameroon, Chad, Equatorial Guinea, Gabon, Nigeria, Republic of Congo**. Middle Income Countries**: Botswana, Cape Verde, Ghana, Lesotho, Mauritius, Namibia, Senegal, Seychelles, South Africa, Swaziland, Zambia. **Non-Fragile Low Income**

[19] World Bank Global Development Finance data, http://data.worldbank.org. Foreign debt is defined as total external debt stock, comprising public and publicly guaranteed long-term debt.

[20] International Monetary Fund, *Regional Economic Outlook: Sub-Saharan Africa*, October 2012, http://www.imf.org

[21] United States Trade Representative, *2008 Comprehensive Report on U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act*, May 2008. See also CRS Report RS22534, *The Multilateral Debt Relief Initiative*, by Martin A. Weiss.

Countries: Benin, Burkina Faso, Ethiopia, the Gambia, Kenya, Madagascar, Mali, Mozambique, Niger, Rwanda, Sierra Leone, Tanzania, Uganda. **Fragile Countries:** Burundi, Central African Republic, Comoros, Democratic Republic of the Congo, Cote d'Ivoire, Eritrea, Guinea, Guinea-Bissau, Liberia, Sao Tome and Principe, Togo, Zimbabwe.

U.S.-Africa Trade and Investment Trends

U.S. Trade with sub-Saharan Africa

U.S. imports from SSA countries fell in 2008 and 2009, possibly due to the spillover effects of the global financial crisis and falling demand.[22] According to the IMF, however, the SSA region is currently showing solid macroeconomic performance, and economic activity had expanded strongly in 2010 through 2012 to date.[23] This is illustrated, in part, by an expansion in total U.S. trade (imports plus exports) with SSA countries in 2010 and 2011, which grew by 29.5% and 17% respectively, after a decrease in total trade by 40% in the 2008-2009 time frame (see **Table 4**), as well as a continuing large increase in trade with China.

Comparing Chinese and U.S. Trade with Africa[24]

The value of total trade between China and Africa stood at $8.9 billion in the year 2000. In 2009, Chinese-African trade, totaling $70.4 billion, surpassed that of U.S.-Africa trade ($62 billion), and reached $127.3 billion in 2011, an increase of 1,423% over the 2000 level.[25] Africa's share of global Chinese trade also grew over the past decade, from 1.9% of Chinese global trade in 2000 to 3.5% of China's global trade in 2011. China is also Africa's largest single source of imports, while the United States is its largest export destination. In 2011, about 62% of African exports to China consisted of crude oil (over $24.77 billion of which came from Angola, the source of over 9% of China's oil imports in 2011). Another 34% was made up of raw materials, mostly metal commodities and wood. Oil also dominates Africa's exports to the United States; crude oil made up about 75% of U.S. imports from Africa in 2011. Both China and the United States export a highly diverse, variable array of products to Africa, notably equipment, machinery, vehicles, and other technology. U.S.-African trade has also grown over the past decade, but not as rapidly as Sino-African trade.[26]

[22] CRS Report R40778, *The Global Economic Crisis: Impact on Sub-Saharan Africa and Global Policy Responses*, by Alexis Arieff, Martin A. Weiss, and Vivian C. Jones.

[23] International Monetary Fund, *Regional Economic Outlook*, October 2012, http://www.imf.org.

[24] Contribution from Nicolas Cook, CRS African Affairs Specialist.

[25] Sino-African trade in 2011 also eclipsed the record $104.7 billion in U.S.-African trade attained in 2008.

[26] U.S.-African trade also stood at $29.4 billion in the year 2000 and $94.3 billion in 2011, having increased 221%. In the year 2000, trade with Africa made up 1.5% of total U.S global trade, and Africa's share had grown to 2.6% by 2011. U.S.-Africa trade peaked in 2008 at $104.7 billion.

Table 4. U.S. Goods Trade with SSA Countries

(in $ billions)

Trade Flow	2008	2009	2010	2011	Percentage Change 2010 and 2011 (%)
Total U.S. Exports	18.0	14.6	16.4	20.3	24%
Total U.S. Imports	86.1	47.9	64.4	74.0	15%
Total Trade (Imports + Exports)	104.1	62.4	80.8	94.3	17%
Imports under AGOA (includes GSP)	*65.1*	*33.5*	*43.9*	*53.8*	*23%*

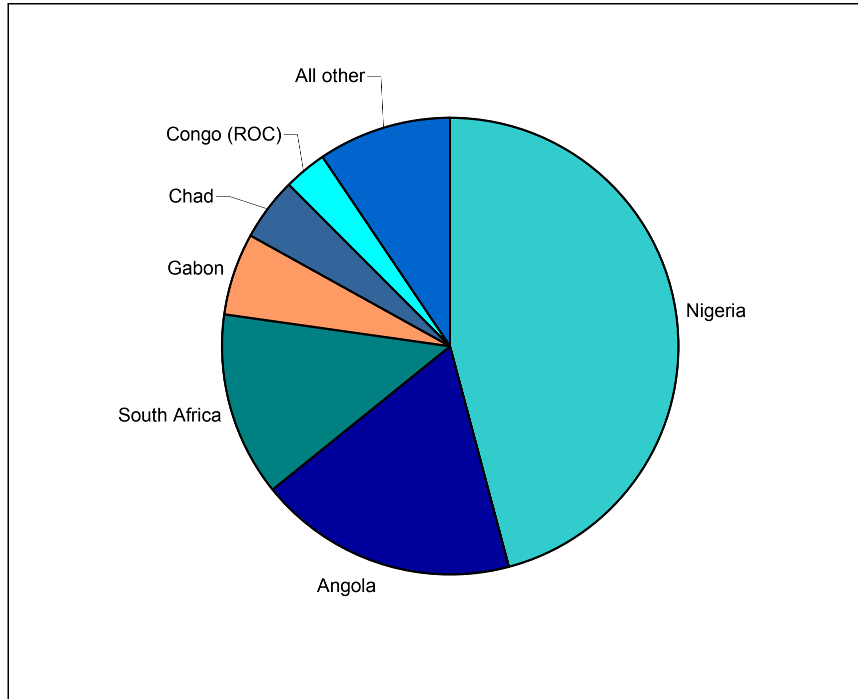
Source: U.S. International Trade Commission Trade Dataweb, http://dataweb.usitc.gov.

Notes: Domestic Exports, FAS value; Imports for Consumption, Customs Value. Total Imports under AGOA is a subset of total U.S. imports from SSA countries.

The United States conducts a small share of its total trade with SSA countries. In 2011, the United States imported $74 billion from SSA countries, or about 3.4% of total U.S. global imports of $2.2 trillion. The United States exported $20.3 billion to the region in 2011, or 1.5% of total U.S. exports of $1.3 trillion. Nevertheless, total trade (exports plus imports) between the United States and sub-Saharan Africa grew 51% between 2009 and 2011, up from $62.4 billion in 2009 to $94.3 billion in 2011 (see **Table 4**). Certain external factors, including increases in oil and other prices for natural resources, may also account, in part, for the dramatic growth (by value) in U.S.-SSA trade.

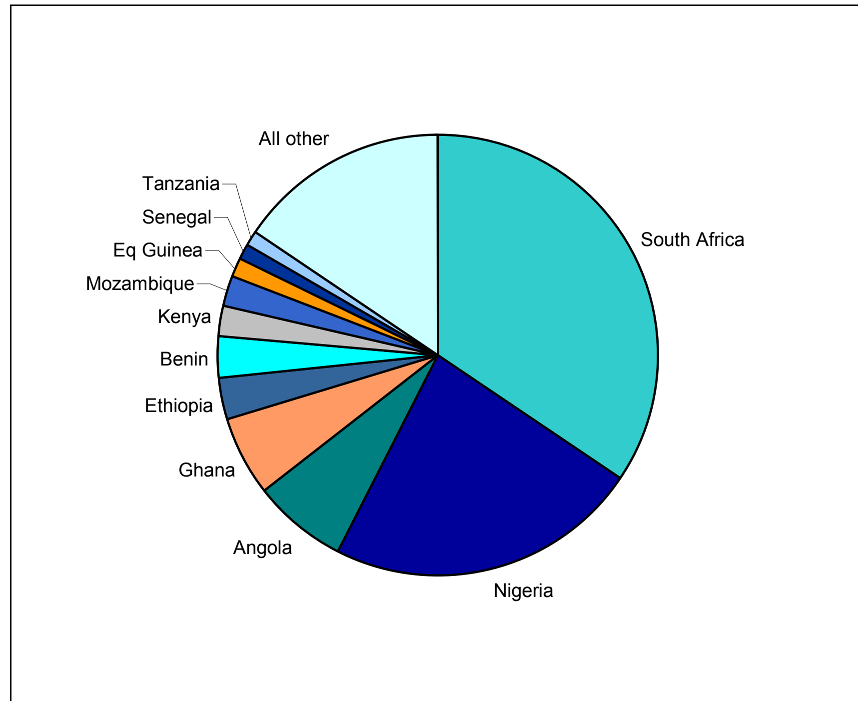
A significant portion of U.S. trade with sub-Saharan Africa is with a small number of countries. About 79% of U.S. imports from the region were from three SSA countries in 2011: Nigeria (47%), Angola (19%), and South Africa (13%). Exports were similarly concentrated, with three countries receiving 68%: South Africa (34%), Nigeria (22%), and Angola (12%). All other countries accounted for less than 6% each of U.S. imports from the region (see **Figure 3**).

Figure 2. U.S. Imports from sub-Saharan Africa by Country, 2011



Source: U.S. International Trade Commission Trade Dataweb, http://www.usitc.gov.

Figure 3. U.S. Exports to sub-Saharan Africa by Country, 2011



Source: U.S. International Trade Commission Trade Dataweb, http://dataweb.usitc.gov.

Natural resources continue to dominate U.S. imports from SSA. The leading U.S. imports from SSA in 2011 were mineral fuels and mineral oils ($58.97 billion, see **Table 5**). Nigeria was the greatest source of U.S. oil imports and was the fifth-largest global supplier (by value) of U.S. oil imports (of a total of $454 billion worldwide).[27] In 2011, Nigeria supplied 56% of U.S. petroleum imports from SSA, which accounted for about 7.4% of global U.S. oil imports. Angola supplied another 23% of U.S. petroleum from the region, Chad supplied 5%, and Congo (ROC) supplied 4%.[28]

Table 5. Top Ten U.S. Imports from sub-Saharan Africa, 2010 and 2011

(in $ billions)

HTS Number	2010	2011	Percent Change 2010-2011
27-Mineral fuels and oil	51.38	58.97	14.80%
71-Pearls, Precious Stones, Precious Metals, etc., Coin	3.95	4.33	9.80%
87-Vehicles, Except Railway Or Tramway, And Parts	1.61	2.16	34.10%
18-Cocoa and cocoa preparations	1.04	1.27	22.60%
29-Organic chemicals	1.22	1.16	-4.70%
72-Iron and steel	0.76	0.89	16.70%
26-Ores, slag, and ash	0.67	0.79	17.70%
62-Articles of apparel and clothing accessories, not knitted or crocheted	0.40	0.46	14.70%
84-Nuclear Reactors, Boilers, Machinery and Parts	0.36	0.46	26.30%
61-Articles of apparel and clothing accessories, knitted or crocheted	0.39	0.44	14.30%
Subtotal	61.77	70.94	14.80%
All Other	2.58	3.08	19.40%
Total	64.35	74.02	15.00%

Source: U.S. International Trade Commission Trade Dataweb, http://www.usitc.gov.

