Africa Growth and Opportunity Act: New Path to Africa’s Economic Recovery?

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ABSTRACT

Most Sub-Saharan African countries attained political independence with populations faced with a myriad of problems. Among them were diseases, poverty, illiteracy, ethnic strife and political upheavals. Seeking solutions to these problems has not been a concern not only for African leaders and policy makers. The Bretton Woods institutions, and leaders from developed nations have been involved in this search. Several development theories and approaches have been formulated by scholars and leaders geared toward a diagnosis and treatment of the problems of underdevelopment in Africa. Some of the theories developed and prescribed for Africa include modernisation, post modernism, post structuralism, and dependency. As a result of unimpressive performance of these development strategies, a new neo-liberal theory seeking to bring about economic development in Sub-Saharan Africa has emerged. Africa Growth and Opportunity Act (AGOA), the United States’ trade rule that came into force in October 1, 2000 is in line with the neo-liberal theory. AGOA was designed to facilitate socio-economic growth in selected Sub-Saharan African countries through trade rather than aid. Through this initiative, African exporters in countries that meet eligibility criteria can access the U.S. manufactured products market such as the apparel, duty free. While AGOA is a practical approach of the neo-liberal theory, however, it is an externally driven initiative that lacks deep involvement of the recipients in formulation.

This paper discusses the key elements of AGOA and examines the benefits, the status of the U.S.-Africa trade, potential for development and challenges and issues for further empirical consideration. The guiding argument is that there is a need to re-evaluate the performance of AGOA policy on trade in Africa. It is argued in the paper that while, AGOA may offer some economic prospects, however, Africa’s economic growth requires a knowledge revolution spearheaded by African people with support from the international community.

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INTRODUCTION

In the contemporary society, the meanings and views of the concept of development have been difficult to define. As noted “the bone of contention in the views and meanings of the concept is seen in the agency, objective, objects, and means of development” (Wambugu, 2002, p.10). The difficulty associated with the definition of development has theoretical and practical implications for development policies in sub-Saharan Africa. Development can be looked at as a process that aims at improving people’s standards of living. Todaro (1977) defines development as a multidimensional process involving the reorganization and reorientation of entire economic and social systems. Development has also been defined as “increasing the capacity of people to influence their future” (Bryant & White, 1982, p.14). Thus, development has socio-economic, cultural, political and psychological dimensions. Owen and Shenton (1996) pointed out that development is both immanent and intentional in nature. Immanent development refers to the natural change that takes place in society. It can be compared to the industrial revolution that took place in Europe in the 18th century or the current knowledge revolution that is being witnessed in the 21st century. Immanent development is spontaneous and unstoppable (Wambugu, 2002). Intentional development on the other hand involves deliberate and planned interventions by individuals, institutions and development agencies aimed at addressing problems facing society such as diseases, poverty, and illiteracy.

The United Nations Development Program (UNDP) defines development in terms of human development. As noted, “human development is a process of enlarging the range of people’s choice by increasing their opportunities for education, healthcare, income and employment and covering the full range of human choices from a sound physical environment to economic and political systems” (UNDP, 1992, p.2). Looked at from the human development perspective, development should ensure that individuals in society have access to health services, education facilities, opportunities to earn income and access to other social welfare services (UNDP, 2003). A key issue in the development process is choice. This means that African people must have a choice in their development agenda.

The issue of development in Africa and the need for African economic recovery has been addressed both from within and without Africa. The World Bank for instance noted that Africa had lost over 30 years or three decades of development (World Bank, 1989). In the 1980s and the 1990s, the World Bank and the International Monetary Fund (IMF) prescribed structural adjustments programs (SAPs) as one of the major ways of ensuring economic recovery in Africa (World Bank, 1994). SAPs led to devaluation of currency, reduced government spending in social service ministries such as the education and health sectors (Mkandawire and Soludo, 1990). SAPs also led to liberalization and privatization of government enterprises. Some of the effects of SAPs were increased taxation and interest rates, introduction of cost-sharing schemes, user fees, and cost-recovery measures, and wage restraints (Olukoshi, 1998). The implementation of SAPs in Africa did not result in economic recovery. There have been a number of suggested paths, including Nyerere’s ujamaa and self-reliance model to Africa’s recovery. More recent we have New Partnerships for Africa’s Development (NEPAD). AGOA should therefore be contextually understood as part of the continued search for a relevant path for Africa’s economic recovery.

