AFRICAN GROWTH OPPORTUNITY ACT (AGOA) AS AN INSTRUMENT OF AMERICAN DOMINATION OVER SUB SAHARAN AFRICA IN THEIR TRADE AND INVESTMENT RELATIONS

BY

ISABELLA CIGINA MWANGI (653572)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SPRING 2019
DECLARATION

I hereby declare that the thesis titled “AGOA as an instrument of American domination over Sub Saharan Africa in their trade and investment relations” submitted by me to the United States International University-Africa (USIU-AFRICA) in partial fulfillment of the requirement for the award of master’s degree in International Relations is a record of my work under the guidance of Mr. Leonard Maumo. I further declare that this work has not been submitted and will not be submitted either in part or in full, for the award of any other degree or diploma in this institute or any other institute or University.

Signed: __________________________            Date: __________________________

Isabella Cigina Mwangi (ID 653572).

This thesis proposal has been presented for examination with my approval as the appointed supervisor.

Signed: __________________________            Date: __________________________

Leonard Maumo

Signed: __________________________            Date: __________________________

Prof. Martin Njoroge

Dean, School of Humanities and Social Sciences

Signed: __________________________            Date: __________________________

Amb. Prof. .Ruthie. C. Rono

Deputy Vice chancellor, Academic and Student Affairs
ACKNOWLEDGEMENT

I thank God, for his favor and blessings that have seen me through my studies at the USIU to this end. It was not easy but His grace and mercies were sufficient. I would like to also acknowledge the effort, time and dedication of my supervisor, Mr. Leonard Maumo, who tirelessly guided me through my thesis from a difficult beginning to the very end. This would not have been a success story without his assistance and for that, I say THANKYOU!

My colleague and friend, Ms. Ivy Gikuhe, has also been instrumental in my school life and more so in the completion of this project. To her I am forever grateful.
DEDICATION

I would like to dedicate this work to my two lovely sons, Ryan Mbugua and Ivan Mwangi, whose thoughts were always with me as I pushed hard to finish my graduate studies. To Ivan especially, who was in my belly when I began this project. You are my motivation.

I would also like to dedicate this work to my dear husband and friend James Njuguna, for his tireless support both moral and financial. I love you!

My dear mum, Esther Waigwe, my sister Mary Njeri and my two lovely nieces Shanelle and Esther, who always thought it was funny that their auntie is in school just like them. Your naivety is priceless! I hope I did you proud.

Finally, to my dear grandmother Ms. Isabella Muoro, who has always insisted that a bachelor’s degree wasn’t enough, thank you for the challenge!

We did it!!
LIST OF ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGCI</td>
<td>African Global Competitiveness Initiative</td>
</tr>
<tr>
<td>AGOA</td>
<td>African Growth Opportunity Act</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
</tr>
<tr>
<td>AU</td>
<td>African Union</td>
</tr>
<tr>
<td>BIT</td>
<td>Bilateral Investment Treaty</td>
</tr>
<tr>
<td>CFTA</td>
<td>Continental Free Trade Area</td>
</tr>
<tr>
<td>DBIA</td>
<td>Doing Business in Africa</td>
</tr>
<tr>
<td>EIF</td>
<td>Enhanced Integrated Framework.</td>
</tr>
<tr>
<td>EPZ</td>
<td>Export Processing Zone</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FCS</td>
<td>Foreign Commercial Service</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FTA’s</td>
<td>Free Trade Areas</td>
</tr>
<tr>
<td>FY</td>
<td>Financial Year</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GSP</td>
<td>Generalized Scheme of Preferences.</td>
</tr>
<tr>
<td>HIV/AIDS</td>
<td>Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome.</td>
</tr>
<tr>
<td>LDC’s</td>
<td>Least Developed Countries</td>
</tr>
</tbody>
</table>
MFN - Most Favored Nation
NEPAD - New Partnership for Africa Development
PEPFAR - Presidents Emergency Plan for Aids Relief
POTUS - President of the United States
SAP - Structural Adjustment Programs
SME - Small and Medium Enterprises
SSA - Sub Saharan Africa
TFTA - Tripartite Free Trade Area
TPEA - Trade Preferences Extension Act
TRQ - Tariff Rate Quota
UN - United Nations
UNCTAD - United Nations Conference on Trade Development
US - United States
USABF - United States Business Forum
USAID - United States Agency for International Development
USITC - United States International Trade Commission
USTR - United States Representative
WAIBL - West African International Business Linkages
WTO - World Trade Organization
For many years, America did not have any strong trade and development investment in Africa. This changed in the year 2000, with the enactment of Public Act 106-200 which introduced the African Growth Opportunity Act (AGOA) whose intention was and has been to benefit Sub-Saharan African States by removing the trade barriers, duties, levies and quotas that would promote trade between these states. Before the inception of AGOA Africa –US relations had for a long time been limited as a result of past American administrations holding the opinion that Africa as a continent did not fit well in the American domestic foreign policy interests. This however changed when US marines were killed during an operation in Somalia in 1993, and also after the 9/11 attack in New York. Both attacks led to the US paying more attention to Africa because of security concerns. It was not however, until the end of Clinton’s second term as president that the US put in place policies that were geared towards increased trade with Africa. The most famous of these policies is the AGOA. This thesis sought to establish the impact of trade and investment relations between Africa and the US, the effect the US dominance over SSA in their trade relations and to find out what the US uses to influence and dominate over SSA in the same. The general problem was that despite the existence of AGOA, the US exports remain significantly low number given that the idea the agreement was to better trade relations leading to economic growth in SSA. This research used a phenomenological approach and secondary data from official statistics, reports, journals, literature review articles, government and NGO records media articles and reference books. The theories used for this research were realism, liberalism, complex interdependence theory, constructivism and the world systems theory. It found out that although AGOA has been touted as a success story, the initiative’s impact has been limited and that just a handful of countries dominate trade under AGOA. It therefore recommends that there must be a balance of trade between the US and SSA and focus sufficiently on supporting economic structural transformation. This will be made possible by reducing the cost of doing business, investing in value addition, simplifying the AGOA approval process, non-revocation of status and harmonization of member positions.
Table of Contents

DECLARATION ........................................................................................................ ii
ACKNOWLEDGEMENT ......................................................................................... iii
DEDICATION ........................................................................................................... iv
LIST OF ABBREVIATIONS AND ACRONYMS .................................................. v
ABSTRACT ............................................................................................................ vii

1.0 CHAPTER ONE: INTRODUCTION ................................................................. 1
   1.1 Background of the study ............................................................................ 2
   1.2 Statement of the Problem ......................................................................... 7
   1.3 Purpose of the study ................................................................................ 8
   1.4 Specific Objectives .................................................................................. 8
   1.5 Research Questions ................................................................................ 8
   1.6 Justification of the Study ......................................................................... 9
   1.7 Scope of the Study .................................................................................. 10
   1.8 Chapter summary ................................................................................... 11

CHAPTER TWO: LITERATURE REVIEW .......................................................... 12
   1 The Concept of AGOA ............................................................................. 12
   2.1 US Dominance on SSA Using Trade Pacts ........................................... 14
   2.2 Investment/Trade Relations .................................................................... 15
   2.3 Economic Relations ................................................................................ 26
   2.4 US Humanitarian Aid ............................................................................. 33
   2.5 Shares of SSA Countries Exports In The U.S Market ........................... 47
   2.6 Case Studies .......................................................................................... 49
   2.6.1 Kenya ............................................................................................... 49
   2.7 Theoretical Framework ......................................................................... 66
   2.8 Empirical Framework .......................................................................... 71
   2.9 Conceptual Framework ....................................................................... 73
   2.10 Chapter Summary .............................................................................. 74

CHAPTER THREE: RESEARCH METHODOLOGY ....................................... 77
   3.0 Introduction ........................................................................................... 77
   3.1 Research design ...................................................................................... 77
   3.2 Data collection method ......................................................................... 77
   3.3 Research procedure ............................................................................. 77
   3.4 Data analysis method .......................................................................... 78
CHAPTER FOUR: DATA PRESENTATION, ANALYSIS & FINDINGS ............79
4.0 Introduction ...........................................................................................................79
4.1 Presentation of Data and Findings. .........................................................................79
4.2 The effect of US dominance over SSA in trade and investment Relations ..........83
4.3 The extent to which the US influences and dominates over SSA .......................85
4.4 Discussion of findings ..........................................................................................88

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ....104
5.0 Introduction ..........................................................................................................104
5.1 Summary ..............................................................................................................104
5.2 Current and future challenges facing SSA in their trade relations with the US under AGOA. .................................................................105
5.3 Conclusion ............................................................................................................108
5.4 Recommendation ...............................................................................................111
5.5 Suggestion for future studies ................................................................................113

REFERENCES ..............................................................................................................114
CH 1.0 CHAPTER ONE: INTRODUCTION

On 18 May 2000, congress passed Trade and Development Act of 2000, where the AGOA is contained. The AGOA is designed principally to reduce or eliminate US tariffs and quotas on goods from 48 Sub-Saharan African countries. Further, AGOA requires annual reports to congress on the administration’s trade policy in relations to Sub-Saharan Africa. (Whitaker, 2009)

Qualification for AGOA preferences is based on a set of conditions contained in the AGOA legislation in section 104. For Sub-Saharan African States to qualify and remain eligible for AGOA, each country must be working to improve its rule of law, human rights, have economic policies that aim at reducing poverty and respect for core labor standards such as the elimination of trade barriers. AGOA eligibility requirements are set out in section 104 of the AGOA legislation. Its only Sub-Saharan African countries that are considered for eligibility, and with AGOA beneficiary status having been awarded to approximately 40 countries, this number changes from time to time (Ozden, Caglar and Olarreaga 2005).

While the eligibility requirements are set out in the legislation, it’s the US which determines on annual basis, whether countries have met the published eligibility requirements. Beneficiary status may therefore be granted, or withdrawn, at the discretion of the POTUS.

Beneficiary countries have no recourse to dispute settlement in this regard, and this unpredictability is one aspect that differentiates AGOA’s non-reciprocal preferences to those contained in reciprocal and bilateral trade agreements. (Oyebade, 2014).

On paper, the AGOA is meant to promote prosperity, open markets, facilitate inclusive development, strong regional integration and good governance on the continent of Africa; however in the years since its inception there has been a significant increase in US
influence on the continent. There appears to be an evident rush to stake a claim in the continent’s enormous resources. The AGOA framework places a heavy emphasis on concepts like partnership and development. The US former secretary of state, Hillary Clinton exemplified this attitude when she spoke at a US- Africa trade policy forum, saying, “let’s help each other make Africa all that it can be” (Kelly, 2010).

A closer examination of the policy reveals that this perception of American benevolence and concern for Africa is a tad bit misleading. This perhaps best exemplified by Michael Battle, the US Ambassador to the African Union, who was quoted saying, “if we don’t invest in the African continent now, we will find that China and India have absorbed its resources without us and we will wake up and wonder what happened to our golden opportunity for investment.” (Mason, 2008)

1.1 Background of the study

African Growth Opportunity Act (AGOA) is a trade preference program established in 2000 as part of a broader legislation to strengthen US trade relations with Africa (Asmah, 2013). According to Asmah, the act is unilateral meaning that it does not require African countries to lower their own barriers to US goods, though it encourages them to do so. AGOA, like any other US trade preference program, in non-reciprocal and unilateral (AGOA 2000). The preference apply to US imports and NOT to US exports, so reauthorization only requires action by the US government (Condon, 2012). The act is an extension of US trade preference system introduced in 1974 that allows more than one hundred countries, mostly in the developing world, to export many of their goods to the United States duty-free (Frazer, 2013).

According to Frazer, AGOA goes even further, offering this access to more than six thousand products from its 38 current participants. It also mandates the executive branch to increase US development assistance to Sub-Saharan African states in areas including
agriculture and HIV/AIDS prevention (Anderson, 2012). Of the 49 potential beneficiaries in the region, only 38 are currently taking part (AGOA, 2012). 10 are currently on suspension that is: Burundi, Democratic Republic of Congo, Equatorial Guinea, Eritrea, Gambia, Somalia, South Sudan, Swaziland and Zimbabwe. According to International Monetary Fund (IMF 2010), the cornerstone of US economic relations with Sub-Saharan Africa since 2000 has been the AGOA.

Policy makers hoped that AGOA, as the primary US trade policy for the region would foster economic and political development in Africa (Hoffman, 2014). However, the outsized role of oil and apparel in African export growth has raised questions about whether AGOA can diversify the region’s economies and increase its competitiveness in the global markets. According to (Hoekeman, 2014), the US-Africa trade relations remain underdeveloped. After an initial jump, for instance, exports have fallen below their 2000 level.

Diversification has also lagged, as oil continues to dominate exports from participants, consistently making up at least two-thirds of AGOA trade since 2011. (Collier 2013) found that, just one percent of the imports to the US in 2015 came from Sub-Saharan Africa, a 50% decrease from 2000; by comparison, the region contributed about four percent of China’s imports and eight percent of the European Union’s. US trade with AGOA’s participants has dropped since its 2008 peak almost to its pre-AGOA total, while African trade relationships with other countries, particularly China, have expanded. AGOA was signed into law by President Clinton I 2000 with the objective of expanding US trade and investment with Sub-Saharan Africa, to stimulate growth, to encourage economic integration and to facilitate Sub-Saharan Africa’s integration into global the economy.
The Act establishes the annual US–Sub-Saharan Africa Economic Cooperation Forum (known as the AGOA forum) to promote high level dialogue on trade and investment related issues (Buch 2012). At the center of AGOA are substantial trade preferences that, along with those under the generalized system of preferences (GSP), allow virtually all marketable goods produced in AGOA eligible countries to enter the US market duty free. AGOA has also helped several African countries diversify their economies.

For instance, South Africa ramped up its automotive exports to the US from $51 million in 2000 to a high of $2.2 billion in 2013. Apparel production also spiked, particularly in East Africa. The most AGOA related jobs were generated in this sector although it was marred by obstacles like corruption and poor infrastructure which were hindering the competitiveness of African producers and limiting the program’s success. It seems however, that the US had failed to provide sufficient financial assistance to help African economies upgrade their competitiveness.

The US should push for more private sector investment to take advantage of the region’s economic growth, which was higher than the global average over the 15 years after AGOA was implemented. (Schneidman and Ngubula, 2014) suggest a transition two way trade policies, since its inception, ASGOA was widely viewed as a first step toward permanent free trade agreements (FTS,s). However, the US has not concluded any FTA with Sub-Saharan African countries. While it did hold negotiations with South Africa in 2006, they failed primarily due to disagreements over intellectual property rights and foreign investment rules.

On paper, the AGOA is meant to promote prosperity, open markets, facilitate inclusive development, strong regional integration and good governance on the continent of Africa, essentially AGOA promotes a liberal point of view in this sense even by the mere fact of institutionalization of the open market and Trade between the U.S and Africa. However in
the years since its inception there has been a significant increase in US influence on the continent. There appears to be an evident rush to stake a claim in the continent’s enormous resources and the need for the US to pursue its material and selfish interests. The AGOA framework places a heavy emphasis on concepts like “partnership” and “development”. The U.S. former secretary of state, Hillary Clinton exemplified this attitude when she spoke at a U.S–Africa trade policy forum, saying, “let’s help each other make Africa all that it can be.” (Kelly, 2010).

A closer examination of the policy reveals that this perception of American benevolence and concern for Africa is a tad bit misleading. This is perhaps best exemplified by Michael Battle in asserting a realist notion that the U.S. Ambassador to the African Union, who was quoted saying, “if we don’t invest in the African continent now, we will find that China and India have absorbed its resources without us, and we will wake up and wonder what happened to our golden opportunity for investment” (Mason, 2008). This statement simply shows what the interest of the US truly is, but packaging the mission in a manner that is acceptable to Africa - a construction of circumstances to suit their interests.

Firstly, the U.S. president is the only one who reserves the right of both admission and re-evaluation of each country’s AGOA eligibility on an annual basis, and the eligibility is best on stringent conditions determined by America. This means that the US has significant control of which countries get to benefit from AGOA, and is also able to influence the goings on in African countries. Some of the conditions for AGOA eligibility include: Develop economic policies to reduce poverty; uphold the rule of law, political pluralism and the right to due process; construct a system to combat bribery, refrain from gross violations of human rights, and protect workers’ rights, uphold collective
bargaining, prohibit forced and child labor and provide acceptable working conditions and occupational safety and health.

In practice however, these measures are not evenly applied across African countries. Countries that have time and again violated these have routinely been approved for AGOA eligibility e.g. Cameroon, Chad and many others. This is due to their huge oil and mineral deposits that the U.S. is interested in (Kimenyi, 2009). A constructivist point of view is that world politics is a function of the ways that states construct and then accept images of reality and later respond to the meanings given to power politics. As consensual definitions change, it is a possibility for either conflict or cooperative practices to evolve (Kegley & Blanton, 2014). The U.S defines the social, political and economic context in order to suit its needs.

A second problem with AGOA would be its insistence that the beneficiaries promote “a market based economy that protects private property rights” - primarily, a liberal economy that shows that the main focus of the U.S. is to protect American investors and offer them a swift flood into the African continent. AGOA also stresses that African countries work on policies that eliminate any barriers to U.S Trade and investment. This results in an influx of American goods that undermine local industries.

A third problem with AGOA would be the way it deals with countries that are deemed to be non-compliant. Once a country has been dismissed by the U.S. President from AGOA then that’s all there is to it. They are not given any chance to appeal or given a chance to defend their position. That in itself is dictatorial (Mason, 2008).

Further, countries that are part of AGOA must not engage in activities that undermine the United States national security or foreign policy interests. That shows that besides their “concern” for Africa, their interests come first.
Lastly, and perhaps most important of all, no African president or foreign affairs personnel are given a seat at the bargaining table in the decisions and policies made for Africa by the U.S. through AGOA. America decides what they think is best for Africa without engaging its stakeholders (Kelly, 2010).

1.2 Statement of the Problem

The general problem is that despite the existence of AGOA, the US only makes up 7% of SSA exports, a significantly low number despite the idea behind the agreement that better trade relations will lead to economic growth (Kupchan, 2013). According to Kupchan, this might be true in general terms but the US does not have strong holds on that claim, as it’s not the leading trade partner with Africa.

In order for the US to be a partner in a successful trading relationship with SSA, the country needs to make some changes to its AGOA policy toward trade. SSA, a region made up of the majority of the world’s LDCs, has benefitted from trade relations and access to global markets. However, with over 40% of the region still living in poverty, there needs to be a focus on greater trade relations in order to expand economic opportunities and increase African exports, specifically with the US.

There are a considerable number of studies that have been carried out on SSA trade relations with the US. An empirical analysis of the possibilities post-2015 conducted by (Olumide, 2015) on the growth and opportunity Act. The study did not address the significance of the African trade relations with the US. Additionally, the study did not look into other strategies US has applied to strengthen its dominance in the continent which makes it difficult to generalize the findings.

(Kupchan, 2013) did a comparative analysis of the EU and US trade preferences for the LDC’s and the AGOA beneficiaries. The study did not take into consideration how the
US has benefitted from trade relations with Africa. Another study conducted by (Millimet, 2014) on the current view of Africa in the US only focused on poverty, democracy and corruption in Africa.