Note: U.S. Imports for Consumption.

Precious stones and metals were another major U.S. import from SSA in 2011.[29] South Africa led this category (imports included platinum, diamonds, other semi-precious stones, and coins) with about $4.2 billion in U.S. imports; followed by Botswana, Angola, and Namibia—all diamond

[27] Harmonized Tariff Schedule Chapter 27, Mineral Fuels, Mineral Oils and Products of their Distillation; Bituminous Substances; Mineral Waxes. The top five oil suppliers to the United States in 2011 were Canada ($101.9 billion), Saudi Arabia ($46.2 billion), Mexico ($44 billion), Venezuela ($42 billion), and Nigeria ($34 billion) according to U.S. trade statistics (U.S. imports for consumption using the Global Trade Atlas).

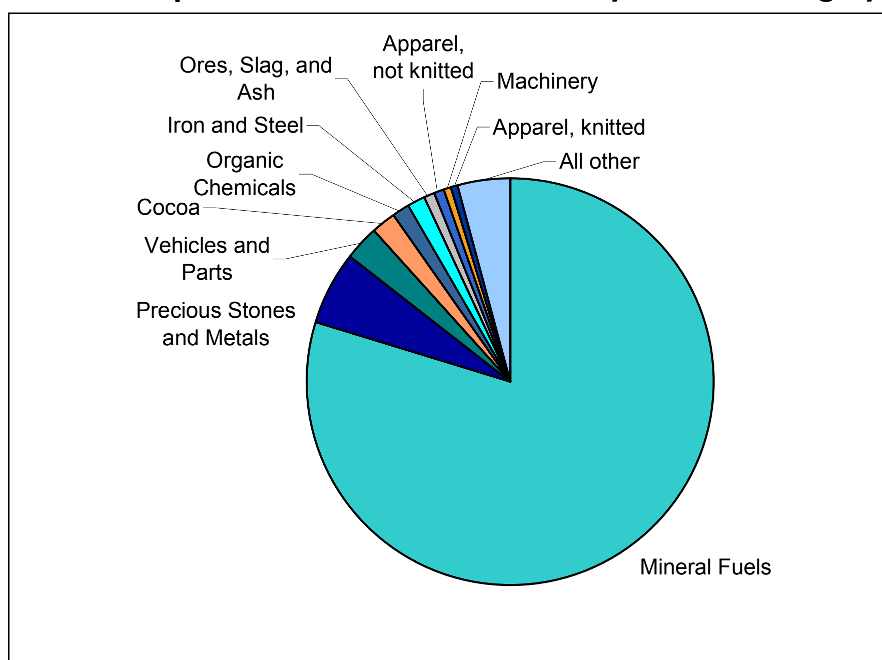
[28] CRS calculations based on trade statistics (U.S. imports for consumption) from the U.S. International Trade Commission Trade Dataweb (http://dataweb.usitc.gov) and the Global Trade Atlas trade database.

[29] Harmonized Tariff Schedule Chapter 71, Natural or Cultured Pearls, Precious or Semi-Precious Stones, Precious Metals; Precious Metal Clad Metals, Articles Thereof; Imitation Jewelry; Coin.

producers—at about $275 million, $169 million, and $100 million, respectively (see **Table 5** and **Figure 4**).[30]

Although natural resources are the major category of U.S. imports from SSA countries, there have also been marked increases in imports of other products, including textiles and apparel, vehicle parts and transportation equipment, and agricultural products. A 2009 report by the U.S. International Trade Commission (USITC) indicated that certain SSA countries have the potential to competitively produce certain textile and apparel inputs. Since cotton is the primary fiber currently used in the production of yarn and fabric in SSA countries, and is grown in large quantities in the region, the USITC found that cotton products seem to have the most competitive potential. The report also stated that certain niche apparel products manufactured in small quantities could also be successful in the U.S. market, including organic cotton products; yarn and knit fabric of modal and other specialty manmade fibers; hand-loomed fabric of cotton and silk for home furnishings and apparel; African print fabrics; and zippers and ornamental trim products.[31]

Figure 4. U.S. Imports from sub-Saharan Africa by Product Category, 2011



Source: U.S. International Trade Commission Trade Dataweb, http://www.usitc.gov.

U.S. exports to sub-Saharan Africa were more diverse. Machinery and parts was the leading export sector in 2011 (22% of U.S. exports to the region), followed by transportation equipment (17%), cereals (8%), mineral fuels (8%), aircraft and parts (7%), and electrical machinery (6%) (see **Figure 5**).

[30] CRS calculations based on trade statistics from the U.S. International Trade Commission Trade Dataweb (http://dataweb.usitc.gov).

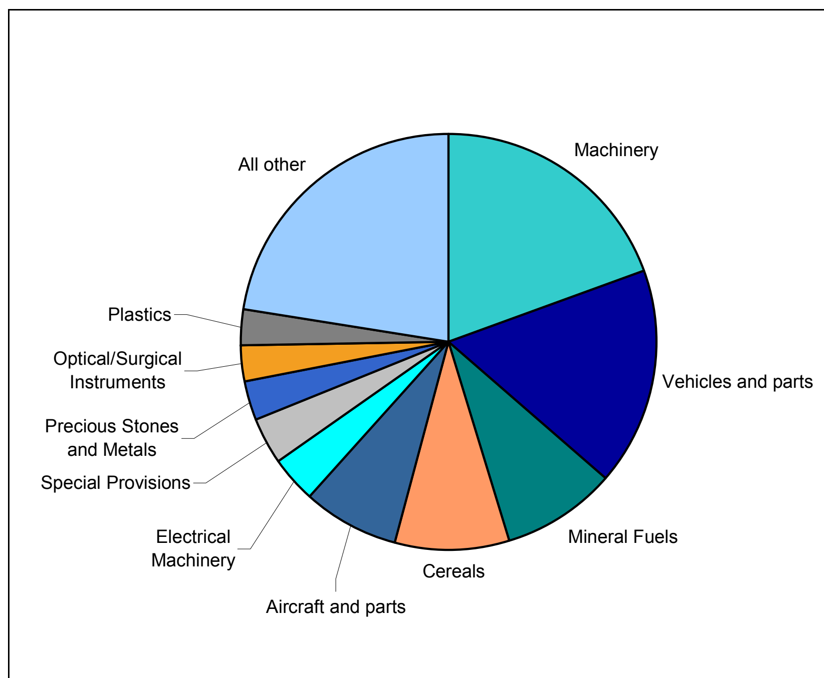
[31] U.S. International Trade Commission, *Sub-Saharan African Textile and Apparel Inputs: Potential for Competitive Production*, Investigation No. 332-502, May 2009.

Table 6. Top Ten U.S. Exports to sub-Saharan Africa
(in $ billions)

HTS Number	2010	2011	Percent Change
84-Nuclear Reactors, Boilers, Machinery and Parts	3.43	3.93	14.30%
87-Vehicles, Except Railway Or Tramway, And Parts	2.40	3.45	43.60%
27-Mineral Fuels and Oil	1.41	1.84	30.30%
10-Cereals	1.36	1.79	31.60%
88-Aircraft, Spacecraft, and Parts	1.11	1.51	35.70%
85-Electric Machinery; Sound and TV Equipment and Parts	0.81	0.75	-7.70%
98-Special Classification Provisions	0.60	0.72	18.50%
71-Pearls, Precious Stones, Precious Metals, etc., Coin	0.42	0.62	44.90%
90-Optical, Photography, Medical or Surgical Instruments	0.60	0.58	-3.50%
39-Plastics and Articles Thereof	0.47	0.56	20.40%
Subtotal	12.63	15.73	24.60%
All Other	3.81	4.57	19.80%
Total	16.44	20.30	23.50%

Source: U.S. International Trade Commission Trade Dataweb, http://www.usitc.gov

Figure 5. U.S. Exports to sub-Saharan Africa by Product Category, 2011



Source: U.S. International Trade Commission Trade Dataweb, http://www.usitc.gov.

U.S. Investment in sub-Saharan Africa

U.S. foreign direct investment (FDI) in Africa is characterized by the following:

- SSA countries are a relatively minor destination of U.S. FDI. Africa, as a whole, hosts about 1% of total U.S. FDI (see **Figure 6**).[32]
- U.S. FDI in Africa is largely concentrated in mining and extractive industries, which together comprise some $33 billion of the $57 billion total stock of U.S. FDI in Africa (see **Figure 7**).[33]
- U.S. FDI in African manufacturing industries has mostly been directed toward South Africa, which has received about 67% of total U.S. FDI in Africa's manufacturing sector.[34]

In 2011, the latest year for which annual investment data are available, outflows of U.S. FDI abroad to SSA ($3.4 billion) were only about one-third greater than inflows of FDI into the United States from SSA ($2.1 billion). The three countries in SSA with the largest stock of U.S. FDI in 2011 were Mauritius, South Africa, and Angola (stock column, **Table 7**). This stock of FDI represents an accumulation over time. In terms of one-year flows for 2011, the top recipients were South Africa, Angola, and Ghana (see flow column).

Table 7. Major Destinations of U.S. Foreign Direct Investment (FDI) in SSA, 2011

(in $ millions)

Leading Countries	Flow	Stock
Mauritius	45	7,330
South Africa	722	6,546
Angola	707	5,696
Nigeria	-35	4,994
Ghana	250	2,334
Equatorial Guinea	37	2,076
Liberia	113	964
Kenya	-40	292
Zambia	-1	138

Source: Analysis by CRS based on data from the Bureau of Economic Analysis (BEA).