This paper examines AGOA as a possible new path for Africa’s economic recovery. Thus, AGOA is the United States’ trade Act that came into force in October 1, 2000. The strengths and limitations of AGOA at both conceptual and application levels are discussed. The guiding argument is that there is a need to re-evaluate the performance of AGOA policy on trade in Africa. This is imperative in lieu of the fact that African governments participating in AGOA provided limited input in its initial development. The paper seeks to answer the following questions: What have been the main benefits of
AGOA since its implementation? Has AGOA led to improved trade between the United States and sub-Saharan Africa? What development potential does AGOA have for sub-Saharan Africa? And what challenges and issues must be given further empirical consideration for AGOA to positively impact the countries involved. These questions are important given that some of the sub-Saharan countries today have not fully made use of the trade opportunities created by the Africa Growth and Opportunity Act. In addition, it is argued in the paper that while AGOA may offer some economic prospects, however, Africa’s economic growth requires a knowledge revolution spearheaded by African scholars, leaders and policy makers. Besides AGOA, Africa requires a knowledge investment plan.

DEVELOPMENT THEORIES

While the main focus of this paper is the examination of AGOA, it is important that we briefly mention some of the development theories that have been prescribed for Africa. Thus, several development theories have been advanced to help address the development dilemma that many countries in Africa have faced since they attained their political independence. Examples of the theories developed and prescribed for Africa include: modernisation, dependency, post modernisation, post structuralism and neo-liberal theories.

The proponents of modernization theory include scholars such as, Walter Rostow, W.A. Lewis, Talcott Parsons, and Daniel Lerner. According to the modernization theory, a transformation process could solve problems of development facing the newly independent states in Africa among many other countries from the developing world. “Modernization theory makes the claim that Western capitalist values and practices are the basis for modernizing third world countries and helping them become self-sustaining” (Sorensen, 2001, p.1). The theory advocated for the transition of the African countries from traditional to modern societies. Its advocates argued that developing countries’ low levels of development could be explained in terms of traditional characteristics such as low level of labour, low level of production, and reliability on subsistence agriculture. According to modernisation theory, the main reasons for the underdevelopment of African countries were explained in terms of internal factors, such as African traditions or in the lack of sufficient capital investment resources (Wambugu, 2002; Chambua, 1994). In addition, the proponents of modernization theories assumed that a linear process existed whereby developing countries in Africa were assumed to progressively become industrialized. This led to direct transformation of western values and traditions in Africa. In addition, foreign aid was recommended as a means to provide the financial capital required for investment. But as seen in the introduction, of this paper development requires individual choice. When individual choice is lacking especially from the African people, then all planned development is most likely to fail like it happened with foreign aid and Africa’s development.

The dependency theory on the other hand argued that developing countries are underdeveloped due to structural linkages with the west. The main proponents of the dependency theory include scholars such as Samir Amin, Raúl Prebisch, Theotonio dos Santos, Gunder Frank, Paul Baran, Walter Rodney, Rweyemamu and Fernando Cardoso. According to the theory, the relationship between the developing countries and developed countries has been that of exploitation. The developed countries exploited the raw materials of the developing countries making supernormal profits on the manufactured goods produced from the raw materials, while the developing countries made very low profits on materials exported. This trend still continues today. According to the proponents of the dependency theory, for countries from the developing countries to develop, they have to delink themselves from the international capitalist system. Samir (1972), for instance identifies dependency in neo-colonialism in West Africa in terms of colonial trade as a step backwards, export-oriented economic development, the creation of colonial enclave, and the presence of a bourgeois class. Given the shortcomings of both theories, the current thinking has moved away from global explanations, with the exception of neo-liberalist trade paradigms. Theories such as postmodernism and post structuralism, which focus on the relationship between actors and structures, free agency and systemic coercions have been advanced. Postmodernism
has been explained in terms of keeping with the idea of (post) which means after modernity. It refers to the incipient or actual dissolution of those social forms associated with modernity (Sarup, 1993).

THE NEW DEVELOPMENT DEAL FOR AFRICA

In the 21st century, a new development deal for Africa is being advanced. In most African countries, development policies and programmes have been largely informed by the modernisation theory. This is supported by the import substitution policies and reliance on foreign aid by various African countries. But, as a result of unimpressive performance of these development strategies, neo-liberal trade theory seeking to bring about economic development in sub-Saharan Africa and other developing countries through trade, deregulation of capital markets, and less state involvement in socio-economic affairs, rather than through aid has emerged (Cambua, 1994). Trade liberalisation is a process of systematically reducing and eventually eliminating tariff and non-tariff barriers between countries as trading partners. The liberalisation policies aim at creating a level playing field on which economies at different levels of development can fairly compete. Its main foundation is the economic theory of the invisible hand of the free market enterprise and the notion that unrestrained markets will lead to efficiency in the production and distribution of goods and services between African countries and the rest of the world and within Africa.