The specific problem is that studies in Africa have almost exclusively focused on trade and growth. This leaves a gap in the literature focusing on how the US has used AGOA to strengthen its relations with Africa (Hazra, 2015; & Rashid, 2014). It’s against this background therefore that this paper seeks to assess how the US has used AGOA as a tool for domination over Africa.

1.3 Purpose of the study

The purpose of this paper is to assess how the AGOA has facilitated growth of trade between Africa and the US and to assess how the US on the other hand has used the same AGOA to dominate over SSA.

1.4 Specific Objectives

- To establish the impact of trade/investment relations between Africa and US.
- To establish the effect of US dominance over SSA in their trade and investment relations.
- To find out what the US uses to influence and dominate over SSA and to what extent.

1.5 Research Questions

- What is the effect of trade/investment relations between the US and SSA?
- How has the US used AGOA to dominate over SSA?
- To what extent has the US gone in the domination and influence of SSA using AGOA?
1.6 Justification of the Study

While the AGOA has obviously been beneficial to SSA, a significant part of socializing the US public is the argument that this trade Act is of more benefit to the US economy than that of SSA.

A report by the African Diplomatic Corps Estimated that AGOA has generated about 350,000 direct jobs and one million indirect jobs in SSA and about 100,000 in the US. It’s imperative to highlight not only job gains in SSA but the gains the US makes from the trade relations as well. In addition, US exports to SSA increased from $6.7 billion before AGOA to $21.8 billion after AGOA. This number could continue to rise should the doors of trade be opened further, allowing more open access to the African market and vice versa. Another aspect of trade relations the US should consider is the type of product the US is exporting to SSA.

The trade relationship between SSA and the US exists but does not play a significant role in the region’s economy (WTO, 2015). In order for Africa to emerge as a strong trading partner, the US must reassess its trade agreement with the region. Currently, the US and Africa only operate under AGOA.

The findings of this study will benefit:

- **Policy Makers:** They will have a better understanding of priority areas of AGOA where new policies and laws or amendments thereof can have immediate impact on trade relations between SSA and the US.

- **Other Researchers:** The present study provides a static picture of the US-SSA trade relations. This study will contribute to the existing literature on the theoretical framework and approaches of strengthening AGOA and US-SSA relations.
1.7 Scope of the Study

This study is limited to assess how the AGOA has facilitated the growth of trade in SSA and also how the US has used it to dominate the SSA. The study targets Kenya which is currently under the AGOA according to (WTO, 2015). The study will use phenomenological research design. Phenomenology is the study of subjective experience. The data analysis will be performed using content analysis approach.
1.8 Chapter summary

The background has shown that AGOA was widely viewed as a first step toward permanent free trade agreements (FTA’s). However, the US has not concluded any FTA’s with SSA countries.

The statement of the problem has indicated that studies in Africa have almost exclusively focused on trade and growth which leaves a gap in the literature focusing on how US has used AGOA to strengthen its relations with SSA.

Chapter 2 will review the literature on how AGOA has facilitated the growth of trade between US and SSA and also how the US has used it as a tool for domination over Africa.

Chapter 3 will present the methodology, research design and analysis strategy of the primary study. In addition, the methods for ensuring validity and reliability will be discussed therein.

Chapter 4 will present the primary data addressing the research questions- What is the effect of trade/investment relations between the US and SSA? How has the US used AGOA to dominate over SSA? And To what extent has the US gone in the domination and influence of SSA using AGOA?

Chapter 5 will discuss the results and show how they relate to the existing literature. The chapter will also present answers to the research questions in the form of a set of guidelines and implications.
CHAPTER TWO: LITERATURE REVIEW

INTRODUCTION

The literature review of this study will cover the following topical areas: investment, trade relations, economic engagement and US humanitarian aid in response to the domination claims.

1 The Concept of AGOA

The African Growth and Opportunity Act (AGOA) was signed into law on May 18, 2000, by President Clinton as part of the Trade and Development Act of 2000. In a statement of policy in the Act, Congress expressed support for, inter alia, “encouraging increased trade and investment between the United States and sub-Saharan Africa,” “reducing tariff and nontariff barriers and other obstacles to sub-Saharan African and United States trade,” and “expanding United States assistance to sub-Saharan Africa’s regional integration efforts.” The statement of policy also expressed support for negotiating reciprocal and mutually beneficial trade agreements, strengthening and expanding the private sector, and facilitating the development of civil societies and political freedom. Authority to provide the principal trade preferences under AGOA is currently in effect through September 30, 2015.

Under the initial AGOA legislation, beneficiary African counties were granted duty-free access for more than 1,800 tariff line products. This was in addition to the standard GSP list of approximately 4,600 products available to other GSP beneficiary countries outside Africa. However, these additional GSP eligible products did not include items such as footwear, luggage, handbags, watches, and flatware. In general, preferential access opportunities for SSA exports to US were expanded under AGOA II. But, an article can only benefit from the GSP duty-free treatment after official determination (by the US
Trade Representative and the US International Trade Commission) that the product is not import sensitive when it is of an African origin. In essence, the GSP gives African exporters a 5% preference margin over the average Most Favored Nation (MFN) tariff rate (Mattoo, Roy and Subramanian, 2002). These authors also suggest that GSP covered about 17% of African exports, which could increase to 72% as a result of AGOA.

AGOA offers two additional advantages in regards to GSP provisions. First, while the GSP provisions are scheduled to expire in 2006 for other beneficiary countries, AGOA eligible countries are granted a 2-years extension of these provisions (until September 2008). Second, GSP benefits are capped in other beneficiary countries outside SSA, but are not subject to ceiling in AGOA beneficiary countries.

Despite these advantages, AGOA countries face many impediments to export growth. Many factors weaken AGOA countries’ ability to compete in global markets, including limited skilled labor, low levels of technological innovation, lack of scale economies, and high-cost and unreliable energy. Weak transportation infrastructure (especially poor rural roads and inefficient port facilities), and burdensome customs procedures, also harm the cost competitiveness of many potentially exportable products from SSA. Challenges meeting foreign standards restrict trade as well, especially the difficulties SSA agricultural producers have in complying with foreign sanitary and phytosanitary (SPS) requirements.

The African Growth and Opportunity Act (AGOA), which was signed into United States (US) law in May 2000, offers preferential access to Sub-Saharan Africa's (SSA) products in US markets. In return, beneficiary countries are committed to improve their economic policy environment, participate more actively in the globalization process, promote political and economic stability, and foster human and workers' rights in Africa (Mattoo, Roy and Subramanian, 2002). The idea of creating a new form of trade preferences
exclusively for SSA, in addition to already existing Generalized Systems of Preferences (GSP), drew both support and opposition from a wide range of actors. Pointing to the marginal place of SSA in the global markets for goods, services and investments, supporters have argued that AGOA would expand African exports to US, increase foreign direct investment, and create new employment opportunities in SSA.

2.1 US Dominance on SSA Using Trade Pacts

While it cannot be denied that AGOA has played a role in increasing trade between the US and Africa, there remains a key concern and threat for smaller African countries on the attractiveness of AGOA and resulting over-reliance on this program and how the US uses this program to ultimately dominate over SSA.

Some studies suggest that countries should recognize that over reliance on AGOA benefits is not sustainable and holds potential disaster for economies. If these countries fail to diversify their markets, or at the very least their product offering to the US, the “free lunch” enjoyed for 25 years under AGOA will see their economies narrowly intertwined with one partner (i.e. the US), resulting in a similar fate as experienced by Madagascar and Swaziland.

While the eligibility requirements for AGOA beneficiaries are set out in legislation, it’s only the US which determines on an annual basis whether countries have met the published eligibility requirements. Beneficiary status may therefore be granted or withdrawn at the discretion of the POTUS. Beneficiary countries have no recourse to dispute settlement in this regard and this more often leads to these countries setting out their economic policies, policies on the rule of law, human rights, political pluralism, workers’ rights and rights to due policies in ways that are pleasing to the US regardless of how these structures affect the economies of these countries so to say. The implication
thereof is that the US can dictate the manner in which these countries run their internal affairs which is true dominance.

The US stamps its dominance over the SSA in that no AGOA beneficiary is allowed to engage in activities that undermine the United States national security or foreign policy interests, showing that US interests come first. Perhaps the reason why no African president of foreign affairs personnel are given a seat at the bargaining table in the decisions and policies made for Africa by the US through AGOA.

According to (Condon, 2012), more dominance of the US on SSA is implied that the preferences contained in the AGOA act apply only to US imports and NOT to US exports. This means that reauthorization only requires action by the US government.

2.2 Investment/Trade Relations.

US policy on trade in Africa has developed based on the idea that trade in Africa would promote economic growth and thus foster stability and the growth of democracy (WTO, 2015). One way the US is seeking to deepen its interests in Africa is by encouraging its multi-billion dollar companies to invest in the continent. According to the World Bank (2012), in a 2010 AGOA forum, new deals worth $14 billion in areas like clean energy, aviation, banking and construction were signed between various African nations ‘and US multinational corporations.

The US government also committed to providing $7 billion in new financing to promote trade and investment with the continent. (Jonnes and Mueller, 2012) found that the US deals, however offer little cheer to a continent that seeks immediate impact in job creation, poverty eradication, markets for its produce and direct contribution to the economy. This is because it will take years for the benefits of the deals to be felt.

Millimet (2014) contends that AGOA is the best option in deepening trade relations between SSA and the US. However, the US trade relationship with SSA remains
underdeveloped. US trade with Africa has been declining since 2011. AGOA is an important tool for achieving broader US goals such as promoting market reforms and building democracy. These goals are achieved through its role in strengthening growth opportunities in SSA broadly.

A study conducted by (Sanso, 2012) found that US firms looking to access the SSA markets are losing out to their competitors. The study showed that European Union (EU) already has a number of reciprocal trade agreements in place with African countries, which provide their firms with a competitive advantage over their US counterparts. On the other hand, Chinese state-owned enterprises and companies rely on a combination of cheap labor costs, economies of scale, concessional finances and state relations to exploit opportunities in African markets.

Nouve (2013) found that US companies are trying to leverage AGOA to enhance their market access. According to him, for countries to continue benefiting from AGOA, they need to demonstrate their commitment towards promoting democracy, eliminating barriers to US trade and investment and respect for human rights. US firms which feel that certain SSA countries are not adhering to AGOA’s eligibility requirements can prompt the US authorities to review these countries’ benefits.

In addition to domestic agency programs, the US participates in several multilateral institutions that provide trade capacity building in SSA and other developing country regions and indirectly support the aims of AGOA. The World Bank and regional development banks all provide trade capacity assistance, mainly in the form of loans. The Enhanced Integrated Framework (EIF) is the main multilateral initiative in the trade capacity building. It’s a process that assists LDCs to integrate trade issues into their national development strategies.
The US has provided SSA with technical assistance on a wide range of world trade-related issues such as trade facilitation, services, sanitary and phytosanitary measures among others. WTO (2015) showed that the US has also provided technical support for the efforts of some SSA countries, such as Togo and Ethiopia to accede to the WTO.

According to World Bank (2013), Bilateral Investments Treaties (BIT) help to protect US foreign direct investment and promote economic growth by advancing important reforms and encouraging the adoption of policies that facilitate and support foreign investment. The US has signed BITs with Cameroon, Republic of the Congo (Brazzaville), Democratic Republic of Congo (Kinshasa), Mozambique, Rwanda and Senegal, and Senegal is currently pursuing a BIT with the East African Community (EAC). The goals of the BIT are to protect US investments abroad and encourage market-oriented domestic policy in host countries. (Jayum, 2012)

Generally, BITs ensure national treatment for US investments, limit expropriations, enable free repatriation of funds, place limitations on the imposition of trade distorting or inefficient practices on US investments including requirements in hiring and provide the right of submission of investment disputes to international arbitration. These treaties are promoted by the US government as a method of encouraging the development of international law and trade standards within the partner country. The US small businesses participate in limited trade with Africa and reportedly very few in the small business community know about AGOA.

Hoekeman (2013) noted that US small businesses may benefit from AGOA and in the process help provide avenues for diversifying African exports. According to Hoekeman, small businesses may benefit from AGOA, and in the process help provide avenues for diversifying African exports. According to Hoekeman, small businesses participate in
limited trade with Africa, and reportedly very few in the small business community know about AGOA.

Hoekeman (2013) noted that US small business may benefit from AGOA, and in the process help provide avenues for diversifying African exports. According to him, small business is also important in Africa, and increased partnership may result in better participation in both continents. He argues that there are multiple ways that US agencies could become more involved in increasing awareness of AGOA among the small business community, and providing opportunities for partnership.

Examples include increased investment and the emphasis on the use of USAID’s trade hubs as a mechanism for US small business entrance into SSA or an increased small business emphasis within the mandate of the US foreign commercial policy. The idea of a new and innovative Africa capable of participating in FTA’s will benefit the global economy, as the African market starts to be taken seriously. In addition, expanded trade deals will provide SSA with the development, infrastructure and wealth that it needs, thus reducing the need for as much foreign aid in the future (WTO, 2015).

Sub Saharan Africa’s relationship with the United States would be considered undeveloped to date. Matter of fact, their trade relations have been declining since 2011, and an opposite of what would be expected for entities engaged in what should be a bilateral trade agreement. This has seen only 1.5 percent of US exports being from Sub-Saharan Africa. A significantly low percentage of economic growth in Africa from 2004 to 2014 averaged 5.8 percent, though in 2015 growth was only 3.75 percent. This clearly shows the decline in commodity prices which is a key export for many Africa countries, percentages that unfortunately shows that the trade pact has had close to no impact to the economic growth of SSA which was expected from it. The contrary has happened.
For Africa to achieve the millennium development goals and keep up with the rest of the world, a lot of economic growth will be required. One way that African growth and opportunity can be supported would be through increasing her engagement with the global economy and by increasing her participation in international trade. The AGOA wherein trade between the US and SSA is encompassed has since its inception been extended and reauthorized four times, with the recent one being in 2015 until 2025. The trade pact has provided SSA exports preferential access to the US markets and also provided preferential access under the GSP for the SSA exports. The GSP is a programme that applies to the exports from the least developed countries (LDC’s). This program expired in 2013 but for the AGOA eligible countries, it remains available. The combination of the AGOA and the GSP provides access to the US duty free to 6400 products from at least 38 countries from SSA. 70% of the total US imports from the US are under AGOA, where from 2001 to 2013, the exports increased greatly from a mere $7.6 billion to $24.8 billion but later, the statistics took a decline to $11.6 billion in 2014 owing to the reduced exports in petroleum to the US. It was reported through anecdotal and survey based evidence that Africans hold AGOA as an important aspect in their trade with the US.

AGOA supports local businesses and their endeavors to integrate into the global economy and this has in turn enabled an increase in trade. AGOA also encourages foreign investment in the SSA where companies take opportunity of the new pool of access to markets. In the US for example, retailers such as GAP, Target and Old Navy, who are big on clothes get their export goods from Africa. The US has also used AGOA as a channel to achieve broader US goals like the promotion of market reforms and promotion and building of democracies, which are some of their foreign policy agendas to the rest of the world. The US has been able to achieve these goals, albeit slowly, through its evident and
conspicuous role in the strengthening and creating of growth opportunities in SSA in a large way. It is worth noting that for any SSA country to be considered eligible for AGOA and its trade preferences, it has to be compliant to the following conditions:

- The country must show willingness to engage in and promote an economy that is market-based.
- Promote and adhere to the rule of law,
- Work towards eliminating barriers of trade and have systems in place to discourage and fight graft.
- It should also protect the rights of workers and must not engage in any activities that may compromise and or undermine the national security of the United States. The country must be a champion for the promotion and respect of human rights, among many other rules mentioned herein.

Countries in SSA that are AGOA-eligible have made great strides in making economic reforms which has in turn improved their ability to grow and has also provided new opportunities for them. This has greatly deepened their relations with the US economically. A report made by the World Bank in 2015, in regard to the ease of doing business found that the SSA had the made the highest number of regulatory reforms which had reduced the cost of doing business. The 2015 World Bank Ease of Doing Business Report found that sub-Saharan Africa accounted for the largest number globally of regulatory reforms that reduced the cost of doing business. There has also been a rise in democracy in regard to governance in the SSA, where according to a report by Freedom House, the most significant gains in freedom have been made by and from SSA. All that aside, the growth in trade between the US and SSA since AGOA remains dismal and insignificant and there is room for an increase in its scope and depth. A perfect example is that exports from Africa to Europe are 10 times of those to the US. The
Europe’s trade scheme motto of “everything but arms” is more effective and has seen its utilization rate being higher than AGOA. It is estimated that it has generated nearly twice as many exports than AGOA.

The export of crude oil from SSA by the US has since 2011 declined. Most data shows a possibility of the trend remaining the same owing to the fact that the US is now producing oil as well. This said, then there will be a definite failure in growth for the SSA in their non-oil exports to the US and of course this will mean a severed economic relationship between the two partners.

Exports in apparel under AGOA are the only ones that have shown the most significant impacts as they grew over 250% from $355 million in 2001 to over $901 million in 2013. These exports however, have also been down from $1.13 billion in 2008 as there has been a competition in price and cost from the manufacturers from East Asia who also have market access in the US. This has been resulted by the phasing out of the WTO multi fiber agreement in 2005 which engrained exports of textile and apparel and also the phasing out of other restrictions on China’s textile exports under the WTO agreement on accession. On the side of manufactured goods, the growth in manufacturing exports has been seen by the big growth in motor vehicle exports which has been very significant.

There has been a significant growth in exports on agriculture to the US from SSA from $59 million in 2001 to $261 million in 2014, a considerable growth, though minimal. Cocoa paste, powder, citrus fruits, edible nuts, wine and un manufactured tobacco are the main agricultural exports to the US. As noted above, despite this increase in agriculture goods, exports trade remains small in absolute terms. The growth in the agriculture exports from SSA notwithstanding, the same has declined from 6.2% in 2001 to 2.2% in 2014. This however, does not apply to all non-oil exports (excluding motor vehicles) from SSA to the US, whose shares in exports have also taken a nose dive in spite of the
increase in export which thus reflects slight growth during this period in crude oil exports to the US.

There is a lot of potential and room for improvement and growth in trade between the US and SSA. An area that needs a lot of concentration and attention is agriculture and the expanding of trade on the same. Currently, agricultural exports to the US are less than 3% of all exports under AGOA. Investing in the expansion of opportunities for SSA agricultural exports to the US will be beneficial to the SSA in the following ways among many more:

- It will bring about growth and increase in employment rates in the SSA agricultural sector. This sector carries 30% of the GDP and 70% of the employments in the SSA. This kind of growth, if achieved would also mean that women, who comprise of 50% of the agricultural labor force in the SSA get a chance at employment as well.

- There will be a reduction in poverty rates resulting from the need for labor in the agricultural sector in the SSA.

- There will be a reduction in the rate of youth unemployment in SSA coming with the youth bulge in the SSA, which has seen a large and growing number of youths or young people enter the job market in recent times.