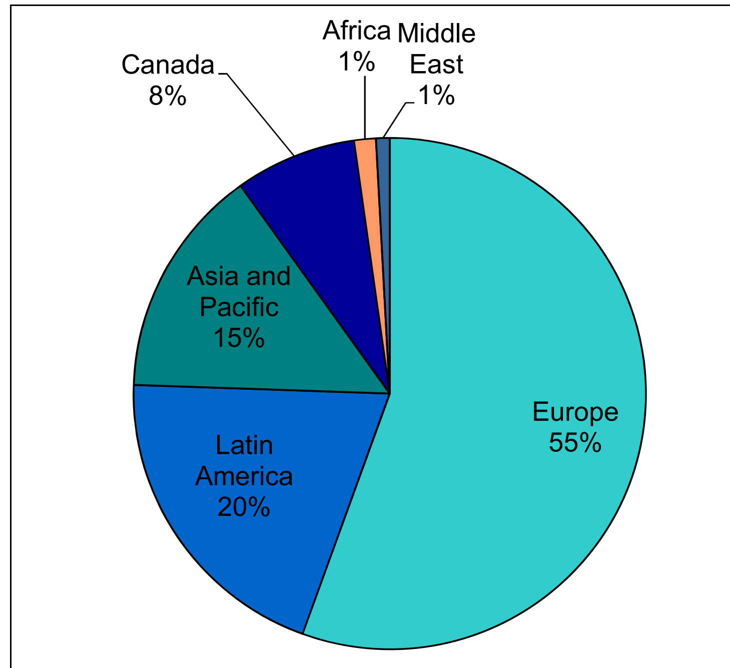
[32] Data from the Bureau of Economic Analysis (BEA). Analysis by CRS. BEA industry-specific data were not provided in sufficient detail to break out SSA countries from Africa as a whole.

[33] Ibid.

[34] Ibid.

Figure 6. Stock of U.S. FDI Abroad, by Destination

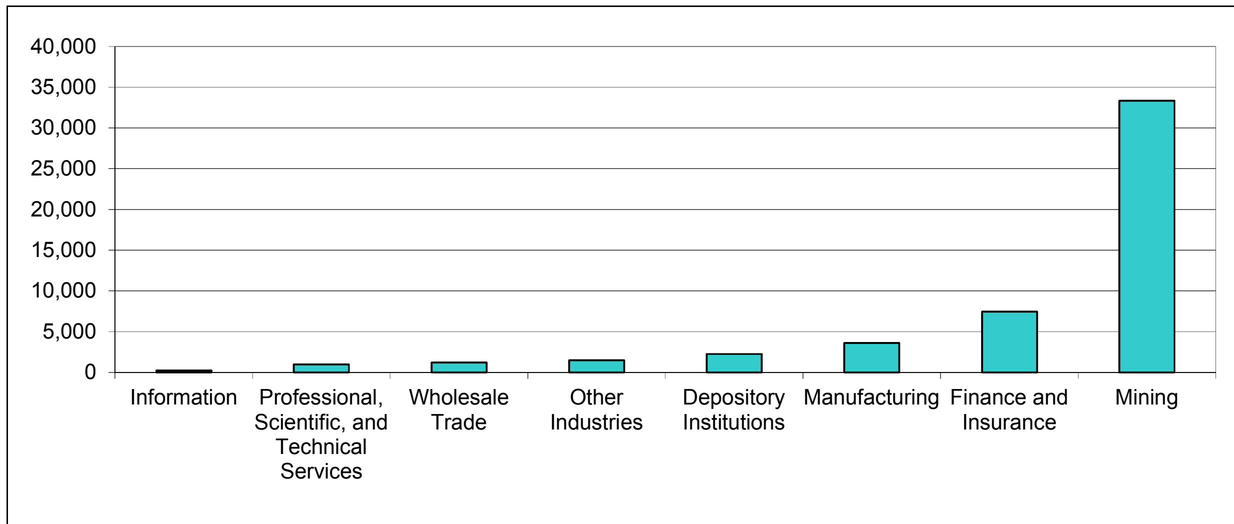
(share of total, 2011)



Source: Analysis by CRS based on data from the Bureau of Economic Analysis (BEA).

Figure 7. Stock of U.S. FDI in Africa by Industry Sector, 2011

(in $ millions)



Source: Analysis by CRS based on data from the Bureau of Economic Analysis (BEA).

Note: Excludes U.S. stock of direct investment in holding companies.

AGOA Legislation and Key Provisions

The original AGOA legislation, the African Growth and Opportunity Act (AGOA; Title I, Trade and Development Act of 2000; P.L. 106-200), was approved by Congress in 2000, to assist the economies of sub-Saharan Africa and to improve economic relations between the United States and the region. The following section of this report examines the major provisions of AGOA, developments since enactment, and AGOA related legislation in the 112th Congress.

Beneficiary Countries

Subtitle A of AGOA authorized the President to designate sub-Saharan African countries as beneficiary countries eligible to receive duty-free treatment for certain articles that are the growth, product, or manufacture of that country. It directed that in designating a beneficiary country, the President must determine that the country (1) has established, or is making continual progress toward establishing a market-based economy and is taking other designated actions; (2) does not engage in activities that undermine U.S. national security and foreign policy interests; and (3) does not engage in gross violations of internationally recognized human rights or provide support for international terrorism.

Table 8. Beneficiary Countries under the African Growth and Opportunity Act

(as of October 2012)

Republic of Angola	Republic of Ghana * *	Democratic Republic of Sao Tome and Principe
Republic of Benin * *	Republic of Guinea	Republic of Senegal * *
Republic of Botswana * *	Republic of Guinea-Bissau	Republic of Seychelles
Burkina Faso * *	Republic of Kenya * *	Republic of Sierra Leone * *
Republic of Burundi	Kingdom of Lesotho * *	Republic of South Africa
Republic of Cameroon * *	Republic of Liberia * *	Kingdom of Swaziland * *
Republic of Cape Verde * *	Republic of Malawi * *	United Republic of Tanzania * *
Republic of Chad * *	Republic of Mali * *	Republic of Togo
Union of the Comoros	Islamic Republic of Mauritania	Republic of Uganda * *
Republic of Congo	Republic of Mauritius * *	Republic of Zambia * *
Republic of Cote d'Ivoire	Republic of Mozambique * *	
Republic of Djibouti	Republic of Namibia* *	
Ethiopia * *	Republic of Niger * *	
Gabonese Republic	Federal Republic of Nigeria * *	
Republic of the Gambia * *	Republic of Rwanda * *	

Source: Harmonized Tariff Schedule of the United States, Supplement 1, Revision 1, October 31, 2012.

Notes: Eligible SSA countries, not currently AGOA-beneficiaries: Democratic Republic of Congo, Eritrea, Equatorial Guinea, Madagascar, Somalia, South Sudan, Sudan, and Zimbabwe.

* * Beneficiary country is eligible for the lesser-developed country special rule for apparel (third-country fabric provision).

AGOA requires that the President monitor and report annually on the progress of each country in meeting the terms for AGOA eligibility. Under this requirement, Presidents have made, at the end of each year, annual designations of the countries eligible for AGOA benefits for the following year. The last presidential proclamation made with respect to AGOA was Proclamation 8741 of October 25, 2011.[35] This proclamation, among other things, reinstated the AGOA eligibility of Cote d'Ivoire, Guinea, and Niger, and also designated them each "lesser developed beneficiary sub-Saharan African countries." Thus, 40 SSA countries are now AGOA beneficiaries.

Benefits

Subtitle B of AGOA describes the trade-related benefits that are available to AGOA-eligible countries. Among these benefits is preferential duty-free treatment for certain articles under the U.S. Generalized System of Preferences (GSP). The GSP program is a unilateral trade preference regime that allows certain products from designated developing countries to enter the United States duty-free. In the AGOA Acceleration Act of 2004 (P.L. 108-274), GSP benefits were extended to AGOA countries until September 30, 2015.[36] Therefore, AGOA countries will continue to receive GSP benefits until that date, regardless of any expiration of the GSP program. AGOA beneficiaries are exempt from certain caps on allowable duty-free imports under the GSP program ("competitive need limitations").[37]

"Import-Sensitive" Articles Ineligible for GSP Preferences

1. Textile and apparel articles which were not eligible articles for purposes of this subchapter on January 1, 1994, as this subchapter was in effect on such date.

2. Watches, except those watches entered after June 30, 1989, that the President specifically determines, after public notice and comment, will not cause material injury to watch or watch band, strap, or bracelet manufacturing and assembly operations in the United States or the United States insular possessions.

3. Import-sensitive electronic articles.

4. Footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel which were not eligible articles for purposes of this subchapter on January 1, 1995, as this subchapter was in effect on such date.

5. Import-sensitive semi-manufactured and manufactured glass products.

6. Any other articles which the President determines to be import-sensitive in the context of the Generalized System of Preferences.

Source: 19 U.S.C. 2463(b).

AGOA-eligible countries may also receive duty-free treatment for certain "import sensitive" categories of products (see box above) that are identified as ineligible for duty-free treatment under GSP, provided that the President determines, after consultation with the International Trade Commission, that the product is not import-sensitive in the context of imports from AGOA

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[35] 76 *Federal Register* 67035.

[36] P.L. 106-200, as amended by §7 of P.L. 108-274.

[37] See CRS Report RL33663, *Generalized System of Preferences: Background and Renewal Debate*, by Vivian C. Jones.

beneficiaries.[38] However, the President may not grant duty-free treatment for textile or apparel products; rather, the AGOA statute provides specific benefits for certain limited categories of textiles and apparel.

Textile and Apparel Provisions

AGOA, as amended, allows duty-free and quota-free treatment for eligible textile and apparel articles in qualifying SSA countries through 2015. Qualifying articles include

- Apparel assembled in one or more AGOA beneficiary countries from U.S. yarn and fabric;
- Apparel made of SSA (regional) yarns and fabrics, subject to a cap until 2015;
- Apparel made in a designated lesser-developed country (LDC) of third-country yarns and fabrics, subject to a cap until 2015 ("Third-Country Fabric Provision Extended");
- Apparel made of yarns and fabrics not produced in commercial quantities in the United States (determination must be made that the yarn or fabric cannot be supplied by the U.S. industry in a timely manner, and to extend preferential treatment to the eligible fabric);
- Certain cashmere and merino wool sweaters;
- Eligible handloomed, handmade, or folklore articles and ethnic printed fabrics (certain countries only);
- Textiles and textile articles produced entirely in an LDC SSA beneficiary country; and
- Certain handloomed, handmade, ethnic printed fabrics, or folklore articles (certain countries only).[39]

To receive the duty-free and quota-free treatment for textile and apparel products as described above, beneficiary countries must first adopt an efficient visa ("tracking") system to prevent unlawful transshipment. They also must work with the U.S. Customs Service to report exports and prevent illegal trade. AGOA also provides that the Secretary of Commerce must monitor U.S. imports under AGOA for surges in textile and apparel imports, with the possible withdrawal of duty-free treatment if imports surge beyond a certain level.[40]

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[38] P.L. 93-618, §506A, as added by §111(a) of P.L. 106-200, and as amended by §7 of P.L. 108-274. The USITC conducts a study to determine the import activity and sensitivity of the targeted product(s) from AGOA countries, and reports its determinations to the President. The President may also grant this status, with respect to certain import sensitive articles, to all GSP-qualifying countries.