Trade liberalisation is based on the neo-liberal idea that successful development can only be achieved by adopting the policy of openness to global capital and competitive forces and closer integration with the global economy (World Bank, 1994). While this sounds quite plausible in theory, in practice it has also proved elusive. For example, McGrew (2000) noted that structural adjustment policies (SAPs) prescribed for developing countries by the IMF and the World Bank form part of the neo-liberal development agenda. Trade liberalisation advocates for the opening up of national economies to global market forces and limited government intervention in the management of the local economies. This can only work if there is fairness in international trade between developing and developed countries. In the absence of fair trade, Africa still remains disadvantaged. As noted “In 1960, the richest 20% of the world’s population had incomes 30 times greater than the poorest 20%. By 1990, the richest 20% were getting 60 times greater more. And this comparison is based on the distribution between rich and poor countries. Adding the maldistribution within countries, the richest 20% of the world’s people get at least 150 times more than the poorest 20%” (UNDP, 2002, p.1). The report further questions why world markets seem not to have benefited the poorest. Two main reasons are advanced for this phenomenon as noted, “where world trade is completely free and open as in financial markets, it generally works to the benefit of the strongest. Developing countries enter the market as unequal partners and leave with unequal rewards” (UNDP, 2002, p.1). The second reason provided for world income disparities is that in areas where developing countries like those from Africa are have a competitive advantage, such as in labour intensive manufacturing or trade in precious minerals such diamond, gold, platinum and crude oil, the market rules are often changed to prevent free and open competition.

Regarding development, the neo-liberal trade theory rests on the idea that immanent development of capitalism can positively change the destiny of people in developing countries. Capitalism is defined as an economic system of production of goods and services for market exchange in order to make a profit. It advocates for the distribution of welfare through the market, distribution of wages and enterprise management for profit accumulation (Allen & Thomas, 2000). Capitalism was the dominant view of development in the 1980s that led to the process of capitalism as a desired form of modernization. The reality however, requires some form of intentional development that calls for proactive state initiatives well planned and aimed at providing public facilities and welfare programmes. Intentional development is guided development that aims at addressing the imperfections and inadequacy of free market economy by ensuring equitable distribution of resources and availability of essential public utilities. At international level there is need for deliberate and planned development to help redress world poverty.

When discussing the strategies to promote development in Africa, there exist a dichotomy between outside driven initiatives and internal driven solutions. The main focus of this paper therefore is
to examine the viability of trade liberalisation through Africa Growth and Opportunity Act (AGOA) in promoting development in sub-Saharan Africa. Is AGOA another perfect example of “false start in Africa” in the 21st century? (Dumont, 1966).

AFRICA’S SIGNIFICANCE TO U.S.

The continent of Africa has for a long time been of great interest to the west. Africa has benefited the west in various ways including: spiritual, intellectual, economic and political. The relationship between Africa and the west has however tilted in favour of the west. In this section of the paper we specifically focus on the relevance of Africa to the United States of America. Thus, the relationship between the United States of America and Africa has been summed by Africa Action (2003, p. i) as follows:

The unprecedented challenges facing Africa and the U.S. at this moment are emblematic of the state of the world. The U.S. is the richest country in human history, while Africa is the poorest region containing the majority of the world’s poorest countries. The relationship of U.S. to Africa graphically illustrates some of the most central questions of the present era – How much inequality is the world prepared to accept, and at what cost? How should the U.S. address the historic injustices that were the cornerstones of contemporary western wealth and power, and that now continue to define the pattern of global inequality? What should the U.S. relationship to Africa be?

The questions above raise pertinent issues. Given that Africa is currently the epicentre of the greatest human catastrophe in recorded human history, the HIV/AIDS pandemic (Africa Action, 2003), what role should the U.S. play in helping Africa address these issues? And what should the African people, leaders, scholars and policy makers do to improve their conditions? Is AGOA a tangible and practical way of helping redress health and poverty issues by the U.S. in Africa?

