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U.S.-Sub-Saharan Africa Trade and Investment: Programs and Policy Direction

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Summary

U.S. trade with sub-Saharan Africa, like investment, is a small share of U.S. world totals. Several government programs promote U.S. trade and investment through loan guarantees, preferential tariffs for foreign products, credit insurance, and other means, and although these programs assist commercial transactions with sub-Saharan Africa, they are not exclusive to the region. The Clinton Administration took several major initiatives to improve U.S. economic relations with sub-Saharan Africa. In May 2000, the African Growth and Opportunity Act (Title I of P.L. 106-200, the Trade and Development Act of 2000), which offers economic benefits to sub-Saharan countries, was enacted. This report will be updated periodically.

In 2000, U.S. imports from sub-Saharan Africa were $23.5 billion, an increase of 67% over the 1999 level of $14.0 billion. Imports from sub-Saharan Africa were 2% of all U.S. imports. U.S. exports in 2000 were $5.9 billion, almost the same as the 1999 level of $5.7 billion. Exports to sub-Saharan were less than 1% of total U.S. exports (see **Table 1**). The share of total U.S. trade that is conducted with sub-Saharan Africa has declined over the last 5 years. From 1996 to 2000, U.S. imports from sub-Saharan Africa grew at an average annual rate of 11.5%, compared to 11.4% for all U.S. imports, but U.S. exports to sub-Saharan Africa were basically flat, with an average annual growth rate of -0.8%, compared to 5.8% for all U.S. exports. A comparison of U.S. trade with selected regions shows that in 2000, U.S. total trade (exports plus imports) was $20.8 billion with the Central American Common Market (CACM), $29.4 billion with sub-Saharan Africa, $38.4 billion with Mercosur, and $135.3 billion with ASEAN.[1]

[1] Data from U.S. Departments of Commerce and the Treasury, reported in Tariff and Trade Data Web of the U.S. International Trade Commission. Central American Common Market countries are Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Mercosur countries are Argentina, Brazil, Paraguay, and Uruguay. ASEAN countries are Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam, Burma/Myanmar, Cambodia, and Laos.

Most U.S. trade with sub-Saharan Africa is with only a few countries. In 2000, 87% of U.S. imports from the region came from 4 countries: Nigeria (45% of U.S. imports from the region), South Africa (18%), Angola (15%), and Gabon (9%). Similarly, 64% of U.S. exports to the region went to only 2 countries: South Africa (52% of U.S. exports to the region) and Nigeria (12%).

The United States imported mostly basic commodities from the region. The leading imports by far were petroleum and petroleum products, accounting for 74% of imports from the region in 2000, followed by nonferrous metals, apparel and clothing, and iron and steel. Major U.S. exports to the region were aircraft and parts, mining machinery, wheat, general industrial machinery, and road vehicles.

As seen with trade, very little U.S. foreign direct investment goes to sub-Saharan Africa. During the year 1999, $1.2 billion in U.S. direct investment, or almost 1% of total U.S. direct investment abroad that year, went to sub-Saharan Africa.[2] Major flows of direct investment during 1999 went into South Africa's finance, insurance and real estate sectors and came out of Nigeria's petroleum sector.

U.S. Programs

The U.S. government promotes U.S. trade and investment through preferential tariffs for certain imports of foreign products, support for U.S. sales abroad, assistance to U.S. investors in foreign projects, development assistance, and other programs. These programs are not exclusive to sub-Saharan Africa.[3]

Under the U.S. Generalized System of Preferences (GSP), designated developing countries may receive duty-free treatment for eligible products that enter the United States.[4] In 2000, GSP duty-free imports from sub-Saharan Africa were $3.9 billion, or 18% of U.S. imports from the region. Almost one-fourth of all U.S. duty-free imports under GSP came from sub-Saharan Africa, twice the share in the preceding year. The increase in the sub-Saharan share of GSP imports is probably linked to price increases for crude oil, which accounts for 77% of GSP imports from sub-Saharan Africa. Almost all of that oil comes from Angola. GSP benefits were expanded for sub-Saharan African countries under the African Growth and Opportunity Act (Title I of P.L. 106-200), which was enacted in 1999 (discussed below).

The Export-Import (Ex-Im) Bank offers support for the sale of U.S. products in foreign markets. Its programs include (1) guarantees of commercial loans to U.S. exporters; (2) credit insurance against default by a foreign buyer; (3) guarantees of

[2] Investment data from U.S. Department of Commerce. Bureau of Economic Analysis. Web site at [http://www.bea.doc.gov/bea/di/dia-ctry.htm].

