US Trade Policy and Sub-Saharan Africa Current Trends and Their Implications for Eastern Africa[1]

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Second World War presented dramatic end of the inter-war attempt to create new world order based on the League of Nations. WWII also substantially changed the global politics. European states definitely lost its global position, the United States confirmed its role as a new global superpower, and Soviet Union emerged as a new powerful global actor and ideological rival to the American hegemony. The winning coalition agreed on new institutional structure to govern political, economic a social issues in post-war World. Particularly war-ravaged and relatively fragmented world economy required profound reconstruction, originally planned to rest on three pillars: International Bank for Reconstruction and Development (generally known as World Bank) created to advance economic development and fight poverty, International Monetary Fund to reconstruct the world's international payment system and stabilize exchange rates, and International Trade Organization to liberalize global trade. Despite major modifications to initial idea mainly in the trade pillar, this system proved to be vital and is still functioning. However, the trade liberalization agenda seems to be the most controversial of these three pillars — see for example the stalled Doha round of trade negotiations. Consequence of this is a rise of bilateralism and regionalism at the expense of multilateral global trade liberalization. The present study deals with the position of sub-Saharan Africa in the US trade policy and proceeds as follows. First part briefly describes changes in the US trade policy in time perspective until the early-1970's. Second part discusses changes in global trade under the EU/US duopoly from mid-70's to mid-90's. Third part deals with the changes in global trade related to the creation of the World Trade Organization and with the increasing role of bilateral agreements in global trade. Fourth part theoretically discusses the phenomenon of the so-called "new regionalism" and rapid increase of bilateralism in global trade. Fifth part reflects position of sub-Saharan Africa in the US trade and trade policy. It also discusses the unilateral US trade preferences offered to Africa under Africa Growth and Opportunity Act. The final part describes implications of AGOA for countries of the Eastern African Community (EAC).

1 This study was supported by the Charles University in Prague, project GA UK, No. 834214, „Trade regimes in sub-saharan Africa".

US GLOBAL HEGEMONY AND ITS TRADE POLICY

Hufbauer and Suominen identify three long phases of trade policy in American history, which reflect shifts in political power within the American political elite.[2] Since the creation of the United States until the end of the Civil War, agrarian business from the South dominated the American politics and its export-oriented interests supported liberal trade policy. Then, political power moved to the industrialists from North and Midwest who preferred to protect their production from the British and German competition. However, the US has never been a trading nation and it prospered due to its large domestic market.[3] In the beginning of the 20th century, the US became the leading global economic superpower. It produced more goods and services than any other state in absolute and even relative terms. During the World War I, the US substantially increased its overseas foreign investment through war loans to fighting European countries. This trend continued and even strengthened after the war and amount of the US investment further increased. Trade protectionism reached its peak after the Great Depression with the *Smoot-Hawley Act* of 1930.

Only few years later, the US trade policy shifted again towards the liberal one with the *Reciprocal Trade Agreements Act* of 1934. This Act authorized the president to negotiate bilateral agreements leading to reciprocal tariff reductions. Until the end of World War II, the US signed 32 bilateral trade agreements with 27 countries, mainly in Latin America.[4] This Act also started the third period of economic liberalism caused by improved trade balance and growing political role of export-oriented business interests. It also had impact on the US economic priorities after WWII: to consolidate the increased prominence of the US companies in the international economy, to support their export and investment and to prohibit existence of cartels worldwide.[5]

During the Cold War, the US became an undisputed hegemon of the non-communist world and the leading proponent of global trade liberalization. However, the US itself proved to be the main obstacle to the process. According to the initial idea, it had to be the International Trade Organization to supervise trade liberalization. The General Agreement on Tariffs and Trade (GATT) was signed in 1947 to be a supporting body for the ITO and to ease the start of post-war trade liberalization as soon as possible. However, the US did not ratify the ITO Charter as it considered this document incompatible with its own agricultural policy.[6] Thus, the GATT became the key

2 HUFBAUER, G. — SUOMINEN, K., *The United States: Trade Policy Sleeping — Short Nap or Long Slumber?,* in: HEYDON, K. — WOOLCOCK, S. (eds.), The Ashgate Research Companion to International Trade, Farnham, 2012, p. 423.

3 CARD, A. — DASCHLE, T., *U. S. Trade and Investment Policy. Independent Task Force Report,* New York 2011, p. 8.

4 HUFBAUER, G. — SUOMINEN, K., op. cit, p. 425.

5 PORTER, T., *The United States in International Trade Politics: Liberal Leader or Heavy-Handed Hegemon,* in: KELLY, D. — GRANT, W. (eds.), The Politics of International Trade in the Twenty-First Century, Basingstoke 2005, p. 210.

6 GRANT, W., *Agricultural Trade,* in: KELLY, D. — GRANT, W. (eds.), The Politics of International Trade in the Twenty-First Century, Basingstoke 2005, p. 92.

authority supervising periodic negotiations of trade liberalization for next decades. However, when compared to the ITO, the GATT was less elaborate and it had weak institutional structure and no direct linkage to other two pillars of the post-war economic order (IMF and IBRD).[7]

Despite that, the GATT was quite well functioning in 50's and 60's. World trade in goods rapidly increased and tariffs were lowered in an unprecedented pace. However, initial lowering of tariffs was quite easy from high post-war tariffs, but round by round, negotiations became longer and harder and the results less adequate. Another weakness of the GATT was its limited scope. Only few years after signing the GATT, the USA negotiated a waiver on agricultural products. Another few years later, European Economic Community (EEC) with its Common Agricultural Policy joined. Both economic superpowers thus excluded agriculture (and similarly the textile products) from the trade liberalization scheme. The US trade policy between 1934 and 1974 was in fact not liberalization, but a "selective protectionism" based on reciprocal reduction of tariffs with selected states and simultaneously on the protection of sensitive domestic sectors through product-specific trade barriers.[8] In 1962, the *Trade Expansion Act* authorized president to negotiate further tariff reductions up to 50% and thus confirmed the prevailing, although limited, liberal orientation of the US trade policy.

THE EU/US DUOPOLY IN GLOBAL TRADE

Relatively quick economic recovery of Europe and the end of Bretton Woods monetary and financial system caused some changes in global trade politics. Despite close political, economic and security ties between Europe and the US, both sides were more and more in the state of *competitive interdependence*. They are economically interdependent. They have relatively similar economic interests. They played a key role in all the multilateral trade rounds. They could use their economic power to shape the results of these rounds to be favourable to them. Simultaneously, they are competitors in the global arena. They compete for the same markets. They define their success in relation to each other. They challenged each other in the GATT negotiations. They both try to spread their territorial influence.[9]

Since the end of the World War II, the US supported the European integration process. However, it also posed several challenges to the US trade policy. First, the integration process would eventually lead to the creation of the European common market. In 1968, when the EEC customs union entered into force, the six members

7 WILKINSON, R., *The World Trade Organization and the Regulation of International Trade,* in: KELLY, D. — GRANT, W. (eds.), The Politics of International Trade in the Twenty-First Century, Basingstoke 2005, pp. 16–17.

8 CHOREV, N., *Remaking U. S. Trade Policy: From Protectionism to Globalization,* Ithaca 2007, p. 196.

9 SBRAGIA, A., *The EU, the US, and Trade Policy: Competitive Interdependence in the Management of Globalization*, in: Journal of European Public Policy, Vol. 17, 2010, No. 3, p. 369.

had population of approximately 180 million inhabitants. It was only slightly smaller than the US population. Second, the European Economic Community was likely to accept other European states for the membership, the Great Britain, Denmark, and Ireland becoming members in 1973. After first enlargement, the European market exceeded the US market related to the number of customers. Third, the European Common Agricultural Policy strongly disappointed the US. Fourth, the US opposed the special relationship between the EEC and former colonies. Fifth, integration process strengthened European economic power and the post-war US hegemony slowly evolved into the US/EU duopoly.[10]

Long liberal phase in trade policy coincided with the US leadership in world affairs.[11] Under the duopoly, the trade liberalization negotiations did progress only very slowly. One reason was external pressures to global economy caused by the end of exchange rate stability system and two oil shocks. Another reason was political: growing dissatisfaction of developing countries related to the exclusion of agriculture and textiles from liberalization, which substantially limited potential gains from liberalization for these countries. Third reason was the growing economic openness and international activity of Japan. This resulted in a partial departure from the liberal trade policy by the US, expressed in the *Trade Act* of 1974. On one side, it gave president a fast-track authority to negotiate trade agreements, which Congress can approve or disapprove, but not amend or modify. However, it also allowed implementation of restrictive measures under Section 201 in case of expanding imports endangering domestic industry. Finally, it allowed president to impose "all appropriate" measures to eliminate unfair trade practices of other states, or in other words, it "gives the president authority to take unilateral retaliatory actions against foreign countries that either violate trade agreements or otherwise maintain laws or practices that are unjustifiable or restrict US commerce".[12] The US soon became the champion in using anti-dumping duties, countervailing duties, bilateral voluntary export restraint agreements or domestic subsidies. However, the US could afford using these practices due to the size of its market. For Japan and other Asian countries, access to the US market was of a great importance even when accepting export limits. Globally, non-tariff barriers such as quotas or licences replaced tariffs and the year 1982 marked the lowest point in global trade liberalization.[13]

Another part of this process was the rise of preferential trade agreements (PTAs). As declining hegemons become more aggressive, this rise "has been related to the relative decline of the US hegemony, with the United States shifting to a more aggressive use of PTAs when it is no longer able to shape the multilateral trade regime as it

10 WOOLCOCK, S., *European Union Trade Policy: Domestic Institutions and Systemic Factors,* in: KELLY, D. — GRANT, W. (eds.), The Politics of International Trade in the Twenty-First Century, Basingstoke 2005, p. 235.