While Africa may be the poorest continent as measured by monetary wealth at this time of history, this does not mean that Africa has nothing to offer the United States or the world community at large. For example, in terms of trade, the U.S. exported more to sub-Saharan Africa in 2000 than to all of the former Soviet Union including Russia. To demonstrate the significance of Africa in the world, sub-Saharan African countries represent the largest bloc of WTO members. The following African countries are members of WTO, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Republic of Central Africa, Chad, Democratic Republic of Congo, Cote d’Ivoire, Djibouti, Gabon, Gambia, Ghana, Guinea, Guinea –Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Uganda, Zambia and Zimbabwe while Cape Verde, Ethiopia, Seychelles and Sudan are observers. This list is most likely to increase.

Africa is a continent rich in mineral resources such as oil, gold, diamond, and copper. Its significance to the United States in terms of trade is shown in Table 1. Data in Table 1 show that crude oil accounted for 16.3 billion or 69% of U.S. imports from Africa. Sub-Saharan Africa supplied 18% of U.S. crude oil imports in 2000. Compared to Persian Gulf suppliers who provided 25% of U.S. imports, Nigeria was the fifth largest oil supplier. It provided $10 billion of crude oil to the United States, 11% of total imports from Africa. Angola was the eighth leading supplier, at $3.4 billion. Gabon $2.1 million, Congo-Brazzaville $348 million, Congo-Kinshasa $168 million and Equatorial Ghana $107 million. These countries ranked among the United States’ top 25 suppliers of crude oil (U.S. Department of Trade, 2001, p. 15-16).

Table 1 shows further that the main U.S. exports to Africa in 2000 included aircrafts and parts $780.2 millions, oil and gas field equipment $343 million, wheat $309.8 million and motor vehicle and parts $257.5 million. U.S. exports to Africa in total accounted for $2.6 billion. The U.S. imports from Africa have remained highly concentrated among a small number of African countries. For instance, four
countries in Africa – Nigeria, South Africa, Angola and Gabon accounted for more than 87% of U.S. Purchases from Africa in 2000. When compared to the European Union during the same time period, a significant difference was observed. For example South Africa, Nigeria, Cote D’Ivoire, Cameroon, Angola, and Ghana accounted for 70% of EU imports from Africa (Office of the U.S. Trade, 2001). In fact Francophone West Africa perceives AGOA as a U.S. facility that would benefit more Anglophone countries than Francophone countries due to the traditional focus of U.S. policy and private sector operations (West Africa Trade Hub, 2003).

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Leading U.S. Imports from Africa ($Millions)</th>
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<tbody>
<tr>
<td>Crude oil</td>
<td>16,289.8</td>
</tr>
<tr>
<td>Platinum group metals</td>
<td>1,528.8</td>
</tr>
<tr>
<td>Partially refined petroleum products</td>
<td>969.4</td>
</tr>
<tr>
<td>Woven or Knit apparel</td>
<td>748.1</td>
</tr>
<tr>
<td>Iron and Steel products</td>
<td>494.9</td>
</tr>
<tr>
<td>Diamonds</td>
<td>433.4</td>
</tr>
<tr>
<td>Ferro- and nonferrous ores</td>
<td>399.1</td>
</tr>
<tr>
<td>Cocoa beans and products</td>
<td>311.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>21,174.5</strong></td>
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<tr>
<th>Commodity</th>
<th>Leading U.S. Exports to Africa ($Millions)</th>
</tr>
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<tbody>
<tr>
<td>Aircraft and parts</td>
<td>780.5</td>
</tr>
<tr>
<td>Oil and gas field equipment</td>
<td>343.0</td>
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<tr>
<td>Wheat</td>
<td>309.8</td>
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<tr>
<td>Motor vehicles and parts</td>
<td>257.5</td>
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<tr>
<td>Industrial chemicals</td>
<td>231.9</td>
</tr>
<tr>
<td>Computers, peripherals and software</td>
<td>219.3</td>
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<tr>
<td>Construction machinery and parts</td>
<td>189.3</td>
</tr>
<tr>
<td>Telecommunications equipment</td>
<td>139.5</td>
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<tr>
<td>Agricultural machinery</td>
<td>68.5</td>
</tr>
<tr>
<td>Used clothes and textiles</td>
<td>60.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,618.0</strong></td>
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This scenario poses a challenge to African countries. There is need to encourage regional integration in Africa with the aim of promoting trade within Africa and between Africa and the rest of the world. On why the U.S. should take a leading role in promoting development in Africa it is noted, “In an increasingly interdependent world, the U.S. can no longer afford to ignore Africa’s challenges, or disregard its potential. Today’s most urgent global threats, from HIV/AIDS pandemic to extreme poverty, from environmental degradation to international terrorism, have their most devastating consequences in Africa. These challenges must be
addressed in Africa, in partnership with Africans, if they are not to overwhelm the world” (Africa Action, 2003, p.1).