[3] For more information on U.S. programs and trade and investment with sub-Saharan Africa, see U.S. International Trade Commission. U.S. Trade and Investment with Sub-Saharan Africa. Investigation No. 332-415. First Annual Report. Publication 3371. December 2000. Web Site at [http://www.usitc.gov/wais/reports/arc/w3371.htm]. Site includes quarterly updated tables.

[4] For further information on GSP, see Congressional Research Service. Generalized System of Preferences. CRS Report 97-389, by William H. Cooper.

commercial loans to foreign buyers for purchase of U.S. exports; and (4) direct loans to foreign buyers of U.S. exports.[5] During fiscal year (FY) 2000, the sub-Saharan market accounted for none of the new Ex-Im Bank authorizations for loans, 3.5% of new authorizations for guarantees, and 2.6% of new authorizations for credit insurance.[6] In FY2000, the Ex-Im Bank authorized a total of $326 million for U.S. exports to sub-Saharan Africa, or 3% of its total authorizations. (It also authorized $402 million for exports to four North African countries.) Among major Ex-Im Bank projects in sub-Saharan Africa were guarantees for U.S. exports for an oil pipeline from Chad through Cameroon to the Atlantic coast ($200 million), transmitter equipment for the Zimbabwe Broadcasting Corporation ($35 million), and a fiber optic cable system in Mauritius ($28 million).[7] Ex-Im Bank programs are available to 47 of the 48 sub-Saharan countries (Sudan is excluded), but program availability varies widely among countries. In FY2000, the Ex-Im Bank provided $1 billion in financing for sales of U.S. HIV/AIDS medicine and equipment in 23 sub-Saharan African countries. It also has an Africa Pilot Program, which offers short-term export credit in 12 countries of sub-Saharan Africa.

The Overseas Private Investment Corporation (OPIC) assists U.S. businesses to invest in developing countries, newly emerging democracies, and free market economies. Its main activities are (1) loans and loan guarantees; (2) support for equity funds for U.S. companies that invest overseas; (3) insurance against political risk; and (4) information for U.S. businesses on investment opportunities overseas.[8] In FY2000, OPIC provided financing and/or political risk insurance for six projects in sub-Saharan Africa. Projects included $1 million in financing for a micro-lending facility for small businesses in Ghana, $173 million in financing for a methanol plant in Equatorial Guinea, and $1 million in risk insurance for a toothpaste manufacturing facility in Zimbabwe.[9] OPIC also offers financing support for regional funds for Africa. Its portfolio distribution, as reported in its FY2000 annual report, was North Africa and the Middle East-4%, sub-Saharan Africa-6%, Caribbean and Central America-9%, Europe (including Turkey)-11%, New Independent States-13%, Asia and the Pacific-17%, South America-37%, and worldwide funds-4%.

The U.S. Trade and Development Agency (TDA) provides planning assistance for foreign development projects that might offer sales opportunities for U.S. exporters. The TDA reports that expenditures vary from year to year, but it calculates that since FY1981, annual expenditures for the Africa region have averaged $3.3 million, and funding in

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[5] For information on the Ex-Im Bank, see Congressional Research Service. Export-Import Bank: Background and Legislative Issues. CRS Report 98-568, by James K. Jackson.

[6] Calculated by CRS from table "FY 2000 Authorizations by Market" in FY2000 annual report of Ex-Im Bank at [http://www.exim.gov/annrpt/index.html].

[7] Information on Ex-Im Bank programs from the agency Web page at [http://www.exim.gov].

[8] For more information on OPIC, see Congressional Research Service. The Overseas Private Investment Corporation: Background and Legislative Issues. CRS Report 98-567, by James K. Jackson.

[9] U.S. Overseas Private Investment Corporation. 1999 Annual Report. [http://www.opic.gov]

Africa has been approximately 12% of all TDA expenditures .[10] In FY2000, the TDA assisted with 15 projects in 8 sub-Saharan countries. Projects included a $157,000 training grant to the Botswana Department of Civil Aviation for radar data processing, a $149,095 grant for a feasibility study of proposed hydroelectric power plants in Guinea, and a $400,000 grant for a feasibility study of domestic gas utilization in Nigeria.

Several other federal programs are important to U.S. trade and investment in sub-Saharan Africa. The Assistant U.S. Trade Representative for African Affairs has been active in promoting U.S. trade and investment with the region. The U.S. Agency for International Development (USAID) supports foreign economic development projects and administers numerous economic programs in sub-Saharan Africa. In addition to domestic programs, the government participates in multilateral programs through the World Bank, the International Monetary Fund, and the World Trade Organization.