[39] Department of Commerce, Office of Textiles and Apparel (OTEXA) Summary of AGOA textile and apparel provisions at OTEXA website, http://otexa.ita.doc.gov.

[40] Ibid.

AGOA Non-Textile Rules of Origin

Non-textile products from AGOA countries must also meet certain rules of origin (ROO) requirements in order to qualify for duty-free treatment. First, duty-free entry is only allowed if the article is imported directly from the beneficiary country into the United States.

Second, at least 35% of the appraised value of the product must be the "growth, product or manufacture" of a beneficiary developing country, as defined by the sum of (1) the cost or value of materials produced in the beneficiary developing country (or any two or more beneficiary countries that are members of the same association or countries and are treated as one country for purposes of the U.S. law) plus (2) the direct costs of processing in the country.[41] Up to 15% of the required 35% of the appraised value may be of U.S. origin, and any amount of production in other beneficiary SSA countries may also contribute to the value-added requirement.[42]

Amendments to AGOA

Congress has passed legislation to amend AGOA five times since its initial passage. This legislation includes the Trade Act of 2002, the AGOA Acceleration Act of 2004, the Miscellaneous Trade and Technical Corrections Act of 2004, the Africa Investment Incentive Act of 2006, and most recently in August 2012, the amendment to AGOA that extended the third-country fabric provision ("AGOA Legislation in the 112th Congress").

Trade Act of 2002

In 2002, Congress amended AGOA for the first time through the Trade Act of 2002 (P.L. 107-210), which included adjustments to the textile and apparel provisions. An important change pertained to the cap that AGOA had set on imports of apparel assembled in an AGOA country from fabric made in an AGOA country (see the third bullet under "Textile and Apparel Provisions" above). The Trade Act of 2002 doubled this cap, increasing it to 7% in FY2008. The act, however, left the cap unchanged at 3.5% under the special rule for lesser-developed countries. The act also allowed Namibia and Botswana to qualify for the special rule for lesser-developed countries, even if their per capita incomes exceeded the limit set under AGOA. In addition, it specifically extended AGOA benefits to knit-to-shape articles and to garments cut in both the United States and an AGOA beneficiary country ("hybrid cutting") and made a correction to extend AGOA benefits to merino wool sweaters knit in AGOA beneficiary countries.

The Trade Act of 2002 also included other AGOA-related provisions. It stated that U.S. workers could be found eligible for trade adjustment assistance if U.S. production shifted to an AGOA beneficiary country and other conditions were met.[43] It authorized $9.5 million to the then-U.S. Customs Service for textile transshipment enforcement, and further specified that two permanent positions be assigned to South Africa for AGOA enforcement and that additional travel funds be allocated for verification in sub-Saharan Africa. The act also required that $1.317 million of the

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[41] §506A of P.L. 93-618, as added by §111 of P.L. 106-200, and amended by §7 of P.L. 108-274.

[42] Ibid.

[43] For more information, see CRS Report R41922, *Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy*, by J. F. Hornbeck and Laine Elise Rover.

Customs Service budget be spent on programs to help sub-Saharan African countries develop visa and anti-transshipment systems.

AGOA Acceleration Act of 2004

In 2004, Congress further amended AGOA through the AGOA Acceleration Act of 2004 (P.L. 108-274). This legislation extended the deadline for AGOA benefits to 2015, and it also extended the special rule for LDCs from September 2004 to September 2007. It further stipulated that the cap on the volume of allowable U.S. apparel imports under this rule would be decreased starting in the year beginning September 2004, with a major reduction in the year beginning October 2006 (from 2.9% to 1.6%). The rationale behind this change was to encourage fabric production and vertical integration of the apparel industry in Africa. For apparel imports meeting the yarn forward rules of origin, the cap was set to remain at 7% until the expiration of the benefits in 2015.

The AGOA Acceleration Act also clarified certain apparel rules of origin to reflect the intent of Congress. Apparel articles containing fabric from both the United States and AGOA beneficiary countries were specifically allowed, as were otherwise eligible apparel articles containing cuffs, collars, and other similar components that did not meet the strict rules of origin. There was also clarification that ethnic printed fabric would qualify for duty-free treatment, as long as the fabric met certain standards regarding its size, form, and design characteristics. In addition, apparel articles containing fabrics and yarns recognized in the North American Free Trade Agreement (NAFTA) as being in short supply in the United States were declared as eligible for duty-free treatment, regardless of the source of such fabric and yarns. The legislation also increased the maximum allowable content of non-regional or non-U.S. fibers or yarns in AGOA eligible apparel imports, otherwise known as the *de minimis* rule, from 7% to 10%.

The AGOA Acceleration Act of 2004 also included a number of directives for the President related to trade capacity building. One such directive was to provide agricultural technical assistance by assigning U.S. personnel to at least 10 AGOA beneficiary countries, to help exporters meet U.S. technical standards for agricultural imports. Another directed the President to develop policies to encourage investment in agriculture and agricultural processing, as well as investment in infrastructure projects aimed at improving transportation and communication links both within Africa and between Africa and the United States. There was also a directive to foster improved relationships between African and U.S. customs and transportation authorities. An additional directive was to encourage technical assistance and infrastructure projects to assist in the development of the ecotourism industry in sub-Saharan Africa. Finally, another directed the President to conduct a study on each beneficiary country, identifying potential sectors for growth, barriers to such growth, and how U.S. technical assistance can assist each country in overcoming these barriers.

Miscellaneous Trade and Technical Corrections Act of 2004

In December 2004, the Miscellaneous Trade and Technical Corrections Act of 2004 (P.L. 108-429) was passed, which included a technical correction to the AGOA Acceleration Act. The legislation also allowed Mauritius to qualify for the special rule for LDCs for the one year beginning October 1, 2004, with a cap of 5% of total eligible imports under this rule.

Africa Investment Incentive Act of 2006

Congress passed the Africa Investment Incentive Act of 2006 in December 2006 (Title VI of P.L. 109-432), which extended the textile and apparel benefits of AGOA until 2015. This act also extended until 2012 the special rule for LDCs, which allows textiles and apparel quota- and duty-free access to the U.S. market regardless of the source of materials used, as long as assembly takes place within an AGOA-eligible LDC. The act also increases the cap on square meter equivalents under this rule back to the initial level of 3.5%. It also contains an "abundant supply" provision stipulating that if a certain fabric is determined by the U.S. International Trade Commission to be available in commercial quantities in AGOA beneficiary countries, then the special rule will no longer apply to apparel and textiles containing that particular fabric.

AGOA Legislation in the 112th Congress

Third-Country Fabric Provision Extended

A provision in AGOA that allows duty-free treatment of apparel assembled in one or more lesser-developed SSA countries regardless of the country of origin of the fabric ("third-country fabric provision"), subject to a cap, was recently extended by Congress through September 2015 (P.L. 112-163). This amendment also added South Sudan to the list of SSA countries eligible for AGOA benefits, though full beneficiary status also requires approval by the Administration.

Lesser-developed countries are defined in AGOA as those with a per capita gross national product of less than $1,500 per year as measured by the World Bank.[44] In subsequent amendments to AGOA, Botswana, Namibia, and Mauritius were added to the list of lesser-developed countries (§112 of P.L. 106-200, as amended). At present, 27 AGOA-eligible countries qualify for the third-country fabric provision (see **Table 8**).

The quantitative limitation on third-country fabric, set each fiscal year, is announced annually by the Committee for the Implementation of Textile Agreements (CITA).[45] The AGOA Acceleration Act of 2004 raised the quantitative limit to a maximum of 3.5% (by quantity) of all U.S. apparel imports. In October 2012, CITA announced that the amount imported under this provision, for the 12-month period beginning October 1, 2012, must be no more than 867,929,963 square meters equivalent (SMEs), half of all apparel imports allowed under AGOA provisions.[46] Any imports from qualifying SSA countries in excess of these quantities are subject to otherwise applicable tariffs.[47] As **Table 9** indicates, imports under the provision from eligible countries are far below the quota allowance.[48]

[44] 19 U.S.C. § 3721(c)(3). The statute refers to the International Bank for Reconstruction and Development, one of the five institutions that make up the World Bank Group.

[45] CITA is an interagency group chaired by the Department of Commerce that is responsible for matters affecting textile trade policy and supervising the implementation of all textile trade agreements. CITA was established by Executive Order 11651 on March 3, 1972 (44 *Federal Register* 4699).

[46] The cap for AGOA apparel imports under the special rule for lesser-developed countries is 3.5% of all U.S. apparel articles imported in the previous 12-month period. The cap for all AGOA apparel imports, including those under the special rule, is 7% of all U.S. apparel articles imported in the previous 12-month period.

[47] 77 *Federal Register* 59914, October 1, 2012.

[48] Data from the Office for Textiles and Apparel, Department of Commerce website, http://otexa.ita.doc.gov.

Table 9. U.S. imports from Lesser Developed AGOA Countries under the Third-Country Fabric Provision

(in millions of square meter equivalents (M2))

	2010	2011	YTD September 2011	YTD September 2012
Total Quota Allowance	814.400	866.700	866.700	938.700
Total Imports	191.648	199.857	153.464	143.131
Kenya	68.097	74.476	58.321	53.513
Lesotho	71.702	64.630	48.635	50.838
Swaziland	26.800	19.991	16.957	10.948
Mauritius	11.731	17.930	13.447	12.858
Tanzania	3.332	6.942	5.216	7.02
Ethiopia	2.949	6.128	4.292	3.313
Malawi	4.066	4.689	3.097	1.445
Botswana	2.431	3.292	2.433	2.771
Ghana	0.188	1.610	1.61	0.913
Uganda	0.087	0.138	0.138	0.000
Cameroon	0.001	0.016	0.001	0.000
Mozambique	0.000	0.014	0.014	0.000
Liberia	0.000	0.000	0.000	0.000

Source: Office of Textiles and Apparel, Department of Commerce.

The fact that only 23% of the allowable third-country fabric provision quota is currently being used could mask the fact that several SSA countries, including Lesotho, Kenya, Mauritius, Swaziland, and Botswana, have exported a significant amount (both by quantity and value) of apparel under the provision (see **Table 10**). For the countries above—all of whom, with the exception of Botswana, are major beneficiaries of AGOA by percentage of utilization (see **Table 11**)—U.S. apparel imports represent the major portion of their benefits under the AGOA preference.

Table 10. Top Ten Apparel Exporters under AGOA

(actual $ U.S.)