THE AFRICA GROWTH AND OPPORTUNITY ACT

While AGOA may be a positive way to assist Africa, we must examine the contextual basis of the Act. Why did the U.S. come up with AGOA? And how involved were the African leaders and African people at the planning stages? These are key questions that require answers. The Trade and Development Act of 2000 containing the AGOA was passed by the U.S. Congress and signed into law in May 2000. On the main objectives of AGOA, Fletcher (2003, p.1) noted that it, "provide(s) preferential access to U.S. market to countries that liberalize trade, promote rule of law, and adopt free market policies.” The U.S. official policy observed that AGOA was passed as an important law to “broaden and deepen U. S. relations with the countries of sub-Saharan Africa” (Office of the United States Trade, 2001, p.1). The President of the United States in his submission report to the United States Congress noted that:

1. Achieving AGOA objectives would benefit the U.S. and sub-Saharan African countries by helping to create healthier more stable economies, stronger more democratic governments in Africa and expand markets for U.S. exports;
2. AGOA was aimed at promoting economic development and political freedom and stability in the poorest regions of the world;
3. AGOA would lead to interdependence of economies and make all parties involved to appreciate that global prosperity in the long-run will be more secure if broadly shared; and
4. The need for U.S. policy towards Africa to be pursued in collaboration with African countries in a supportive and complementary manner.

To show the role of African leaders in this trade venture, it was noted, “African leaders have a new sense of ownership of their future and how to achieve that vision. A number of leaders have taken new responsibility for moving their countries forward, acknowledging problems and challenges but realizing that they, Africans, must lead the way” (Office of the United States Trade Policy, 2001, p. 1). As noted in the earlier parts of this paper, all development endeavours must give a choice to the people involved if development has to make sense. While outside assistance may be important, it should not be simply imposed or transposed without involving the people concerned. The African leaders’ initiative in determining the development agenda of the region is evidenced by the New Partnership for Africa’s Development (NEPAD). However, Adesina (2002) noted, “The three core mechanisms outlined in NEPAD: sound macroeconomic policy and stability; greater openness of the African economies; and good governance are the core of the post Washington Consensus. The mechanism for implementing the focus on infrastructure remains rooted in neoliberal discourse.” Adesina argues further that the partnership programme is donor focused. This is an important observation that calls for reflection especially from African leaders and scholars.

The Key Elements of AGOA

AGOA is a trade policy that seeks to promote trade and economic cooperation between the U.S. and eligible sub-Saharan African countries. It involves trade in apparel and textile and in 1,835 products that have been added to the Generalized System of Preferences (GSP) programme. While AGOA focuses on the development of the African countries, several scholars and leaders from Africa have questioned the issue of eligibility. Office of the U.S. Trade Representative (2003, p.5-6) identifies the following keys elements of AGOA:
Institutionalizes a process for strengthening U.S. relations with African countries and provides incentives for African countries to achieve political and economic reform and growth.

- Offers eligible sub-Saharan African countries duty-free market and quota free U.S. market access for substantially all products.
- Provides additional security for investors and traders in African countries by guaranteeing GSP benefits through 2008.
- Eliminates the GSP competitive need limitation for beneficiary sub-Saharan African countries.
- Establishes a U.S.-sub-Saharan Africa Trade and Economic Cooperation Forum to facilitate regular and investment policy discussions.
- Promotes the use of technical assistance to strengthen economic reforms and development, including assistance to strengthen relationships between U.S. firms and firms in sub-Saharan Africa.

Original AGOA Apparel and Textile Benefits

- Lifts all existing quotas on eligible textiles and apparel articles from eligible sub-Saharan Africa countries.
- Extends duty free and quota-free U.S. market access for sub-Saharan Africa apparel made in eligible sub-Saharan countries from yarns and fabrics not produced in commercial quantities in the United States.
- Extends duty free and quota free treatment for apparel made in eligible sub-Saharan countries from U.S. yarn and fabric and for knit-to-shape sweaters made in the region from cashmere and some merino wools.
- Extends duty-free and quota-free U.S. market access for apparel made in eligible sub-Saharan African countries with regional fabric and yarn. Such imports, however, are subject to an annual cap (limit). The original cap increased incrementally from 1.5 to 3.5 percent of the multibillion-dollar U.S. apparel import market over an 8-year period. (The ceiling cap was increased to 7 percent under the provisions of AGOA II).
- Provides an average 17.5 % duty advantage on apparel imports in the U.S. market and promotes economic development and diversification in Africa’s poorest countries. Through a special provision in the cap which allows beneficiary sub-Saharan African countries with an annual GNP of under $1,500 (“lesser developed beneficiary countries”) to use third country fabric inputs for four years. This special investment incentive for the poorest African countries is aimed at providing a market stimulus to economic development for areas with existing industry.