11 HUFBAUER, G. — SUOMINEN, K., op. cit, p. 436.

12 Ibid., p. 176.

13 KELLY, D. — GRANT, W., *Introduction: Trade Politics in Context,* in: KELLY, D. — GRANT, W. (eds.), The Politics of International Trade in the Twenty-First Century, Basingstoke 2005, p. 5.

wishes, with others following suit".[14] The US shift to bilateralism is remarkable since the early 80's, free trade agreement (FTA) with Israel in 1985 being the first one, soon followed by the similar agreement with Canada in 1988. In the mid-80's, the US trade deficit was still increasing and workers, trade unions and industry management pressed government to offset the perceived advantage of foreign countries stemming from asymmetric trade conditions. Generally, the US tariffs were much lower than the tariffs of Asian countries. This lobbying effort resulted in 1988 when Congress adopted the *Omnibus Trade and Competitiveness Act*. According to this Act, countries with big trade surplus with the USA could face a bilateral surplus-reduction requirement of 10%. The neo-mercantilist nature of this Act evidently ran contrarily to the global liberalization efforts.

On the other side, the USA initiated new, radical round of multilateral trade negotiations started in Uruguay in 1986. The new round aimed at broadening and deepening the multilateral trade framework by including new issues such as trade in services, foreign investment, and intellectual property rights. Including these new issues would help to resolve the growing US trade deficit due to high global competitiveness of the US companies in these sectors. Not surprisingly, developing countries resisted this new agenda and the US had to react. On the one side, it used some of the above-mentioned unilateral measures and threatened to call off the whole round. On the other side, it agreed to open up its market in sensitive sectors, mainly in agriculture and textiles to proceed with the negotiations. This radical change reflected the crisis in world agriculture caused by the collapse of international prices, growing fear of competition in agriculture with Europe, efforts of republican administration to lower agricultural subsidies, and growing political prominence of big agri-business at the expense of small farmers. The EEC did not initially support launching this new round, as it did not want to liberalize its agricultural sector. The Uruguay Round confirmed two trends in global trade politics. First, multilateral negotiations are still harder and more difficult. Second, the European/American duopoly matters. This round could be closed only after the bilateral EU-US agreement about agriculture and only under terms that the duopoly favoured.[15] However, the creation of the World Trade Organization (WTO) changed this second trend.

WTO AND TRADE LIBERALIZATION

From the US point of view, the creation of the WTO fulfilled two long-standing goals of its trade policy. First, the greater legalization of trade practices. The inclusion of the new trade agenda promised the US firms with new opportunities in the services sector. Moreover, it also provided the US government a unique opportunity to modify existing institutional arrangement. The US feared that many countries would not be able or willing to implement their duties related to new agenda of services, in-

14 HEYDON, K. — WOOLCOCK, S., *The Rise of Bilateralism: Comparing American, European and Asian Approaches to Preferential Trade Agreements*, Tokyo and New York 2009, p. 220.

15 SBRAGIA, A., op. cit., p. 371.

vestment, and intellectual property rights. Until 1994, the US relied primarily on its domestic trade laws and on the threat of unilateral trade sanctions as enforcement tools. Creating new dispute settlement mechanism provided the US with better control over economic practices in other countries. It entered another phase of its trade policy, that of legalized multilateralism.[16] Second, the US could use the WTO to force the EU to reshape its special relationship with its former colonies.[17] Therefore, it was rational to continue with the current trade policy favouring multilateral trade negotiations and limited use of bilateral or unilateral trade restrictions.

However, there were also significant reasons not to continue with the current trade policy. During the Cold War, economic issues were subservient to security concerns. With the end of the Cold War, the US felt having the moral right to reap the economic benefits of their victory over communism.[18] The US wanted to reshape the global economic geography.[19] Another impetus was rapid development of the European integration and creation of the European Union and internal single market. Next reason was the hard bargaining during the Uruguay Round. The slow progress of the Uruguay Round and particularly of the Doha Round was a setback to US trade policy.[20] All these factors subsequently led to the re-orientation of US policy towards the North American Free Trade Area (NAFTA, with Canada and Mexico, in force since 1994) and the Free Trade of the Americas (FTAA, the whole-continental free trade area proposed by the Bush administration in 1990, however, negotiations were still not concluded until now).

NAFTA was a milestone in the global regionalism. "It signalled the arrival of a "WTO plus" very expansive form of regionalism" and it "forced all trading states to eventually rethink their trade strategies".[21] It is true that it was the European Union, who became the key proponent of PTAs in the 1990's. Europe had a long tradition of trade agreements with the so-called ACP Group of the former colonies in Africa, in the Caribbean and in the Pacific. These agreements had and still have very strong developmental accent and fulfil political goals as well as economic goals. Since the beginning of the 1990's, the European Union started to sign the so-called association agreements with near neighbours as a means to promote economic and political development in post-communist countries, later with countries in the Mediterranean region. Thus, these agreements also contain not only economic, but also political goals as well. However, the NAFTA agreement was of qualitatively different nature and forced the EU to start negotiating third kind of trade agreements. These are purely commercial agreements with leading regional economic powers worldwide. It is not surprising that one of the first EU trade agreements was that with Mexico, signed in 1997, in force since 2000, with the aim to neutralize trade diversion effects of the

16 CHOREV, N., *Remaking U. S. Trade Policy: From Protectionism to Globalization,* Ithaca, 2007, chapter 6.

17 Ibid.

18 KELLY, D., *Trade, Security and Globalization*, in: KELLY, D. — GRANT, W. (eds.), The Politics of International Trade in the Twenty-First Century, Basingstoke 2005, p. 82.

19 SBRAGIA, A., op. cit., p. 372.

20 CARD, A. — DASCHLE, T., op. cit., p. 35.

21 SBRAGIA, A., op. cit., p. 376.

NAFTA agreement.[22] Despite that, the EU generally showed great commitment to multilateralism during the Uruguay round and particularly during the Doha round. The EU Trade Commissioner Pascal Lamy (1999–2004) pursued the strategy of *managed globalization*.[23] He went so far that in 1999 the EU imposed on itself a moratorium on negotiating new trade agreements, as it wanted to support the starting Doha round.

The US under George Bush Jr. administration chose an opposite strategy of *competitive liberalization,* as the United States Trade Representative Robert Zoellick called it. This concept slowly evolved in the 90's, but it fully developed few years later. Competitive liberalization means that all economic superpowers seek to get a maximum of trade preferences, especially those that also the other superpowers may be able to negotiate for themselves (above mentioned Mexico is the clear example). In 2002, the *Trade Act* renewed the fast-track authority for the President to negotiate new trade agreements. The US started to follow more offensive trade policy — first new agreements were that with Chile and Singapore, both in force since 2004.

Logically, the emerging Asian powers did not stand aside. Japan entered the bilateral arena in the late 90's partly due to trade diversion effects of the NAFTA agreements, partly due to Asian financial crisis in 1997, partly due to limited success of the Asia-Pacific Economic Cooperation (APEC) project. Initially, it sought to strengthen and formalize existing links to other countries in the region. For example, the FTA agreement with Singapore entered into force in 2002. Facing growing role of China, especially after its entrance into WTO in 2001, Japan became more interested in economic partnership also with countries out of its region.[24] The first extra-regional FTA with Mexico entered into force in 2005, the same year as a similar agreement between India and Singapore. China also started to negotiate its trade agreements (New Zealand, Singapore).