Country	2011 (Value)
Lesotho	314,311,152
Kenya	258,886,230
Mauritius	153,428,075
Swaziland	76,579,510
Botswana	15,475,230
Malawi	13,483,949
Ethiopia	9,966,621
South Africa	5,277,269

Country	2011 (Value)
Tanzania	5,118,819
Ghana	1,267,006
Total Above	853,793,861
All Other	1,021,392
Total	854,815,253

Source: U.S. International Trade Commission Trade Dataweb, http://www.usitc.gov.

Note: Imports for Consumption.

Pending Legislation

H.R. 656 (introduced February 11, 2011), in part, directs the President to establish a Special Representative for United States-Africa Trade, Development, and Diaspora Affairs within the U.S. Department of State. The role of the representative would be to promote U.S.-African trade and investment relations; facilitate international learning exchanges; establish a database for information sharing; and consult with African governments, the private sector, and United Nations agencies regarding economic development in Africa. This bill is currently in committee.

H.R. 4221 (introduced March 20, 2012) and its companion bill in the Senate, S. 2215 (introduced March 21, 2012), seek to increase U.S. exports to Africa, in part, through strategies aimed at further developing relationships between the United States and African countries on a government-to-government level, as well as fostering private sector U.S.-African ties and targeting more U.S. export financing toward U.S.-SSA trade. Hearings were held on this legislation in the House Committee on Foreign Affairs Subcommittee on Africa, Global Health, and Human Rights on April 17, 2012, and in the Senate Committee on Foreign Relations Subcommittee on African Affairs on July 25, 2012. The Senate Committee on Foreign Relations voted to report out an amended version of S. 2215 on September 19, 2012. The House version of the bill is still in committee.

AGOA Trade Trends

According to the United States Trade Representative (USTR), over 93% of U.S. imports from SSA from AGOA-eligible countries in 2010 entered the United States duty-free, either under AGOA or GSP, or under zero-duty most-favored-nation (MFN) tariff rates.[49] In 2011, U.S. imports under AGOA and GSP amounted to $53.8 billion (see **Table 11**).

[49] United States Trade Representative website , http://www.ustr.gov/trade-topics/trade-development/preference-programs/african-growth-and-opportunity-act-agoa.

Table 11. Total U.S. Imports, Imports under AGOA (including GSP), and Utilization Rate of Preference, 2011

(actual $ U.S.)

AGOA Beneficiary (in 2011)	Total U.S. Imports	Imports Under AGOA (including GSP)	Utilization Rate of Preference (%)
Chad	3,188,885,282	2,991,225,667	93.80%
Swaziland	83,289,612	77,192,451	92.68%
Nigeria	33,834,587,752	31,008,519,187	91.65%
Angola	13,756,357,845	11,534,181,604	83.85%
Malawi	72,353,659	60,141,734	83.12%
Lesotho	384,351,085	314,335,330	81.78%
Congo (ROC)	2,376,790,086	1,935,228,815	81.42%
Kenya	380,463,239	292,594,742	76.90%
Mauritius	250,482,636	169,190,565	67.55%
Ghana	778,992,716	454,534,351	58.35%
Cameroon	322,218,673	173,784,645	53.93%
South Africa	9,473,431,885	3,797,405,595	40.08%
Namibia	436,337,789	134,316,828	30.78%
Cape Verde	1,467,584	165,226	11.26%
Gabon	4,432,128,840	477,555,593	10.77%
Tanzania	58,244,222	5,751,382	9.87%
Ethiopia	144,404,059	13,874,923	9.61%
Senegal	6,766,267	490,660	7.25%
Gambia	82,442	5,352	6.49%
Botswana	293,285,806	17,063,293	5.82%
Uganda	45,881,727	2,540,952	5.54%
Mali	4,078,609	132,542	3.25%
Sao Tome & Principe	981,624	24,482	2.49%
Mozambique	34,966,794	692,543	1.98%
Rwanda	30,857,888	597,270	1.94%
Djibouti	4,053,092	58,050	1.43%
Sierra Leone	26,480,435	193,761	0.73%
Benin	1,970,887	14,019	0.71%
Zambia	47,321,448	220,669	0.47%
Burkina Faso	3,603,288	6,623	0.18%
Togo	31,744,687	57,584	0.18%
Liberia	158,178,415	0	0.00%
Burundi	9,558,071	0	0.00%

AGOA Beneficiary (in 2011)	Total U.S. Imports	Imports Under AGOA (including GSP)	Utilization Rate of Preference (%)
Seychelles	6,265,409	0	0.00%
Comoros	1,778,891	0	0.00%
Mauritania	965,142	0	0.00%
Guinea-Bissau	261,369	0	0.00%

Source: U.S. International Trade Commission Trade Dataweb (http://dataweb.usitc.gov).

Note: "Utilization Rate of Preference" is the value of U.S. imports under AGOA divided by the total amount of U.S. imports from AGOA countries expressed as a percentage. U.S. Imports for Consumption

Table 12. Top Ten U.S. Imports under AGOA (Excluding GSP)

(actual $ U.S.)

HTS Number	2010	2011	Percent Change
27-Mineral fuels and oil	35,833,825,932	48,497,450,862	35.30%
87- Vehicles, Except Railway Or Tramway, And Parts	1,538,204,237	2,038,110,536	32.50%
62-Articles of apparel and clothing accessories, not knitted or crocheted	368,059,665	445,373,100	21.00%
61-Articles of apparel and clothing accessories, knitted or crocheted	358,416,707	409,442,153	14.20%
72-Iron and steel	141,893,313	204,501,643	44.10%
08-Edible fruit and nuts; peel of citrus fruit or melons	104,371,648	100,871,339	-3.40%
38-Miscellaneous chemical products	41,692,091	47,955,570	15.00%
22-Beverages, spirits, and vinegar	52,759,899	47,657,887	-9.70%
24-Tobacco and manufactured tobacco substitutes	33,362,905	39,949,659	19.70%
20-Preparations of vegetables, fruit, nuts, or other parts of plants	18,275,960	17,720,158	-3.00%
Subtotal	38,490,862,357	51,849,032,907	34.70%
All Other	26,903,235	34,021,330	26.50%
Total	**38,517,765,592**	**51,883,054,237**	**34.70%**

Source: U.S. International Trade Commission Trade Dataweb, http://www.usitc.gov.

Notes: Imports under AGOA are a subset of imports from SSA.

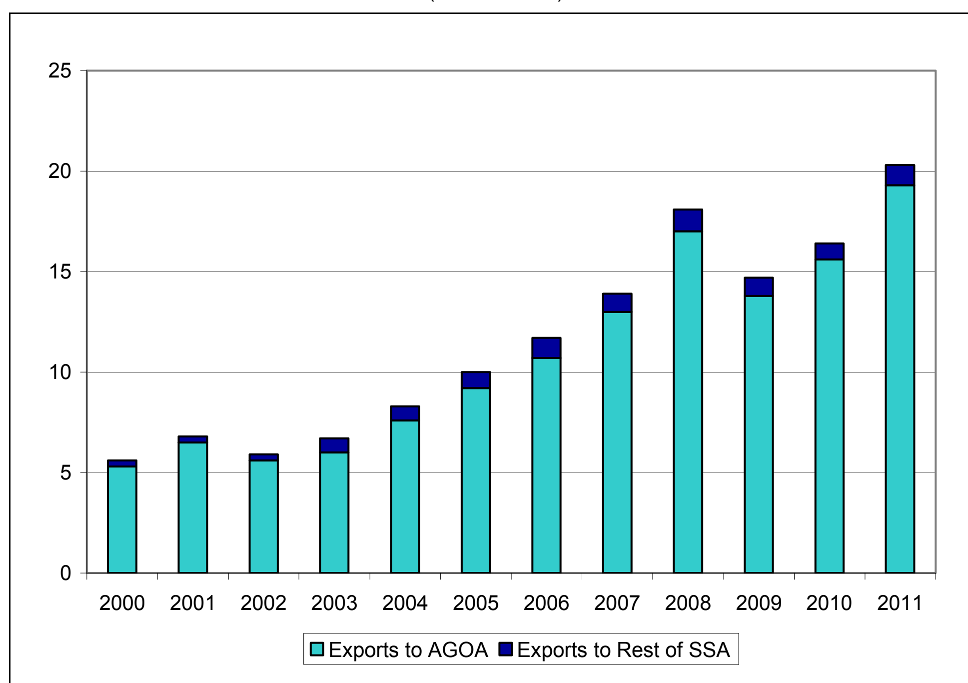
In 2011, oil and mineral fuels (mostly crude oil) accounted for about 93% of all U.S. imports (by value) under the African Growth and Opportunity Act (AGOA), and about 81% of all U.S. imports from all SSA countries.[50] Vehicles and parts were the next-largest category of AGOA imports at 4%. Apparel products (HTS chapters 61 and 62 combined) amounted to about 2%.[51]

[50] CRS calculations based on data from the U.S. International Trade Commission Trade Dataweb,
(continued...)

As shown in **Figure 8**, the largest portion, by far, of U.S. exports to SSA are to AGOA-eligible countries. Except for decreases in 2002 and 2009-2010, arguably due to periods of worldwide recession, these exports have increased markedly over time. As **Table 13** indicates, the top destinations for U.S. products are South Africa, Nigeria, Angola, and Ghana.

Figure 8. U.S. Exports to AGOA-Eligible Countries as a Portion of Total U.S. Exports to sub-Saharan Africa

(in $ billions)



Source: U.S. International Trade Commission Trade Dataweb, http://dataweb.usitc.gov.

Note: U.S. Domestic Exports, FAS Value.

Table 13. U.S. Exports to AGOA Countries, 2011

(actual $ U.S.)

Country	2011
South Africa	6,848,590,454
Nigeria	4,706,183,368
Angola	1,458,062,000
Ghana	1,155,466,454
Ethiopia	684,957,626
Benin	610,363,392

(...continued)

http://dataweb.usitc.gov.

[51] U.S. Census data from the Global Trade Atlas.

Country	2011
Kenya	447,392,579
Mozambique	445,907,638
Senegal	258,781,861
Tanzania	250,729,324
Mauritania	241,472,844
Congo (ROC)	222,429,871
Cameroon	216,235,118
Togo	212,522,913
Gabon	197,360,657
Liberia	184,975,506
Djibouti	130,577,790
Zambia	123,078,281
Namibia	121,006,058
Rwanda	118,576,796
Subtotal Above Countries	18,634,670,530
All Other	590,328,884
Total Exports	19,224,999,414

Source: U.S. International Trade Commission Trade Dataweb (http://dataweb.usitc.gov).

