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US-Africa trade and investment relations: What can we expect from a Trump Administration?

Around this time last year, the Assistant Trade Representative (AUSTR) for Agriculture Mrs Sharon Bomer-Lauritsen visited South Africa and met business leaders to discuss the expectations of private sector in a new imagined US-RSA trade relationship. Though unlikely, there was a modicum of expectation that the Trans-Pacific Partnership (TPP) would eventually be signed off and become a gold standard that would guide a future free trade agreement (FTA) between the US and Africa.

Fast forward a year later, the TPP is facing certain death after President Trump signed off a notice of intent to walk away from the mega-regional agreement. So far, experts have neither described nor predicted the Trump Administrations approach to Africa, not least because President Trump has turned vagueness into an art form. What is obvious, hitherto, is that Africa is not high up on the Trump Administration's agenda – with major focus being on the North Atlantic Free Trade Area (NAFTA) and China.

What we can discern, albeit with some moderate degree of certainty, is that there will be a wholesale and marked shift in trade policy. Drawing insights from President Trump's election rhetoric-turn-trade policy, it has become increasingly obvious that the broader US trade policy will depart from the global trend of mega-regional agreements, to one of bilateralism and protectionism. This seems to suggest a US trade policy that is bent on pursuing a narrow and more focused approach. But what would this mean for Africa then? Will AGOA still be used as a basis for an FTA, as previously envisioned, or are we now looking at a more fragmented and transactional relationship that is only focused in particular areas of mutual economic interest? The short answer to this is – no one really knows, even though initial indications point to that effect.

In a New York Times article dated 13th January 2017, Helen Cooper reported on a four-page list of questions that had made the rounds between the then President-elect Trump's Transition Team and the State Department and Pentagon, quizzing the extent and depth of the US' trade and investment presence in Africa.

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While some questions related to aid and fighting terrorism in East and West Africa, Cooper noted that President Trump's initial line of questioning had an undertone of scepticism that went as far as challenging the benefits of the Africa Growth Opportunity Act (AGOA). In one question, Cooper quotes the Trump Administration asking: "...why do we support that massive benefit [of AGOA] to corrupt regimes?".

The initial questions from the Trump Administration are instructive to our understanding of the US government's initial thinking regarding Africa – which some analysts noted, were patently negative, and even disparaging. However, we have sufficient reason to be positive when it comes to Africa-US relations for three reasons. Firstly, the idea of using the TPP as a benchmark for negotiating an Africa-US trade and investment relationship – as initially envisioned – was not a particularly attractive idea for many African countries, most of whom had expressed concern over their readiness to get into "higher-level" trade agreements. After the release of the vision document on the future of US-Africa relations in June 2016, only Mauritius came out and officially expressed its readiness for an ambitious FTA with the US. The lack of similar levels of appetite from the rest of the continent was essentially a reflection that Africa is not yet prepared for higher level rules and standards that come with a TPP-like approach. For the avoidance of doubt, one can easily notice that none of the continent's existing trade relationships resemble a TPP-like architecture.

Secondly, in more ways than one, most of Africa is still very nationalist and protectionist, and this, ironically, finds striking resemblance with the narrative of the Trump Administration's approach to trade. With the TPP out of the way, much of the continent, not least South Africa, may find practical relevance in a narrowly focused Africa-US trade and investment relationship. Unlike the invasive nature of a TPP-like agreement, from which many African policy makers pondered with much trepidation, a narrowly focused trade deal with Africa will resonate with the African continent's industrialisation agenda, which many experts believe, will ostensibly be built on a "smart protection" approach.

Thirdly, the fact that Africa barely featured on the Trump Administration's foreign policy agenda means that the continent is not viewed as a threat to American jobs and industries. After all, AGOA has even created 120 000 jobs in the US. This does not necessarily mean, however, that the US will not push hard for reciprocity of AGOA. In fact, there might be, in all likelihood, a more aggressive push from the US for balanced and reciprocal concessions or arrangements between Africa and the US, with AGOA being used as leverage in ways similar to what we have observed in out-of-cycle reviews in the recent past. What is evident so far is that, by now, the Trump Administration will have figured out that the EU has trade deals with Africa, while the Chinese have a continent-wide footprint. One of the questions quoted by Cooper in that unclassified four-page list was "Are we losing out to the Chinese [in Africa]" – a reflection that the future Africa-US relationship might be driven, in part, by an ardent desire by the US to (out)compete its rivals in a continent where it has been left behind despite its "free" preference programme. While reciprocity almost seems certain and logical, most policy makers will prefer making a series of small concessions, as opposed to a TPP-like agreement.

As we consider the various scenarios of an Africa-US trade and investment relationship, it is important for the continent to craft its own vision of a bilateral trade relationship with the Americans. The fundamental lesson coming out of the first two weeks of a Trump Administration is that the US will be radically different and will have a different way of doing business. It will be important to observe how the Trump Administration will handle the AGOA annual review – and any emerging the out-of-cycle reviews – as these will serve as critical learning points that will deepen and broaden our understanding of what the future of Africa-US trade relationship will look like.

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