In these circumstances, holding the self-imposed moratorium would cause the EU a great economic harm. Thus, in 2006, the EU adopted new strategy called *Global Europe,* which confirmed its commitments to the WTO, but concurrently it suggested possible directions for bilateral trade negotiations exceeding the WTO framework. The key feature of the new phase of competitive interdependence was extension of the EU influence in Latin America and Asia. Trade agreements with Colombia/Peru, Central American states and particularly with the Republic of Korea followed soon. "Whereas the EU has been a "follower" in extending its influence to Latin America, it may emerge as a "leader" in Asia".[25] It was the US turn to react. In 2010, Barack Obama in his Union speech called for more aggressive trade policy when seeking new markets[26] and expressed a goal of doubling American exports within five years.[27] In

22 The EU also started to negotiate with the US, however, proposals for Trans-Atlantic Free Trade Agreement (TAFTA) did not lead to signing any comprehensive agreements at that time.

23 Ibid., p. 369.

24 HEYDON, K. — WOOLCOCK, S., *The Rise of Bilateralism…,* pp. 190–191.

25 SBRAGIA, A., op. cit., p. 379.

26 CARD, A. — DASCHLE, T., op. cit., p. 12.

27 HUFBAUER, G. — SUOMINEN, K., op. cit, p. 434.

the following years, the US negotiated agreements with Colombia, Panama and the Republic of Korea. It is evident that both superpowers react one to each another and that they use the same range of measures to fulfil its goals. The next logical step within the framework of competitive liberalization was to start trade negotiations between the US and the EU. This happened in 2013 and the *Transatlantic Trade and Investment Partnership*, which will become the biggest free trade area in the world, is supposed to be finalised by the end of 2014. This can provoke emerging Asian powers to be more active in the global regionalism. However, from the American and European point of view, the growing trade openness goes hand in hand with growing unemployment and with decreasing wages and real earnings of workers. Some industries are not globally competitive anymore and they have to be close down. Subsequently, popular opposition to trade opening grows. As Card and Daschle put it, "even before the financial crisis and the recession, Americans had come to see trade as a more of a threat to their well-being than as an opportunity for economic growth".[28] Thus, it is not clear whether the process of negotiating PTAs will continue, or whether it has reached its peak.

RATIONALE OF THE BILATERAL TRADE AGREEMENTS

This whole process of proliferation of the PTAs is called *new regionalism*. While regionalization is an objective process of regional delimiting of international economic relations, regionalism is a strategy of states to influence this process.[29] It is obviously not a new phenomenon, even ancient empires or colonialism were some kind of regionalism. The more recent examples are customs unions or common markets created all over the world in the post-war decades. What is common to this old form of regionalism is its geographical determinacy. States sought to create larger entities either through military conquest, or through economic links. At the end of the 1980's, regionalism entered the phase of *new regionalism*. The main reason was globalization, growing dependence of states on international trade, legal and institutional standardization, capital liberalization and slow pace of multilateral liberalization negotiations. One specific reason is a shift in developing country economic policies from the import substituting industrialization strategy towards more open and market-oriented policies.[30] Regionalism is a political and societal response to expansion of market with all its imperfections.[31]

Within the framework of new regionalism, the geographical dimension is neglected. Region is not a geographical unit. Region is a functional cooperative unit

28 CARD, A. — DASCHLE, T., op. cit., p. 7.

29 KUČEROVÁ, I., *Nový regionalismus versus geografický regionalismus*, in: KOTÁBOVÁ, V. — ŘÍCHOVÁ, B. (eds.), Institucionalizace a decentralizace v Evropské unii, Praha 2006, pp. 68–69.

30 MANGER, M., *Preferential Agreements and Multilateralism,* in: HEYDON, K. — WOOLCOCK, S. (eds.), The Ashgate Research Companion to International Trade, Farnham, 2012, p. 410.

31 HETTNE, B., *New Regionalism Revisited*, in: SÖDERBAUM, F. — SHAW, T. (eds.), Theories of New Regionalism: A Palgrave Reader, Houndmills 2003, p. 31.

based on mutual economic benefits through the trade liberalization. To achieve this goal, bilateral agreements prevail over the multilateral and they take the form of complex free trade areas. They contain trade with goods, but also liberalization of other sectors including services, investment, labour migration, protection of intellectual property rights, or environmental standards. What is also significant is increase in the North-South agreements between economic superpowers and regional semi-powers such as Mexico, Chile, Thailand, South Africa, Turkey and others. For these smaller partners, the main driver of negotiating PTAs is to attract foreign investment and assure the transfer of technology, in some cases to support domestic reforms. This leads to paradoxical situation that developing countries reject the so-called Singapore issues within the WTO framework, but (some of them) accept it in bilateral negotiations. [32] On the other side, for superpowers investment is the main driver as well. Services markets in developing countries are usually large, requiring major investments and thus providing big opportunities for Western or Asian companies. To negotiate a free trade agreement in services creates "first-mover" advantages for those coming first, which later enables these companies to establish a dominant position on the market.[33] Moreover, it forces other countries to react and to negotiate its own similar free trade agreements granting them similar trade preferences.

Generally, there are seven main reasons pushing the trade bilateralism ahead.[34] First, one of the main drivers is fear of "being left out", mainly in East Asia. Intensification of economic and trade links in South Asia and East Asia threatens to carry trade diversion costs for other countries outside the region. Second driver is the slow pace of multilateral negotiations, in the American case combined with its declining economic power and limited ability to use unilateral measures. Third driver is an opportunity for faster and deeper integration. Higher standards of the WTO+ agenda can be much more easily negotiated bilaterally than multilaterally, including strong enforcement mechanisms. Fourth driver is ability to force trade-related issues, mainly labour, environmental and health standards, to be included in the agreements. Fifth driver is that bilateralism can serve as a stimulus to domestic reform. However, this is not a strong motivation in the US case. Sixth driver is that bilateralism can provide a stimulus to multilateralism as it is advancing free trade. The last driver is that bilateralism is a complement to foreign policy objectives, including support for strategic partners, solution of immigration problems and others. To sum up, the single most important reason for bilateralism is to enhance market access through mutual symmetric tariff reduction and to assure fair competition between producers in different countries.[35] To be more precise, probably the main goal is to gain access to services markets and to assure protection of intellectual property. In exchange for that, the US is willing to open its market to foreign goods, except for

32 HEYDON, K. — WOOLCOCK, S., *The Rise of Bilateralism…*, pp. 214–215.

33 HERON, T. — SILES-BRÜGGE, G., *Competitive Liberalization and the "Global Europe" Services and Investment Agenda: Locating the Commercial Drivers of the EU-ACP Economic Partnership Agreements*, in: Journal of Common Market Studies, Vol. 50, 2012, No. 2, p. 254.

34 HEYDON, K. — WOOLCOCK, S., *The Rise of Bilateralism…*, chapter 6.

35 Ibid., p. 153.

the most sensitive sectors such as agriculture or steel.[36] From the other point of view, probably the trade policy today is not primarily about tariff concessions, but it is more about rule making and reconciling different domestic regulatory norms.[37] The US presents itself as realizing some kind of *gold standard* of trade liberalization. However, this is more rhetoric than reality. The US agreements are not comprehensible and do not cover substantially all trade as the rules of the WTO require. Agriculture is excluded and services are not completely covered as well. Moreover, the preferential access, regardless of its scope, is naturally always discriminatory. Preferences lead to vested interests opposed to multilateral liberalization.[38]

To sum up, the US is rather ambiguous with the trade liberalization agenda. It is viewed as one of the most important supporter of liberalization. Trade negotiations are conducted simultaneously at multiple levels and are prioritized as a means to advance the process of multilateral liberalization. From this point of view, the US strategy of sequential liberalisation leads to regionalising or bilateralising multilateralism.[39] On the other side, it still protects some of its industries and undermines multilateralism by its unilateral and bilateral actions. US trade policy has consistently involved an aggressive use of political measures to promote US economic interests. It does not reflect the ideology of liberalization. It reflects only the interests of US business.[40]

SUB-SAGARAN AFRICA IN US TRADE POLICY

As we have seen, the competition between the US, the EU and other economic powers is very intense in Asia and Latin America. Contrarily, sub-Saharan Africa seems to be unaffected by this process.

For a long time, sub-Saharan African played minor role in US trade. The Monroe doctrine in 1823 safeguarded US interests in the Americas, while the Berlin Conference in 1884–1885 confirmed the dominance of Europe in Africa. This geopolitical division also influenced the trade patterns on both continents. In Africa, all the colonies traded predominantly with their metropolis. With the end of colonialism, these patterns were not reversed. In 1963, the European Economic Community and African states signed the Yaoundé Convention, which provided both parties with some reciprocal trade concessions. The former British colonies could use the Imperial Preference system, similar reciprocal agreement established by the United Kingdom in the inter-war period. For the US, African market was not a priority in early post-colonial period, as it had no vital interests there. Except for Liberia, it had no natural economic allies on the continent, which was also geographically remote from America.

36 PHILLIPS, N., *The New Politics of Trade in the Americas*, in: KELLY, D. — GRANT, W. (eds.), The Politics of International Trade in the Twenty-First Century, Basingstoke 2005, p. 195.