Notes: Total Exports, FAS value

AGOA Technical Assistance and Capacity Building

Section 122 of AGOA directed the President to target U.S. government technical assistance and trade capacity building in AGOA beneficiary countries. This mandate includes assistance to both government and non-governmental actors. The act directs the President to target technical assistance to governments to (1) liberalize trade and exports; (2) harmonize laws and regulations with WTO membership; (3) engage in financial and fiscal restructuring; and (4) promote greater agribusiness linkages. The act also includes assistance for developing private sector business associations and networks among U.S. and sub-Saharan African enterprises. Technical assistance is also to be targeted to increasing the number of reverse trade missions, increasing trade in services, addressing critical agricultural policy issues, and building capabilities of African states to participate in the World Trade Organization, generally, and particularly in services. In FY2010 (latest available data), the United States reported obligating approximately $588 million in trade capacity building (TCB) assistance to AGOA countries.[52] Of this amount, about $341 million was obligated for physical infrastructure development and $200 million on trade-related agriculture projects.[53]

[52] U.S. Agency for International Development, Trade Capacity Building Database, http://tcb.eads.usaidallnet.gov/.

[53] Ibid.

United States–sub-Saharan Africa Trade and Economic Cooperation Forum

Under AGOA, the President was required to establish within a year of enactment, after consultation with Congress and the other governments concerned, a United States-sub-Saharan Africa Trade and Economic Cooperation Forum (hereinafter referred to as the Forum). The act stated that the President was to direct certain top officials to host the first Forum meeting with their counterparts from AGOA-eligible countries and countries attempting to meet AGOA eligibility requirements.[54] The purpose of the Forum is to "discuss expanding trade and investment relations between the United States and sub-Saharan Africa and the implementation of [AGOA] including encouraging joint ventures between small and large businesses."

AGOA also required the President to encourage non-governmental organizations and the private sector to hold similar annual meetings, and it required the President to instruct U.S. delegates to the Forum to promote a review of HIV/AIDS in each sub-Saharan African country and the effect on economic development. It required the President to meet, to the extent practicable, with heads of governments of sub-Saharan African countries at least every two years to discuss expanding trade and investment relations, and the first such meeting should be within one year of enactment.

AGOA was enacted May 18, 2000, and on May 16, 2001, President Bush established the Forum and announced plans for its first meeting in Washington in October 2001. The first Forum was held October 29-30, 2001, in Washington, DC. President Bush addressed the Forum and announced several initiatives: (1) a $200 million Overseas Private Investment Corporation (OPIC) support facility to give U.S. firms access to loans, guarantees, and political risk insurance for investment projects; (2) a regional office of the Trade and Development Agency (TDA) in Johannesburg to help attract new investment; and (3) the Trade for African Development and Enterprise Program, initially funded at $15 million, to establish regional hubs to help African businesses in the global market. (These initiatives were implemented; see discussion below.)

AGOA forums have been held annually since 2001, alternately in the United States or in an SSA partner country. The 10th AGOA forum was held in Zambia on June 9-10, 2011. The theme of the Forum was "Enhanced Trade Through Increased Competitiveness, Value Addition, and Deeper Regional Integration."

The 11th AGOA Forum was held in Washington, DC, June 14-15, 2012. The theme for this year's event was "Enhancing Africa's Infrastructure for Trade," and it focused on various aspects designed to promote trade, including improvements in both physical infrastructure, such as roads and ports, and institutional infrastructure, such as the business climate. The Forum also focused on advancing African initiatives in regional economic integration and increasing awareness among U.S. businesses of opportunities in Africa. In a speech at the Forum, Secretary of State Hillary Rodham Clinton called for "urgent" efforts to renew the AGOA third country fabric provision. Continuing with the Forum's focus on improved infrastructure, she also highlighted the need for more "human infrastructure," or investments in human capital, especially among young people, throughout the region.

[54] Representatives from appropriate Sub-Saharan African regional organizations and government officials from other appropriate countries in Sub-Saharan Africa also could be invited.

The Forum was followed by a one-time event, the *U.S.-Africa Business Conference 2012*, held in Cincinnati, OH, June 21-22. Hosted by the State Department and several other U.S. government agencies and private business promotion groups,[55] the conference sought

> to expand on the AGOA Forum by providing an opportunity to both showcase U.S. business expertise to potential African clients, and to highlight trade and investment opportunities in Africa to U.S. exporters and investors … [focused] broadly on infrastructure development, including energy, transportation, and water and sanitation.[56]

U.S. Agency for International Development (USAID)

AGOA's mandate to encourage trade-related technical assistance is primarily implemented by USAID through the African Global Competitiveness Initiative (AGCI), a Presidential Initiative which supplanted the Trade for African Development and Enterprise (TRADE) initiative in 2006. The TRADE initiative succeeded the Africa Trade and Investment Policy Program (ATRIP), which operated from 1998 to 2003. These initiatives are generally used to focus activities around a common goal, but there are AGOA-related activities funded by other initiatives within USAID.

USAID funds various technical assistance programs throughout Africa aimed at improving trade within the region and between the region and the United States. USAID supports regional efforts through its regional missions and the four Regional Hubs for Global Competitiveness (Trade Hubs), located in Ghana, Senegal, Kenya, and Botswana. USAID bilateral missions support projects in individual African countries. The missions and hubs work on improving trade policy both regionally and within country governments. They also have programs to improve trade infrastructure, such as in transportation and energy, and they have enterprise development programs which often target specific industries, such as handicrafts and shea butter.

As mentioned above, AGOA encourages the establishment of private sector linkages between U.S. and SSA businesses. To this end, USAID funds an international business linkage program, South African International Business Linkages (SAIBL), which is implemented by the Corporate Council on Africa. SAIBL assists black-owned South African companies to prepare business plans, achieve International Standards Organization (ISO) certification, participate in U.S.-led trade delegations, attend trade shows in the United States, and identify public and private sector export financing. It also assists U.S. firms by identifying trade and investment opportunities in South Africa, by steering U.S. firms to appropriate government and private sector contacts, and by identifying sources of financing. USAID formerly funded a similar linkage program for West Africa, the West African International Business Linkages (WAIBL), but it no longer funds this program. The regional trade hubs implement many of the same types of activities as SAIBL, except that they focus more on promoting trade in general and not just exports to the United States.

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[55] Sponsors included the Departments of State, Transportation, and Energy, USDA, USAID, Millennium Challenge Corporation, Export-Import Bank, U.S. Trade and Development Agency, Executive Office of the President, Greater Cincinnati World Affairs Council, Department of Commerce, The Corporate Council on Africa, U.S. Small Business Administration, and U.S. Environmental Protection Agency.

[56] It also provided "structured networking opportunities for African government officials and business leaders with U.S. state and local government officials and business leaders; informational sessions on U.S. government opportunities and services from various federal agencies; and site visits to companies and organizations." State Department, *U.S.-Africa Business Conference 2012*.

Assistant U.S. Trade Representative for Africa (AUSTRA)

Section 117 of AGOA supported the creation of this position to serve as the "primary point of contact in the executive branch for those persons engaged in trade between the United States and sub-Saharan Africa," and the chief adviser to the U.S. Trade Representative (USTR) on trade and investment issues pertaining to Africa. This position previously had been established by President Clinton in 1998. One primary function of AUSTRA is to make the yearly determinations as to which countries are eligible for AGOA benefits generally, and also its special textile and apparel benefits. The AUSTRA also sponsors projects for WTO training for SSA trade negotiators and provides support for the Trade Advisory Committee on Africa.

Overseas Private Investment Corporation (OPIC)

Section 123 of AGOA expressed the sense of Congress that OPIC should exercise its authority to support projects in SSA and directed OPIC to increase funds directed to SSA countries. OPIC, a U.S. development finance agency, seeks to promote economic growth in developing and emerging economies and expand U.S. exports by providing political risk insurance, project financing, investment funds support, and other services for U.S. businesses in those countries, in support of U.S. foreign policy goals. OPIC's programs are intended to promote U.S. private investment by mitigating risks, such as political risks (including currency inconvertibility, expropriation, political violence, and terrorism), for U.S. firms making qualified investment overseas. Since 1974, OPIC has supported investments of nearly $6.3 billion in projects in Africa (of about $200 billion worldwide).[57]

Export-Import Bank (Ex-Im Bank)

Ex-Im Bank is the official export credit agency of the U.S. government. It maintains finance and insurance programs to facilitate U.S. exports to developing countries, especially in circumstances in which alternative commercial financing is not available, in order to contribute to U.S. employment. Some Ex-Im Bank programs are used to counter officially backed subsidized export financing offered by other countries. Its main program instruments are direct loans, loan guarantees, working capital guarantees, and export credit insurance, all backed by the full faith and credit of the U.S. government.[58]

Section 124 of AGOA expressed the sense of Congress that the Ex-Im Bank should continue to expand its financial commitments to its loan guarantee and insurance programs to African countries. The legislation also commended the Bank's sub-Saharan Africa Advisory Committee for its work in fostering economic cooperation between the United States and SSA. This committee's work was extended to September 30, 2014, in recent legislation reauthorizing the Ex-Im Bank (§23 of P.L. 112-122).[59]

In FY2011, the Ex-Im Bank authorized nearly $1.4 billion to support U.S. exports to SSA countries ($804 million in direct loans, $466 million in loan guarantees, $68 million in export

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[57] CRS Report 98-567, *The Overseas Private Investment Corporation: Background and Legislative Issues*, by Shayerah Ilias.

[58] CRS Report R42472, *Export-Import Bank: Background and Legislative Issues*, by Shayerah Ilias.

[59] Export-Import Bank Reauthorization Act, 12 U.S.C. 635(b)(9)(B)(iii).

credit insurance, and $40 million working capital guarantees), which supported approximately 8% of U.S. exports to SSA.[60] Ex-Im Bank-supported exports to SSA have tripled since 2007 from $434 million to about $1.4 billion in FY2011. About 80% of the number of those transactions directly supported small businesses.[61]

U.S. and Foreign Commercial Service (CS)

The U.S. and Foreign Commercial Service is the main export promotion arm of the U.S. Department of Commerce's International Trade Administration. CS services are primarily targeted at small and medium-sized U.S. businesses, providing export promotion services such as trade counseling, market intelligence, business matchmaking, and commercial diplomacy tools to assist them in exporting abroad. In 2011, CS employed about 500 staff working in the United States, operating 108 "U.S. Export Assistance Centers." CS also staffs 115 offices in more than 70 countries (down from 125 offices in 75 countries in 2010), which employ about 900 overseas staff, including Foreign Service officers and locally employed staff.[62] In 45 other countries where the CS does not have a presence, it has an agreement with the State Department to fulfill these functions through its Foreign Service officers and locally employed staff.[63]

In Section 125 of AGOA, Congress found that the CS presence in SSA had been reduced since the 1980s and that the level of staffing in 1997 (seven officers in four countries) did not "adequately service the needs of U.S. businesses attempting to do business in sub-Saharan Africa."[64] Accordingly, the legislation required the posting of at least 20 CS officers in not less than 10 countries in SSA by December 31, 2001, "subject to the availability of appropriations."[65] According to the U.S. Commercial Service Annual Report for 2011, there are currently eight CS staff in Africa. CS staff are located in Accra, Ghana; Nairobi, Kenya; and Cape Town and Johannesburg, South Africa.[66]

Section 125(c) of P.L. 106-200 (AGOA) also directed the International Trade Administration (ITA) to develop an initiative to (1) identify the best U.S. export prospects in the region; (2) identify tariff and non-tariff barriers that impede U.S. exports to Africa; and (3) undertake discussions with African states to increase market access for these goods and services. These activities are being carried out, in part, by the ITA's Market Access and Compliance Unit (MAC). The ITA also maintains the AGOA website at http://www.agoa.gov.