- There will be growth in the trade of services and manufactured goods. This will include the support of the capacity of African businesses engagement in digital trade and selling their goods and services online to customers in the US and the globe at large. This will also mean that there should be efforts to increase internet access and a growth in the mobile sector and thereof develop rules, regulations and institutions that will give room for the growth and the flourishing of digital trade.
For the above to happen, it will include doing the following:

- Foster better understanding and realization of the need digital trade and data flow in the same.
- Improvement of custom processes and logistics which would mean the ratification of the Trade Facilitation Agreement by the WTO
- The online payment mechanisms access should be improved and increased.
- For the increase of trust by consumers and businesses that purchase online from African businesses, there then should be major regulatory developments.

Progress made in the above areas will mean that there will be a diversified trade between the US and SSA, which currently has been dominated by the exports of oil and gas.

AGOA has provided mechanisms that will develop strategies that will in turn expand the trade of manufactured goods and products. The most important is that requirement by AGOA to have African governments develop “utilization strategies for AGOA” which are supposed to increase exports of manufactured goods by the AGOA eligible countries. Such strategies are supposed to be posted on the Office of the United States Trade Representative’s website (USTR), which has been called by the AGOA to assist in the assessment of the free trade agreement (FTA) prospects with Africa.

Any thoughts into the expansion of US-Africa trade should consider that the international trading environment has changed and is still changing greatly and the changes have been brought about by the focus of US on big FTA’s, with the conclusion of the Trans Pacific Partnership in 2015 (TPP) being the most important. The partnership comprises of 12 states among them Chile, Mexico Malaysia, Vietnam, Australia, Canada, Japan and of course the United States which are countries representing 40% of the global GDP, 30% of global imports and 25% of global exports.
There have been negotiations between the US and the EU under the Transatlantic Trade and Investment Partnership (TTIP) which, in combination with the TPP, should cover almost 60% of the global GDP. These two very important FTA’s will have an effect on the global trade given that their rules will become de facto standards of the globe. What’s more, the US, the European Union, Japan and the 21 other states that are negotiating for the trade in services agreement which is an FTA that will focus on the liberalization of barriers to trade in services. In conclusion, China, Japan, Korea, India Australia and New Zealand together with the ASEAN are in negotiations for the Regional Comprehensive Economic Partnership.

Africa has conspicuously been left out of these mega-regional trade negotiations. There is also no progress being achieved in the completion of the WTO multilateral trade negotiations of the Doha Round. This therefore shows that there is no global trade negotiation currently where Africa and her views can be considered and where efforts for progress in the same can be made. This poses a risk for Africa in that the new rules and market access created through these mega regional FTA’s will definitely prove difficult for African businesses to compete on the global platform, which then confines Africa to a meager share of international trade and dwindling its attractiveness as an investment destination. Africa is however embarking on a program of trade integration which would be considered ambitious.

The negotiations for the same kicked off in 2008, on the Tripartite FTA between (TFTA) between three major regional African economic communities. The agreement came into force in 2016 and has 26 countries as members, a total of approximately 640 million people and it has a total GDP of $1.2 trillion. The FTA however only comprises of trade in goods. The TFTA has been a building block towards a CFTA for the continent where the AU had been committed to its completion in 2017. It incorporated 54 African
countries with the representation of over and above a billion people and $3 trillion in GDP. The successful finishing of the CFTA will stimulate intra–African trade by about 50% (35 billion) by 2022.

The consideration of how any TPP will affect the competitiveness of African exports into the US should be made in any effort to broaden and or expand trade between SSA and the US. Both the potential CFTA and the TFTA should demonstrate an appreciation of a continent-wide progress on the liberalization of trade. This kind of endeavors in the liberalizing of trade should be encouraged by the African governments and the US should also support it.

These African trade negotiations also provide opportunities for the U.S. to help ensure that the process builds towards, a set of rules and market access opportunities that is consistent with and builds bridges between, Africa and other U.S.-led trade initiatives such as the TPP. This could include working to develop the capacity of African standards organizations, making progress on 21st century issues such as digital trade and improving understanding within Africa of the TPP’s trade and labor standards.

The WTO should remain a focus for the US and Africa negotiations in regard to apparel. Bearing in mind that the WTO Doha Round is null and void, which was confirmed in the 2015 WTO ministerial meeting in Nairobi where the US and other developed country members failed to re-affirm the Doha mandates. Progress was made however on the issues of importance to African countries among them extension of the waiver for granting preferences to LDC’s services exports in regard to preferential treatment of suppliers of services and more steps in technical assistance on the same.

A trade relationship between the US and SSA based only on unilateral preferences will no longer be enough neither will it be a sufficient anchor point to build a trade relation
that is more complex and robust. There is dire need for the expansion of trade in manufactured goods, services and digital trade. For these reasons, the expansion of access for exports in agriculture from the SSA is one thing that would see immediate and reasonable growth and support outcomes in development. Some of the main measures that the US government should consider taking are:

- Have all tariffs on agriculture from the AGOA eligible countries brought down to zero: almost all agriculture exports from SSA to the US currently enter the US tariff free. A number of products however, have high tariffs imposed on them by the US among them cotton and sugar. If that were to be reduced, it would foster further trade. A study showed that total elimination of tariffs on exports on agriculture from SSA would bring an increase in exports of over $105 million compared to what it would be in 2025, with areas like fish and sugar exports bringing in large gains. Production by the US would only go down by $9.6 million if the tariffs were to be removed.

- Quotas on SSA AGOA-eligible countries or all the LDC’s should be eliminated. This would be a move in line with the Millennium Development Goals under the UN obligations and would fulfill a major demand from the said states in the WTO Doha Round negotiations. Other major barriers in agriculture export for SSA are in the Tariff Rate Quotas (TRQs). seven commodities namely: sugar, tobacco, dairy, beef, peanuts, cotton and green olives are under a TRQ by the US. A TRQ is defined as a low level tariff for a specific volume of import over a given period of time and a high tariff for import volumes over the quota.

### 2.3 Economic Relations

Though AGOA has been described as the cornerstone of US trade policy with Africa, increasing non-oil exports from Africa to $53.8 billion from $8.1 billion over 10 years, its
impacts and benefits have been minimal. Apart from oil, textiles, manufacturing and artifacts, very few other sectors have benefitted from the treaty that allows a duty-free entry into the US market for some 6000 products.

During President Obama’s tenure, he prioritized promoting U.S. trade with and investment in Africa, building Africa’s trade capacity, and extending preferential access to the U.S. market for African products. As a result, U.S. non-petroleum imports from Africa increased by 46 percent and U.S. goods exports to Africa increased by 59 percent since 2009, evidence of growing trade ties between the United States and Africa.

The Doing Business in Africa (DBIA) Campaign was then an unprecedented whole-of-government approach to strengthening the U.S. commercial relationship with Africa, a diverse region that offers substantial trade and investment opportunities across national and regional markets. Africa is home to nine of the twenty fastest-growing economies in the world, and provides substantial opportunities for U.S. companies.

At the 2014 U.S.-Africa Business Forum (USABF) and U.S.-Africa Leaders’ Summit, U.S. Government departments and agencies made $7 billion in commitments on the continent, many of which are nearing completion. Following the success of the USABF, the President announced he would attend the next U.S.-Africa Business Forum which took place in 2016, it took place in the United States.

The President’s Advisory Council on Doing Business in Africa (PAC-DBIA), announced at the USABF, and was formed in November 2014. The Council has been working closely with the U.S. Government to recommend ways the government can strengthen the U.S.-Africa trade and investment relationship.

Under the Trade Africa Initiative launched by President Obama in 2013, the United States and the East African Community (EAC) have made significant progress in
advancing best trade practices in the EAC member countries. At a February 2015 Ministerial meeting, the United States and EAC signed an agreement on implementation of World Trade Organization (WTO) rules and deepening cooperation and assistance in the following three key areas:

- Trade facilitation,
- Sanitary and phytosanitary measures,
- Technical barriers to trade.

It also held the inaugural U.S.-EAC Commercial Dialogue. Since the Leaders’ Summit, the U.S. Agency for International Development’s Trade Hubs have facilitated nearly $220 million in African exports and $75 million in local investment under Trade Africa, while working with local governments and regional economic communities to meet WTO commitments, establish the framework for national single window and trade information portals, and modernize customs procedures. Over the last ten years the Trade and Investment Hubs in East and West Africa were expected to facilitate over $200 million in new investments and foster the creation of 37,000 jobs.

The United States has been working to expand the Trade Africa Initiative to include new partners, including Cote d’Ivoire, Ghana, Mozambique, Senegal, and Zambia to identify activities that will improve compliance with WTO rules on trade facilitation, sanitary and phytosanitary measures, and technical barriers to trade; foster an improved business climate; and, address capacity issues that have constrained trade. The U.S. Government has also been working to support the Economic Community of West African States (ECOWAS) to improve regional trade.

Under the Trade Africa initiative, the U.S. Government has been encouraging African governments to take advantage of the World Trade Organization’s Trade Facilitation
Agreement (TFA), which is meant to simplify customs and other border control procedures and reduce the cost and time of doing business across borders. TFA implementation would help African businesses participate more fully in global value chains, smooth the movement of goods across African borders, and make African goods more competitive in global markets. This would have broad development benefits as well as promote regional integration, investment, and exports. The Organization for Economic Co-operation and Development estimated that implementing the TFA could reduce worldwide trade costs by as much as 17.5 percent, with the greatest benefits accruing to African and other developing countries.

Howard (2013) found that just a few countries dominate trade under AGOA. In 2011 for instance, all exports from Africa to the US totaled $79 billion. Notably, almost 80% came from just three countries- Nigeria (47%), Angola (19%) and South Africa (13%).

According to him, US exports were similarly concentrated, with these same three countries receiving 68% of the $20.3 billion that came into the continent in 2011. The utilization of AGOA privileges has been sub-optimal; with only seven of the 39 SSA countries being able to meaningfully take advantage of the opportunity availed by the treaty.

Despite the significant opportunities offered by the AGOA framework, trade between the US and SSA countries has not been performing as hoped in the recent years (WTO, 2015). Growth in in trade in manufactured goods and services are other potential growth areas. Making progress here, should include supporting the capacity of African businesses to engage in digital trade to sell goods and services online to customers in the US and globally.
This would include support to increase access to the internet where growth is mainly in the mobile sector as well as developing the rules, regulations and institutions that can enable digital trade to flourish. AGOA has a number of inherent flaws that have failed to assist countries to further enhance this relationship. AGOA has been unsuccessful in supporting SSA countries to overcome some of the structural constraints of their own economies and for US businesses it has failed to facilitate adequate market access in African countries.

Outcomes from AGOA Forum in Togo (2017) indicate that these issues persist and are near impossible to resolve within the current framework. After nearly two decade of AGOA benefits, many African countries have failed to fully utilize the program partly due to the narrow structure of their economies, allowing them to only exploit a handful of duty-free lines; partly because the US market dictates economies of scale in manufacturing and exports to be competitive even with a duty free advantage; partly because poor infrastructure increases the cost of trade; and partly because non-tariff barriers such as quality conditions, or the complex regulatory environment in the US are too difficult to navigate (WTO, 2015).

According to WTO, it’s in the interest of both the US and SSA governments to advance economic relations. AGOA has illustrated how a preferential trade arrangement can benefit both parties by increasing trade and employment. However, AGOA is no longer the best mechanism to promote economic relations between US and Africa.

Instead, an agreement that provides reciprocal market access, combined with technical assistance to overcome structural issues in SSA countries would be more desirable.

SSA exports include petroleum, agricultural products and manufactured goods, while most imports are finished products, such as engineering products and vehicles (WTO,
According to WTO, while the region accounts for a small share of world trade, foreign trade represents more than 50% of Gross Domestic Product (GDP) in many areas of the SSA. Instead of viewing Africa as an impoverished region desperately in need of massive aid packages to survive, the United States need to start viewing trade as a viable source of aid in the SSA, and also view Africa as a strong trading partner that can benefit the economies of both the US and SSA through decreased trade barriers which include duty free tariffs and quotas for African countries.

It’s the congress through AGOA that set out to improve the economic development of SSA and increase U.S. trade ties with the region. Several countries have made strong use of the preference program and have increased employment in economic sectors that benefited from duty-free treatment under AGOA. Lesotho for example which is one of the major apparel exporters under AGOA, estimates that employment in manufacturing rose from 19,000 in 1999 to 45,700 in June 2011. A peer-reviewed economic study found a direct link between the AGOA preferences and increased U.S. imports from beneficiary countries, and concluded that these increased SSA exports were not merely diverted from other potential export destinations (e.g., the European Union and the Middle East). This relationship was strongest for the apparel sector and other sectors with high U.S. import tariffs.

Regardless of these achievements, challenges remain, such as the limited number of countries making significant use of the preferences, and doubts as to whether AGOA countries have been able to translate these short-term preference benefits into transformative changes in their manufacturing capabilities and overall competitiveness. As shown above, the majority of AGOA non-oil imports come from South Africa. Among the other countries that have made significant use of the preferences, apparel exports account for most of their AGOA exports. While the apparel sector has been
acknowledged as a potential launching point for more advanced manufacturing industries, the manufacturing sectors in many AGOA beneficiary countries remain highly underdeveloped.

Some studies have asserted that AGOA apparel production is concentrated in the lowest skill tasks with little knowledge transfer to local workers and that the global competitiveness of AGOA exporters still depends on their preferential treatment. AGOA also supports the achievement of other strategic objectives in addition to AGOA’s tangible goals related to economic development and trade. AGOA serves as a focal point for U.S economic relations with SSA.

If the recent period of high economic growth in much of SSA continues, the United States may have an increasing interest in the regions potential as a consumer market and destination for both U.S. exports and foreign direct investment (FDI). A study by McKinsey estimated that the number of African households making above $5,000 per year, the point where discretionary spending begins, would rise from 85 million in 2008 to 128 million in 2020.48

Although AGOA focuses specifically on U.S. imports, it spurs dialogue between the United States and SSA countries on two-way trade and investment issues through the annual AGOA Forum and the United States maintains some influence over the political and economic structure of the beneficiary countries through the eligibility criteria which is solely dictated by the US. These strategic aspects of AGOA may become more important as other foreign countries such as China, continue to increase their commercial and political ties with SSA.

32
2.4 US Humanitarian Aid

Africa is rich in resources with sovereign states and budgetary allocations however, humanitarian crises are frequent from time to time. United States of America through its aid agency, US Aid have provided support to humanitarian activities whose impact has been cited to be positive and negative in areas of coverage. Despite their efforts in aiding SSA, frequency of crises in the region has raised a concern of the effectiveness of the aid. It is notable that SSA receives a higher segment of aid as compared to other regions. One of the fundamental arguments for aid donation is to improve economic conditions. An extensive and body of literature studies the effectiveness of aid on economic growth. Much cited examples include the influential research by Burnside and Dollar (2000) who claimed that aid only works in countries with good policies, and reactions to this result by amongst others Collier and Dollar (2002), Easterly (2003) and Dalgaard, Hansen, and Tarp (2004).

To date however, empirical evidence is only tentative and has not led to consensus about how aid affects growth. Analogously, we do not know how aid affects conflict, through economic growth. In spite of some of the theoretical arguments above (i.e. higher income increases opportunity costs for rebels hence the probability of starting a fight will decrease; or aid increases income per capita leading to a lesser dependence on primary commodities) which intuitively make sense, the exact transmission mechanisms are not well understood. This paper does not assess the importance of these and other possible indirect channels through which aid might have an impact on conflict. This aid forms part of the assisted countries’ GDP. With growth in GDP witnessed in the last two decades in areas of health and other essential segments of the economy, USA’s different regimes have endowed in utilizing different programs to enhance their flow of aid and humanitarian support to Africa such as the President’s Emergency Plan for AIDS Relief
(Pepfar) and the Global Health Initiative and Power Africa Initiative. The latter was aimed at increasing energy production in Africa by double digit and focused on to profit institutions which are yet to reap large in benefiting consumers.

However, the Trump administration has recently announces that they are looking to drastically cut the budgets of a number of federal agencies, with a particular focus on the State Department which is responsible for the foreign and aid budget. In order to pursue $54bn worth of defense budget increases, while continuing plans to cut taxes. Trump had been outspoken about cutting parts of the aid budget during his presidential campaign and specifically alleged that “every penny” of the $7bn allocated to the Power Africa initiative would be stolen. Additionally, a discussion document recently distributed around the State Department by the Trump Administration directly questioned whether Sub-Saharan African aid money could not better be spent domestically and whether Pepfar had become an entitlement programme.

Security challenges in Africa especially the SSA region have been on the rise with emergency of militia and internal civil and conflicts by different religious and civilian sects. With funding to enhance security diplomacy reduced since the inception of Trump Administration, this is expected to hinder containing the menace. However, despite the relentless efforts to assist communities affected with security challenges, weaponry and other security infrastructure have continued to gain inflow to SSA with a larger segment targeting the illegitimate and unauthorized insecurity groupings. This has led to increased extremism violence and insecurity related challenges. Despite all these efforts, democratic and stability of administrations in SSA has differed largely to sovereign aims of these States with US being cited to focus on selective democracy and aiding opposition groupings and wings. Incidents of insecurity and poor governance have led to reduced aid
inflow to some SSA countries where those with stable governance and democracies have received a biased larger part of the aid.

Countries facing incidental and instability have for long faced aid flow on caveats. Trade development in the region has largely relied on the relations and the amount of aid received. Cordial relations and increased affirmation of the flow of aid from USAID and likened agencies increases US’s penetration and inclusiveness in the SSA operations converse with the countries that face bias in aid. Recipients of aid face greater interest influence by the US aid agencies aimed at meeting the sovereign interest of the USA than of the country in which the flow is channeled to.

Aid given to developing countries is meant to help these countries develop and accomplish their development projects. These aids may come from former colonial monopole to strengthen bilateral ties between the former colonies and their colonial powers. Loans can be given to be spent on goods bought from donor countries where consultancy fee are always inclusive. In Africa, foreign aid comes in diverse forms: Support of projects of investment, budget support, technical assistance of various projects, debt relief etc. It may be given in forms of grants which may not have to be paid, loans payable at lower interest rate over a longer period, contributions or aid from UN institutions, IMF, WB or regional banks. For instance, the USA gives its aid to countries to support: State capacity building to strengthen security and in conflict management and resolution. Or else, build up business partnership by supporting the generation of demand of US goods. The aid is classified in key thematic areas:

- Investment in people (social welfare provision)
- Environmental protection and climate change.
- Support to non-state organizations involved in human development.
- Food security and migration issues.
It may come to aid to local population in health sectors, education, and housing and so forth as it is currently the case of European Union to the people of Burundi. They support civil society organizations to promote the atmosphere of good governance and protection of human rights, protection of natural resources, state building in post-conflict cases; it is also given to support national budget. It can include humanitarian aid meant to offer quick relief intervention to alleviate suffering infringed by man-made disasters and conflicts.