37 WOOLCOCK, S., *European Union Trade Policy…*, p. 237.

38 HEYDON, K. — WOOLCOCK, S., *The Rise of Bilateralism…*, p. 156.

39 Ibid., p. 201.

40 PORTER, T., op. cit., pp. 204–205 and 216.

Due to highly unfulfilled expectations, the EEC and African countries signed a new convention in Lomé in 1975. Unlike the previous one, this convention was asymmetric and provided African states with preferential access to the European market with no obligations to open up its own markets. The new convention opened up African markets for non-European exporters. However, the US did not fully utilize this opportunity. One reason is the persistence of import substituting strategies followed by most of African states. Another reason is worsened diplomatic position of the US in Africa. A decade earlier, the US had in Africa very good reputation. The ideology of Pan-Africanism had its roots within the American black community and many of African leaders studied on the US universities. Moreover, the US strongly supported African right to self-determination and pushed for decolonization. However, in the mid-70's, this positive image waned due to military support provided to the last European colonial power, Portugal, due to economic contacts with apartheid South Africa, and due to the US war activities in Vietnam. As a global superpower, the US could not separate economics from politics.[41] This created a barrier to enhance trade relations with Africa, which remained very modest. South Africa dominated the US exports, while on the black African markets the US was losing to Japan companies. Japanese government was active in supporting its companies to export to Africa, while the US government seemed to be more adversarial than supportive to the US business interests.[42] Similarly, the single country, Nigeria, dominated the US imports from Africa. Growing import of Nigerian oil subsequently led to huge trade deficits with Africa in the 80's. After the First Gulf War, the US increased its efforts to diversify oil imports, which made the African oil even more desirable.

Following the end of apartheid, the US sought to enhance its economic links to Africa. Until the early 90's, the US trade policy towards all developing countries was uniform and based mainly on unilateral preferences under the GSP programme (instituted in 1976). As developing countries play increasingly important role in the US trade flows, the US policy towards them evolves. While some developing countries are economically successful and their role in global trade is expanding, other countries are lagging far behind. This is the case of sub-Saharan African. This means that to be effective, the US trade policy must differentiate between various groups of states. This already happens. With more developed countries, the US seeks to negotiate the reciprocal FTA. Contrarily, the least developed countries still enjoy free access to the US market under unilateral preference programmes.[43]

The flagship of the US trade policy with the sub-Saharan Africa is the *African Growth and Opportunity Act* (AGOA). The US Congress adopted this act in May 2000 with the aim to enhance access of African countries to the US market. Although we matched the new regionalism with bilateral complex free trade areas, even this uni-

41 MOSS, J. — RAVENHILL, J., *Emerging Japanese Economic Influence in Africa*, Berkeley 1985, pp. 4–5.

42 Ibid., pp. 36 and 108.

43 COOPER, W., *U. S. Trade with Developing Countries: Trends, Prospects, and Policy Implications*, in: GEISLER, K. (ed.), U. S. Trade with Developing Countries: Policy, Programs and Trends, New York 2009, pp. 1–2.

lateral act is obvious result of the new regionalism process. We have mentioned seven main reasons for pushing bilateralism ahead. Let us discuss them in detail with relation to the AGOA. First reason: fear of being left out. This fits also for the AGOA programme. Africa, despite its marginalization in global economy, is important source of raw materials and agricultural products. Oil exporters are of particular interest for all the developed countries, including the US. Equally, growing African middle-class is of a great interest for importers from the developed countries. Obviously, South Africa is the leading African trade partner in this respect. As the EU had had a long tradition of preferential regimes with Africa, the US needed to react. In 2001, the EU introduced the *"Everything but Arms"* (EBA) initiative, which provides for duty-free imports from least developed countries (LDC). This initiative underlines importance of the AGOA even more. In 2010, China also introduced its own unilateral preference programme for LDCs. Three other reasons are closely related: slow pace of multilateral negotiations, opportunity for faster and deeper integration, and ability to force trade-related issues. These are also relevant factors for the AGOA, although not directly. Unilateral preferences cannot push forth the WTO+ agenda. However, one of the AGOA goals is to foster economic performance of eligible countries. This preferential programme presupposes that in future, the US will negotiate reciprocal free trade agreements with African countries. These agreements would surely contain not only trade relations, but also other issues, which are of great importance for the US business. Next two reasons, stimulus to domestic reform and stimulus to multilateralism, seem to be less important related to the AGOA. The last driver, that it is a complement to foreign policy objectives, is obviously very important for the AGOA, as access to these preferences is conditional. Duty-free access serves as a tool to promote market economy, democracy, good governance, rule of law, respect for human rights, and fight against corruption and terrorism in particular African countries. To sum up, the AGOA programme as one example of transregionalism (cooperation over two or more regions) in current global economy is clearly an expression of the new regionalism process.

Initially, the AGOA covered a period from October 2000 to September 2008. Several amendments extended the period covered by AGOA until the end 2015. Act builds on existing unilateral trade preference under GSP programme, but it goes even further in liberalizing African imports. Compared to GSP programme, AGOA has several advantages for African exporters. First, it provides higher certainty and predictability as it guarantees trade preferences until the end of 2015. Second, it extends the range of products, which can access the US market duty-free. Another 1800 new items complemented the existing list of 4600 items under GSP programme. Third, the rules of origin are less strict than under GSP. The added value of at least 35% is the same for both programmes, however, under AGOA there applies two specific rules. The concept of *cumulation of origin* allows beneficiary countries to meet this requirement jointly by more than one AGOA beneficiary. The concept of *bilateral cumulation of origin* allows beneficiary countries to meet part of this requirement with the US-originating parts and materials. Fourth, contrarily to the GSP programme, AGOA also contains textiles and apparel made from the US or homemade fabric. Fifth, for least developed countries exporting apparel, there is a special provision allowing them duty-free access even for apparel made from non-AGOA and non-US fabric (and thus not fulfilling standard rules of origin). This specific rule was initially planned for only four years. However, it was later extended until the end of 2015.

Eligibility for AGOA preferences is conditional and based on fulfilment of several criteria. First, country must show progress toward market-based economy, the rule of law, political pluralism, the elimination of barriers to US trade and investment, reduction of poverty, fight against corruption, or protection of worker rights. Second, country must not engage in activities undermining US national security or foreign policy interests. Third, country must not engage in gross human rights violations or support international terrorism. Eligibility of African countries is assessed annually. In 2000, 34 countries were declared eligible under AGOA. Currently, the number of eligible countries has risen to forty.[44]

According to US Trade Representative Robert Zoellick, the US-African trade is about opportunities, inclusiveness, integration, mutual gains, freedom of choice, governance, and hope for betterment.[45] Proponents expect that the Act would enhance US-African trade, improve trade regulatory mechanisms on the African side, and help to diversify African exports. Critics assume that the effect of this Act would be limited. There are several reasons for that scepticism. First, AGOA offers to African states unilateral preferences. Although the US will provide them for quite a long period of fifteen years, there is no guarantee that it will prolong them for another period. Second, trade preferences for sub-Saharan Africa will cause trade diversion for other developing countries. This will pose the poor countries or regions one against each other when competing for the US market. Third, the US designed all the parameters of mutual trade relations with Africa. AGOA preferences are conditional and the US president annually assesses fulfilling these conditions by all African countries. In case of negative assessment, country loses its eligibility for AGOA preferences. Fourth, related to the previous point, the relationship is asymmetric and there is no dispute settlement between both sides. Fifth, several successful rounds of multilateral negotiations and growing number of bilateral trade agreements led to substantial elimination of tariffs. For many commodities, there are zero tariffs today, which gradually erode potential benefits of any unilateral preferences.[46] Many African countries, those exporting raw materials in particular, will not be able to reap any benefits from AGOA.

Evidence from several empirical analyses confirms this negative view rather than the positive one. It is true that exports from Africa to the US have increased after 2000. However, only a small portion of this increase is thanks to AGOA. The reason

44 Between 2000 and 2014, the US granted the status of AGOA-eligibility to 43 countries. Three of them have lost this status: DR Congo in January 2011, Guinea-Bissau in January 2013 and Swaziland in June 2014. Six African countries have not been granted this status at all: Central African Republic, Equatorial Guinea, Eritrea, Somalia, Sudan, and Zimbabwe.

45 SOKO, M., *The Political Economy of African Trade in the 21st Century*, in: KELLY, D. — GRANT, W. (eds.), The Politics of International Trade in the Twenty-First Century, Basingstoke 2005, p. 288.