U.S. Trade and Development Agency (TDA)

Though its role is not specifically mentioned in AGOA legislation, the TDA is an independent agency that operates under a dual mission of promoting economic development and U.S.

[60] Export-Import Bank of the United States, *2011 Annual Report*, http://www.exim.gov/about/reports/ar/2011/exim_2011annualreport.pdf.

[61] Ibid.

[62] *Powering Export Growth*, U.S. Commercial Service Annual Report, 2011.

[63] The Commerce and State departments agreed to expand this program additional 11 countries in September 2011.

[64] AGOA, §125(a)(4).

[65] AGOA, §125(b).

[66] U.S. Commercial Service*, Powering Export Growth*, U.S. Commercial Service Annual Report, 2011.CS staff are also located in Cairo, Egypt; Tripoli, Libya; and Casablanca, Morocco.

commercial interests in developing and middle-income countries. The agency links U.S. businesses to export opportunities by funding project planning activities, feasibility studies, and pilot projects overseas; and by sponsoring reverse trade missions, while creating sustainable infrastructure and economic growth in partner countries. TDA supports projects in economic sectors such as transportation, energy, and telecommunications. It provides grants to overseas project sponsors (both public and private sector grantees) who select U.S. companies to conduct TDA-funded activities. These programs are designed to assist project sponsors to make informed investment decisions, while opening markets for increased exports of U.S.-manufactured goods and services. Since 1981, TDA has provided over $90 million for projects in SSA, which the agency states have resulted in over $1 billion in U.S. exports related to partnerships between African project sponsors and U.S. firms. In FY2010, TDA obligated funds for 39 projects in SSA totaling $9.3 million, or approximately 19% of its total program expenditures ($49.7 million).[67]

Multilateral Initiatives

In addition to domestic agency programs, the United States participates in several multilateral institutions that provide trade capacity building in Africa and other developing-country regions and indirectly support the aims of AGOA. The World Bank and regional development banks all provide trade capacity building assistance, mainly in the form of loans.

The Enhanced Integrated Framework (EIF) is the main multilateral initiative in trade capacity building. It is a process that assists least developed countries (LDCs) to integrate trade issues into their national development strategies. The EIF process begins with a diagnostic study of trade challenges and opportunities in the LDC, and is meant to result in better targeted and coordinated assistance by all donors. Six international institutions collaborate on the EIF, including the International Monetary Fund (IMF), the International Trade Center (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Program (UNDP), the World Bank, and the WTO. The EIF is funded by an Multi-Donor Trust Fund, composed of voluntary contributions from multilateral and bilateral donors. Total contribution receipts to this trust fund equaled $165.1 million as of April 2012, of which the United States contributed $600,000.[68]

The United States has also provided SSA countries with technical assistance and TCB support on a wide range of WTO-related issues such as trade facilitation, services, and sanitary and phytosanitary measures, in coordination with the other multilateral institutions mentioned above.[69] The United States has also provided technical support for the efforts of some SSA countries, such as Ethiopia (still in negotiations) and Togo (WTO accession July 2007), to accede to the WTO.[70]

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[67] U.S. Trade and Development Agency, *2010 Annual Report*. Examples of specific USTDA projects in SSA are available on the USTDA website at http://www.ustda.gov/program/regions/subsaharanafrica/.

[68] Enhanced Integrated Framework website, http://www.enhancedif.org/documents/EIF%20toolbox/EIF%20Trust%20Fund%20Current%20Status.pdf.

[69] 2008 USTR Report, p. 40.

[70] Ibid.

Regional Cooperation and Free Trade Agreements

P.L. 105-200, the original AGOA legislation, contained a section encouraging exploration of new agreements to encourage trade and investment. AGOA, however, directed the President specifically toward FTA negotiations, and required more concrete steps regarding potential actions to be taken to establish such an agreement.

Discussion of potential partners for free trade agreements has revolved around South Africa and the South African Customs Union (SACU), but several other regional groupings are potential partners for future trade agreements with the United States. The Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), and the West African Economic and Monetary Union (WAEMU) have all taken steps to begin the process of economic integration, either through trade liberalization or through steps to promote monetary union. While these groups are being encouraged in their attempts at regional integration, they are not immediate prospects for FTAs with the United States. Background on these groups appears in **Appendix A**.

FTA Negotiations with SACU

On November 4, 2002, then-USTR Robert B. Zoellick notified Congress that negotiations would be initiated with the SACU member countries.[71] These negotiations began in June 2003, but were postponed indefinitely in April 2006. Observers cited several possible reasons for the unsuccessful FTA negotiations, including the capacity of SACU nations to negotiate a U.S.-style (comprehensive and high-standard) FTA, and disagreements between the parties on the scope and level of ambition of the negotiations.

The United States and SACU signed a Trade, Investment, and Development Cooperation Agreement (TIDCA) on July 16, 2008, designed to build on and potentially capture some of the progress made in previous FTA negotiations.[72] The TIDCA establishes a forum for consultative discussions and cooperative work, and creates a framework for discussions on customs and trade facilitation, technical barriers to trade, sanitary and phytosanitary measures, and trade and investment relations.[73]

The U.S. decision to negotiate an FTA with SACU, rather than just with South Africa, may have reflected the large degree of economic integration that exists among the SACU states. The original SACU agreement dates from the colonial government in 1910 and was renegotiated with the apartheid government in 1969. A new agreement to more fully integrate the smaller states into decision-making for the area, which was previously dominated by South Africa, was signed on October 21, 2002. The agreement is characterized by free movement of goods within SACU, a common external tariff, and the common revenue pool which is apportioned among the member states. However, South Africa remains the dominant economy of the region, accounting for 87% of the population and 91% of the gross domestic product of the customs area (2010 figures).[74]

[71] SACU countries are Botswana, Lesotho, Namibia, South Africa, and Swaziland.

[72] U.S. International Trade Representative website, http://www.ustr.gov.

[73] Ibid.

[74] International Monetary Fund, *International Financial Statistics,* retrieved from Economist Intelligence Unit *All Country Data* database.

U.S. merchandise exports to SACU totaled $7.0 billion in 2011, led by machinery, motor vehicles and parts, precious metals and stones, mineral fuels and oils, precision equipment (e.g., photographic and optical devices), electrical machinery and parts, and aircraft. U.S. merchandise imports from SACU in 2011 totaled $10.7 billion, and included precious metals and stones, motor vehicles and parts, iron and steel, and machinery.[75]

U.S. Trade and Investment Framework Agreements (TIFAs)

Although TIFAs were not specifically addressed in AGOA legislation, the USTR regards TIFAs as important tools for strengthening trade and economic relations with key SSA countries and regional organizations.[76] As of this writing, the United States has negotiated TIFAs with Angola, Ghana, Liberia, Mauritius, Mozambique, Nigeria, Rwanda, and South Africa, and with the COMESA,[77] East African Community, and the WAEMU[78] regional arrangements. Generally, TIFAs commit the signatories to expand trade of goods and services, to encourage private sector investment, and to resolve problems and disputes through consultation and dialogue. To facilitate these objectives, the signatories of each agreement have established a Council on Trade and Investment to provide a venue for consultation on trade issues of interest or concern to the parties, and to work toward the removal of impediments to trade and investment flows. TIFAs are often considered to be first steps to the negotiation of free trade agreements.

U.S. Bilateral Investment Treaties (BIT)

BITs were not specifically addressed in AGOA, but are regarded as important tools for advancing bilateral trade. BITs help protect U.S. foreign direct investment and promote economic growth by advancing important reforms and encouraging the adoption of policies that facilitate and support foreign investment.[79] As of this writing, the United States has signed BITs with Cameroon, Republic of the Congo (Brazzaville), Democratic Republic of the Congo (Kinshasa), Mozambique, Rwanda, and Senegal, and is currently pursuing a BIT with the East African Community (EAC). The goals of the BIT are to protect U.S. investments abroad, and to encourage market-oriented domestic policy in host countries. Generally, BITs ensure national treatment for U.S. investments, limit expropriations, enable free repatriation of funds, place limitations on the imposition of trade-distorting or inefficient practices on U.S. investments—including requirements in hiring—and provide the right of submission of investment disputes to international arbitration. These treaties are promoted by the U.S. government as a method of encouraging the development of international law and trade standards within the partner country.[80]

[75] U.S. International Trade Commission data website, at http://dataweb.usitc.gov.

[76] 2008 USTR SSA Report, p. 42.

[77] COMESA is made up of Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, South Sudan, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

[78] WAEMU/UEMOA members are Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

[79] Ibid.

[80] U.S. Trade Representative website, http://www.ustr.gov/trade-agreements/bilateral-investment-treaties.

AGOA in Comparative Perspective: European Union Trade Frameworks with Africa

Like the United States, the European Union (EU) has also been active in promoting trade between itself and SSA countries. The EU-South Africa Agreement on Trade, Development, and Cooperation entered into force on January 1, 2000. This agreement creates a free-trade area between the participants during a 12-year asymmetric transition period. The EU pledged to remove tariffs on 95% of imports from South Africa during a 10-year period with most products granted duty-free status in 2002. South Africa will remove duties on 86% of its tariff lines during a 12-year period with most eliminations occurring between 2006 and 2012. Notably, the agreement does not provide tariff relief to several important South African agricultural exports, nor to aluminum.

The Cotonou Agreement, signed in Cotonou, Benin, between the European Union and 71 African, Caribbean, and Pacific nations (ACP) in February 2000, extended non-reciprocal, duty-free access for industrial and processed agricultural goods to the EU market granted by the 4th Lomé Convention to the end of 2007. The extent of the duty-free access conferred by Cotonou was subsequently enhanced in March 2001 by the "Everything but Arms" initiative, which granted LDCs tariff-free access to all goods, except for sugar, rice, and bananas, for which products a tariff-rate quota system was maintained during a phase-out period ending in 2009. Provisions of the Cotonou Agreement call for the negotiation of trade liberalization agreements with regional economic partnerships that could include the regional African groupings discussed in **Appendix A**. Preliminary negotiations on the Regional Economic Partnership Agreements (EPAs) began on September 27, 2002, and were supposed to conclude before the expiration of the Cotonou Agreement on December 31, 2007. Many African countries opposed signing EPAs because that would mean opening up their markets to EU imports. In the end, a temporary compromise was reached: most African countries signed "interim EPAs" to keep their EU trade preferences as they were under the Cotonou Agreement.