Adequate development strategies and policies applied in the developing countries to eradicate poverty have been on trial with no effect ever since the era of structural adjustment programs. The state of underdevelopment of most African countries and many developing countries can be accounted to a variety of factors, many of which are those supposed to bring about remedy. Foreign Aid has been contracted for development projects’ support, supplementing national budget, debt relief, and aid to attain the set Millennium Development Goals, which were supposed to lead those countries to middle income status. Loans and grants given to accelerate poverty reduction programs have shown little aptitude to reduce poverty. At one hand, the inefficacy of foreign aid to eradicate poverty has been seen as inherent to its nature and at the other hand, as results of its management and cycling by recipients. Far to bear fruits, the conditionalities attached to some of contacted economic bail out (from the IMF and WB) to address economic crisis countries can face, it was rather seen as harmful to vulnerable citizens due to its stringent austerity measures and though it may bring about economic stabilization, no indices of economic growth and people’s welfare could be measured.

Despite diversified kinds of intervention of the non-governmental organizations and civil societies in their variety social services delivery (in health, mass education and mobilization, education, human rights preservation), their capacity to lead our nations to
macroeconomic growth were not evident as in their good work, face numerous barriers from both donors and governments recipients. Their problem solving strategies fail to be counted on for a sustained macroeconomic development. The New Partnership for African Development (NEPAD) which came as a well thought and designed new re-engagement to lay solid foundation for the renewal of African condition, despite its efforts to eradicate poverty, to put African countries on the path of sustainable growth, to halt the marginalization of the African continent in the globalization process, to integrate the continent in the global economy and accelerate the women’s role in development agenda.

These beautiful verbiage formulations are yet to be seen on the ground and it seems it had failed to get to its desired destination.

Historically, foreign aid has received bitter criticisms in the developing countries most especially in Africa. From the 1970’s, the dependency theorists viewed aid as a form of exploitation and self-enrichment: Only the elites become beneficiaries of nationally designed projected. On the site of the donors, neoliberals saw in Aid an extortion of resources, a long earned asset being dashed to impoverished nations incapable of making a best use of it to effectively come out of poverty. In the 80’s, conditions upon receiving aid were introduced, which in most cases were related to institutional reforms, good economic policies. The Washington consensus introduced the Structural Adjustment Programs (SAP) loans to deal with inefficiency of the state. This Conditionality was later viewed as rather hampering with sovereignty and dignity of countries because of their coercive nature. (Jane and Toye) saw foreign aid as not only inefficiency to reduce poverty, but as means to foster dependency. In the 90’s the wind of neo-liberalism of economy postulated that the world should go Democracy and any state ought to embark on political reforms making institutions as democratic as possible where good
governance, respect of human rights and alike were favorable conditions that could make development and reliability possible. The political orientation of the country could determine how much aid it could receive. Aid could therefore be given to countries going aboard the way of electoral reforms, multiparty system and any other political act advocating democratic atmosphere. These aids were also given to nations coming out of long times of conflicts to strengthen peace building in the country, supporting electoral processes or to empower new political formation and civil society organizations. Other factors that could attract aid were prevailing security threats, not only because they destabilize the nation’s ongoing development projects, they also derail donors’ interest in developing countries. Countries can be easily supported to deal with criminal activities such as human trafficking, cross boarder organized crimes, environmental threats, mainstreaming of gender which are normally connected to poverty.

According to World Bank (2013), Africa receives a greater proportion of US humanitarian aid than any other and many countries rely heavily on donor funds, with it forming a substantial part of many nations’ GDP. This amount has grown substantially over the last two decades with a particular focus on health, through programs such as the President’s Emergency Plan for Aids Relief (PEPFAR), and the Global Health Initiative, under George Bush and public-private infrastructure partnerships under Barrack Obama (IMF, 2016). The Power Africa Initiative was central and it aimed to double electricity access in SSA. The US had also aimed to broaden the effectiveness of aid in the region by reducing the amount of aid money that went to for-profit companies in the aid industry by increasing the amount that goes directly to recipient governments.

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, which funds various technical assistance programs throughout Africa aimed at improving trade within the region and between the region and the US (USAID, 2014).

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 transportation and energy, and they have enterprise development programs which often target specific industries, such as handicrafts and shea butter.

USAID aids an international business linkage program, South Africa 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 US-led trade delegations, attend trade shows in the United States, and identify public and private sector export financing. It also assists US firms by identifying trade and investment opportunities in South Africa, by steering US 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.

The answer to the question of whether or not the African Growth Opportunity Act is a tool of US domination goes beyond a mere yes or no response, but requires a careful review of the Costs and benefits that accrue from African Countries participation in AGOA. As far as the benefits are concerned, perhaps the most significant has been a significant increase in African exports to the US. Since the year 2000, AGOA, and General System of Preferences (GSP) imports have increased more than five-fold, reaching $44.2 billion in 200713. Non-oil imports more than doubled registering $5.1 billion in 2008. (Tadesse, Bedassa and Bichaka 2008)

As a result of this, there has been evident economic payoff for countries such as Kenya, Lesotho, Madagascar, Mauritius, South Africa, Swaziland, Botswana, and to a lesser extent Ghana, Ethiopia, Malawi, Tanzania, Uganda and Cape Verde. (Lucke, 2004),

AGOA has also provided new market opportunities for African exports, particularly those of non-traditional and value-added products, and as through this, it enabled African firms to produce higher value products and become more competitive internationally. This has boosted African economic growth and contributed to poverty alleviation on the continent. While oil has been the primary export commodity under AGOA, the act has also facilitated sizeable export growth across a wide range of non-oil products such as apparel, chemical products, footwear, machinery, electronics, toys, sportswear, fruits, nuts and cut flowers. (Tadesse et al, 2008).
In addition, by offering incentives and support for African economic reforms, it can be argued that AGOA fosters the development of an improved business environment in numerous African nations. The act has also boosted efforts to forge closer cooperation between the government and private sector to improve infrastructure, eliminate bureaucratic red-tape, facilitate customs procedures, and build experience in producing and marketing value-added products for the US market. (Lucke, 2004).

AGOA has also created new opportunities for Foreign Direct investment from the US. Indeed, between 2000, and 2007, FDI flows from the US rose to $13.8 billion, which represented a 52 percent rise increase.

Despite the above mentioned benefits, it should be noted that AGOA framework is not perfect, and does in certain instances, work against the interests of African countries. For starters, while Trade between Africa and the US, has increased since the inception of AGOA, most of Africa’s exports consist of oil, and other extractive resources, with only a slight increase in non-oil exports from Africa being recorded (Collier, Paul and Venables 2007).

Thus, there still needs to be greater export diversification of goods being exported to the US, in order to avoid the situation where African countries are reliant upon single commodities for their economic prosperity, all the while enriching America by providing her with ready access to the goods she requires.

The AGOA framework, as it is now, also lacks sufficient coverage of goods that are of particular interest to African exporters, particularly with regards to certain agricultural commodities and textiles. If AGOA was expanded to include a wider range of agricultural commodities, this would greatly increase its effectiveness in fostering economic development through trade. (Mattoo, Devesh and Arvind, 2006)
Additionally, the annual eligibility reviews create uncertainties which prevent African countries from realizing the full potential of AGOA. Once a country becomes eligible for AGOA membership, it attracts investors to specific industries. Firms may make investments which are profitable only to the extent that they export duty-free to the American market. Loss of eligibility therefore means that any investments made in these countries constitute a sunk cost, and may dissuade potential investors from investing in African countries out of fear of revocation of AGOA membership.

An extension in the duration of AGOA membership would go a long way in shoring up investor confidence in African countries that are eligible for AGOA. (Kimenyi, 2009)

While AGOA facilitates duty-free market access, African agricultural exports still face multiple non-tariff barriers. Even putting aside the strict health and safety standards that must be adhered to, the approval process for agricultural goods from African exporters is cumbersome and takes unnecessarily long times even for products that are exported to other developed countries. This process needs to be streamlined to facilitate greater gains from AGOA. (Brenton and Hoppe, 2006)

Lastly, the AGOA framework lacks a formal structure for member countries to negotiate with U.S. policy-makers. This could result in situations where changes to the act do not take the interests of African countries into account, and instead focus solely on advancing American interests. The AGOA Forum would be more effective if the African position is deliberated in advance and specific positions are agreed upon by the governments. They could then more effectively push for their own interests through the AU, which has formal representation in Washington. (Kimenyi, 2009).

Aggregate trade between the United States and AGOA-eligible countries has nearly quadrupled since the implementation of the Africa Growth and Opportunity Act (AGOA).
Exports to the U.S. from AGOA countries have increased from $23 billion in 2000 to a peak of $81 billion in 2008, according to the U.S. International Trade Commission. However, the majority of these exports are energy related primarily oil and gas. AGOA can have more significant effects in stimulating local production in Africa if it emphasizes building the capacity of small and medium enterprises (SMEs) through trade assistance, providing more country-level and firm-specific resources and assistance, enhancing support for competitive trade financing, and formalizing joint cooperation between African AGOA countries.

It has been known for US aid for trade to address a broad range of economic development issues. For example, aid for trade has included financing improvements in infrastructure, modernization of the regulatory framework, introduction of new technology, and the overall enhancement of the investment climate. One of the leading agencies in providing trade capacity building (TCB) assistance in at least 110 nations all over the world is the United States Agency for International Development (USAID). This effort is significant and has undoubtedly increased the capacity of many developing nations to engage in trade negotiations, improve business regulations, deepen the financial sector, and attract FDI to become more competitive. However, aid for trade has also been interpreted to cover so many aspects of the economy that it does not specifically address problems facing firms that are attempting to break into AGOA trade. Increased technical assistance and aid focused on the production chain are only integral in the short and medium term. Firm-specific training, capacity building, trade financing, and the linking of potential African exporters with financial institutions and potential U.S. importers should be intensified if the AGOA framework is to succeed in enabling SMEs to trade more successfully with the United States. Such initiatives are particularly important to those African countries that have lagged in utilizing AGOA preferences.
In conclusion, it cannot be denied that AGOA has played a role in increasing trade between the US and Africa. Under AGOA, non-oil exports have been observed to increase, and there has also been a considerable increase in foreign direct investment from the US. Despite this, the gains from AGOA are still unevenly distributed in favor of the US.

If AGOA is to truly become a vehicle that can promote lasting growth and development on the African continent, then it needs to be reformed to be more inclusive and easily accessible. A reduction in non-tariff barriers, creation of a formal negotiating structure for African countries, and expansion of the range of goods imported by America under AGOA, are just a few of the steps that would make AGOA, more effective in using trade, as a tool for driving economic prosperity on the African continent.

Also worth noting in this regard is that the SSA has not gained focal interest by the current Trump regime and highly unlikely it will gain. It is anticipation that career diplomats serving in various SSA missions will be tasked to execute the US policy however, decisions making would hamper the developments and progress made so far in terms of aid to Africa by the US agencies. It is expected that budgetary reallocations and deficits will hinder progressive input with majority of the SSA countries are known to place dependency on the US aid flow to address home-grown concerns.

2.4.1 Increased Country Level Support

From 2001-2009, the United States provided over $3.3 billion in trade capacity building assistance to sub-Saharan Africa, according to the USAID Trade Capacity Building database. Although the U.S. has made some strides in this direction, more efforts and resources are needed to effectively reach all the AGOA countries. The U.S. makes significant contributions to trade capacity building broadly through the Millennium
Challenge Corporation, and USAID also implements the Africa Global Competitiveness Initiative (AGCI) to help promote export competitiveness of African enterprises. The aims of this initiative are diverse and include improving the business and regulatory environment for trade and investment, providing knowledge and skills, helping with access to financial services, and infrastructure investment. The AGCI has opened four regional global competitiveness hubs managed by USAID regional missions in western, southern and eastern/central Africa to provide information and technical assistance. The hubs are providing much needed trade assistance in their regions. However, increasing the presence of trade assistance support at an individual country level could increase the benefits to AGOA countries. While it would not be necessary to have a hub type resource in every AGOA country, having a formal point of contact within a specific nation to inform firms on available trade assistance resources would be useful.

2.4.2 Firm-Specific Assistance

More assistance to African firms is desperately needed for AGOA to be considered successful. An example is Uganda where efforts to increase textile exports to the United States have been minimal despite numerous incentives and unwavering support by the Uganda government to ex-20 AGOA AT 10 port-oriented firms attempting to break into the U.S. market.

For example, Uganda grows high-quality cotton but lacks the capacity to produce apparel for the U.S. market. Ugandan firms have attempted to export apparel to the United States using both locally produced and imported fabric. The production based on imported fabric has yielded disappointing results mainly because of the additional costs of transporting ready-made fabric from outside. Production based on domestic fabric is more promising since it requires lower transportation costs. It is possible that in the zeal to benefit from AGOA some African nations may have moved too fast without thoroughly
analyzing the feasibility of the proposed ventures. However, their subsequent difficulties show that these African countries need trade assistance that goes beyond improvements in infrastructure and the business environment to break into the U.S. market.

Providing more firm-specific trade assistance and resources would therefore increase the success of emerging sectors like Uganda’s apparel industry.

2.4.3 Competitive Trade Financing

Similar appeals for trade assistance could be made for other sectors, such as non-traditional exports in the agricultural sector. For instance, firms attempting to transition from the export of raw coffee beans to processed coffee have faced innumerable problems of raising capital for market research, marketing to importers in the U.S., and meeting packaging and sanitary standards. In addition to U.S government assistance for private African firms, encouraging development financial institutions to do much more to extend short- to medium-term financing to such firms would help African businesses take advantage of the AGOA opportunity. This could be done by injecting additional resources into regional financial institutions such as the African Export Import Bank, the African Development Bank, the Preferential Trade Area (PTA) Bank and the East African Development Bank so they can provide more trade finance to African exporters. Currently, the financing available to African SMEs is very expensive compared to what is available in the advanced economies, and high capital costs weaken these firms’ capacities to compete. An important aspect of trade assistance should therefore include competitive trade financing. As the situation stands today, trade financing is often expensive or nonexistent. Many would-be exporters find that African banks are unwilling or unable to extend the magnitude of the financing required to engage in exports to the United States.
2.4.4 Joint Cooperation in Trade Assistance

It may be that a joint coordinating body, such as a secretariat of both the African Union and United States, could assist in organizing trade assistance and accelerating AGOA trade. Such a secretariat could work to both unify AGOA countries and provide additional oversight assistance for AGOA implementation in sub-Saharan Africa. However, it is important that this secretariat be free to act without excessive restraint by either the U.S. or African countries. This would expand and guide the efforts of the USAID regional hubs where African exporters could go to obtain financial, technical and market advice and assistance on how to export to the United States. An examination of the effectiveness of the institutions that are available to assist African exporters could be done as a prelude to the establishment of a formal AGOA coordination secretariat in Africa. For the time being, the full potential of AGOA will remain unexploited. The reality on the ground is that the capacity and capability of African producers to reach the U.S. market remains negligible compared to that of other continents. If AGOA is to change this situation, then trade assistance will have to go much further than it has so far.

2.5 Shares of SSA Countries Exports In The U.S Market

The United States is the second largest importer of merchandise from the SSA countries after China which is the leader. In 2011, the United States received 15 percent of the region’s total exports (WTO, 2011).

Even though, it is the second largest trade partner from the perspective of SSA countries, the United States conducts a small share of its total trade with SSA countries. The United States imported merchandise worth $74 billion from SSA countries in 2011 which is about 3.4% of total U.S. global imports of $2.2 trillion (USITC, 2011). It on the other
hand exported goods worth $20.3 billion to the region in 2011, 1.5% of total U.S. exports of $1.3 trillion based on USITC, 2011 trade statistics.

Between 2009 and 2011, overall, total trade (exports plus imports) between the United States and Sub-Saharan Africa grew 51%, up from $62.4 billion in 2009 to $94.3 billion in 2011. This increase in the value of trade resulted from increases in commodity prices between the period 2009 to 2011 as well as growth in the quantities traded.

Table 2.0 Top Ten U.S. Imports from sub-Saharan Africa, 2010 and 2011 (in $ billions)

<table>
<thead>
<tr>
<th>HTS Number</th>
<th>2010</th>
<th>2011</th>
<th>% Change 2010-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>51.38</td>
<td>58.97</td>
<td>14.80%</td>
</tr>
<tr>
<td>71</td>
<td>3.95433</td>
<td>9.80%</td>
<td></td>
</tr>
<tr>
<td>87</td>
<td>1.61</td>
<td>2.16</td>
<td>34.10%</td>
</tr>
<tr>
<td>18</td>
<td>1.04</td>
<td>1.27</td>
<td>22.60%</td>
</tr>
<tr>
<td>29</td>
<td>1.22</td>
<td>1.16</td>
<td>-4.70%</td>
</tr>
<tr>
<td>72</td>
<td>0.76</td>
<td>0.89</td>
<td>16.70%</td>
</tr>
<tr>
<td>26</td>
<td>0.67</td>
<td>0.79</td>
<td>17.70%</td>
</tr>
<tr>
<td>62</td>
<td>0.40</td>
<td>0.46</td>
<td>14.70%</td>
</tr>
<tr>
<td>84</td>
<td>0.36</td>
<td>0.46</td>
<td>26.30%</td>
</tr>
<tr>
<td>61</td>
<td>0.39</td>
<td>0.44</td>
<td>14.30%</td>
</tr>
</tbody>
</table>

Subtotal 61.77 70.94 14.80%

All Other 2.58 3.08 19.40%

Total 64.35 74.02 15.00%

Mineral fuels and oil is the main US import and it accounted for about 73% of the US imports from SSA in 2011 (USDC, 2011). Nigeria, South Africa, Angola, Gabon, Chad and Congo (ROC) are the major exporters of the first three listed product categories from table above (i.e. Mineral fuels and oil, Pearls, Precious Stones and Metals, Vehicles and Parts). A large proportion of U.S. trade with sub-Saharan Africa is with a small number of countries. About 79% of U.S. imports from the region in 2011 were from Nigeria (47%), Angola (19%), and South Africa (13%) (see Figure 2.1). The only agricultural product in the top 10 products imported is cocoa and cocoa preparations. African cocoa exports increased significantly reaching $1.2 billion in 2011, up 22 percent from 2010. Côte d'Ivoire, Ghana, Cameroon, Nigeria and Togo are the leading producers and exporters of cocoa in Africa.

The top U.S. export market in SSA was South Africa at $7.2 billion; made up largely of machinery, mineral fuels and oil, gold powder, vehicles and parts (USTR, 2011). Other important markets include Nigeria ($4.8 billion; mostly minerals and oil, machinery, vehicles and its parts and cereals), Angola ($1.5 billion; mostly machinery, aircraft parts, poultry, iron/steel), Ghana ($1.1 billion; mostly machinery, vehicles and parts, mineral fuels, cereals), and Ethiopia ($689 million; mostly cereals, aircraft and parts, machinery) (USTR, 2011).