We have quoted directly the core issues pertaining to AGOA to help remove the many mysteries surrounding its interpretation in many quarters in Africa. While AGOA is being perceived as a panacea to sub-Saharan Africa’s development dilemma, its examination is necessary. For instance, how has it been implemented? And how many countries in Africa are already benefiting from it? These are important questions that need to be raised by all parties involved. Regarding the implementation of AGOA, by January 2001, thirty-five countries were designated as AGOA beneficiary countries. While by October 2003, 38 countries had met the eligibility criteria while 19 were eligible and also qualified to participate in Apparel and textile trade. The specific countries are shown in Table 2.

### Table 2

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<thead>
<tr>
<th>Met AGOA criteria, Qualified for Textile</th>
<th>Met AGOA Criteria</th>
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and Apparel Benefit

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<td>Botswana</td>
<td>Benin</td>
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<td>Cameroon</td>
<td>Central African Republic</td>
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<td>Cape Verde</td>
<td>Chad</td>
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<tr>
<td>Ethiopia</td>
<td>Democratic Republic of Congo</td>
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<td>Ghana</td>
<td>Congo</td>
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<td>Kenya</td>
<td>Cote D’ Ivoire</td>
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<td>Lesotho</td>
<td>Djibouti</td>
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<td>Madagascar</td>
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<td>Malawi</td>
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<td>Mauritius</td>
<td>Gambia</td>
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<td>Mozambique</td>
<td>Guinea</td>
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<td>Namibia</td>
<td>Guinea-Bissau</td>
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<td>Rwanda</td>
<td>Mali</td>
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<td>Senegal</td>
<td>Mauritania</td>
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<td>South Africa</td>
<td>Niger</td>
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<td>Swaziland</td>
<td>Nigeria</td>
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<td>Tanzania</td>
<td>Sao Tome and Principe</td>
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<td>Uganda</td>
<td>Seychelles</td>
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<td>Zambia</td>
<td>Sierra Leone</td>
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PERFORMANCE OF AFRICA GROWTH AND OPPORTUNITY ACT

In terms of benefits to Africa, in the first two years of AGOA’s existence, the volume of foreign direct investment (FDI) inflows to Sub-Saharan Africa doubled (Office of the United States Trade Representative, 2003). For example, the U.S. Department of Commerce reported that FDI inflows to Africa rose from US$6.2 billion in 2000 to US$12.4 billion in 2002. AGOA is credited by the U.S. Department of Commerce report for having played a major role in preventing a sharper drop in U.S. imports from Africa. During the year 2002, AGOA imports increased by 10 percent to US$9 billion. This figure includes duty-free imports under both the pre-existing U.S. Generalized System of Preferences (GSP) and the expanded trade agreements under AGOA. On the importance of AGOA, it accounted for half of the U.S. total imports from Africa. However, three-quarters of the AGOA imports were petroleum products.

As seen earlier, the trade between the U.S. and Africa only benefited a few countries from Africa. Nigeria and South Africa accounted for a large share of US-Africa trade with Nigeria receiving US$5.4 billion of benefits and South Africa received US$1.3 billion of flows under AGOA. The other African countries that recorded increased trade with the U.S. in 2002 included Gabon US$1.1 billion, Lesotho US$318 million and Kenya with US$129.2 million. Thus, AGOA imports accounted for half of total merchandise imported to the U.S. from Sub-Saharan Africa in 2002. The two-way trade in the year 2002 stood at just under US$24 billion, this was 15 percent lower than the figure recoded in 2001. The period also witnessed a 13.2 percent decline in U.S. exports to Africa which now stands at US$6 billion (Mogusu, 2003). While a number of countries in Sub-Saharan Africa seized the trade opportunities presented by AGOA, majority of the countries are yet to benefit from AGOA. The eligibility restrictions associated with AGOA could partly account for non-participation by several countries. Luck of
innovation and failure to seize the opportunities presented by AGOA among some countries can also be seen as a major factor. To indicate the limitations of trade as a major policy to bring about development in Africa, it is noted that the increase in trade between the U.S and Africa did not reflect actual rise in new investment, but rather a stock swap involving two conglomerates with major holdings in South Africa (Office of the U. S. Trade Representative, 2003)