46 COOPER, W., op. cit., p. 15.

is that the oil imports are also recorded under AGOA. Nevertheless, it is very likely that the US would import African oil even in case there are no trade preferences for Africa.[47] If we take into account only African non-oil exports, the picture is different. The majority of AGOA exports are apparel, but only four African countries are beneficial (Kenya, Lesotho, Swaziland, Madagascar). Moreover, increase in these exports is mainly due to provision allowing use of third country (non-US and non-African) fabrics. Thus, AGOA provides African producers more flexibility than the current EU regime, which does not allow foreign fabric at all.[48] However, the US granted these advantageous rules of origins only temporarily for four years, later prolonged for the whole fifteen years AGOA-period. This example clearly shows that in reality the US trade preferences are not predictable as the US can withdraw any concession without discussing it with its African partners.

Tadesse and Fayissa in their analysis[49] confirm that there is a significant increase in the U. S. imports of manufactured goods in 23 of the 99 product sub-categories (HS 2 digit classification). However, although there is significant trade initiation effect, there is only very limited trade intensification effect. In other words, despite some increase in mutual trade, Africa is still almost negligible trade partner for the US. The momentum of trade preferences is one thing, but the current changes are not large enough to intensify the level of African exports. Partly, AGOA could do more in this respect. The critics aim mainly at the limited product coverage and restrictive rules of origin. Partly, there are other persisting trade barriers on the African side that AGOA can hardly solve (poor transport and network infrastructure, corruption, government failures…). The development assistance (aid for trade) seems to be more important that the trade preferences themselves. Shortly, AGOA did not fulfil the great expectations of African states. For a large number of them, the current trade preferences will not provide a mechanism for increased exports and growth in the short run.[50]

IMPLICATIONS FOR EASTERN AFRICA

We can discuss this hard statement on the example of member states of the East African Community (EAC) and their benefits stemming from AGOA preferences. Let's start with the brief history of trade relations in the region. Cooperation in East Africa dates back to the late 19th century and the operation of railway from Mombasa (Kenya) to Kampala (Uganda). Initial fiscal cooperation between these two colonies later evolved into creation of the customs union in 1919 and the currency union in 1922.

47 *The African Growth and Opportunity Act, Exports, and Development in sub-Saharan Africa*, World Bank Policy Research Working Paper 3996, August 2006, in: https://openknowledge.worldbank.org/bitstream/handle/10986/9288/wps3996.pdf?sequence=1.

48 Ibid., pp. 8–9.

49 TADESSE, B. — FAYISSA, B., *The Impact of African Growth and Opportunity Act (AGOA) on U.S. imports from sub-Saharan Africa (SSA)*, in: Journal of International Development, vol. 20, 2008, No. 7, pp. 933–938.

50 BRENTON, P. — HOPPE, M., op. cit., p. 19.

Tanganyika, former German colony, joined in 1927. These three British colonies shared common services, currency, collection of duties, and external tariff. Intra-regional trade and movement of factors of production were free. The existing cooperation was further formalized after the World War II by creating the East African High Commission. In 1961, the East African Common Services Organization replaced the High Commission. Member states also created a common pool to redistribute duties and taxes in favour of Uganda and Tanganyika, which were economically less developed than Kenya. In the mid 60's, all the three countries gained independence and their cooperation continued. Creation of the EAC further formalized this cooperation. However, differences between member countries began to grow. While Kenya and Uganda oriented politically and economically towards the West, Tanzania concluded trade agreements with the countries of the Eastern Bloc, China and Japan. All the countries erected new barriers to trade and movement, which disrupted the existing common market and customs union. All the countries also introduced their own currencies instead of the common one. Under Idi Amin, Uganda shifted its foreign orientation towards the Arab and Soviet world. Economic experiments, including the complete destruction of the Indian-owned retail, led to an increase in inflation. Kenya responded by ending the convertibility between Kenyan and Ugandan shillings. As Tanzania pursued the course of extensive nationalization, Kenya ended also the convertibility between Kenyan and Tanzanian shillings. Economic crisis of the mid-70's led to restrictions on trade and to the decline of public services. Moreover, it further exacerbated political rivalries. In 1977, the EAC finally collapsed when Tanzania had closed the border with Kenya.

Since the mid-80's, most of African states underwent series of economic and political reforms under the structural adjustment programmes. Kenya, Uganda, and Tanzania were not exceptions. Structural adjustment included also liberalization of trade policies. This process also enabled a new start for regional integration all over the continent, both on continental and on regional basis. In 1991, former member states decided to revive the EAC and in 1999, they signed a Treaty for Establishment of the East African Community. In 2007, Rwanda and Burundi joined. The EAC set very ambitious goals with several phases: customs union, common market, monetary union and eventually the political union. Currently, the EAC is in the phase of the common market and is negotiating the introduction of common currency. It is one of the most dynamic African integration schemes. However, it is still far from achieving the stated goals. The share of intra-regional trade is still very low, although it is higher than in other African regions, except for the Southern Africa. Data[51] show that intra-regional exports count for about 20% of total exports. Clearly, there is quite substantial increase in the period between 2001 and 2013. However, the biggest increase is in the initial period between 2001 and 2004, which may be ascribed to the high expectations related to the revival of the EAC. As Heydon and Woolcock empirically show on the US case, not only implementation of PTA, but even announcement of negotiating PTA can lead to increased trade and investment flows between part-

51 All calculations in this section are my own, based on data from International Trade Centre's Trade Map (www.trademap.org).

GRAPH 1: Intra-EAC trade

ners.[52] However, creation of the customs union and common market did not lead to any further increase in intra-regional exports. The same is true about intra-regional imports, which still counts only about 6% of the total imports. Share of intra-regional trade is consistently about 10% (see graph 1).

However, the trade patterns in the EAC region are very asymmetrical. Kenya, by far the biggest economy, serves as the regional hub with high volumes of exports to Tanzania and Uganda. Contrarily to that, intra-regional imports in case of Kenya are marginal. Uganda has very vivid two-way trade contacts with Kenya and quite high share of exports to Rwanda. On the other side, trade contacts with Burundi and Tanzania and imports from Rwanda are negligible. Tanzania seems to be almost unaffected by regional integration. Both intra-regional exports and imports are very modest. Burundi and Rwanda are small economies more dependent upon trade with its larger neighbours. Both countries have above-average share of intra-regional imports (23% in 2013). Rwanda has also very high share of intra-regional exports. In last two years, this share has sharply increased to 70% of total exports thanks to rapid growth in exports of metal ores to Tanzania.

In last decade, all the member states have shown rapid growth in trade. The total trade in 2013 was four times to six times higher than in 2001. However, imports are growing faster than exports. All the member states in all the observed years had substantial trade deficit. Moreover, the trade deficits are increasing — in 2013 they were five times to eleven times higher than in 2001.

Another aspect is diversification of export base. In Eastern Africa, countries are not so much dependent on one or two single export commodities as many other countries on the continent. Nevertheless, the diversification of export base is limited and even in this case countries largely depend on export of few mineral or agricultural commodities. Burundi is heavily dependent on export of gold, coffee and tea. These three commodities combined generate 80% of export revenues and this high share did not change at all between 2001 and 2013. Rwanda is also dependent on export of a few primary products: metal ores, coffee and tea combined create more than half of

52 HEYDON, K. — WOOLCOCK, S., *The Rise of Bilateralism...*, pp. 207–208.

export revenues, while in 2001 they created only 28%. In 2001, not crude petroleum oils represented the biggest share of Rwandan exports. Thus, the nature of Rwandan export base remains the same despite some changes in commodity structure of the export. Situation in Tanzania is not much different. The most important single export commodity is gold creating 35% of export revenues. In 2001, this share was only 27%. Thus, importance of gold as a source of export revenues is rather increasing in time. Kenya and Uganda perform better with respect to diversification of export base. In both countries, tea and coffee represent approximately one quarter of export revenues, with several other minor export commodities (flowers, petroleum oils, vegetables, apparel in Kenya; fish fillets, tobacco, fuels, iron and steel in Uganda). However, the manufactured goods, which may trigger economic development in the region, are almost lacking.