Policy Direction

Important measures to improve U.S. economic relations with sub-Saharan Africa began in the mid-1990s. In 1994, the Uruguay Round Agreements Act (P.L. 103-465) directed the Administration to develop an Africa trade and development policy and report on this policy to Congress annually for 5 years. In Congress, there was strong bipartisan interest in legislation to enhance African economic growth and to improve U.S.-sub-Saharan economic relations. This interest was in response to the Administration's first report and what some Members saw as a lack of real trade policy for Africa.

In 1997, President Clinton announced the Partnership for Economic Growth and Opportunity in Africa (Partnership Initiative), which included some proposals Congress was already considering. The Partnership Initiative supported economic reforms in Africa and encouraged closer economic ties between the United States and Africa. In 1998, President Clinton visited Africa, and in 1999, the United States hosted a ministerial meeting between U.S. and African officials. In December 1999, the Administration submitted the last of its five annual reports on Africa trade policy that were required under the Uruguay Round Agreements Act. The report restated the Administration's support for the Partnership Initiative and for the African Growth and Opportunity Act, which was then under consideration in Congress.

The African Growth and Opportunity Act (P.L. 106-200, Title I) was enacted May 18, 2000. It offers trade and other economic benefits to sub-Saharan countries that are committed to economic reform. It establishes annual high-level government meetings and requires a report on the possibility of future free-trade talks. It expands the benefits available under the GSP program by adding to the list of products that can enter duty-free and eliminating some provisions that restricted the levels of goods that could enter duty-free. It establishes requirements that beneficiary countries have adequate visa systems to protect against transshipment of textiles or apparel. It also establishes positions on sub-Saharan African affairs in the USTR, the Ex-Im Bank, and OPIC. Officials in sub-Saharan Africa supported passage of the legislation.

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[10] Information on TDA programs from the agency Web page at [http://www.tda.gov].

Not everyone expects the African Growth and Opportunity Act (AGOA) to lead to improved economic conditions in sub-Saharan Africa or economic benefits for U.S. businesses. Development experts stress that the programs will have little effect unless a country pursues appropriate macroeconomic policies and has a stable financial sector. U.S. textile and apparel producers predict transshipment from non-African countries could occur if the safeguards do not prevent illegal imports.[11] At the same time, some observers say that the measure's rules of origin for apparel are so restrictive, there will be little increase in U.S. imports and few benefits for African producers.[12]

In May 2001, President Bush submitted a report to Congress on the U.S. trade and investment policy for sub-Saharan Africa and on implementation of AGOA.[13] This is the first of eight reports required under section 106 of AGOA. The report states that during the first year of AGOA, 35 sub-Saharan African countries were designated as beneficiary countries, an additional 1,835 products from beneficiary countries were designated for duty-free access, and five countries were designated eligible for apparel benefits (with another eight countries in the process of qualifying).[14] It describes implementation efforts by the Administration such as regional and national implementation seminars, an AGOA implementation guide and video, and technical assistance for customs officials in sub-Saharan African countries. The report describes other effects of AGOA such as greater communication among ministries in sub-Saharan Africa and between African government officials and the private sector. It asserts that AGOA has been a tool to encourage and support greater African economic and political reform.

The Bush Administration stated in its May report that implementation of AGOA was a "priority." President Bush has set an October date for the first annual meeting of the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, a ministerial meeting among high-level U.S. and sub-Saharan African officials of sub-Saharan Africa. As tariffs are lowered on products from sub-Saharan Africa, and U.S. and African officials meet in a more structured forum, economic relations are likely to improve. The full effects of changes under AGOA, however, will not be seen for at least several years.

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[11] The International Trade Commission (ITC) found that the effect of quota-free and duty-free treatment of U.S. imports of textiles from sub-Saharan Africa would be quite small, but the effect on U.S. imports of apparel would be greater. See ITC. Likely Impact of Providing Quota-Free and Duty-Free Entry to Textiles and Apparel From Sub-Saharan Africa. Publication 3056. September 1997. 103 pgs. with appendices. U.S. apparel manufacturers and the ITC disagree on whether the study adequately addresses possible increases in investment.

[12] See Nitschke, Lori. Third World Trade Bill Likely to Have Limited Impact. *CQ Weekly*. May 6, 2000. Pgs. 1020-1027.