Trade is an important viability for the United States to promote development in Africa, but, it is subject to many changes and these changes may not necessarily promote development in Africa. For example, the U.S. Department of Commerce (2003) notes that the volume of trade between the United States and Sub-Saharan Africa fell substantially in 2002. This was accompanied by a sharp decline in both exports and imports. The decline is attributed to a drop in sales of aircraft, motor vehicle parts and computer and telecommunications equipment. The current recession in the U.S. led to a 15.7 percent ($17.9 billion) reduction in United States imports from Africa in 2002. In addition, US Exports to South Africa, Kenya and Namibia fell dramatically while Angola, Nigeria and Equatorial Guinea recorded marginal increments. Exports recovered in the fourth quarter of 2002 due to high oil field equipment sales to Angola and aircraft sales to Kenya. The purpose of discussing these figures here is to demonstrate how trade alone cannot alleviate the poverty that is being experienced in Africa. Other intervening variables must accompany trade. This is partly explained by the fact that trade as a business venture is subject to high volatility and left on its own, it may not lead to Africa’s economic recovery.

The other limitation facing AGOA is that most of the U.S. corporations based in Africa are not developing internal capital or labor, but extracting raw materials. Petroleum and oil companies account for 75 percent of exports from Africa to the U.S. (U.S. Department of Commerce, 2003). This has been observed to be “a relic of colonization that continues to seek export of raw materials rather than infrastructure development. Multinational corporations also persist in accruing natural resources from conflict areas, such as diamonds from Angola, Democratic Republic of Congo (DRC), and Sierra Leone. In the case of the DRC, coltan which is used in the manufacture of cell phones and computers, finds its way to Western markets while the country endures a devastating civil war” (Fletcher, 2003, p.1). All these activities will not promote development in Africa but lead to further collapse of African economies. If the U.S. is really interested in promoting economic growth in Africa, then attention must be paid to these issues.

AGOA implementation in some countries such as Lesotho and Uganda has not benefitted the entrepreneurs in these countries. This is because of lack of emphasis on African ownership of manufacturing, environmental control, and allocation of a standard wage (United States International Trade Commission, 2002). The notion that AGOA has benefited African countries has also been questioned. Fletcher (2003, p. 1) observed as follows:

All forms of AGOA ignore the crucial fact that it prevents trade from being mutually beneficial. Given the $49 billion worth of agricultural subsidies that the United States gives to its farmers, attempts to aid African exports to the U.S. are undermined. In Mali, for example, structural adjustment policies implemented by the International Monetary Fund and the World Bank have dictated that growing cotton is their comparative advantage. However, AGOA requires that most African countries buy U.S. cotton, a surplus generated and engineered by the U.S.

This situation has therefore affected negatively the domestic market which is mainly dependent on agricultural products. While U.S.-Africa trade should be promoted, “however, the U.S. must commit to expanding market access for African goods, and ending the double standard in international trade rules. This will require addressing trade barriers and agricultural subsidies that hinder African exports and that continue to preclude an equitable trading relationship that can benefit the U.S. and African countries”
We would therefore like to argue for the need to promote fair trade between developing countries and the developed countries. Emphasis on trade and liberalization as a new strategy to promote development in Africa benefits only an elite few, thus increasing inequalities and poverty in Africa. Multinational corporations should seek to add employment, entrepreneurial opportunities, and promote production within Africa. For example, African countries rich in mineral resources and agricultural products should focus on the processing of final products and selling them at a much higher value as a way of promoting economic growth and development in Africa. Kenya is currently involved in a controversy with a Canadian company Tiomin that plans to mine titanium a precious mineral used in the manufacture of body parts. The Kenyan government should insist on having the body parts manufactured in Kenya before being exported to the rest of the world instead of the company mining the mineral from Kenya and taking it to Canada to manufacture body parts like teeth, ribs and knee caps.

THE WAY FORWARD

Africa’s economic growth and development requires African based thinking and development initiatives like those being promoted by NEPAD, African universities and research-based institutions such as CODESRIA and OSSREA. In addition, Africa requires support from the international community. As noted, “Africa’s chances of benefiting from global knowledge flows lie partly with Africans themselves and partly with the international community” (Makinda, 2003, p.1). AGOA is one example of how international support can be sought to help promote development in Africa. Like Europe after the World War II, Africa requires an intentional development plan and a plan similar to the Marshall Plan that led to economic recovery in Europe. The United States and other developed nations have a moral obligation to assist Africa in her development goals. The U.S. in particular is capable of spearheading a recovery plan in partnership with Africa’s leaders, scholars and policy makers. As observed, “The history of Europe after war tells clearly that people can rise from rags to riches. You only need good, committed and forth right leadership both in the public and private sectors” (Ochieng’, 2002, p.26).

