

African Perspectives on the Trade Bill

June – August 1999

A Sampling of Non-Official African Views on U.S. Trade Initiatives toward Africa

Executive Summary

Much of the debate in Congress over the African Growth and Opportunity Act (AGOA) has revolved around whether the bill is good for U.S. business and labor interests. Much less attention has been paid to the bill's prospective impact in Africa.

In an effort to inject some fresh African perspectives into the debate, The Africa-America Institute organized a series of focus group discussions in eight African countries and the U.S. from June through August of 1999. The African participants -- a diverse cross-section of businesspersons, academics, and civil society leaders -- were asked to discuss the major provisions and underlying themes of AGOA.

While there was no overall consensus on whether the bill should be supported, the participants were virtually unanimous on two points: Trade and investment initiatives for Africa will not succeed without substantial investments in developing Africa's human resources.

Debt relief should be the highest priority of donor countries seeking to promote African economic development.

Neither of these two points is inconsistent with AGOA, though both suggest that expanded trade and investment alone will not bolster African economic development.

Among other recurring themes in the sessions were: 1) that U.S. policy should do more to promote regional economic cooperation and integration in Africa; 2) that U.S. policymakers should undertake broader and more regular consultation with Africans, especially those representing civil society; and 3) that AGOA's eligibility standards should be refined to take into account differing levels of development and should not be linked with IMF Structural Adjustment conditions.

Background and Objectives

The past few years have seen an unprecedented focus, and corresponding policy debate, on efforts to increase U.S. trade with and investment in Africa. This is a significant departure from the historical U.S. policy focus on promoting economic development in Africa primarily via economic and humanitarian assistance. The African Growth and Opportunity Act (AGOA) has been at the center of this policy debate. Those who favor AGOA point to the paradigm shift it represents, hailing it as a more mature, more pragmatic U.S. approach to Africa. Those opposed to the bill argue that it promotes U.S. business interests at the expense of African economic growth and the needs of Africa's poor.

In an attempt to address the question "Is AGOA good for Africa?" The Africa-America Institute (AAI) organized a dozen focus group discussions in eight African countries and the U.S. involving a cross-section of African businesspersons, academics, and community leaders. The objective was to elicit fresh African perspectives on AGOA and its underlying principles and to introduce these views into the U.S. policy debate so as to enrich the discussion on the bill's purported advantages and shortcomings.

AAI's intent was not to reach a consensus on whether AGOA should be supported -- the number and diversity of the participants made any such consensus improbable -- but to identify some of the concerns Africans have about the bill and to derive some

recommendations for guiding this and future U.S. initiatives on trade and investment.

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Methodology

Focus group sessions were held in Kenya, Uganda, South Africa, Nigeria, Mauritius, Madagascar, Ghana and Cote d'Ivoire. In addition, sessions were held with African expatriates in Washington, DC and Baton Rouge, Louisiana. AAI's field representatives organized four of the Africa sessions; the other four were carried out in partnership with local, African-based non-governmental organizations. In all cases, every effort was made to include a cross-section of informed participants from the business, academic, and non-profit communities. Altogether, well over a hundred Africans participated in the project.

The recommended format, which was followed in most cases, consisted of a moderated discussion involving 8-12 participants from diverse backgrounds on the themes underlying recent U.S. trade initiatives for Africa. AAI provided a short, suggested list of topics for discussion (Appendix A) along with the text of AGOA. At the request of some of the local organizers, AAI also provided additional background information and copies of alternative legislation, such as H.R. 772, the "HOPE for Africa" Act. In a few cases, the format was altered to include panel presentations and/or the involvement of a small audience.

In order to promote candor, names and institutional affiliations were expunged from the public records of the proceedings. Summaries of each focus group session are available on request.

Key Findings

The participants in the twelve focus group discussions were virtually unanimous on two points:

- Trade and investment initiatives for Africa will not succeed without substantial investments in developing Africa's human resources.
- Debt relief should be the highest priority of donor countries seeking to promote African economic development.

Neither of these two points is inconsistent with AGOA. The first suggests that, in order to have the intended effect, the enhanced market access and trade incentives provided for in AGOA should be accompanied by public and private sector investments in education, training, and professional development. The second point suggests that, whatever AGOA's fate, the willingness of the U.S. and other donor countries to approve substantial debt relief for African countries is crucially important to African economic prospects and that the U.S. Congress should consider debt relief provisions either along with or in place of AGOA.

The following additional observations or concerns were echoed in two or more focus group sessions:

- U.S. trade and investment initiatives should support, or at least not undermine, efforts toward regional economic cooperation and integration on the continent. Some participants believed that, as currently written, AGOA works at cross-purposes with regional integration by promoting bilateral trade agreements between the U.S. and individual African countries.
- The U.S. should broaden and formalize the processes by which it consults with Africans about policies affecting them. Many participants viewed the March 1999 African ministerial meeting in Washington, DC as a step in the right direction. However, it was also felt that greater efforts should be made to solicit the input of civil society organizations.