2.6 Case Studies

2.6.1 Kenya

Kenya is a leading developing country in East Africa and has been a significant beneficiary under AGOA and is one of the leading apparel exporters to the US in sub-Saharan Africa.
AGOA has had a positive impact in SSA countries; the initiative has generated over 350,000 direct jobs, and over 1,000,000 indirect jobs. While Table 1 indicates that the value of all SSA AGOA exports (minus GSP) decreased from US$34.9 billion to US$10.7 billion between 2012 and 2016, Kenyan AGOA/GSP exports to U.S. increased from US$293 million to US$396 million. Kenyan AGOA/GSP exports to U.S. reached a high of US$434 in 2015. The drop in SSA exports could be attributed to lower oil prices and the 2009 economic crisis that reduced U.S. demand for imports. The most affected countries were oil exporters such as Nigeria, Angola and Chad.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td>17,563</td>
<td>10,823</td>
<td>2,801</td>
<td>1,408</td>
<td>3,485</td>
</tr>
<tr>
<td>South Africa</td>
<td>3,678</td>
<td>3,668</td>
<td>3,116</td>
<td>2,859</td>
<td>2,843</td>
</tr>
<tr>
<td>Angola</td>
<td>7,247</td>
<td>6,711</td>
<td>4,384</td>
<td>1,831</td>
<td>1,999</td>
</tr>
<tr>
<td>Chad</td>
<td>2,377</td>
<td>2,398</td>
<td>1,633</td>
<td>1,479</td>
<td>775</td>
</tr>
<tr>
<td>Kenya</td>
<td>293</td>
<td>343</td>
<td>423</td>
<td>434</td>
<td>396</td>
</tr>
<tr>
<td>Lesotho</td>
<td>301</td>
<td>321</td>
<td>289</td>
<td>299</td>
<td>295</td>
</tr>
<tr>
<td>Mauritius</td>
<td>175</td>
<td>200</td>
<td>227</td>
<td>218</td>
<td>201</td>
</tr>
<tr>
<td>Madagascar</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>44</td>
<td>97</td>
</tr>
<tr>
<td>Ghana</td>
<td>61</td>
<td>92</td>
<td>80</td>
<td>34</td>
<td>66</td>
</tr>
</tbody>
</table>

Source: USAID East Africa Trade and Investment Hub Analysis of USITC Data.

After the decline of Kenya’s largely indigenous and local-market oriented clothing industry that had developed before the 1980s, the industry has recently re-emerged as an export oriented, foreign-owned industry as a direct result of the AGOA. Despite a sizeable industry, which employed 37,000 workers at its high point in 2003 (McCormick et al., 2006), the opportunities for industry growth, upgrading and wider economic development impacts in Kenya remain elusive. Although there have been a number of studies on FDI in Kenya, notably Langdon (1981) and UNCTAD (2006) the subject remains relatively under-researched. For the clothing industry in Kenya, a number of studies have been undertaken following its re-birth in recent years (Ikiara and Ndirangu,
2003; McCormick et al., 2006). The findings presented here add to these studies by considering more explicitly the FDI component of the industry and its wider impacts.

The (re-)growth of the clothing industry in Kenya with the advent of the AGOA is an interesting case to study when exploring the developmental impacts of FDI. The AGOA is a non-reciprocal trade agreement between the United States and 38 SSA countries, which covers around 7,000 product lines. The original agreement ran from 2000 to 2008 and was subsequently extended to 2015 and recently to 2025 (Office of the United States Trade Representative, 2007). SSA countries seeking to benefit from export to the United States market under the AGOA are obliged to make progress towards market reform, protection of property rights, maintenance of the rule of law, removal of impediments to United States trade and investment, reducing poverty, policies to combating corruption, and compliance with international standards covering workers rights (McCormick et al., 2006). Twenty-six of the 38 countries in the region are eligible for market access benefits related to clothing manufacture and 17 for hand-made clothing items. At first glance, FDI in the Kenyan clothing industry presents some a priori grounds for optimism with regard to its positive effects on the local economy through participation in global commodity chains (GCCs). Kenya has traditionally been a hub for the East African region (Kaplinsky, 1978,) in terms of flows of people, goods, services and investment, although a great deal of complacency on the part of the national government has seen Kenya and Nairobi’s role challenged somewhat in recent times in terms of FDI flows (UNCTAD, 2006; Phelps et al., 2007).

Moreover, the country has been host to a sizeable clothing industry, the seeds of which were sown by foreign investment under British colonial rule prior to the Second World War. The industry flourished under the import substitution regime instituted with independence. The protected, import substitution-based clothing industry reached its peak
in term of employment in the early 1980s. Just as significantly, by this time, a cotton-textile supply industry had developed. The industry subsequently collapsed, but one might expect that the industrial experience and institutional infrastructure from the period offer some advantages in the re-emergence of the clothing industry stimulated by the AGOA. However, the sizeable FDI in the Kenyan clothing industry in recent years has failed to generate wider economic impacts. It is a story that underlines some of the difficulties SSA nations face in participating in the international economy.

This consequently proves that there is a missing “GO” (growth and opportunity) in AGOA in the Kenyan clothing industry to the parent company, customer relationship, the uncertainties associated with the AGOA itself, and both general and industry-specific failings of government and associated institutions in Kenya. Significant constraints upon the growth of the Kenyan clothing industry and the development of local supply chains become apparent from the findings, and the challenges nations face while participating in the international economy.

**Bilateral Trade by Sector: United States - Kenya**
Value (‘1000 dollars), US ‘domestic exports’ *, US ‘imports for consumption’ / Includes year-to-date data

![AGOA/GSP Exports in FY18 by Country and Sector](chart)

**US Department of Commerce**

Published on [www.AGOA.info](http://www.AGOA.info) - tralac’s online AGOA information portal

### 2.6.2 Nigeria

Nigeria is the U.S. leading African trading partner. Not only is Nigeria a major power in West Africa, but it remains a major influence on economic and political power throughout the continent. Considering the mutual relationship that has been existing between Nigeria and United States, the U.S. government has enacted some enhanced economic policies that would buttress and fortify Nigeria’s economy. But despite the positive impression of U.S. economic policy towards Nigeria, it has been disparaged by some critics for being too passive in the face of Nigerian Government repression. U.S. economic policy in Nigeria has been perceived as a two edged-sword as it implications cannot be over-emphasized. As Nigeria seems to enjoy the benefit, it swindles the nation’s socio-economic paradigm. This paper discusses the state of U.S. economic policy toward
Nigeria, and its implications. It also elucidates the pros and cons of these policies to Nigeria.

United States is Nigeria's biggest trading partner and undeniably her most important diplomatic partner in Africa. With the nullification of Nigeria's June 12, 1993, presidential election, and in the light of human rights abuses and the failure to embark on a meaningful democratic transition, the United States imposed numerous sanctions on Nigeria (Saidi, 2002). After a period of increasingly strained relations, the death of General Abacha in June 1998 and his replacement by General Abubakar opened a new phase of improved bilateral relations. As the transition to democracy progressed, the removal of visa restrictions, increased high-level visits of U.S. officials, discussions of future assistance, and the granting of a Vital National Interest Certification on counter narcotics, effective in March 1999, paved the way for re-establishment of closer ties between the United States and Nigeria as a key partner in the region and the continent (Bola, 2004).

Since the inauguration of the Obasanjo government to the present administration under Goodluck Jonathan, the bilateral relationship has continued to improve. Cooperation on many important foreign policy goals, such as economic reforms and regional peacekeeping has also been excellent. United States has supported Nigeria through its foreign policies to sustain democracy and to improve governance by providing training on the roles and responsibilities of elected officials in a representative democracy for newly elected officials. She has also been assisting with conflict prevention and resolution in the Niger Delta, civil military relations, civil society, and political party development (Solomon, 2006). In the economic area, United States through the U.S. Agency for International Development (USAID) supports programs in strengthening economic management and coordination, encouraging private sector development and economic
reform, helping Nigeria reap the benefits of African Growth and Opportunity Act (AGOA), improved agricultural technology, marketing, small-scale and micro enterprise development. In addition, health assistance focusing on HIV/AIDS, nutrition, and immunization, education, transportation and energy infrastructure, are priorities for bilateral assistance (Ojiako, 2010).

United States foreign policy has been outwardly characterized by its diplomatic and economic encouragement of fledgling democracies around the world. In particular, the nations of Africa are seen to benefit from America’s idealistic foreign agenda. After fifty years of independent struggle and civil war, Nigeria has freely elected a leader who expresses willingness to strengthen his nation’s global position through international trade and assistance. The United States is working with the Central Bank of Nigeria, Finance Ministry, National Planning Commission, and others to improve the environment for investment in agriculture through policy reform at the national and state level. Micro-investment is hindered by lack of access to market-driven financial services and lack in policy that provides for liberalization of credit institutions. It encourages savings plans with transparency in both the private and public sectors (Nnadi, 2009).

U.S. programs help develop a policy climate in which micro, small and medium enterprises have access to credit, encourage investment, stimulate job growth, and build capacity in both the public and private sectors in Nigeria. The U.S. has implemented a strategy to operate more effectively in Nigeria where non-state actors and illegal trans-border activity can pose major threats to the nation’s peace, unity and economic development. The goal is to develop a network of well-governed states capable through responsible sovereignty of protecting themselves and contributing to regional security and robust economy. By so doing, they also protect the international system (Adam, 2012). Trade initiatives include capacity building in customs regulation and operations, policy
reform to encourage internal and external trade for Nigeria, taking advantage of African Growth and Opportunity Act (AGOA) incentives for bilateral trade, and development of the private sector capacity to meet international trade and export standards. The United States Government enacted the AGOA, a program that allows responsive and responsible partners in Africa to benefit from preferential access to American markets. With 40 countries presently qualified for this program, AGOA has become a cornerstone of U.S. trade and investment policy in Nigeria. The United States has been in the forefront of efforts to forgive the debts owed by Nigeria – but only if her governments first demonstrate her commitment to poverty reduction and good economic management (Ojiako, 2010). The United States implemented the Millennium Challenge Account (MCA), a revolutionary foreign assistance program that seeks to reduce poverty through sustainable economic growth by awarding sizeable grants -- not loans -- to countries that practice good governance, seek to take responsibility for their own development, and are committed to achieving results (Jack, 2011). Of the 18 compacts signed to date, ten totaling over $3.8 billion have been signed with sub-Saharan African countries with Nigeria as one of the major beneficiaries. MCC and AGOA are important programs strengthening Nigeria economic health and underscore the cardinal interest of the United States in the country’s economic affairs.
Nigeria, Africa’s largest and most populous country (more than 150 million), is one of the U.S.’s largest trading partner in Africa and the world’s ninth largest oil producer. When Nigeria became independent from Britain in 1960, its size, natural resource wealth, and well-educated leadership positioned it as a regional power in West Africa (Samara, 2008). As a member of the Non-Aligned Movement, Nigeria never officially sided with the U.S., but its foreign policies and UN votes did not contradict American interests.
The U.S. welcomed Nigeria’s political moderation, encouraged its regional prowess, and tolerated a string of military governments, punctuated by brief intervals of civilian rule. Together with Britain, U.S. military assistance and arms sales helped equip Nigeria’s army, the largest in Africa. Except for the Biafran civil war (1967-70), Nigeria had been relatively stable (Eugene, 1998). The United States has not been known as “father Christmas” in the past, and can never be one. The truth of the matter is that U.S. never indulge in a trade that they will not incur huge profit. U.S. economic policies toward Nigeria seem as if they mean well for Nigeria, but it is a sham as they have an ulterior motive behind their benevolence to nation Nigeria. The U.S. buys 44% of Nigeria’s oil and four U.S. oil companies are drilling in Nigeria. These four oil companies are: Mobil, Chevron, Ashland, and Texaco. They also have drilling operations in the Nigeria’s off-shore and because of these oil companies established in Nigeria’s Niger-Delta region by the United States, the U.S. has set up some economic policies toward Nigeria. Such policies are cosmetic in nature. It is incredible that even till date, Nigeria does not know the exact quantity of crude oil these four American oil companies are lifting and exporting to their country. This is partly due to the high rate of corruption in Nigeria as those who should know and who should verify have been settled with thousands of dollars to keep mute. With this U.S. economic policy invoke, Nigeria will be over dependent on the United States on economic and socio-political issues thereby, serving as a rubber stamp in the hands of the U.S. government. The U.S economic policies will make our economy to be ineffective to some extent and will have an interference with the nation’s economic policies and this is a bad omen. The U.S. economic policies will engender imperialism in the country leading to inflation and devalue of our local currencies “the naira and kobo”.
Nigeria and 39 other African nations have been approved by President Barack Obama as continuous beneficiaries in 2012, of the US government Africa Growth and Opportunity Act, (AGOA). Under the AGOA, the US President must regularly determine the eligibility of African nations to benefit from the Act, which includes trade favors like tariffs and duty free treatment for goods entering the US from approved African countries (White, 2012). The decision to include Nigeria in the 2012 approved nations is deemed significant coming after the passing of the same sex marriage bill by the Nigerian Senate and the negative responses of the US and other leading western nations.

Earlier last year (2012), no sooner after the Nigerian Senate passed the bill, which is yet to become law, the US President issued a presidential order alerting all US government agencies and departments involved in foreign assistance to counter moves by foreign nations against the homosexual communities abroad. That presidential order included the US Trade Representative Office which coordinates U.S international trade issues like AGOA. U.S. is promoting sustainable and broad-based, market-led economic growth in Nigeria with the aid of her economic policies. While Nigeria has experienced impressive growth rates in recent years, she can still be characterized as a rich country in an impoverished state. The United States aimed to help Nigeria raise income levels, promote sustainable growth that benefits all in a society, open markets for Nigeria exports, reduce barriers to investment, and identify opportunities and comparative advantages (Adam, 2012). Responding to this challenge, the United States implemented the Millennium Challenge Account (MCA), a revolutionary foreign assistance program that seeks to reduce poverty through sustainable economic growth by awarding sizeable grants -- not loans -- to countries that practice good governance, seek to take responsibility for their own development, and are committed to achieving results. Nigeria has benefited a lot in this program since its inception till date. (Adam, 2012).
The environmental pollution from oil drilling engendered by the U.S. oil companies is undeniable in the Niger-Delta where a half million Nigerians make their meager living from farming and fishing. Oil spills have poisoned the waters, causing massive fish kills and human health problems, while gas fires in oil separation pits have destroyed much of the farmland. Neither any of these American oil companies nor the federal government invests more than a pittance of the oil profits into the Niger-Delta, so poverty is rampant throughout the region. The United States are sucking Nigeria’s oil like parasites through the four oil companies they set-up in Nigeria using their so called economic policies. Such policies are counterfeit. The U.S. economic policies has made it very difficult for Nigeria to become economically self-reliant, rather she depends on U.S. economic policies for survival. It is an uncontestable fact that U.S. economic policies toward Nigeria are detrimental to the economy and socio-political development of the country. These American oil companies are lifting and exporting an undisclosed quantity of crude oil to their country. They use their economic policies toward Nigeria to divert the attention of the Federal Government and her citizenry from scrutinizing their activities.

An attempt to investigate their operations in Nigeria and to decipher the exact quantity of crude oil they export to their country on daily basis has been frustrated with the influence of their so-called economic policies to Nigeria.

### 2.6.3 South Africa

South Africa is a developing country with a population of 56.5 million people. It has a young Constitutional democracy (24 years) and has managed to build strong institutions, well-developed infrastructure, and continues to maintain the rule of law. South Africa has well developed policies that are developed through a participative and transparent process with the aim of promoting inclusive growth and sustainable development.
South Africa is a middle-income, emerging market with an abundant supply of natural resources; well-developed financial, legal, communications, energy, and transport sectors and a stock exchange that is the 15th largest in the world. These are some of the characteristics of South Africa that make it eligible to be an AGOA beneficiary. Even though the country possesses modern infrastructure that support a relatively efficient distribution of goods to major urban centers throughout the region, some components retard growth.

As a young democracy, South Africa also has its challenges. These include an unemployment rate of 27.7% with higher levels of unemployment among the youth. It also has a growing inequality and poverty, as well as a challenge with skills, especially among the youth.

Bilateral direct investments between South Africa and the United States increased by more than 100% from US$13.7 billion in 2012 to about US$16.8 billion in 2016. Total bilateral investment (FDI, portfolio and other investments) stood at US$172 billion in 2016.
In 2016, the U.S. ranked 3rd as an export destination for South African products after China and Germany. Further, the U.S. ranked 3rd as a source of imports. Both exports and imports have recovered beyond their pre-crisis levels in 2008. South Africa enjoyed a trade surplus against the U.S. since 2011 with the exception of 2014 where South Africa experienced a deficit of US$85 million. However, in terms of manufactured exports, the U.S. continues to enjoy a trade surplus. There is therefore a need to continue the focus on changing the structure of trade to more value added products.

South Africa has invested in the U.S. contributing to the creation of jobs and productive capacity. South African company SASOL is building US$11 billion plant in Lake Charles in Louisiana. Another South African company Sibanye Gold made US$2.2 billion purchase of Stillwater Mine in Colorado. On the other hand, the U.S. remains one of key
investors in South Africa, with an estimate suggesting that there are over 800 U.S. companies doing business in South Africa.

For South Africa, AGOA underpins strong and growing mutually beneficial trade and investment relationship between South Africa and the U.S.

AGOA enabled South Africa to increase exports of value-added products to the United States, thereby contributing positively toward our national imperatives to boost industrialization and create jobs. As AGOA promotes intra-African trade and industrialization that in turn promotes the development of regional value chains. For South Africa, we have seen regional value chains developing in sectors such as textile and clothing and also in the automotive sector.

AGOA has also promoted the development of intra-industry linkages between the South Africa and the U.S. in the manufacturing and agriculture sector.

In 2016, of the 1,835 tariff lines under AGOA, South Africa utilized only 240 tariff lines, which is equivalent to 13% utilization rate. Similarly, South Africa utilized 537 of the 3,400 tariff lines available duty-free under GSP for developing countries, which translated to 15% utilization rate.

South Africa is a relatively open economy, accounts for 0.5% of global trade and is only moderately protected by tariffs.

In order to increase the utilization of AGOA, South Africa has established targeted engagements with key exporters to the US market to understand the challenges in accessing the US market. Engagements are also held with the Export Councils and the Provincial Trade Promotion Agencies to create awareness of opportunities presented by AGOA. South Africa is in the process of developing the AGOA Utilization Strategy.
2.6.4 Angola

The U.S. and Angola signed a Trade & Investment Framework Agreement (TIFA) in 2009. The first meeting of the United States-Angolan Council on Trade and Investment was held in June 2010 in Luanda.

Angola benefits from Africa Growth Opportunity Act (AGOA), the U.S. preferential trade agreement that provides duty-free status for qualifying goods exported from Angola to the United States. Given Angola’s dominance on extractive industries, exports benefiting from this U.S. government program are predominately oil, with some diamonds and wood exports. The Angolan Government has been working to diversify its economy and recently established an export promotion agency to encourage exports, including to the United States that could take advantage of AGOA.

Angola is currently the US 69th largest goods trading partner with $3.4 billion in total (two way) goods trade during 2017. Goods exports totaled $809 million; goods imports totaled $2.6 billion while the U.S. goods trade deficit with Angola was $1.8 billion in 2017.

According to the US Department of Commerce, U.S. exports of goods to Angola supported an estimated 7 thousand jobs in 2015. In its trade with the US, Angola was the United States' 84th largest goods export market in 2017 with U.S. goods exports to Angola in at $809 million, down 35.2% ($440 million) from 2016 and down 34.8% from 2007.