Last point to mention about the EAC is ability of member states to negotiate as a bloc, which is in case of African regional organizations rather exception than rule. Despite initial intention of the European Union to negotiate Economic Partnership Agreements with ACP countries[53] on a region-to-region basis, the only African regional organization to do so is the EAC. Interim EPA was signed in 2007; comprehensive EPA is still under negotiations. Likewise, the EAC as a bloc signed Trade and Investment Framework Agreement (TIFA) with the US in 2008. [54]

In the previous section, we discussed some general criticism related to AGOA programme. Now we can discuss it in more detail based on empirical evidence from the EAC countries. Let us start with Rwanda. It is a small landlocked country. From all the member states, it shows by far the highest share of intra-regional trade. DR Congo, the Western neighbour, is another important trade partner. Unilateral preferences granted under AGOA may be a trigger for enhancing export opportunities on the global markets. However, data shows that the US is not important destination for Rwandan exports. Except for some increase in 2006 and 2007, the US share does not exceed 3% of total exports. There is no significant and long-lasting increase in Rwandan exports to the US under AGOA. According to 2014 Harmonized Tariff Schedule of the United States[55], key export commodities of the EAC countries such as coffee, tea, metal ores or gold have duty-free access to the US market. If 97.4% of Rwandan exports can enter the US marker duty-free, there is almost no space for any unilateral trade preferences to enhance mutual trade between these two countries. For Tanzania and Uganda, situation is only slightly better (duty-free access represent 83.1% and 80.7% of exports respectively). For Burundi, data are not available. Only Kenya can utilize from AGOA preferences as its duty-free exports to the US market represent only 16.4% of total exports to the US.[56] According to data from US Department

53 Non-reciprocal preferential trade agreement between the EU and its former colonies in Africa, Caribbean and Pacific (ACP) under Lomé Convention was incompatible with WTO rules. In 2000, both sides signes Cotonou Agreement to replace the previous schemes. The Economic Partnership Agreements (EPA), creating a free trade area between the EU and ACP countries, are a key element of the new scheme.

54 However, before that, Rwanda signed its own TIFA in 2006.

55 Available online: http://www.usitc.gov/tata/hts/bychapter/.

56 BRENTON, P. — HOPPE, M., op. cit., p. 14.

of Commerce, the US import from Rwanda was 25 mil. $ in 2013. GSP preferences represented only 773 000 $ and AGOA preferences only 9 000 $ from the total.[57] Now, it is clear that even the temporary increase in Rwandan exports to the US in mid-2000's cannot be ascribed to AGOA. Evidence shows that Rwanda is not a beneficiary of AGOA programme. Neither is Burundi. In last three years, there were no exports from Burundi to the US under AGOA. Main trading partner for Burundi was the European Union, which was currently replaced by the United Arab Emirates. (Graph 2, 3)

Uganda shows very similar trade patterns as the two smaller members. It has quite high share of intra-regional trade. Moreover, very important trade partners are non--EAC neighbour countries, DR Congo and Sudan.[58] Importance of the EU market is diminishing, while the US market has never been much important for Uganda. AGOA preferences did not alter this pattern: despite substantial increase in value of exports to the US, the share is almost for the whole period below 2%. Moreover, exports under AGOA represent only 0.1% of all Ugandan exports to the US. (Graph 4)

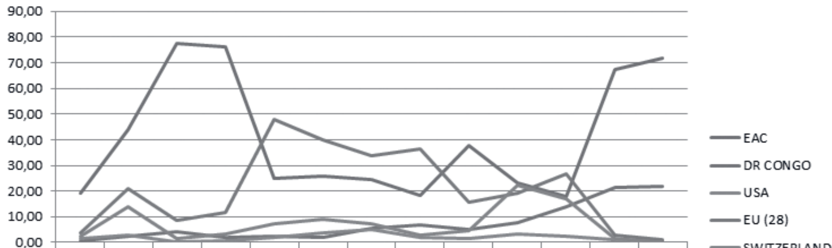
Tanzania shows different picture. Intra-regional trade is much less important than for remaining members. Moreover, trade with Kenya creates most of it. Tanzania almost does not trade with Uganda, Rwanda, and Burundi. Nor does Tanzania trade with its non-EAC neighbours. Compared to other member states, Tanzanian exports are distributed more evenly among several trading partners. In last few years, Republic of South Africa is the main destination for Tanzanian exports. Explanation is very simple: both countries are members of the Southern African Development Community (SADC) free trade union. Mutual trade increased particularly after Tanzanian accession to the SADC FTA in 2008. This situation reveals one of the biggest problems related to economic integration in Africa. There are many different regional organizations with overlapping membership. African Economic Community, which is the umbrella organization for the whole-continental economic integration, recognizes eight of them as pillars of the AEC. Some of them are defunct; some of them show progress toward proclaimed goals. Currently, the EAC, the SADC, and the Economic Community of West African States (ECOWAS) belong to the latter group. The only state in intersection of these three organizations is Tanzania. Empirical data suggest that trading within the SADC FTA is for Tanzania more favourable and more suitable than trading within the EAC FTA — which, of course, has almost detrimental impact on Tanzanian intra-EAC trade.[59] In 2013, exports to SADC represented 27% share of total exports, compared to 10% in case of the EAC.

If we turn back to AGOA exports, Tanzania has benefited from this programme much more than Rwanda, Burundi, or Uganda. In absolute terms, there is quadruple

57 US Department of Commerce data are taken from bilateral trade statistics on http://agoa.info/profiles.html website.

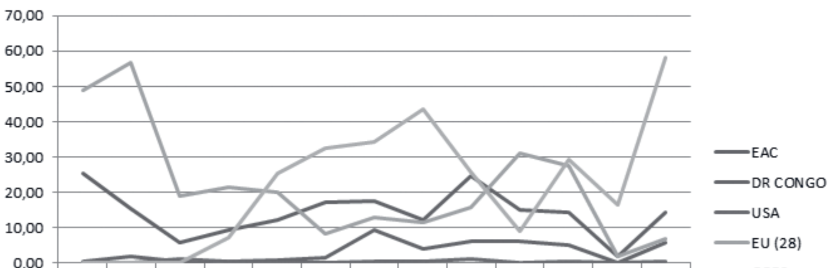
58 Since 2011, data for Sudan means Sudan and South Sudan combined.

59 In 2008, the EAC, the SADC, and the Common Market for Eastern and Southern Africa (COMESA) announced an agreement to merge into the African Free Trade Zone and create one single free trade area in Southern and Eastern part of Africa. This is a first step to solve the problém with overlapping membership.



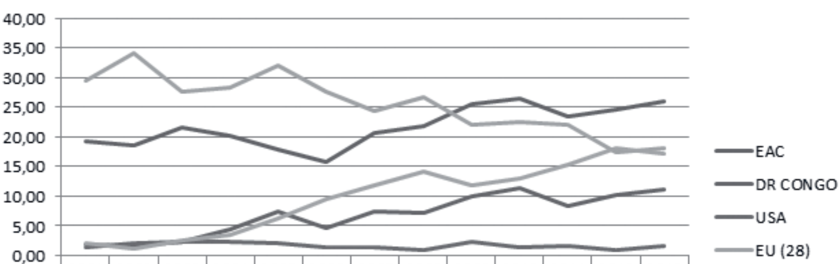
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EAC	18,97	44,07	77,61	76,19	24,78	26,01	24,62	18,31	37,64	23,22	17,73	67,47	71,79
DR CONGO	0,67	2,59	4,05	1,85	2,53	2,14	5,63	6,99	4,87	7,51	14,01	21,58	21,74
USA	1,63	2,73	0,12	0,51	1,94	3,64	5,14	1,97	1,50	3,13	2,38	1,25	0,72
EU (28)	3,67	20,89	8,68	11,86	48,01	39,81	33,97	36,62	15,80	19,12	26,66	2,66	1,20
SWITZERLAND	2,40	13,69	1,66	3,42	7,14	9,00	7,22	2,99	4,70	22,38	16,93	1,50	0,05

GRAPH 2: Rwanda: Exports (%)



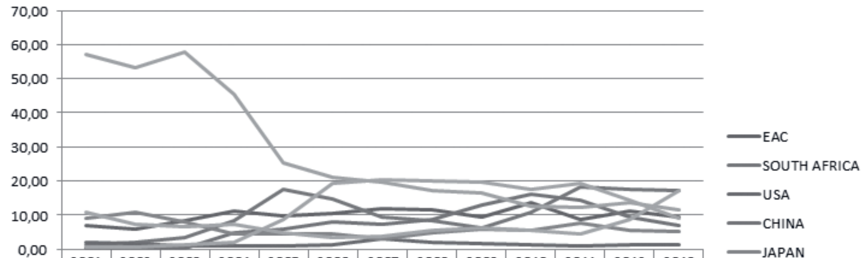
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EAC	25,30	15,54	6,01	9,40	12,28	17,12	17,44	12,15	24,72	15,18	14,38	1,92	14,47
DR CONGO	0,41	1,91	0,57	0,46	0,94	1,58	9,40	4,18	6,23	6,15	5,27	0,06	5,84
USA	0,11	0,23	1,33	0,53	0,13	0,09	0,64	0,67	1,18	0,05	0,35	0,10	0,41
EU (28)	48,82	56,68	19,13	21,44	20,17	8,46	12,93	11,70	15,83	31,00	27,53	1,87	7,04
OPEC	0,05	0,02	0,01	7,41	25,34	32,40	34,35	43,62	25,61	9,12	29,44	16,39	58,20