On May 14, 2012, the first EPA between the EU and Mauritius, Madagascar, Seychelles, and Zimbabwe went into effect. These countries will have duty-free/quota-free access to the EU market for exports. In exchange, these countries agreed to open their markets to EU exports in a 15-year time frame, but may exclude products they consider import sensitive.[81]

AGOA: Current and Future Challenges

Several issues may be important to Congress in the oversight of AGOA and in consideration of a potential renewal of the preference program. These issues concern the diversification of beneficiary country and industry participants, the continued eligibility of certain countries for AGOA benefits, the HIV/AIDS epidemic, and the participation of U.S. small business in AGOA.

- **Diversification of AGOA Exports.** While textile and manufacturing industries make up a growing part of U.S. imports under AGOA, these imports are dwarfed by AGOA imports from the petroleum and mining sectors. These industries are highly capitalized and do not provide extensive employment opportunities for African workers. AGOA benefits are also concentrated in few countries. Moreover, several AGOA-eligible countries export very little under the program. Increasing African economic diversification and export levels, key goals of AGOA, could arguably be enhanced by continuing and potentially expanding targeted trade capacity building and technical assistance to countries in the sub-region, particularly in the sectors where economic activity and production is concentrated. Agriculture, for instance, is a crucial component of many African economies and an important source of income for African workers. Increasing agricultural exports under AGOA, notably of processed goods, could help raise incomes and spur economic growth. Similarly, targeted technical assistance

[81] European Union, *EU's First Economic Partnership with an African Region Goes Live*, Press Release, May 14, 2012, http://europa.eu/newsroom/press-releases/index_en.htm.

aimed at improving productive capacity, infrastructure, and investment policies, could also spur growth in light manufactured product exports.

- **Eligibility Standards.** A country's eligibility for AGOA benefits may become a subject of controversy. Some observers feel that the President must strictly enforce eligibility requirements to ensure continued adherence to reforms. However, others have cited the unpredictability of a country's AGOA benefits from year-to-year as a source of investment risk, and have suggested minimum eligibility terms of greater than the current one-year period. Another suggestion includes allowing Congress to override the President's decision to terminate AGOA benefits through legislation. Several countries have been considered candidates for losing AGOA eligibility.[82]
- **HIV/AIDS.** The HIV/AIDS pandemic continues to destabilize the economies of Africa and threatens any progress achieved by AGOA as additional income is spent, not to raising living standards, but to treat a population afflicted with the disease. Due to the disease, life expectancy is falling in several AGOA-eligible countries and in the region as a whole. Even with the advantages that AGOA preferences confer, investors may be deterred from the region by high medical costs, by constant replacement of workers stricken with the disease and the attendant training costs, and by the destabilizing risks associated with a society containing a large, dying population.
- **Lack of Uniform Trade Effects Reporting.** The initial AGOA legislation required an annual comprehensive report on U.S.-Africa trade and investment policy and on implementation of AGOA. The resulting annual report was a unique and invaluable oversight and trade trend tracking tool for policy-makers, but the reporting requirement sunsetted in 2008. Congress may wish to consider reinstating the annual AGOA reporting requirement.
- **Small Business Participation.** Small business accounts for about 55% of the U.S. GDP, and employs a large portion of American workers. U.S. small businesses, however, only participate in limited trade with Africa, and reportedly very few in the small business community know about AGOA. Some observers have noted that U.S. small businesses may benefit from AGOA, and in the process help provide avenues for diversifying African exports. Small business is also important in Africa, and increased partnership may result in better participation on both continents. There are multiple ways that U.S. agencies could become more involved in increasing awareness of AGOA among the small business community, and providing opportunities for partnership. Examples include increased investment in and emphasis on the use of USAID's trade hubs as a mechanism for U.S. small business entrance into Africa, or an increased small business emphasis within the mandate of the U.S. Foreign Commercial

[82] In 2003, the President declared Eritrea and the Central African Republic to be ineligible for AGOA. In 2004, Cote d'Ivoire was declared ineligible as well, but was reinstated in 2011. In 2009, benefits for Guinea, Madagascar, and Niger were terminated because the President determined that they were not making continual progress in meeting AGOA requirements (Guinea and Niger were reinstated in 2011). Also in 2009, Mauritania was removed from AGOA eligibility, but was reinstated later that year. Lesotho, which is considered an AGOA success story, has been the subject of persistent complaints from indigenous labor groups regarding working conditions in newly developed textile plants. In some years, Swaziland has received warnings from the State Department that its human rights record does not meet AGOA eligibility requirements. Several countries have questionable commitment to privatization and tariff reform.

Service. The provision of appropriations adequate to enable greater CS compliance with the original AGOA goal of deploying at least 20 CS officers in not less than 10 African countries could also further attainment of the goals laid out under AGOA.

Appendix A. Regional Economic Integration Among sub-Saharan Africa Nations

Southern African Development Community (SADC)

This group is composed of the nations of Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe. Originally formed by front-line states to lessen economic dependence on the apartheid regime in South Africa, the group expanded to include South Africa in 1994. The 1996 Protocol on Trade committed each signatory to remove duties and non-tariff barriers to SADC members within 12 years, to provide national treatment for each other's goods, and to bind existing tariffs at current levels.

Common Market for Eastern and Southern Africa (COMESA)

Founded in 1982 as the Preferential Trade Area of Eastern and Southern Africa, current member states of the COMESA include Burundi, Comoros, Democratic Republic of the Congo, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe. The goal of COMESA is to attain a "fully integrated, competitive, regional economic community with high standards of living for all its people ready to merge into an African Economic Community."[83] The goal of monetary union by 2025 is expected to be advanced by the introduction of limited currency convertibility and improved coordination of fiscal and monetary policy during this time period.

East African Community (EAC)

Comprised of Burundi, Kenya, Rwanda, Tanzania, and Uganda, this organization sought to revive historic regional integration arrangements that had existed since 1917. This cooperation broke down in the 1970s due to widespread transshipments and the varied economic paths of its participants. The community was established once again by the three original members (Kenya, Tanzania, and Uganda) in 1999.[84] On July 1, 2010, the community established an EAC Common Market providing for free movement of goods, labor, services and capital within the region.[85] In the agreement, the partner states agreed to eliminate tariff, non-tariff, and technical barriers to trade; harmonize and mutually recognize standards; implement a common trade policy; and ease cross-border movement of persons through an integrated border management system.[86]

[83] Common Market for Eastern and Southern Africa (COMESA) website.

[84] East African Community (EAC) website, http://www.eac.int.

[85] Ibid.

[86] Ibid.

West African Economic and Monetary Union (WAEMU)

WAEMU[87] is made up of Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, Togo, and Guinea-Bissau, the sole non-francophone member. This grouping was originally created to promote economic integration among countries that share the CFA franc (*Communauté financière africaine)*, a currency formerly tied to the French franc prior to its disappearance in 2000 (but still backed by the French treasury). The member states have espoused the long-term goal of a full economic union with a common market, macroeconomic convergence, regulatory harmonization, and a common investment policy. A preferential tariff arrangement was concluded for member states in 1995, and a customs union with a common external tariff of 22% became operational in 2000. WAEMU countries have established a common accounting system, periodic reviews of member countries' macroeconomic policies, a regional stock exchange, and the legal and regulatory framework for a regional banking system.[88]

[87] WAEMU is also known as UEMOA from its French name, *Union Economique et Monetaire Oest-Africaine.*

[88] 2008 USTR SSA Report, p. 39.

Appendix B. U.S.–SSA Trade Relationship

Table B-1. SSA Countries Trade Relationship with United States and Preference Program Status

Countries	GSP	GSP-Least Developed	AGOA	AGOA-Lesser Developed	BIT	TIFA
Angola	√	√	√			2009
Benin	√	√	√	√		2002[b]
Botswana	√		√	√		2008[c]
Burkina Faso	√	√	√	√		2002[b]
Burundi	√	√	√			2001[a], 2008[d]
Cameroon	√		√	√	1989	
Cape Verde	√		√	√		
Central African Republic	√	√				
Chad	√	√	√	√		
Comoros	√	√	√			2001[a]
Democratic Republic of Congo (Kinshasa)	√	√			1989	2001[a]
Republic of Congo (Brazzaville)	√		√		1994	
Cote d'Ivoire	√		√			2002[b]
Djibouti	√	√	√			2001[a]
Equatorial Guinea						
Eritrea	√					2001[a]
Ethiopia	√	√	√	√		2001[a]
Gabon	√		√			
Gambia	√	√	√	√		
Ghana	√		√	√		1999
Guinea	√	√	√	√		
Guinea-Bissau	√	√	√			2002[b]
Kenya	√		√	√		2001[a], 2008[d]
Lesotho	√	√	√	√		2008[c]
Liberia	√	√	√	√		2007
Madagascar	√	√				2001[a]
Malawi	√	√	√	√		2001[a]
Mali	√	√	√	√		2002[b]
Mauritania	√	√	√			
Mauritius	√		√	√		2001[a], 2006

Mozambique	√	√	√	√	2005	2005
Namibia	√		√	√		2008[c]
Niger	√	√	√	√		2002[b]
Nigeria	√		√	√		2000
Rwanda	√	√	√	√	2012	2001[a], 2006, 2008[d]
Sao Tomei and Principe	√	√	√			
Senegal	√		√	√	1990	2002[b]
Seychelles	√		√			2001[a]
Sierra Leone	√	√	√	√		
Somalia	√	√				
South Africa	√		√			1999, 2008[c],2012
South Sudan	√	√				
Sudan						2001[a]
Swaziland	√		√	√		2001[a], 2008[c]
Tanzania	√	√	√	√		2008B
Togo	√	√	√			2002[b]
Uganda	√	√	√	√		2001[a], 2008[d]
Zambia	√	√	√	√		2001[a]
Zimbabwe	√					2001[a]

Source: Analysis by CRS. Data from USTR and USITC.

Notes:

a. As part of the U.S. TIFA with the Common Market for Eastern and Southern Africa (COMESA).

b. As part of the U.S. TIFA with the West African Economic and Monetary Union (WAEMU).

c. As part of the U.S. Trade, Investment, and Development Cooperation Agreement with the Southern African Customs Union SACU, which is actually a TIDCA

d. As part of the U.S. TIFA with the East African Community (EAC).

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