Angola's exports to the United States of America tripled in the 2004/2014 period, reaching $115.39 billion last year. This was disclosed Tuesday in Luanda by the minister of Commerce, Rosa Pacavira, while addressing the seminar on "How to export to the USA and the African Growth and Opportunity Act".
According to the official, the increase in exports has partly resulted from the country's joining AGOA established by the US Government.

**Figure: Graph showing bilateral goods trade between the United States and Angola**

The top export categories (2-digit HS) in 2017 were: railway vehicles/equipment ($216 million), meat (poultry) ($160 million), machinery ($150 million), electrical machinery ($82 million), and aircraft ($62 million).

U.S. total exports of agricultural products to Angola totaled $169 million in 2017. Leading domestic export categories include: poultry meat & products ($156 million), wheat ($5 million), beef & beef products ($4 million), prepared food ($3 million), and pork & pork products ($374 thousand).

Angola was the United States' 63rd largest supplier of goods imports in 2017. U.S. goods imports from Angola totaled $2.6 billion in 2017, down 8.8% ($252 million) from 2016, and down 79.2% from 2007.
The top import categories (2-digit HS) in 2017 were: mineral fuels ($2.5 billion), precious metal and stone (diamonds) ($136 million), special other (returns) ($5 million), railway vehicles/equipment ($154 thousand), and furniture and bedding ($73 thousand) and there were no agricultural products imported from Angola in 2017.

2.7 Theoretical Framework

2.7.1 Realism

Realism is a theory defined by explicit assumptions on the power relations among states. It explains international Relations in terms of power relations among states and emphasizes international politics as a result of human nature and behavior.

Realism is a paradigm based on the premise that world politics is essentially and unchangeably a struggle among self-interested states for power and position under a system of anarchy, with each state pursuing its own national interest. It emphasizes on the state as the most important factor in the international system and that power, especially military power, is key in defending and determining national interests. It also perceives war as inevitable and relies on a system of self-help where there is no reliance on international organizations for the protection of the state.

It is based on an understanding that the human nature is selfish in nature and does not take into consideration the issues of morality. It contends that human beings are inherently evil and end up in conflict due to their competitive nature. The sovereignty of the state, i.e. the ability of the state to exercise control over its subjects based on the dual principles of equality with other states and based on the principle of non-interference is not only important to a realist but also an umbrella under which some questionable actions committed by a state in the quest for power and self-interest may go unaccounted or unpunished.
The theory assumes the following:

- International politics is anarchy. An anarchic system creates a security dilemma, where states are forced to arm themselves, but this can lead to an arms race.
- States are the central actors in international politics.
- States are unitary actors or as a single coherent entity
- State behavior is rational

The rational actor model is one of the three models of Foreign Policy Analysis advanced by Allison. RAM emphasizes that policy is a result of the aims and calculations of governments. An actor is behaving rationally if his choices are designed to achieve outcomes consistent with goals. It follows a sequence in that the state will set the goal and objective, look into the various alternatives of arriving at the goal, see the various consequences of their perceived or intended actions and finally make a choice on how to act (Slantchev, 2005). As has been seen in the article, the US taking up AGOA as policy is simply a calculated effort to achieve its selfish economic interests to the detriment of Africa as a continent, especially with the fear of the rise of China.

Each country relates with other nations aimed at meeting specific interests. Bilateral and foreign relations are anchored on meeting the expectations of sending nations’ citizens and administration. Like trade, aid is often used to enhance and meet specific interests. In this study, the US is known for sending aid flow to many SSA countries with independent and specific interest based focus. For instance, need for development aid in medical and health development, research on tropical diseases and reducing diseases such as HIV/AIDS, cancer and others. US is deemed to gain more through such aid outputs especially when aid is monetized and input as human capital. US for long have had different interests for each country in SSA. For instance, focus on security aid to Somalia, Kenya and other countries with a coastline, it is aimed to meet and incorporate their need
to participate in security support, marine encounter and an opportunity to have her forces
to gain access for practice and exposures.

Governance and democratization is a concern to the US and aid to SSA has often been
used to influence administrations and way of governance. For instance, the US has
actively participated in aiding opposition parties in most African countries that are
inclined to interests of the USA. Therefore, according to the realism theory that is
anchored on the objective that countries relate based on interests. This has also greatly
influenced the AGOA application and manner in which goods and services are exported
to the US.

2.7.2 Complex Interdependence Theory

This model was developed by Robert O. Keoane and Joseph S. Nye in the late 1970’s
emphasizing on the growing importance of International Organizations (IO’s) and
Multinational Corporations (MNC’s), this theory is said to have anticipated globalization.
They argued that in the era of interdependence, the very nature of international relations
has been changed and world has become more interdependent in all respects especially
economics. This theory tried to synthesize the realist and liberal perspectives.

This theory stresses the complex ways in which as a result of growing ties, the transitional
actors become mutually dependent, vulnerable to each other’s actions and sensitive to
each other’s needs.

The theory believes that cooperation is as dominant a characteristic of international
politics as conflict. One very significant aspect of complex interdependence is that it’s a
combination of two opposite views, i.e. it integrates both the elements of power politics
and economic liberalism. The politics of economic and ecological interdependence
involve competition even when large net benefits can be expected from cooperation (Rana, 2015)

The characteristics of this theory are:

- There are multiple channels of connecting the societies including the inter-state, trans-governmental and trans-national relations.
- There is an absence of hierarchy among issues such that military security does not consistently dominate the political agenda.
- Military force plays a minor role because when complex interdependence prevails, military force could be irrelevant in resolving disagreements on economic issues (Kegley & Blanton, 2014)

This theory is relevant to this study in the manner, which countries depend on each other, and applicable systems in place to facilitate such relations. For instance, the US’s operations in SSA using aid and trade are mainly anchored on the ability to deliver goods and services. States use established agencies to facilitate their relations and trade improvement. In light of this, such as the AGOA Act on the SSA countries which rely on the opportunities created by the Act to improve their exports to the US and also latter utilizing this approach to influence on the aid flow for specific needs and preferences. Trade barriers and enactments that limit trade operations with SSA like sanctions placed on a certain state makes it difficult for countries utilizing AGOA Act to trade with such a country. For instance, sanctions on Iran make it difficult for some SSA countries to trade with it and largely will rely on how US manages such crises. This has led to most countries loosening their diplomatic relations with other nations sanctioned by the US.
2.7.3 World Systems Theory

Diagram 1

Wallerstein's World System Theory Model


The world systems theory, developed by sociologist Immanuel Wallenstein, is an approach to world history and social change that suggests there is a world economic system in which some countries benefit while others are exploited. Just like we cannot understand an individual's behavior without reference to their surroundings, experiences, and culture, a nation's economic system cannot be understood without reference to the world system of which they are a part.

The main characteristics of this theory are:

- The world systems theory is established on a three-level hierarchy consisting of core, periphery, and semi-periphery areas.
• The core countries dominate and exploit the peripheral countries for labor and raw materials.

• The peripheral countries are dependent on core countries for capital.

• The semi-peripheral countries share characteristics of both core and peripheral countries.

• This theory emphasizes the social structure of global inequality.

This theory tries to show how, Sub Saharan Africa, among the periphery of the world continue to be the largest producers of raw materials and cheap labor to the core of the globe and they in turn get minimal benefits from that as the value added goods from the core are imported to them at very high prices.

This theory aligns with this study mainly on aspects of management and how to conduct global relations. SSA and U.S relations apply this theory to conform to aspects of trade and other aid related matters. For instance, the way all aid flow from the US to SSA is managed is anchored on the particular administration in office and choice if its for no/for profit purposes in the destined areas. For example Power for Africa initiative has had subscribers buy energy at subsidized rates however, current regimes may reduce the funding owing to the principles held and concerns that are anti-climate change and renewable energy.

2.8 Empirical Framework

2.8.1. The Gravity Trade Model

This paper uses a gravity trade model to characterize the marginal impact of AGOA on African trade relations with the US and assess whether the existence of the same allows for the US to ride on such preferential trade agreements to stamp its dominance over SSA. The analysis is restricted to one-way bilateral trade from African countries to US, which
is enough to answer the question regarding whether AGOA has increased trade between SSA and the US.

The gravity trade model was developed in the 1960s. It has been used in pioneering works by Tinbergen (1962) and Pöynöhen (1963). The model, widely known for its empirical robustness, is based on a simple and intuitive rationale. It postulates that the volume of trade between two countries is proportional to their economic sizes (capacity to supply exports and to absorb imports) and inversely proportional to costs of trading. The distance between the two trading units has traditionally served as a proxy for trading costs (Lairds and Yeats, 1990). The empirical robustness is often taken, according to Wang (1999), to mean high R-squared.

Besides their empirical robustness, gravity trade models also have strong theoretical foundations both in traditional and in the new trade theories (Wall, 1999; Cheng and Wall, 1999; Rose 2002; Evenett and Keller, 2002). The lack of rigorous theoretical underpinning has traditionally been the major criticism against gravity trade models. However, Wall (1999) indicates that such criticism has been weakened since Deardorff (1998) established a consistency between gravity models and variants of traditional trade theories, such as the Ricardian and Heckschser-Ohlin models. Wall (1999) also points to “earlier works by Anderson (1979) and Bergstrand (1985) who derived gravity equations from trade models with product differentiation and increasing returns to scale” (Wall, 1999; p. 35), suggesting that gravity models may also be consistent with the new trade theory pioneered by, among others, Paul Krugman, Elhanan Helpman and Gene Grossman.

Although theoretical foundations have been established, the empirical application of the gravity model may lead to weak results in the presence of heterogeneities. Cheng and Wall (1999) show that with such heterogeneities, gravity models tend to underestimate
the regression coefficients between high-volume traders, while overestimating them between low-volume traders. The SSA-US trade relationship is a potential candidate of these heterogeneity biases, as the composition, volume, as well as unobservable institutional or geopolitical components of these exchanges vary widely from one African country to the other. One way to control for countries’ heterogeneity is to impose a fixed-effects structure on the unobserved country-specific effects (Wall, 1999).

2.9 Conceptual Framework

A conceptual framework is an analytical tool with several variations and contexts. It can be applied in different categories of work where an overall picture is needed. It is used to make conceptual distinctions and organize ideas. Strong conceptual frameworks capture something real and do this in a way that is easy to remember and apply.

A conceptual framework represents the researcher’s synthesis of literature on how to explain a phenomenon. It maps out the actions required in the course of the study given his previous knowledge of other researchers’ point of view and his observations on the subject of research.

In this study, the conceptual framework will be based on the African Growth Opportunities Act (AGOA) and the US dominance over SSA through preferential trade agreements (investment/trade relations), US humanitarian aid and economic relations as shown in Figure 1 below:
2.10 Chapter Summary

Although AGOA is touted as a success story, a careful evaluation reveals that the initiative’s impact has been limited. Existing literature has shown that the volume of trade relations between SSA and the US has expanded during the life of AGOA. By adding several tariff lines to those covered under the generalized system of preferences (GSP), AGOA has provided tangible benefits to African producers who ordinarily operate under relatively small margins.

A further critical analysis of the conceptual framework can be seen by the illustration given in table 2.1.1 on the previous chapter.

Literature has demonstrated that preferential status, especially in the earlier years, permitted African producers of textiles and apparel to increase their volume of exports substantially. According to Millimet (2014), US imports from SSA increased by more than 50% from the pre-AGOA 1999 levels. In 2001, the US imported $7.6 billion of duty free goods from AGOA eligible countries and by 2008 this figure was over $81 billion.
Nevertheless, considering the size of the US market for various AGOA products, it’s evident that the potential benefits have not been exploited to any significant degree (Matto, 2013).

In 2008, total apparel imports to the US were valued at $93 billion, of which SSA accounted for $1.1 billion (1.26% of the total market). In the same year, Bangladesh alone exported $3.5 billion worth of apparel (3.79% of total market) more than double the entire exports from SSA. Something else of concern is that African exports under AGOA have declined in recent years. For example, according to WTO (2015), African exports in 2004 and 2007 accounted for 54.5% and 36.5% total exports to the United States respectively.

Existing literature reveals that the gains from AGOA are overrated. In 2008, of the $81.3 billion worth of exports from AGOA-eligible African countries, merchandise valued at $66.2 billion entered under the AGOA duty-free provisions. However, $9.8 billion of the $66.2 billion was accounted for by merchandise previously eligible for duty free access under GSP, thus $56.3 billion worth of trade is directly attributable to the AGOA preferences. Of the AGOA exports, $52.8 billion of exports (95.7%) consisted of energy related products (mainly crude oil). Thus the real benefits of AGOA to African countries are much lower than what aggregate numbers show (about $3.5 billion of export).

Although AGOA purports to leverage exports as a way of boosting economic development in Africa, it does not stipulate that the exporting companies must be African. Indeed most of them are American, Chinese and Indian. Literature reviewed has argued that the vast majority of beneficiaries under AGOA are not impoverished Africans but wealthy foreign corporations. AGOA’s existence on the elimination of local trade barriers allows US companies to bid freely on things like mineral concessions and government contracts. Given that these companies have deep capital reserves, they usually win, effectively blocking the African competitors.
Trade with SSA is an opportunity that the US should not miss out on. SSA needs to focus on re-framing the region from one that’s impoverished, desolate, corrupt and in need of a Western savior in the form of massive aid into a region that is an equal partner, innovative and one that’s experiencing entrepreneurial growth (World Bank, 2013). Through the use of public diplomacy strategies like social media, public relations and international broadcasting to show case its potential. In addition to including insight into the material incentives for both economies to engage in trade, the US public could become successfully socialized to the idea of free trade with SSA, paving the way for a better, more expanded AGOA and a stronger SSA and US.
CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

The chapter is organized under the following sections: research design, data collection and data analysis methods.

3.1 Research design

The study uses qualitative descriptive approach with the use of pie charts, graphs and case studies.

3.2 Data collection method

Secondary data will be the main data for this study. It will be gathered based on data from: official statistics, technical reports, trade journals, scholarly journals, literature review articles, government records, NGO’s records, media articles and reference books related to the topic. The data will help generate new insights from previous analyses, putting to consideration that re-analyzing secondary data can also lead to unexpected new discoveries.

3.3 Research procedure

For purposes of validity and reliability of the data, the following factors will be considered:

- Whether the sites or publications are reputable, i.e. government, education or textbook
- Whether the data is current (check date)
- Whether the information relates to the problem or hypothesis being investigated
- The authors credentials i.e. is the author qualified in this area?
3.4 Data analysis method

Data gathered will be analyzed using qualitative content analysis. Content analysis involves observation and detailed description of objects, items or things that comprise the object of study (Hsieh & Shannon, 2011). This approach is more appropriate for the study because it allows for deep sense detailed accounts in changing conditions.
CHAPTER FOUR: DATA PRESENTATION, ANALYSIS & FINDINGS

4.0 Introduction

This chapter contains two sections, namely, the presentation of findings and the
discussion of the same in relation to the objectives mentioned in chapter one above. The
objectives are:

i. The impact of trade and investment relations between SSA and the US

ii. The effect of US dominance over SSA in trade and investment relations.

iii. The extent to which the US influences and dominates SSA in their trade and
     investment relations.

4.1 Presentation of Data and Findings.

4.1.1 The Impact of Trade and Investment Relations between SSA and US

During the 114th congress of AGOA information and Trade Statistics held on June 25,
2015 had bipartisan support. The Trade Preferences Extension Act (TPEA) of 2015 was
approved to run through financial year 2025 and the Generalized Systems of Preferences
(GSP) was to run through financial year 2017. At the moment, 38 out of the 49 SSA
countries are AGOA eligible, according to the United States Trade Representative
(USTR) biennial report on the AGOA implementation which was then submitted to the
congress in accordance with the law. The data that the same provided brought out the
following facts:
Table 4.1: Real GDP Growth in sub-Saharan Africa

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

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

- In 2000, the total exports from SSA to the US were $23.5 million inclusive of those under the MFN. Exports from the United States to the SSA in the same year were $8.81 million.
- In 2001, exports from SSA to the US under both the GSP and the AGOA was $8.2 billion, which would be the first full year for the AGOA. SSA non-oil exports to the United States under AGOA was $1.4 billion.
- In the year 2008, exports to the USA by the SSA under both AGOA and GSP were $66.3 billion. The exports to the US on the other hand were $86.1 billion inclusive of the ones under MFN and GSP.
- The US exports to Sub Saharan Africa in the year 2014 was $23.14 billion.
- Exports to SSA from the US in 2015 totaled to $17.8 billion. The renewal of AGOA for 10 more years, provides a platform for the Trump administration in working towards sustainable trade environment that is required for US companies to invest long term in SSA through the unilateral eligibility criteria that’s drawn out in the AGOA Act, the regional trade agreements and or the bi-lateral Free
Trade Agreements in an endeavor to foster better trade, economic and cultural relations.

- In the same 2015, non-oil exports from the SSA to the United States under AGOA were $4.1 billion, 14 years into the act. Exports to the US were $18.5 billion in that year those under the MFN and other preferences programs included. This was way less than what was recorded in 2000 when AGOA was incepted. Exports to the US from Sub Saharan Africa under both the GSP and AGOA were $9.3 billion.

Seventeen years into the life of the African Growth and Opportunities Act (AGOA), three key issues stand out:

- First, that the preference utilization rate as indicated by the meager increases in African exports to the United States remains marginal.
- Second that the AGOA initiative has not helped build diversified African economies.
- Third, Africa will not be looked at by the US as an equal trade partner, or a partner at anything else at that, but as a continent that needs help. This has been the bargaining chip that the US has been using to have Africa at its beck and call.

This reality in turn raises three critical issues:

- There is dire need for the address of Africa’s structural challenges.
- The economic development of AGOA may not be Africa’s economic development solution.
- That Africa needs to project itself as a partner well able to put a good bargain and demand that the US should regard her as a partner and also, give her a seat at the table, where she has been denied a voice.

**Table 4.2 U.S. imports under AGOA, excluding crude petroleum, 2001-2013**

![Graph showing U.S. imports under AGOA, excluding crude petroleum, 2001-2013]

**Source:** USITC Data Web/USDOC.

**Table 4.3 U.S. tariff rate quotas**

<table>
<thead>
<tr>
<th>Commodities with TRQs</th>
<th>Quota or TRQ Initially Imposed</th>
<th>Number of TRQs</th>
<th>Number of 8-digit in-quota tariff lines</th>
<th>Over-quota tariff on key tariff lines</th>
<th>Ad valorem equivalent range (2006-2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy</td>
<td>1951-53</td>
<td>22</td>
<td>107</td>
<td>$1.51/kg</td>
<td>30-120%</td>
</tr>
<tr>
<td>Sugar</td>
<td>1982</td>
<td>9</td>
<td>49</td>
<td>$0.3387/kg</td>
<td>120-210%</td>
</tr>
<tr>
<td>Peanuts</td>
<td>1952</td>
<td>2</td>
<td>5</td>
<td>163.8%</td>
<td>163.8%</td>
</tr>
<tr>
<td>Beef</td>
<td>1979</td>
<td>1</td>
<td>14</td>
<td>26.4%</td>
<td>26.4%</td>
</tr>
<tr>
<td>Tobacco</td>
<td>1995</td>
<td>1</td>
<td>9</td>
<td>350.0%</td>
<td>350.0%</td>
</tr>
</tbody>
</table>

**Source:** International Food and Agriculture Trade Policy Council

The foreign direct investment (FDI) for the US that flowed into the SSA region in 2011 totaled 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. Data from the United Nations shows that the total world FDI to SSA was about $35 billion in the same year. Top SSA countries destinations for worldwide
direct investment included: Nigeria ($8.9 billion), South Africa ($5.8 billion), and Ghana ($3.2 billion).