- Eligibility standards for prospective trade benefits should be structured to take into account the varying levels of development in different African countries and to encourage step-by-step progress toward democratic and economic reform.
- While most participants supported some type of conditionality attached to the trade benefits, many were skeptical of the wisdom of linking the bill with IMF structural adjustment policies. There was also a widespread view that past implementation of conditionality standards had been uneven and, in many cases, counterproductive.

Overview of the Focus Group Discussions

The sessions typically began with a general review and discussion of past American policy toward Africa and the current global and African environment in which AGOA is being considered.

Capacity-building: Most participants were of the view that present parameters defining the global economy prevent most African countries from taking advantage of increasing global market opportunities. These parameters, as outlined by the focus-group session in Mauritius, include proximity to the U.S. market; lack of preferential access for goods such as textiles; and difficulties in meeting international standards. It was noted that U.S. trade with and investment in many African countries is minimal, with the result that many African countries interact with the U.S. mainly as aid recipients. Participants in the Madagascar forum coined a new motto, "Aid for Trade," to emphasize the importance of using assistance programs to develop the capacities of African countries to participate effectively in and benefit from global opportunities. The Kenyan forum proposed targeted investment in the development of social capital (both physical and human), the encouragement of local business enterprises, and training programs for skilled professional and technical labor as ways of enhancing Africa's viability in global markets.

Stepping Up Debt-relief Efforts: A participant in the Kenyan focus-group session declared that "any discussion of development in Africa that does not decisively deal with the debt crisis will come to naught just like so many others before it as 80% of Africa's export earnings is spent on debt service." The Madagascar forum observed that current debt relief initiatives under the Heavily Indebted Poor Countries initiative of the World Bank involve a very slow and complicated procedure with stringent eligibility conditions. Participants at several forums suggested that there should be binding provisions requiring the U.S. to forgive U.S.-government-held debt and to bring its influence to bear on multilateral lending institutions to follow suit. Some forums also suggested that most of the cancelled debt should be put into some Human Development Fund controlled by civil society to stimulate development projects in support of trade and investment initiatives.

Partnerships Designed to Empower Africans: Most sessions were unanimous in calling for a change in U.S.-Africa policy initiatives from "foreign assistance designed to help Africans" to "partnerships designed to empower Africans." A U.S.-based participant remarked that U.S. assistance should be targeted at creating an environment where Africans can develop and implement their own solutions to African problems. Among other measures proposed to increase Africa's bargaining power in the global environment were: promoting dialogue and sensitivity among Africans in the U.S. and abroad to policies that affect them; coalition-building among civil society groups; and supporting Africa's regional integration efforts.

Monitoring Trade and Aid Initiatives: A U.S.-based participant observed that donor groups and African governments alike have manipulated conditionalities in the past to advance their own interests without regard to whether actual progress toward democratic and economic reform was being achieved. Most sessions recommended that both Africans and donor groups intensify their commitment to monitoring the impact of future trade and aid initiatives and that economic assistance and development programs ought to be designed based on a critical examination of individual countries' particular development status. Participants in the South African forum asserted that externally defined conditions are incompatible with the notion of

partnership. They suggested that the U.S. would do well to follow the example of the recent European Union-South Africa trade agreement, in which the conditionalities were the result of consultations and mutual agreement.

The African Growth and Opportunity Act

Participants had mixed reactions to the African Growth and Opportunity Act. Those favoring the bill saw it as presenting a new opportunity for Africa in private sector trade and investment. Supporters also argued that the bill would expand and renew the Generalized System of Preferences program for eligible African countries, increase women's input in growth and development, and promote democracy and good governance within sub-Saharan Africa. The shortcomings of the bill cited most frequently included lack of consultation with African civil society; the primacy it would give to the market and to profits; inadequate support for debt relief initiatives; potential disruption of regional integration; possible shrinkage of social capital investment; and unrealistic or ill-advised eligibility standards.

Opportunities

New Opportunity for Africa: The Ugandan session found the AGOA bill a new, albeit limited opportunity for Africa to engage and negotiate with the U.S. on how to combat the development crisis facing the continent. Some forums lauded those responsible for advancing the bill -- including the African diplomatic corps, pro-free trade Republicans, pro-Africa members of Congress, the Clinton Administration, and African and U.S. private sector groups - for their efforts and commitment to shaping a new U.S. approach toward Africa.

Private Sector Trade and Investment: The Mauritius discussion cited OPIC's establishment of \$500 million and \$150 million funds -- for infrastructure and equity respectively -- as major elements of AGOA that would expand opportunities for private sector trade and investment. A U.S.-based participant added that some of the eligibility requirements might stimulate African governments to enact economic policy measures that would liberalize product and financial markets and foster private sector empowerment.