[13] USTR. 2001 Comprehensive Report of the President of the United States on U.S. Trade and Investment Policy Toward Sub-Saharan Africa and Implementation of the African Growth and Opportunity Act. A Report Submitted by the President of the United States to the United States Congress. The First of Eight Annual Reports May 2001. (Hereafter called 2001 Comprehensive Report. Located on the USTR web site at: [http://www.ustr.gov/reports/index.shtml].

[14] Information on AGOA is available at [http://www.agoa.gov/].

Table 1. U.S. Trade with Sub-Saharan Africa, 1998-2000

Country	U.S. Imports ($ thousand)			U.S. Exports ($ thousand)		
	1998	1999	2000	1998	1999	2000
Angola	2,251,542	2,424,813	3,557,023	354,303	252,173	226,006
Benin	3,604	17,830	2,440	43,633	31,292	26,393
Botswana	19,670	16,895	40,949	35,591	33,403	31,492
Burkina Faso	597	2,771	2,472	16,089	10,892	15,773
Burundi	7,658	6,135	7,995	4,742	2,646	1,672
Cameroon	53,348	76,765	155,117	75,174	37,044	59,170
Cape Verde	190	111	4,214	9,552	7,537	7,235
Central African Rep.	2,798	2,896	2,965	4,471	3,727	1,769
Chad	7,311	6,911	4,780	3,464	2,687	10,819
Comoros	822	1,747	3,513	613	243	704
Congo (B)	315,420	414,717	509,707	92,020	47,046	82,150
Congo (Zaire)	171,561	229,217	212,239	34,036	21,087	9,997
Cote d'Ivoire	417,637	347,160	383,949	151,555	103,981	94,897
Djibouti	530	110	419	20,061	26,726	16,816
Equatorial Guinea	66,642	43,257	154,717	86,727	221,147	94,934
Eritrea	736	486	196	25,125	3,870	16,604
Ethiopia	52,278	30,211	28,660	88,379	164,656	165,153
Gabon	1,268,302	1,519,527	2,208,933	62,420	45,360	63,441
Gambia	2,043	186	379	9,279	9,602	9,090
Ghana	144,411	208,637	204,513	223,379	235,121	190,751
Guinea	115,620	116,948	88,378	65,440	54,571	67,411
Guinea-Bissau	173	72	535	950	816	284
Kenya	98,522	106,415	109,544	199,029	189,126	237,989
Lesotho	100,133	110,826	140,316	1,437	733	866
Liberia	25,148	30,280	45,417	50,037	44,734	43,226
Madagascar	71,395	80,233	157,804	14,611	106,112	15,453
Malawi	60,455	72,462	55,380	14,497	7,402	13,708
Mali	3,353	8,899	9,690	25,410	29,761	32,046
Mauritania	393	771	354	19,541	25,183	16,155
Mauritius	271,618	258,933	286,057	23,256	39,000	24,346
Mozambique	25,762	10,322	24,394	45,736	33,864	57,981
Namibia	51,780	29,687	42,254	51,202	195,633	80,227
Niger	1,731	12,121	7,026	18,160	18,517	36,190
Nigeria	4,194,647	4,361,098	10,548,544	819,619	628,337	718,474
Rwanda	3,955	3,686	5,064	21,783	47,490	19,050
Sao Tome & Principe	678	2,696	513	9,380	510	993
Senegal	5,181	9,160	4,231	59,175	63,429	81,798
Seychelles	2,198	5,168	8,097	10,021	7,641	7,185
Sierra Leone	12,279	10,315	3,824	23,463	13,159	18,678
Somalia	593	169	443	2,697	2,813	4,862
South Africa	3,055,477	3,195,065	4,204,199	3,626,112	2,582,328	3,084,711
Sudan	3,090	57	1,808	6,790	8,821	16,897
Swaziland	25,083	37,884	52,577	8,197	9,412	67,128
Tanzania	31,564	35,381	33,652	66,867	68,375	44,866
Togo	2,203	3,170	5,991	25,482	25,703	10,623
Uganda	15,154	20,256	29,064	29,795	24,955	27,424
Zambia	47,267	37,661	17,727	21,618	19,893	19,063
Zimbabwe	127,013	132,789	112,382	93,090	59,959	53,268
Total	13,139,566	14,042,906	23,480,445	6,694,009	5,568,520	5,925,769

Source: Data from the U.S. Departments of Commerce and the Treasury, reported in Tariff and Trade Data Web of the U.S. International Trade Commission (general imports, Customs value; total exports, fas).