4.2 The effect of US dominance over SSA in trade and investment Relations

The problem for Africa is that the trade pact is uncertain and the structures it has put in place are limiting for her. There is therefore need to push for the elimination of the uncertainties which was one of the key demands that leaders from Africa presented in the last AGOA summit. The description of AGOA as the cornerstone for US trade with Africa would be wrong, given the minimal benefits that have been achieved from it. The benefits that would be worth crediting would be the increase on non-oil exports from Africa to $53.8 billion from $8.1 billion over 10 years, which is a slow paced improvement. With the exception of textiles, artifacts, manufacturing and oil other sectors have benefitted minimally or have not at all from the treaty that allows entry of over 6000 products to the US duty free.

Figure 4.1: U.S. Imports from sub-Saharan Africa by Country, 2011
Figure 4.2: U.S. Exports to sub-Saharan Africa by Country, 2011


Under the AGOA act, only a few countries dominate. For example, all US exports from Africa totaled to $79 billion in 2011, and among these, notably, came from Nigeria, Angola and South Africa at 47%, 19% and 13% respectively. (Mombert Hoppe, 2006).

With these same three domineering countries receiving 68% of the $20.3 billion that made its way into the continent in 2011, the US exports were concentrated in the same way. “….The utilization of AGOA privileges has been sub-optimal, with only seven out of 39 African countries being able to meaningfully take advantage of the opportunity availed by the treaty……” noted Erastus Mwencha, deputy chairperson of the African Union Commission.

The commitment of the US to a trade partnership between the US and SSA has not been projected owing to the discrepancies as admitted by the then US Trade Representative Michael Froman. “…..Despite the concrete benefits that AGOA has brought to both of
our continents, it is clear that more can and must be done…,” Mr. Froman observed. The insignificant non-oil AGOA trade for example that increased in margins from $1.4 billion in 2001 to $5billion in 2013 is reason enough to say that the pact requires major adjustments in regard to its structure. Michael Froman added by saying that there was still much room in growth for non-oil, manufactured and value added products, seeing that there are countries that had started to branch out in the use of AGOA for other products other than the above mentioned.

It was suggested that if all the above mentioned were to happen, the US congress and the POTUS must be willing to go the long and hard journey. This is owed to the fact that soon as AGOA expires in 2025, the US then will have limited options in regard to trade relations with the SSA. The only one would be an indefinite extension of the act. It’s at this point therefore that African leaders should be calling for extension of the agreement long term with all the uncertainties surrounding the same fully addressed. It would be argued that, for investors to feel comfortable to invest in the SSA, the pact renewal should be in terms of 15 years or more, which is enough time for investors to recoup their investments if and when there is need for it.

4.3 The extent to which the US influences and dominates over SSA

AGOA has since its inception been touted as a success but carefully evaluating it, its impact have clearly been limited and minimal. It is indeed true that trade between the US and the SSA has improved since AGOA but not by the margins that it should or rather not by the projections prior to the inception of AGOA. AGOA has provided reasonable benefits to the SSA producers by adding a number of tariff lines to those that have been covered already in the GSP, who, under normal circumstances operate in considerably low margins. African producers of textiles and apparel were earlier on permitted by the preferential status to substantially increase volumes in their exports. The US imports from
SSA has gone up by 50% from the 1999 pre AGOA levels. The US imported $7.6 billion worth of duty free imports from AGOA eligible countries and the figure rose to $81 billion by the year 2008. (Kelly, Kevin, 2010).

**Figure 4.3: Major destinations of domestic exports**

![Bar chart showing major destinations of domestic exports](source)

Source: KNBS/Leading Economic Indicators, Sept. 2015

**Source:** KNBS/Leading Economic Indicators, September 2015

**Figure 4.4:**

![Line graph showing ODA flows from DAC donors to Kenya 2005-2014 (US$ thousand)](source)

Source: OECD (2014).
In consideration to the size of the US market for the given AGOA products however, it’s notable that the full potential that could come out of AGOA have not been well exploited. The total imports in apparel to the US in the year 2008 for instance were valued at an approximate of $93 billion, where $1.1 billion was in account of the SSA which is 1.26% of the total market value. In that same year, $3.5 billion worth of apparel were exported to the US by Bangladesh alone. That is an approximate of 1.26% of the total market value. 3.79% of the total market, a possible $3.5 billion in export of apparel was exported by Bangladesh to the US in the same year. African exports under AGOA have greatly declined and that is a reasonable cause for concern. In 2004 and 2007 for instance, African exports under AGOA stood at 54.5% and 36.5% respectively of the total exports to the United States. (Graham, 2010).

A deeper look into the act shows that the benefits from AGOA are overrated. Of the $81.3 billion in export from SSA AGOA-eligible states, in the year 2008, $66.2 billion worth of merchandise made through to the US market under the provision on duty free products. $9.8 billion of the same figure was brought in by goods that were eligible for duty free access previously under the GSP and so, the remaining $56.3 billion was directly attributed to the AGOA preferences. 95% of the AGOA exports which is an approximated $52.8 billion in export were mainly of energy related products, crude oil in particular. It’s evident thus, that the benefits of AGOA to African countries are in reality lower than what the numbers want us to believe (Kimenyi Mwangi, 2009).

Market access however has little or nothing to do with the real issue in regard to the US-Africa trade. The lack of exploitation of market access opportunities by Africa that are already provided for under GSP and AGOA is the main problem. The focus for Africa then should be on the areas that have dwarfed its ability to fully exploit their access to preferences and markets.
4.4 Discussion of findings

4.4.1 Discussion of the Impact of Trade and Investment Relations between SSA and US

AGOA has had limited significant impact on overall exports from SSA to the United States with evidence on slow growth on imports from SSA. Recent data from the USITC (2011) shows that SSA agricultural exports to the United States have remained low. This may be because African exports are generally concentrated in a few primary commodities, and this lack of diversification has been attributed to poor investments in agricultural productivity and processing. In addition, the limited volume of agricultural trade may be due to non-tariff barriers related to sanitary issues and other technical barriers to trade (Lionel and Anne, 2007).

Frazer and Van Biesebroeck (2007) also conduct an in-depth study of AGOA with more extensive data coverage which used a variation of the traditional gravity model, using a “triple difference-in-differences estimation method” to assess the impact of the AGOA over the period 2000-2006. They found that AGOA has had a strong and large impact on U.S. apparel imports from SSA countries. “AGOA liberalizes only an additional 26 agricultural tariff lines, which is equivalent in number to less than 2 percent of the total number of agricultural lines and less than 12 percent of the remaining dutiable lines” (Frazer and Van Biesebroeck, 2007). They also mentioned, “There are over 200 agricultural tariff lines with no preference under AGOA, amounting to 17 percent of the total number of dutiable agricultural tariff lines in the U.S. schedule. Of these lines more than 150 relate to the over quota rates for products subject to tariff rate quotas.” In their analysis, they found that AGOA does not have a statistically significant impact but there is a positive relationship between AGOA and SSA agricultural exports to the United States (Mason, 2008).
Agriculture has not benefited greatly from the AGOA provisions although there appears to be a positive relationship between AGOA and SSA agricultural exports to the United States. In some other studies (Mattoo, Roy and Subramanian, 2002, Frazer and Van Biesenbroeck 2007, Lionel and Anne, 2007) the impact of AGOA on agricultural exports is less clear because the analysts focused on aggregate merchandise exports with no sector specific elements (Lionel, 2007).

It may seem counter-intuitive to imagine that Africa could make contractual demands on the United States. Yet, there is evidence that in recent times Africa has become more assertive with a newfound confidence. In fact, it appears the continent is at a point in history where it no longer needs the begging bowl whenever its leaders visit Western capitals (Peter, 2003).

This sense of confidence was on full display when Africa’s leaders converged on Washington DC for the US-Africa Leaders’ Summit in August 2014. Kenya’s President Uhuru Kenyatta, representing the views of the 50 African leaders, clearly projected the new face of Africa’s diplomatic acumen by asserting that “it is good to see the US is waking up to the realities of the potentials of Africa just as China did a long time ago.”
Unlike in the past when such a summit would have provided a forum for lectures to Africa on democracy and human rights, this time around it was about mutual partnerships, deals, trade and investments. “We want to build genuine partnerships that create jobs and opportunities for all our peoples and that unleash the next era of African growth,” President Barack Obama said.

For the US, creating “genuine partnerships” with Africa is coming rather late. In fact, according to analysts, the US is now in a sprint to catch up to others exploiting Africa’s economic potential. With China deeply entrenched in the continent, Europe trying to safeguard its interests and India and Japan making major inroads, the US stands to be an outsider in a continent poised to become one of the leaders in global economic growth in the coming years. Already Africa is home to most of the world’s fastest growing economies (Tadesse, 2008).

“Africa offers immense opportunities in terms of abundant natural resources, new technologies, investments, access to potential markets, and new types of consumers.
Although the US has been relatively slow to react to these dynamics, hosting the summit was a sign that it can no longer stay on the sidelines,” said Emmanuel Nnadozie, the Executive Secretary of the African Capacity Building Foundation based in Harare, Zimbabwe (Slantchev, 2005).

One way the US is seeking to deepen its interests in Africa is by encouraging its multi-billion dollar companies to invest in the continent. Indeed, during the summit, new deals worth $14 billion in areas like clean energy, aviation, banking and construction were signed between various African nations and US multinationals. The US government also committed to providing $7 billion in new financing to promote trade and investment with the continent (Ozden, 2005).

The American deals, however, offer little cheer to a continent that seeks immediate impact in job creation, poverty eradication, markets for its produce and direct contribution to the economy. This is because it will take years for the benefits of the deals to be felt. On this basis, some African leaders contend that the Africa Growth and Opportunity Act (AGOA a US law enacted in 2000 under which Africa can export certain goods to the US duty-free is the best option in deepening trade between the continent and the US.

Therefore, looking toward 2025, there is an opportunity to have a fresh discussion with the United States, one focused on placing the African economic development challenge at the heart of the dialogue. This requires designing a new model grounded in Africa's aspirations for structural transformation of its economies from primary product to industrial product exporters (Kegley, 2014).
The reviewed literature has shown that AGOA has indeed helped facilitate trade in SSA although more could be done for it to be considered a success. It has also shown that the US has used AGOA to achieve broader goals such as promoting market reforms and building democracy (Mueller, 2012). These goals are achieved through its role in strengthening growth opportunities in SSA broadly. AGOA-eligible countries in SSA are making significant economic reforms that are improving their capacity to grow and providing new opportunities to deepen their economic relations with the US. However, a key concern and threat for smaller African countries remains the attractiveness of AGOA and resulting over-reliance on this program. A study has suggested that countries should recognize that over reliance on AGOA benefits is not sustainable and holds potential disaster for economies. If these countries fail to diversify their markets, or at the very least their product offering to the US, the “free lunch” enjoyed for 25 years under AGOA will see their economies narrowly intertwined with one partner, resulting in a similar fate as experienced by Madagascar and Swaziland.
Alternatively, they should look to mitigate these negative effects if they proceed with a negotiated agreement, but this will require concessions in other areas of their economies (Matto, 2014; Froning 2012; &Tzaninis, 2012).

The answer to the question of whether or not the African Growth Opportunity Act is a tool of US domination goes beyond a mere yes or no response, but requires a careful review of the Costs and benefits that accrue from African Countries participation in AGOA.

As far as the benefits are concerned, perhaps the most significant has been a significant increase in African exports to the US. Since the year 2000, AGOA, and General System of Preferences (GSP) imports have increased more than five-fold, reaching $44.2 billion in 200713. Non-oil imports more than doubled registering $5.1 billion in 2008. (Tadesse, Bedassa and Bichaka 2008)

As a result of this, there has been evident economic payoff for countries such as Kenya, Lesotho, Madagascar, Mauritius, South Africa, Swaziland, Botswana, and to a lesser extent Ghana, Ethiopia, Malawi, Tanzania, Uganda and Cape Verde. (Lucke, 2004),

AGOA has also provided new market opportunities for African exports, particularly those of non-traditional and value-added products, and as through this, it enabled African firms to produce higher value products and become more competitive internationally. This has boosted African economic growth and contributed to poverty alleviation on the continent. While oil has been the primary export commodity under AGOA, the act has also facilitated sizeable export growth across a wide range of non-oil products such as apparel, chemical products, footwear, machinery, electronics, toys, sportswear, fruits, nuts and cut flowers. (Tadesse et al, 2008)
In addition, by offering incentives and support for African economic reforms, it can be argued that AGOA fosters the development of an improved business environment in numerous African nations. The act has also boosted efforts to forge closer cooperation between the government and private sector to improve infrastructure, eliminate bureaucratic red-tape, facilitate customs procedures, and build experience in producing and marketing value-added products for the US market. (Lucke, 2004).

AGOA has also created new opportunities for Foreign Direct Investment from the US. Indeed, between 2000, and 2007, FDI flows from the US rose to $13.8 billion, which represented a 52 percent rise increase.

Despite the above mentioned benefits, it should be noted that AGOA framework is not perfect, and does in certain instances, work against the interests of African countries. For starters, while trade between Africa and the US, has increased since the inception of AGOA, most of Africa’s exports consist of oil, and other extractive resources, with only a slight increase in non-oil exports from Africa being recorded (Collier, Paul and Venables 2007).

Thus, there still needs to be greater export diversification of goods being exported to the US, in order to avoid the situation where African countries are reliant upon single commodities for their economic prosperity, all the while enriching America by providing her with ready access to the goods she requires.

The AGOA framework, as it is now, also lacks sufficient coverage of goods that are of particular interest to African exporters, particularly with regards to certain agricultural commodities and textiles. If AGOA was expanded to include a wider range of agricultural commodities, this would greatly increase its effectiveness in fostering economic development through trade. (Mattoo, Devesh and Arvind, 2006)
Additionally, the annual eligibility reviews create uncertainties which prevent African countries from realizing the full potential of AGOA. Once a country becomes eligible for AGOA membership, it attracts investors to specific industries. Firms may make investments which are profitable only to the extent that they export duty-free to the American market. Loss of eligibility therefore means that any investments made in these countries constitute a sunk cost, and may dissuade potential investors from investing in African countries out of fear of revocation of AGOA membership. An extension in the duration of AGOA membership would go a long way in shoring up investor confidence in African countries that are eligible for AGOA. (Kimenyi, 2009)

While AGOA facilitates duty-free market access, African agricultural exports still face multiple non-tariff barriers. Even putting aside the strict health and safety standards that must be adhered to, the approval process for agricultural goods from African exporters is cumbersome and takes unnecessarily long times even for products that are exported to other developed countries. This process needs to be streamlined to facilitate greater gains from AGOA. (Brenton and Hoppe, 2006)

Lastly, the AGOA framework lacks a formal structure for member countries to negotiate with U.S. policy-makers. This could result in situations where changes to the act do not take the interests of African countries into account, and instead focus solely on advancing American interests. The AGOA Forum would be more effective if the African position is deliberated in advance and specific positions are agreed upon by the governments. They could then more effectively push for their own interests through the AU, which has formal representation in Washington. (Kimenyi, 2009)

In conclusion, it cannot be denied that AGOA has played a role in increasing trade between the US and Africa. Under AGOA, non-oil exports have been observed to increase, and there has also been a considerable increase in foreign direct investment from
the US. Despite this, the gains from AGOA are still unevenly distributed in favor of the US.

If AGOA is to truly become a vehicle that can promote lasting growth and development on the African continent, then it needs to be reformed to be more inclusive and easily accessible. A reduction in non-tariff barriers, creation of a formal negotiating structure for African countries, and expansion of the range of goods imported by America under AGOA, are just a few of the steps that would make AGOA, more effective in using trade, as a tool for driving economic prosperity on the African continent.

### 4.4.2 Discussion of The effect of US dominance over SSA in trade and investment Relations

The extension of AGOA which has already happened will be useful in the present term but it will not fully address the challenges that are associated with its full potential not being exploited. This then means that trade preferences placed in the right development context would in turn emphasize a strong focus on US-SSA trade relations that support structural transformation for SSA.

This kind of approach would give priority to the development of capacities of production and addition of value which would in turn support the transitioning of Ghana’s cocoa beans to chocolate export for example drinks and many other products at a better price in the value chain. This would strengthen the link between agro industry, manufacturing and services capacity development. The achievement of this will not take the offering of duty free access across various tariff lines where Africa’s capacity in production is prospective. It would instead require that the US focuses on their interventions and investments in the creation of a revolution in agricultural and industrial services in the SSA.
This will need partnerships that will be focused on the empowerment of local companies and individuals to own rather than spectator or be casual laborers in their own industrial development. Differently posed, it will mean that both parties will need a change in their mind sets to that regard. Therefore:

- There should be more focus on investment for trade from the US.
- The partnerships that Africa should be after are those that the US supports in an effort to create an enablement for the continent to achieve sustainable development through trade.
- There will be need for Africa to invest in the implementation and design of policies in industries that will encourage ownership locally and capacity development in different sectors.

The US offers duty free qualification for SSA countries under AGOA to an approximate 6500 product tariff lines. For this to happen, however, African countries must show willingness to improve in the areas of human rights, labor laws and adherence to the rule of law in general.

Yearly, the US decides whether the above requirements among many other have been met. The status of a country in benefit can be revoked without appeal, at the discretion of the POTUS. In June 2017 fir instance, Rwanda, Uganda and Tanzania were up for review in regard to their beneficial status of the AGOA for the plan they had of banning second hand clothes popularly known as mitumba which was seen as a move that would harm US interests in trade (Kiunguyu, 2017).

A research from the Brookings Institution showed that the scope of products under AGOA is very narrow. Crude oil for instance continues to be the domineering export to the US from SSA accounting for 46% of all AGOA imports in 2014 to the US. 67% of
AGOA imports were energy related in the same year for majority of African countries that are non-oil exporters. AGOA brings in less than 0.0001% of income per capita. The lowest share in the global merchandise and the trade of commercial services is accounted to Africa. Trade statistics by the WTO in the 2015 WTO international trade statistics showed an 8% decrease by 2014 in the share of global exports by Africa. In terms of value, exports from Africa were $555 billion to the world which is a total of 3% of the global merchandise (Rana, 2015).

Some countries have however gained greatly from the AGOA Act. Lesotho for example and its textile industry is a case in hand, where the AGOA is responsible for an estimated 10% of its income per capita and the creation of thousands of employment opportunities in Lesotho is credited to it. This kind of proof demonstrates that there still is an important part that a preferential access plan can play in the future US-SSA trade relations (Harrison, 2010).