GSP Provisions and the Textile Industry: The bill's textile and apparel provisions and its proposed expansion and renewal of the GSP were frequently cited favorably. However, some noted that only a few countries, mainly Kenya and Mauritius, would likely be able to take advantage of the textile benefits offered in AGOA. The Ghanaian participants expressed the belief that lowering trade barriers and opening up African markets may lead to increased foreign investment in sub-Saharan Africa.

Importance of Women in Growth and Development: One of the two sessions in Ghana expressed support for the bill because "it makes provisions for U.S. organizations and institutions to support projects that encourage and support women entrepreneurs." Other forums, including the one in Nigeria, cited the importance of creating more windows of opportunity for women's involvement in growth and development in sub-Saharan Africa.

Democracy and Good Governance: Some participants in a U.S.-based forum felt that conditions enumerated in the bill may stimulate governments to promote accountability and transparency in governance, enhance the protection of individual human rights, encourage environmental protection efforts, and adopt international labor standards. The Mauritius forum lauded the bill's good governance provisions, noting that they were written in such a way as to promote gradual improvement in a step-by-step process.

Reservations

Lack of Consultation: The Uganda forum expressed the view that AGOA reflects an inadequate knowledge about Africa among U.S. policymakers and a lack of prior consultation with African civil society. Participants in the forum remarked that the bill, like past U.S. policy initiatives,

uses findings and analysis of the African situation based largely on misinformed American perceptions and a shallow understanding of Africa formed from a distance. This paternalistic outlook, as one participant in a U.S. forum put it, contradicts the stated objective of changing past U.S. attitudes toward sub-Saharan Africa.

Primacy of the Market and Profits: Participants in the Kenyan forum were wary of the primacy the bill gives to the market and profits over the needs of the people and their rights. This raised the suspicion among some of them that AGOA "represents the mere use of legislation to secure [for the U.S.] an African market for so long dominated by Europe." Many sessions pointed out that the bill risks increasing the trade imbalance in favor of developed nations because the current global market system is skewed against countries -- like many of those in Africa -- that are reliant on exports of raw materials.

Unbalanced Private and Public Sector Development: A Kenyan participant pointed out that the bill asks African governments to play a diminishing role in the economic affairs of their countries while at the same time pushing for more private sector involvement. The discussion in Cote d'Ivoire noted that government has a central role to play, especially in providing assistance to critical social sectors like education and health. The Mauritius discussion proposed that, "development in the public sector should accompany development in the private sector," so that the two sectors balance and complement each other.

Inadequate Support for Debt Relief Initiatives: Virtually every session underscored the bill's lack of significant debt relief measures. One U.S.-based participant acknowledged that AGOA was intended as a trade bill not a debt relief bill, but went on to assert that under current circumstances debt relief should be a higher priority than trade promotion. The Nigerian forum called for more specific provisions for either forgiving or postponing debt as a matter of urgency for sub-Saharan Africa. In critiquing the bill's debt relief efforts, the Kenyan forum remarked that it links debt relief to the very complicated and slow procedures stipulated by the IMF and the World Bank.

Disruptive to Regional Integration: Participants in the Ugandan forum expressed the fear that moves to establish Free Trade Areas with sub-Saharan African countries would be "selective and disruptive" to African regional initiatives already underway and reflected a colonial-era "divide and rule" approach. The Mauritius forum pointed out that current regional initiatives in Africa such as EAC, COMESA, and SADC, are barely managing to grow and develop. The Kenyan session remarked that "it would make more sense if the US sought to strengthen these existing regional groupings rather than seeking the establishment of new ones." This view was echoed in the South African forum, where there was concern that the bill might work at cross-purposes with efforts to strengthen economic integration in SADC.

Shrinks Investment in Social Capital: Some forums noted that AGOA prescribes cuts in domestic spending and corporate taxes that will significantly reduce the revenue base of African governments, leading to reduced investment in the development of social capital and poverty eradication schemes. Several participants expressed the fear that the bill may cause African governments to phase out educational and other social development programs, which, in the long run, will have a harmful effect on education, especially of young women.

Agriculture and Food Security Concerns: The Kenyan forum noted that the bill urges unilateral removal of subsidies and market safeguards aimed at protecting and stabilizing local agricultural production, the backbone of most sub-Saharan African economies. This would likely reduce agricultural output within Africa and increase the dumping of U.S. exports on the African market, thus undermining the efforts of local African entrepreneurs.

Eligibility Standards Too Restrictive: Some participants, notably those in Madagascar, Mauritius, and South Africa, were concerned that some of the eligibility standards under AGOA -- such as the protection of intellectual property rights, improvements in labeling and certification standards, eliminating corruption, and pursuit of WTO membership -- would disqualify the majority of sub-Saharan African countries. One U.S.-based participant asserted that no more than a handful of African countries would ultimately benefit from the bill and, in

view of this asked "what then is left for the vast majority of poor African countries?"

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