GRAPH 3: Burundi: Exports (%)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EAC	19,34	18,49	21,66	20,18	17,81	15,88	20,56	21,89	25,44	26,48	23,33	24,61	26,06
DR CONGO	1,96	1,62	2,42	4,42	7,43	4,66	7,48	7,25	9,99	11,37	8,45	10,22	11,14
USA	1,50	1,97	2,39	2,32	2,02	1,48	1,47	0,91	2,37	1,32	1,62	1,01	1,53
EU (28)	29,39	34,02	27,49	28,30	31,92	27,55	24,28	26,70	22,03	22,60	22,05	17,48	18,11
SUDAN	2,03	1,23	2,59	3,47	6,21	9,54	11,75	14,26	11,78	12,89	15,25	18,00	17,23

GRAPH 4: Uganda: Exports (%)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EAC	6,77	5,80	8,38	11,35	9,69	10,31	12,06	11,40	9,56	13,78	8,64	11,06	9,55
SOUTH AFRICA	1,13	1,85	3,34	8,30	17,63	14,73	9,54	8,51	6,30	10,71	18,11	17,72	17,33
USA	1,98	1,52	1,01	1,04	1,09	1,20	2,92	1,82	1,60	1,20	1,05	1,25	1,38
CHINA	0,09	0,08	0,33	4,86	5,90	8,00	7,32	8,66	12,99	16,21	14,31	9,46	7,01
JAPAN	8,92	10,80	7,93	4,41	4,32	4,42	3,00	4,74	5,98	5,37	7,52	5,39	5,01
EU (28)	57,07	53,32	57,83	45,42	25,42	21,24	19,69	17,22	16,57	12,52	12,10	13,81	11,53
INDIA	10,70	7,20	6,46	7,27	4,67	3,40	3,69	5,54	6,30	5,59	4,44	8,66	17,05
SWITZERLAND	0,55	0,63	1,12	2,05	8,73	19,30	20,47	20,18	19,60	17,54	19,35	14,40	9,17

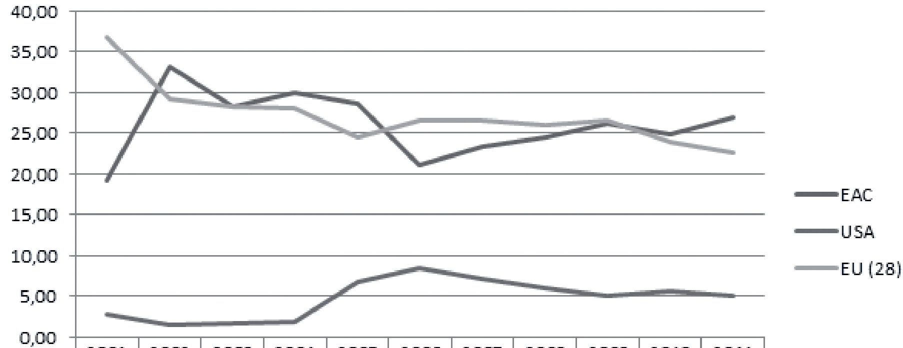
GRAPH 5: Tanzania: Exports (%)

increase in Tanzanian exports to the US market between 2001 and 2013. Part of this increase is undoubtedly attributable to AGOA preferences, which formed about one seventh of all Tanzania-US exports in 2013. AGOA export is wholly driven by textiles and apparel. However, in relative terms, Tanzanian trade patterns were not altered. The US share on Tanzanian exports did not increase. Contrary, in 2013 it was even lower than in 2001. With one exception, the US share throughout the period did not exceed 2%. The same is true about textiles and apparel exports, which represent only some 2% of all Tanzanian exports. In other words, even though Tanzania was able to benefit from AGOA programme, it did not increase importance of the US market for Tanzania and it did not lead to diversification of exports in favour of apparel industry. (Graph 5)

If we turn to last member state, Kenya, we see very different picture in all three indicators. First, there is a huge increase in Kenyan exports to the US in absolute terms. From the initial level of about 40.000 $, exports has risen to almost 300.000 $, which is more than sevenfold. Second, this increase is driven almost exclusively by AGOA exports, which created almost 80% of Kenya-US exports in 2013. The biggest bulk is textile and apparel exports, the rest are manufactured goods and agricultural products, which do not have duty-free access. Third, Kenyan export to the US increased not only in absolute terms, but also in relative terms. The US share on Kenyan exports has risen from about 2% to 7–8%, however, later has declined to current level of 5%.[60] Kenya seems to be the only East African state to benefit from AGOA, which matches to the finding that the principal impact of AGOA falls on the non-LDC countries. In the EAC region, Kenya is the only country, which is not classified as the least developed country.[61] (Graph 6)

60 For Kenya, data are available only for period between 2001 and 2011.

61 BRENTON, P. — HOPPE, M., op. cit., p. 2.



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
EAC	19,17	33,20	28,28	30,01	28,55	21,05	23,35	24,41	26,22	24,75	26,84
USA	2,66	1,41	1,60	1,80	6,67	8,32	7,00	5,99	5,07	5,51	5,01
EU (28)	36,69	29,18	28,23	28,03	24,52	26,58	26,59	26,00	26,52	23,92	22,58

GRAPH 6: Kenya: Exports (%)

Nevertheless, results of the analysis are rather ambiguous. There are at least three reasons why to doubt, whether AGOA will have some profound positive long-term impact on Kenyan economy, or not. First reason is still very asymmetric trade relationship between the US and Kenya, or Africa in general. Although in recent years the US has eclipsed the EU to be the biggest African export market, Africa still plays very marginal role in US Trade.[62] Some figures to illustrate this fact: in 2007, Africa represented only 1.3% of total US exports, 3.4% of US imports and 2.7% of total trade. However, only three African countries create the majority of this already marginal trade share. 81% of US imports from Africa is oil from Nigeria and Angola and manufactured goods from South Africa. 66% of US exports go to the same three countries, with South Africa being the biggest importer.[63] Despite some diversification under AGOA, this trade scheme did not change. Unilateral preferences such as AGOA seem to be more a political than economic instrument. Unfortunately, the political nature of these preferences further exacerbates its overall incertitude for African exporters. Between 2000 and 2015, parameters of AGOA preferences modified several times. In all cases, these modifications were advantageous for the beneficiaries in Africa. However, there is no guarantee that the US will extend AGOA preferential programme after its expiration in 2015. There is no guarantee that the US will retain the current level of trade openness in next period. There is no guarantee that the US will retain this level of trade openness for the whole period of the second AGOA. Unilateral nature of these preferences allows the US to withdraw them any time on their own decision. Economically, for the US it would be more suitable to negotiate reciprocal

62 SOKO, M., op. cit., p. 283.

63 LANGTON, D., *U. S. Trade and Investment Relationship with sub-Saharan Africa: The African Growth and Opportunity Act and Beyond*, in: GEISLER, K. (ed.), U. S. Trade with Developing Countries: Policy, Programs and Trends, New York 2009, pp. 24–27.

free trade agreements with its main trading partners on the continent. As mentioned above, this is also one of main goals of AGOA, to pave way for negotiating FTA with African partners. However, it seems that African partners are not still well prepared for such agreements. In 2003, the US started to negotiate standard reciprocal free trade agreement with the Southern African Customs Union (SACU), which comprises the leading continental economy and its spokes (Lesotho, Swaziland, Botswana, and Namibia). In 2006, these negotiations stalled due to lack of institutional capacity of SACU to meet high US expectations.[64]

Second reason is decline in importance of apparel on US imports from Africa. In previous paragraph, we mentioned diversification of US imports from Africa as an impact of AGOA. This diversification was driven particularly by apparel. Kenya was one of the few beneficiaries from the increase in apparel exports. However, the data reveal that AGOA effect was not immediate and apparel exports to the US did not substantially increase until 2005. They reached its peak one year later and then started to decrease. The US is still by far the key market for Kenyan apparel. However, between 2006 and 2011, the apparel exports from Kenya to the US have fallen by 40%. There are two conclusions from this empirical evidence. AGOA brought some sectoral and geographical diversification of Kenyan exports. However, apparel did not become a new engine for Kenyan export and development. Even in the peak year 2006 it represented less than 7% of Kenyan exports. Equally, the US did not become an important destination for Kenyan exports and did not jeopardize the strong position of the EU. These two conclusions are obviously interconnected. Moreover, increase in apparel export seems to be short-lived. Since 1974, developed countries (mainly the US and the EU) protected its textile industry under the Multi Fibre Arrangement by imposing quotas against imports from developing countries. After textiles and apparel became a part of the WTO agenda, new Agreement on Textiles and Clothing provided for the gradual dismantling of these MFA quotas until the end of 2004. Thus, in the first years of AGOA, African apparel exporters had advantage against their Asian competitors. In January 2005, trade opportunities of African and Asian apparel exporters became equal, obviously at the expense of Africa. The share of apparel imports decreased sharply, falling from 41 percent of U.S. non-crude-petroleum imports under AGOA in 2005 to 19 percent in 2013.[65] In 2012 and 2013, the apparel exports from Kenya to the US have risen again, but still represent only three quarters of the 2006 volume. The future of Kenyan apparel industry is very unclear.