While Africa needs to develop visionary leaders through investment in education, the international community can play a leading role in influencing human resource development capacity in Africa. This is supported by the fact that besides internal obstacles there exist external obstacles which negatively affect Africa’s economic development agenda (CODESRIA, 2002). Without visionary leaders capable of designing strategic development plans and ensuring their successful implementation, Africa will not achieve much in terms of development.

As shown earlier in this paper, sub-Saharan Africa’s economy strongly relies on agriculture. In fact, 70 percent of Africa’s income is dependent on agriculture. Therefore, in addition to funding education and health services, the U.S. should first eradicate outstanding debts, and reduce agricultural subsidies if it intends to promote economic development in Africa. U.S. policy should also reflect public sector ownership, which would generate national development (Fletcher, 2003). In particular, carefully targeted aid in areas such as small business development and infrastructure can help African countries to participate in trade on more equitable terms. To promote entrepreneurship, African countries need to innovatively repackage the products that they sell on the world market by coming up with innovative and new ways of conducting trade. Continued reliance on sale of primary products will not promote Africa’s economic growth and development.

Investment in knowledge and entrepreneurship is critical for Africa’s economic development because the knowledge revolution era in which Africa finds herself requires the human resources that can compete globally. Indeed Africa’s future lies in her ability to innovate and to promote science and technology as a strategy to generate wealth. Africa cannot ignore information technology and biotechnology given the fact these sectors are controlling the world economy. In the case of technology, the main component that led to a revolution in computer industry and cell phones - coltan, comes from Africa. Thus, Africa has the human and natural resources to create her own wealth. But to do this, investment in knowledge is critical. As noted, “many African states remain on the scientific,
technological, economic, political and military margins of the world largely because they are consumers, rather than producers, of knowledge. … The way forward for African countries is to develop their human resources and knowledge economies, using at least four sources of knowledge: indigenous knowledge producers; home-based African researchers; expatriate knowledge brokers; and African scholars in the diaspora” (Makinda, 2003, p.1).

African countries must nurture and create conducive working environment for her human resources. Rummler (1983, p. 75) noted, “Pit a good employee against a bad system and the system will win most every time.” This was reinforced further, “… if you pit a good performer against a bad system, the system will win almost every time” (Rummler and Brache, 1995, p. 64). Thus, Africa needs to develop human resources, as a major source of innovation and strategic renewal in this knowledge age and to put in place effective work systems aimed at promoting productivity. While promotion of trade is important for Africa, however, “a well thought-out U.S. response to Africa’s human development challenge must include not only much more aid, but also better aid. Money required to support African efforts to reach agreed development goals, like health and education, should be conceived of as international public investment rather than aid” Africa Action,(2003, p.7). This is important because every region of the world has its place in history. While the 21st century already belongs to the U.S., Africa still has the potential to claim its place in world history and cease being an eyesore to the world community.

CONCLUSION

It is a truism that we live in an increasingly interdependent world, which requires that nations of the world small and large, rich and poor, weak and mighty build strong and beneficial partnerships. And that such partnership should focus on promoting human development and reducing human poverty and misery. While AGOA may be one positive step to promote development in Africa, there is an urgent need to continuously evaluate the economic effects of this trade policy. There is need for empirical research to determine how specific African countries involved in AGOA are making progress. If Africa has to understand the game of economic development that is played in the name of World Trade Organization (WTO), with referees and umpires based in the developed nations, then Africa must learn the game plans and develop players through massive investments in knowledge. As a way forward, knowledge, entrepreneurship and the mastery of information and communication technologies in this century should become Africa’s best competitive advantage. Instead of people in Africa being consumers of knowledge they should strive to produce knowledge based on their indigenous, cultural, political and socioeconomic perspectives. While trade liberalisation may sound an important development agenda for Africa, but, without investing in education and health, Africa will remain disadvantaged. The key to Africa’s survival is through investment in intellectual capital. Only those with knowledge and information will survive. Experience has shown that while Africa has vast physical and natural resources, however, intangible assets such as knowledge and information determine wealth creation in this century. Therefore, Africa can ignore investment in Knowledge at her own peril.

References


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