There have been hindrances especially in the lack of AGOA to bring about a dynamic industrial base, with an up direction engagement in the up value segments in the apparel chain. To be sure, while AGOA has generally pulled in a scope of Asian and South African speculators, the main part of the business stays remote possessed and - dealt with (seen over a few other sub-Saharan African AGOA exporters, working to a great extent in Export Processing Zones (EPZ) that have constrained linkages to residential industry in comparable portions. The profits of innovation and aptitudes exchange just as the making of market openings maybe through local supply of certain esteem chain inputs remain generally undiscovered. Outside speculators ordinarily remain just for the span of particular plans and leave when the plans end or the plans’ conditions change. Therefore, they are commonly not put resources into the more drawn out term development of the residential business, which denies nations the chance to receive the proposed full rewards
of such game plans. This outcomes less from the AGOA activity as such, and more from
the powerlessness of SSA nations to structure and actualize mechanical strategies that can
assemble frameworks, make systems, create foundations, and adjust vital needs.

There is a need for African countries to figure out how their relationship with the US
going into the future can be one that supports their endeavors in resolving their challenges
in a way that promotes the ownership and establishment of industrial capacity locally that
has a lifespan that’s more than the uncertainties that come with preferential schemes
(Graham, 2010). The diagrams below show the little impact that the AGOA has had on the
growth of trade and investment in the SSA, and also shows how imports into the SSA
from the US are domineering in comparison with the imports to the US from the SSA.
The fact that the AGOA is a bilateral trade agreement, then it’s evident that there is lack
of balance of trade between the US and the SSA. One is clearly gaining more than the
other.

The United States directs a little offer of its all-out exchange with SSA nations. In 2011,
the United States imported $74 billion from SSA nations, or about 3.4% of complete U.S.
worldwide imports of $2.2 trillion. The United States sent out $20.3 billion to the locale
in 2011, or 1.5% of all out U.S. fares of $1.3 trillion. By and by, complete exchange
(trades in addition to imports) between the United States and sub-Saharan Africa became
51% somewhere in the range of 2009 and 2011, up from $62.4 billion of every 2009 to
$94.3 billion out of 2011. Certain outside components, incorporating increments in oil
and different costs for regular assets, may likewise account, to a limited extent, for the
sensational development (by esteem) in U.S-SSA exchange.

A critical part of U.S. exchange with sub-Saharan Africa is with few nations.
About 79% of U.S. imports from the locale were from three SSA nations in 2011: Nigeria (47%), Angola (19%), and South Africa (13%). Fares were comparably focused, with three nations accepting 68%: South Africa (34%), Nigeria (22%), and Angola (12%). Every single other nation represented under 6% each of U.S. imports from the area.

Figure 4.7: Nigeria and USA trade relations before and after AGOA

Source: OECD (2014)
4.4.3 Discussion of the extent to which the US influences and dominates over SSA

The sad reality is that a majority of SSA countries experience structural issues that in turn leave them as the globe’s producers and suppliers of raw materials yet gaining the least of benefits from the same. Right from the cocoa beans of Ghana, Senegal’s mangoes, Nigeria’s oil, Ethiopia’s coffee and Kenya’s tea among many other products from other SSA countries leaves pattern of a struggling continent in regard to value addition, and one that has failed to exploit its potential in service trade and manufacturing. There exceptions however, of countries like South Africa who have an economy whose profile in export are diverse in term of structure. South Africa exports shoes, cars and agricultural products and technology services. The same kind of pattern can be seen in countries in North Africa and Kenya to some extent. The general narrative however, is of an African economy dominated by a promise that is yet to be fulfilled.
Being home to 48 of the world’s LDC’s according to the UNDP, Africa has over time recorded a very low score in human development indices (HDI). It’s agreeable that Africa will be and is a focal point if the world’s SDG’s are to be achieved. It’s in this context therefore that understanding of the AGOA framework and how it has been operative in the last 17 years is very crucial.

Projections prior to the 2025 expiration date are that the US will have worked towards reconstructing its relationship with the SSA, more towards an engagement that is more reciprocal based trade agreement. This should not shock anyone, since a portion of Africa’s driving conventional fare markets, for example, the European Union, looked for equal terms in arranging Economic Partnership Agreements with different African states. While the greater part of these assertions remain works in advancement, their structure leaves no uncertainty about how the European Union sees its future association with Africa (Kimenyi, 2017).

The construction of a new US-SSA trade partnership should be greatly informed by Africa’s structural weaknesses. The US as the global big brother should champion for a win-win partnership in development. This will require a deliberate move in characterizing advancement collaboration in the twenty-first century. The arrangement of particular access remains a vital piece of this discussion; however the training, from the season of the improvement of multilateral guidelines ensuring such activities to date, shows the confinements of an exchange inclinations just methodology. The numbers recount the story: despite being one of the biggest beneficiaries of particular market get to activities, Africa remains the weakest player in the multilateral exchanging framework, and is the one locale that battles the most with battling destitution itself the focal guarantee of worldwide exchange (Kiunguyu, Kylie, 2017).
There is an allurement for the United States to move to correspondence based exchange concurrences with individual (or gatherings of) African nations. This methodology ought to be reconsidered. Corresponding exchange courses of action between the United States and Africa won't, in the present setting, create the required force for Africa's improvement. While they will anchor showcase get to, they will leave the center inquiry of Africa's advancement through exchange unanswered and the test exacerbated. This is the core of the contemplations of political economy that the United States and African nations should cautiously thoroughly consider in organizing another model of U.S.-Africa relations: the gatherings ought to put just in those methodologies that will work for Africa's more drawn out term feasible improvement (Walle, 2010).
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter will discuss the three parts of the statistical analysis from the results found in chapter four. The first part discusses and highlights the results that support the main objectives of the study. The second has recommendations to the issue of the US using the AGOA act as a domination tool over SSA and the last part concludes the research.

5.1 Summary

Opportunities for increase of exports to the target markets for developing countries have been provided for by the external trade policies. The AGOA is one of those, where it allows its eligible beneficiary SSA countries to export their selected products duty free. Whether the policy has or has not facilitated an expansion of exports by the target countries into the U.S. is an empirical issue. This thesis has investigated and provides empirical evidence on the quantitative effects of the policy. Empirical approaches better addresses selection bias and indignity issues which are thought to affect the previous studies’ findings on the effect of the AGOA policy intervention (Paul, 2007).

The current content analysis refers to the AGOA beneficiary countries as the ‘treatment’ group and the excluded African countries as the ‘control’ group. The terms ‘treatment’, ‘AGOA’ group, the ‘AGOA-eligible’ and the ‘beneficiary countries’ have been used interchangeably in the text to refer to the Sun-Saharan African countries affected by the 165 policy. Similarly, the AGOA excluded comparable African countries unaffected by the AGOA treaty have interchangeably been referred to as the ‘control’ group, the ‘AGOA ineligible’, the ‘non-AGOA’ group, and ‘non-beneficiary countries’ (Kingsley, 2017).
To facilitate meaningful comparisons of the differences in the U.S. import outcomes from the AGOA affected and unaffected groups, matching and weighting methods have been applied. Two matching techniques are used. This enables the selection of sufficiently similar ‘treatment’ and ‘control’ groups for investigation of the treatment effects (Mason, 2008).

In view of these findings that AGOA products could be import insensitive, any serious future policy options should consider including product with potential of increased production for export. Such considerations will likely lead to better export motion drive than the evidence for AGOA implementation has shown. Furthermore, future policy engagements with the SSA countries need to consider resource differentials and abilities of different countries. Such future ideal policy intervention should focus on multiproduct options for greater participation. It is likely that the uncertain effective timeframes of the intervention has influenced the dismal outcomes (Devesh, 2006).

5.2 Current and future challenges facing SSA in their trade relations with the US under AGOA.

There are a few issues that may be crucial to congress in overseeing AGOA and the considering of a possible renewal of the AGOA program past 2025. The issues are about diversifying the beneficiary countries and the participants in the industry, the nonstop eligibility of various countries for the benefits of AGOA, HIV/AIDS pandemic and US participation in small businesses under AGOA.

• Diversifying AGOA Exports: the mining and petroleum sectors have overshadowed textile and manufacturing industries under AGOA. The latter form a large part of US imports. The said industries barely provide opportunities for employment for African workers owing to the fact that they are highly capitalized. The benefits of AGOA are also
dominating in only a few selected countries, where the few AGOA-eligible countries export very little under the same. Economic diversification and its increase for the African region, levels of export and the main AGOA goals would be possible by the expansion of the target trade capacity building and assistance in technical issues to the countries more so in areas where economic activity and production is more. Agriculture being a major component of almost all African economies is an important source of income for workers in Africa that cannot be ignored. The increase in the same, under AGOA could assist in the raising of income and the spurring of economic growth. The improvement of the capacity of production, infrastructure and policies of investment could also bring about growth in light manufactured product exports (Rana, 2015).

• **Standards of Eligibility:** the mere eligibility of a country for AGOA benefits is itself very controversial. There is a feeling that the President, in a bid to ensure adherence to reforms must be strict on the enforcement and their requirements. Others have also singled out the fact that the eligibility is also unpredictable from year to year which has been viewed as risk of investment and suggestions on minimum eligibility to be more than the current, term wise have also been on discussion. Another suggestion would be that the president’s power to terminate AGOA benefits should also be given to the congress, who can override the president’s decision, as it has seen several states lose their AGOA eligibility.

• **The HIV/AIDS Pandemic:** this pandemic has over time destabilized African economies and has also threatened steps by AGOA in regard to income that is spent, living standards that remain unraised all in an effort to treat people that the disease has afflicted. This same disease has had its toll on life expectancy, which has evidently dropped in several countries in Africa that are eligible for AGOA. The AGOA advantages notwithstanding, investors may be discouraged by the high costs in medical care brought
about by the need for workers with the disease being replaced, training costs. The HIV/AIDS pandemic continues to destabilize the economies of Africa and threatens and the training costs for attendants and the destabilization risks that come with a society with a population that is dying

• **Lack of uniformity in the reporting of trade effects:** initially, AGOA required that reports on Africa-US trade investment policy on investment and its implementation be made yearly. This kind of reporting was a unique and important trade monitoring tool especially for policy makers. The reporting however, “died” in 2008. The Congress may have to consider the reinstatement of the annual AGOA reporting as a mandatory requirement (Brenton, 2006).

• **The participation of small businesses in AGOA:** an approximate of 55% of the US GDP is owed to the small businesses, which offers employment to a big number of workers in America. These businesses however do not really participate in trade with Africa and very few of them even know about AGOA. It has been noted by observers that there may be major benefits from the engagement of these businesses in the AGOA, and while at it, offer diversification avenues for African exports. There is an importance of small businesses in Africa where the increased partnership will result in better participation by both the US and the SSA. There are many ways in which the US agencies could become increasingly involved in the wide awareness and sensitization of AGOA to the small business community and the provision of opportunities for partnership. An example would include increased investment and an emphasis of the mandate of the US Foreign Commercial Service (Walle, 2010).
5.3 Conclusion

In answering the question of whether or not the AGOA is a domination tool for US over SSA is not about yes or no. answering that question demands needs a thorough review of the pros and cons that are associated with the participation of SSA countries in the AGOA.

In regard to the benefits, the most important would be an increase of African exports to the US. With the increase of AGOA and GSP related imports from 44.2 billion US dollars in 2000 to $5.1 billion in 2007 (Tadesse, Bedassa and Bichaka 2008). Coming as a result of the above, some countries like Kenya, Lesotho, Madagascar, Mauritius, South Africa, and Swaziland among a few others have slightly benefitted from the pact.

New market opportunities for African exports have also emerged as a result of the AGOA, more so the value added nontraditional products, with which African firms have been enabled to produce goods that are of high value and have earned them a spot in the global competition for the same. This has resulted to the sky rocketing of African economic growth and the rates of poverty are coming down, though slowly in the continent. Though oil has been the main export commodity under the AGOA, it has also enabled a reasonable growth in export of a wide range of non-oil products like foot wear, machinery, electronics, fruits, nuts, flowers among many others (Tadesse et al, 2008)

Offering incentives and supporting of economic reforms for African countries, which the AGOA has been doing can be argued that it has helped in the development and improvement of business environments in several African countries. This has resulted to the cooperation of the government and the private sectors, seen in the rapid of public private partnerships (PPP’s) who are working hand in hand to build infrastructure and
making all things easy and possible for the production and marketing of African goods and their value addition to the US market (Lucke, 2004)

Foreign direct investments from the US in SSA have also become possible courtesy of the AGOA seen from the statistics recorded between 2000 and 2007 where FDI flows shot up from $13.8 billion which was 52% increase. The above mentioned benefits cannot be ignored, however, the AGOA framework is anything but ideal. In very many ways it works against the good of the SSA countries. While trade between the US and the SSA has gone up since AGOA for instance, most of the African exports are oil and other extractive resources with only a very small increase in the non-oil products (Collier, 2007). This clearly shows that there is need for diversifying goods that are being exported to the US so that situations where the SSA rely on single commodities and enriching America and providing it with ready access to all the goods she requires while at it can be avoided once and for all.

The AGOA structure, as it is presently, likewise needs adequate inclusion of products that are specifically compelling to African exporters, especially with respect to certain agricultural items and materials. On the off chance that AGOA was extended to incorporate a more extensive scope of agricultural products, this would significantly expand its viability in encouraging monetary improvement through exchange. (Matto)

The AGOA falls short of a formal structure for part nations to consult with U.S. arrangement creators. This could result in circumstances where changes to the demonstration don't consider the interests of African nations, and rather center exclusively on propelling American interests. The AGOA Forum would be progressively successful if the African position is thought ahead of time and explicit positions are settled upon by the administrations. They could then more successfully push for their very
own advantages through the AU, which has formal portrayal in Washington. (Kimenyi, 2009)

To conclude, it can't be denied that AGOA has assumed a job in expanding exchange between the US and Africa. Under AGOA, non-oil trades have been seen to increment, and there has additionally been an extensive increment in remote direct speculation from the US. Notwithstanding this, the additions from AGOA are still unevenly conveyed for the US (Arvind, 2006).

In the event that AGOA is to really turn into a vehicle that can advance enduring development and improvement on the African mainland, at that point it should be transformed to be progressively comprehensive and effectively open. A decrease in non-tax obstructions, production of a formal arranging structure for African nations, and development of the scope of merchandise imported by America under AGOA, are only a couple of the means that would make AGOA, progressively powerful in utilizing exchange, as an apparatus for driving monetary thriving on the African landmass (Devesh 2006).

AGOA has had a positive effect in a few nations. It has additionally demonstrated the points of confinement of how far exchange advancement instruments can go. AGOA's termination in 2025 ought to be viewed as positive, since it makes the chance to return to the planning phase. The new methodology should concentrate on supporting Africa's endeavors toward basic change. It is in this methodology that we will discover a genuinely neediness taking out organization, which, all things considered, is the thing that such particular exchange activities are about. The new model should concentrate on frontloading U.S. ventures, in association with African endeavor, to help the production of Africa's agrarian, modern, and administrations upheaval. Better organized special exchange activities ought to be viewed as reciprocal, as opposed to as the characterizing
highlight of the U.S.-Africa exchange association. This is the genuinely necessary African supernatural occurrence we talk about, and one the United States must get its place in history by forming (Venables 2007).

5.4 Recommendation

It’s not all SSA countries that have access to AGOA. That is a reserve for only the countries that qualify for it. The inclusion of some states and the omission of others may not be of significance to the US, their future engagement with Africa should be one that include all of Africa, and one that is in tandem with the continent’s objectives that define “the Africa we want” like the ones enshrined in the agenda 2063 of the African Union.

Trade integration for Africa has widened and deepened owing to the continental free trade area negotiations. The approach of the SSA as a single unit moving forward will be essential in the maintenance of the integration that Africa is currently aiming at. That would make sense in regard to business because that would automatically mean that individual markets would be no longer valuable to large economies such as the US to make investment in.

For AGOA to realize its full potential and to work, the following should be put to consideration to ensure that full benefits are realized for Africa, benefits that make sense in regard to business and that Africa serves as an equal partner in the trade pact:

i. **Business conduction costs:** there can only be minimal benefits that can be achieved from GSPs owing to how liberal the world trade has become. With the provisions like quota and duty free markets, Africa still has not been able to fully and effectively exploit these preferences. This is because the African states are in a competitive disadvantage. The disadvantages are caused by the lack of infrastructure like electricity, ports among others. This is the reason why the cost
of doing business should be made standard in terms of burdens in regulation, procedures of acquiring licenses etc. the AGOA should put an emphasis on initiatives that are collaborative to deal with the main drivers of cost that affect African competitiveness.

ii. **Investing largely on value addition:** transformation of African economies is something that’s really needed but the AGOA has failed to achieve it. It can be evidenced by the fact that a majority of AGOA exports are commodities and thus the benefits are obviously limited and in the long run will be short lived. Economic growth for Africa can only be achieved through economic transformation. The policies in place should therefore be evaluated against the extent to which they contribute to transforming and diversifying the SSA economies.

iii. **The process of approval should be simplified:** agricultural exports from Africa still experience many non-tariff barriers even with duty free market access in place. African exporters have been dissatisfied overtime with the process of product approval which they have described as cumbersome and takes long and unnecessary time. The US government should therefore work on simplifying the process and while at it, address the harmonization of the standards set between the European countries and the US for the SSA states.

iv. **The revocation of the AGOA status:** it’s important that the conditions set for eligibility especially in regard to political governance are enforced and adhered to. However, the fact that eligibility for SSA countries can be revoked anytime has a negative impact especially in regard to investors and investment decisions. When a country is AGOA-eligible, it automatically attracts investors and therefore, the loss of eligibility means that investments also sink.
v. **Harmonization of member positions in the AGOA:** in the present, AGOA lacks a formal structure for negotiations between the US policy makers and the SSA member states if and when need arises. This therefore means that major and important decisions are made without regard to the opinion or suggestions or even the consensus of African States. If the position of Africa is deliberated well in advance and have an agreement on the specific positions, then the AGOA would be more effective. Now that the AU is formally represented in Washington, there should be a reasonable option built for African governments to have an AGOA negotiation capacity.

5.5 **Suggestion for future studies**

The same study should be carried out in other continents that have engaged in trade agreements with the United States in different countries e.g. North America Free Trade Agreement (NAFTA) with Canada, The Dominican Republic-Central America FTA (CAFTA-DR) etc. to find out if the same results would be obtained. This study focused primarily on Sub-Saharan Africa which may not necessarily bear the same characteristics as other global communities. There are many challenges facing the formation of FTAs and their executions. A study should be carried out to find out these challenges on formation of FTAs and ways of mitigating them, as well as why many regional blocks have not formed or considered formulating FTAs despite the advantages got from engagement in the same. Further study should also be done on other factors of FTAs that could affect performance since the study only considered those pertaining to SSA particularly Kenya, Nigeria, South Africa and Angola.
REFERENCES


Kelly, Kevin. Kenya won’t lose AGOA status, but its EAC partners may be thrown out. Daily Nation, June 21 2017.


Kiunguyu, Kylie (2017)... Rwanda Will Proceed with the Ban on Used Clothes Despite Threats by the United States. Rwanda Podium.