Third reason is the nature of Kenyan apparel industry itself. Kenya has long tradition of local clothing industry. It was one of the first manufacturing established in 1930's. It flourished during the colonial period and even in post-colonial period under "import substitution industrialization" strategy. At the end of 1980's, this strategy was abandoned and clothing industry declined. AGOA brought a new impetus for this declining sector. However, it was only very limited impetus. Originally, Kenyan-Indians

64 HEYDON, K. — WOOLCOCK, S., *The Rise of Bilateralism...*, pp. 157–160.

65 UNITED STATES INTERNATIONAL TRADE COMMISSION, *AGOA: Trade and Investment Performance Overview*, Washington 2014, p. 20, in: www.usitc.gov/publications/332/pub4461.pdf.

owned clothing factories. Currently, new owners from other Asian apparel-powers such as Sri Lanka, Bangladesh, or Taiwan emerged. Owners and executive directors come from Asia. Apparel industry in Kenya is clearly not a local industry. AGOA did not bring the domino effect that exports of apparel would also increase the production of cotton and fabric. Potential for cotton production is still highly unutilized and Kenya is able to produce only a very small portion of its cotton needs. Most of cotton is imported from China, with Uganda and Tanzania being the second and third most important cotton suppliers. There is also no local production of fabric, which is imported from the home countries of the apparel companies. Although there are several textile mills in Kenya, they are old and uncompetitive. AGOA provided African countries with incentives to export apparel, not to (re)build the whole chain of textile production. This was possible due to "third-country-fabrics" provision of very generous rules of origin. Under AGOA, Kenya became one big sewing factory of Asian clothing companies with quite small local input: 0.6% for textiles, 25% for other materials and 25% for business services, including local branches of international auditing and accounting companies. Moreover, all these factories produce entirely for US market, very often for one single major customer. This high level of dependence on one market increases vulnerability of these factories.[66] To sum up, "re-birth of the Kenyan clothing industry is an ephemeral product of a combination of high MFA quota-driven trade distortions that have recently been eliminated, coupled with temporary preferences that exist as part of AGOA".[67]

CONCLUSION

This article deals with US trade policy and its unilateral trade preferences programme towards Africa under the AGOA Act since 2000. First two sections discuss the development of US trade policy in time perspective. Despite the fact that the US was the biggest promoter of free trade agenda in the post-war era, the US trade policy reflected the interests of US business, not the ideology of liberalization. Therefore, the US pushed for liberalization only in sectors, where did it possess any comparative advantage. In sectors with no comparative advantage, it resisted liberalization and protected its domestic producers. Moreover, it aggressively used political measures to promote US economic interests. Next two sections discuss the changes in global trade in last twenty years. The US, who strongly favoured multilateralism over bilateralism and regionalism, shifted its focus to the latter since the late 1980's. There were three main reasons for this shift. First, the US lost its dominant position in global economy. Rising East Asia together with more and more integrated Europe presented growing threat for the US economy. Thus, the US focused on strengthening economic ties with its neighbours (Canada, Mexico), Latin America and Pacific

66 For a detailed analysis of Kenyan clothing industry under AGOA, see PHELPS, N. — STILLWELL, J. — WANJIRU, R., *AGOA and Foreign Direct Investment in the Kenyan Clothing Industry*, in: World Development, vol. 37, 2008, No. 2, pp. 317–322.

67 Ibid., p. 319.

region. Second, the US unsuccessfully pushed for inclusion of deepening the WTO agenda (trade in services, liberalization of investment, intellectual property rights, labour and environmental issues). However, for the US business these issues are of the biggest importance. Bilateral agreements allow the US government to push these issues ahead at least in a smaller scale. Third, trade liberalization serves also political purposes as a reward for the US geopolitical allies, for example in the Middle East region. The next section discussed the US trade policy toward sub-Saharan African. For many decades, this region was due to historical, political, and economic reasons very marginal in US trade. This situation began to change slightly in the mid-90's. The flagship of the US trade policy with the sub-Saharan Africa is the African Growth and Opportunity Act (AGOA), which offers most of African states duty-free access to the US market from 2000 to 2015. However, the AGOA did not fulfil the great expectations of African states. First, oil from Nigeria and Angola and manufactured goods from South Africa represent the great bulk of all AGOA imports. For a large number of African states, the current trade preferences do not lead to increased exports to the US and economic growth. Despite some increase in mutual trade (almost exclusively in apparel), Africa is still almost negligible trade partner for the US. The last section, which is a case study of trade relations between the US and East Africa, confirms these findings empirically. This case study analyses the trade data of all member states. For Rwanda, Burundi, and Uganda, the AGOA preferences brought no benefit and no change of their trade patterns. Tanzania was able to benefit from AGOA programme, however, it did not increase importance of the US market for Tanzania and it did not lead to diversification of exports in favour of apparel industry. Kenya seems to be the only East African state to benefit from AGOA. Between 2000 and 2006, there was a huge increase in Kenyan exports to the US in absolute and even in relative terms. This increase was driven by apparel exports under the AGOA. However, although the AGOA brought some sectorial and geographical diversification of Kenyan exports, it did not become a new engine for Kenyan development. Apparel remained quite marginal export commodity and the US remained quite marginal destination of Kenyan export. Moreover, increase in apparel export seems to be short-lived as there is quite significant decline after 2006. Critics doubt about this unilateral preference programme and claim that only a few African countries will be able to reap any benefits from AGOA. Case study on East Africa rather confirms this negative view.

ABSTRACT

US TRADE POLICY AND SUB-SAHARAN AFRICA
CURRENT TRENDS AND ITS IMPLICATIONS FOR EASTERN AFRICA

The author analyses the very complex relationship between bilateralism, regionalism, and multilateralism in the global trade liberalization agenda. The United States, one of the biggest promoters of trade liberalization through multilateral negotiations, shifted its focus to bilateralism and regionalism in mid-80's. This shift reflected changes in global economy, end of the US economic dominance, and stagnation of the multilateral negotiations. Major economic powers, including regional semi-powers, started to compete for trade preferences. Today, global economy is filled with a dense network of regional and bilateral agreements, which offer signatories to proceed in trade liberalization beyond the WTO agenda. Although sub-Saharan Africa is the most marginalized region, it is also part of this network. Trade relations between the US and Africa developed in last 15 years under the African Growth and Opportunity Act (AGOA), unilateral trade preference regime allowing African states duty-free access to the US market. However, as the case study of East African Community member states reveals, the benefit is very limited and very likely will not lead to any substantial changes in trade patterns in Africa.

KEYWORDS
United States, sub-Saharan Africa, East African Community, trade policy, trade liberalization, trade preferences, new regionalism

ABSTRAKT

AMERICKÁ OBCHODNÍ POLITIKA A SUBSAHARSKÁ AFRIKA SOUČASNÉ TRENDY A JEJICH DŮSLEDKY PRO VÝCHODNÍ AFRIKU

Autor analyzuje složité vztahy mezi bilateralismem, regionalismem a multilateralismem v agendě celosvětové liberalizace obchodu. Spojené státy, jeden z největších propagátorů liberalizace obchodu prostřednictvím mnohostranných jednání, přesunuly v polovině 80. let svůj zájem k bilaterálním a regionálním dohodám. Tento posun odráží změny v globální ekonomice, konec ekonomické dominance USA a stagnaci mnohostranných jednání. Hlavní ekonomické velmoci začaly soutěžit o získání co největších obchodních preferencí. Dnes je globální ekonomika vyplněna hustou sítí regionálních a dvoustranných dohod, které nabízejí signatářům možnost pokračovat v liberalizaci obchodu i nad rámec agendy Světové obchodní organizace. Ačkoli subsaharská Afrika je nejvíce marginalizovaným regionem světové ekonomiky, je také součástí této sítě. Obchodní vztahy mezi USA a Afrikou se vyvinuly zejména v posledních patnácti letech na bázi African Growth and Opportunity Act (AGOA). Jedná se o jednostranný obchodní preferenční režim, který umožňuje africkým státům bezcelní přístup na americký trh. Jak ale ukazuje případová studie Východoafrického společenství, výhody plynoucí z AGOA jsou pro většinu afrických států velmi omezené a je velmi pravděpodobné, že AGOA nepřinese žádné podstatné změny ve struktuře obchodu v Africe.

KLÍČOVÁ SLOVA
Spojené státy, subsaharská Afrika, Východoafrické společenství, obchodní politika, liberalizace obchodu, obchodní preference, nový regionalismus