**Written Submission to USITC for US Trade and Investment with Sub-Saharan Africa: Recent Developments: Investigation No. 332-564**

Robert Kirk, Senior Vice President, IDG LLC, Arlington, VA 22201
rkirk@internationaldevelopmentgroup.com February 5, 2018

**Increasing AGOA Investment and Trade Impact**

This submission addresses the challenges experienced by the majority of eligible AGOA SSA that limit their ability to benefit from the generous non-reciprocal duty-free market access to the USA market for about 6,800 products. Since being enacted in 2000, AGOA has undoubtedly stimulated increased investment, created tens of thousands of sustainable jobs, and supported development and poverty reduction across SSA for hundreds of thousands. Yet, as many commentators have noted (Pigman, 2016[i]), bilateral trade between the USA and SSA countries remains limited and is concentrated in a narrow range of sectors. Further, owing to the inclusion of petroleum products, aggregate values have fluctuated widely with the underlying prices.

A key question to ask is how can the US-SSA trading relationship support mutually beneficial trade and investment across more countries and across a wider range of products? The USA could support AGOA eligible SSA countries to further increase trade and investment through continuing to provide technical and financial assistance to:

1. Initiatives targeted at reducing trade costs and reducing the barriers to trade in services,

and

2. Initiatives supporting the commitment of SSA economies to advance regional market integration.

**Reducing trade costs and opening trade in services**

SSA continues to face high trade costs which limit the ability of firms to export while also reducing demand for imports. Onerous and unpredictable import and export procedures, inefficient and high transportation costs, duplicative and time consuming regulatory procedures, restrictions on establishing and operating a wide range of service sector activities, and small domestic markets all contribute towards increasing the cost of importing and exporting. Non-Tariff Barriers (NTB) and inefficient service sectors represent serious constraints in many SSA economies. Recent comprehensive Trade Diagnostic Integration Studies in, Lesotho, Liberia, Malawi, Mozambique, Rwanda, Sudan, and Tanzania (all available on www.enhancedif.org) document how existing NTBs, and restrictions on trade in services undermine agricultural and manufacturing competitiveness. Recent applied research has shown the importance of service sector competitiveness to expanding and diversifying manufacturing [ii].

Encouraging increased investment in manufacturing and agribusiness, and diversifying across and along value chains to products requiring increased skills, requires SSA to significantly reduce their trade costs. The WTO Trade Facilitation Agreement, which entered into force in February 2017, provides a valuable framework for countries to reduce trade costs. The existing AGOA Agreement supports the delivery of US Technical and Financial Assistance for eligible

AGOA countries to increase their capacity to benefit from the market access through the Global Trade and Competitiveness Hubs and other initiatives. USG Programs aimed at assisting AGOA countries to reduce their trade costs contribute towards development and poverty reduction.

**Realizing the benefits of regional integration within Sub-Saharan Africa**

Advancing African integration promises to underpin future economic transformation through increasing economic opportunities and enabling African economies to grow their engagement in the global economy. With intra-African trade as a share of the continent's GDP at around 3 percent in 2014-2015 and the share of intra-African trade relative to total trade at the relatively low level 14 per cent[iii] removing the barriers to regional trade is expected to accelerate economic growth. Increased intra-regional trade will also contribute towards increased security.

Reducing and removing tariffs and NTBs on intra-regional trade, improving the physical infrastructure including transport corridors, cross-border facilities, and other regional public goods, such as power networks and knowledge sharing, will all contribute towards reducing trade costs and improving the business environment.

High trade costs across Africa continue to suppress intra-African trade. Extra regional exports continue to be dominated by commodities and a narrow range labor of intensive products, while intra-African trade reveals a higher concentration of value-added products and services. Reducing trade costs, along with ensuring ready access to efficient services, labor, land and capital is critical for attracting competitive investment, and will encourage increased regional trade in agricultural and food products, light manufacturers and services.

Increasing regional integration enables economies to benefit from larger and more efficient markets for goods, services, labor and capital. This will enable firms to realize economies of scale and will lead to increased productivity, encouraging more investment, while also advancing regional and global competitiveness. These regionally competitive firms will, in turn, encourage further increases in investment and trade, encourage new inter-country value chain linkages and deliver more jobs[iv].

USG Programs aimed at assisting AGOA countries to advance their commitments to increase regional market integration promise to deliver increased trade and investment both within SSA and with the rest of the world, including the USA. Increased growth in SSA will also increase the demand for a wider range of imports and services, promoting more two-way trade with the USA.

---

[i] Geoffrey Allen Pigman, (2016), *AGOA-IV and the Trade Prospects of Sub-Saharan Africa*, Trade Hot Topics, Commonwealth Secretariat, Issue 127.

[ii] Bernard Hoekman, (2017), *Trade in Services: Opening markets to create opportunities*, UNU-WIDER Working Paper 2017/31.

[iii] UNCTAD (2017), 'Mapping of intra-Africa trade in goods, flow and destination,' Paper presented to the fifth Continental Free Trade Area Negotiating Forum, Addis Ababa, 1-4 March.

[iv] For example, this is already taking place in East Africa. The larger regional markets are also more attractive to US and other international investors.