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Trade Africa Initiative

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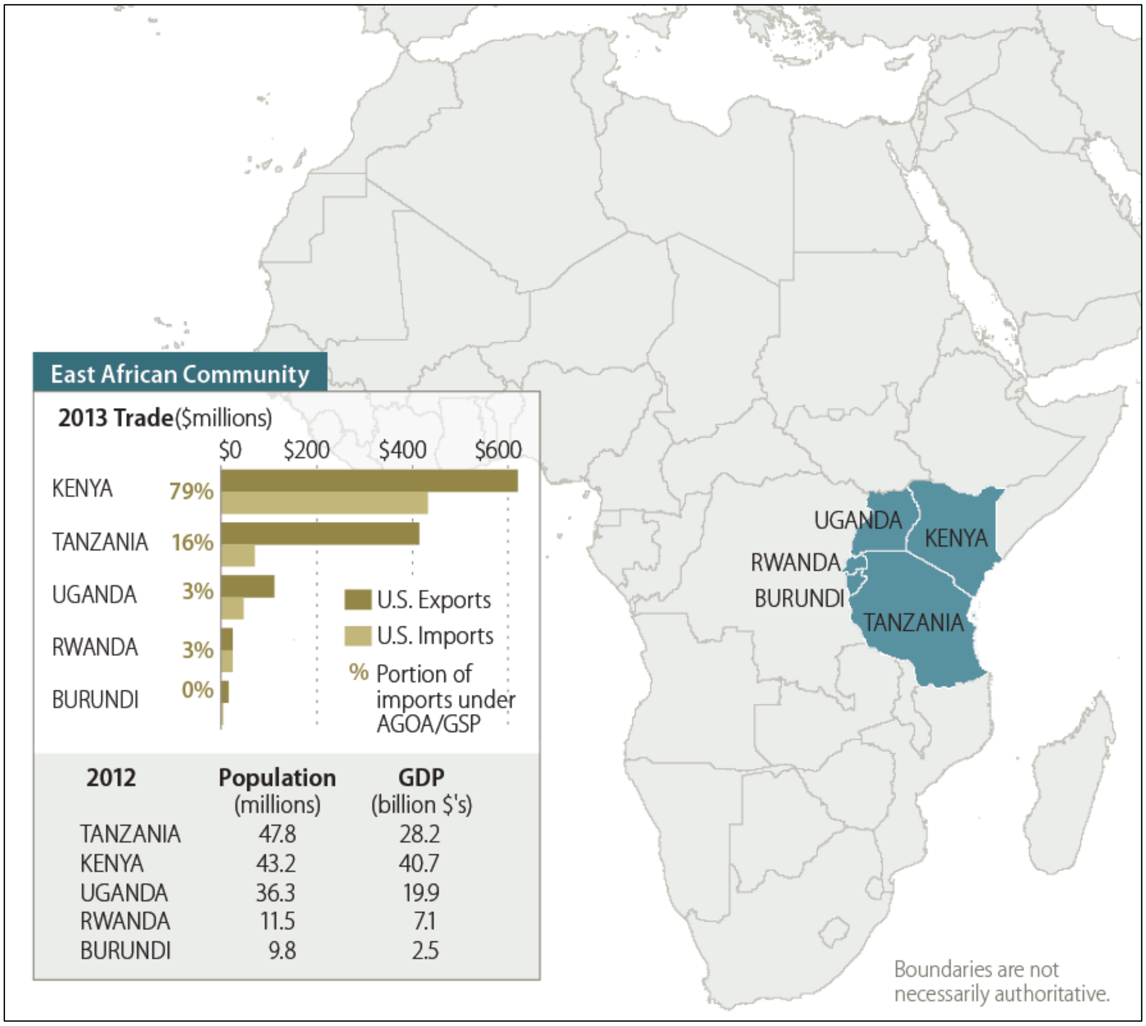
Initiative Overview

President Barack Obama announced the Trade Africa Initiative (TAI) during his July 2013 trip to sub-Saharan Africa. TAI is a U.S.-sub-Saharan Africa partnership aimed at increasing domestic and regional trade within Africa, and expanding trade and economic ties between Africa, the United States, and other global markets. The program initially targets the East African Community (EAC), which is made up of Kenya, Tanzania, Uganda, Rwanda, and Burundi.

TAI is designed to advance the Administration's 2012 *U.S. Strategy Toward Sub-Saharan Africa*, which seeks to spur economic growth, trade, and investment in Africa, particularly by expanding U.S.-African private and public sector cooperation. Trade Africa dovetails with growing congressional interest in and efforts to increase U.S.-African trade and investment, which have taken the form of multiple hearings (e.g., in the House in May 2013 and in the Senate in July 2012) and the introduction of related bills (e.g., S. 718 and H.R. 1777). It also aligns with broader U.S. efforts to boost exports through the National Export Initiative. The announcement of Trade Africa follows a sustained period of growth in African-Chinese trade and investment ties, which some view as a competitive threat to U.S. economic and political interests in the region. In 2013, U.S. imports from the EAC totaled $597 million, while U.S. exports totaled $1,239 million, a nearly 30% increase in exports from 2012 (**Figure 1**). All EAC countries are eligible for trade preferences granted under the African Growth and Opportunity Act (AGOA,Title I, P.L. 106-200, as amended).

Figure 1. U.S.-East African Community: U.S. Trade and Demographic Data



Source: Data from the U.S. International Trade Commission and the World Bank.

Key Goals and Initiative Components

The core TAI goal during a three- to five-year "initial phase" is to expand U.S. trade and investment relations with and the trade capacity of the EAC and its member states, including through growth of African exports under AGOA. The White House appears to have selected the EAC as an initial TAI target region because it offers new U.S. market opportunities and has had a recent record of economic growth and reform. Specific goals under Trade Africa are to:

- double intra-EAC trade, including a 40% increase in the staple food sector, and increase by 40% U.S. non-oil AGOA imports from the EAC;
- reduce by 15% the average time needed to ship containers between the key EAC coastal ports and land-locked Burundi and Rwanda;
- reduce by 30% average truck border transit times at selected border crossings; and
- create 10,000 new jobs in the EAC by U.S. Agency for International Development (USAID)-aided firms and facilitate $100 million in new investments in targeted EAC sectors.

TAI consists of several trade and investment enhancement activities that together comprise the U.S.-EAC Trade and Investment Partnership (TIP) and several USAID trade-focused development programs.

Trade and Investment Partnership (TIP)

This partnership, led by the State and Commerce Departments and the United States Trade Representative (USTR), consists of the following efforts:

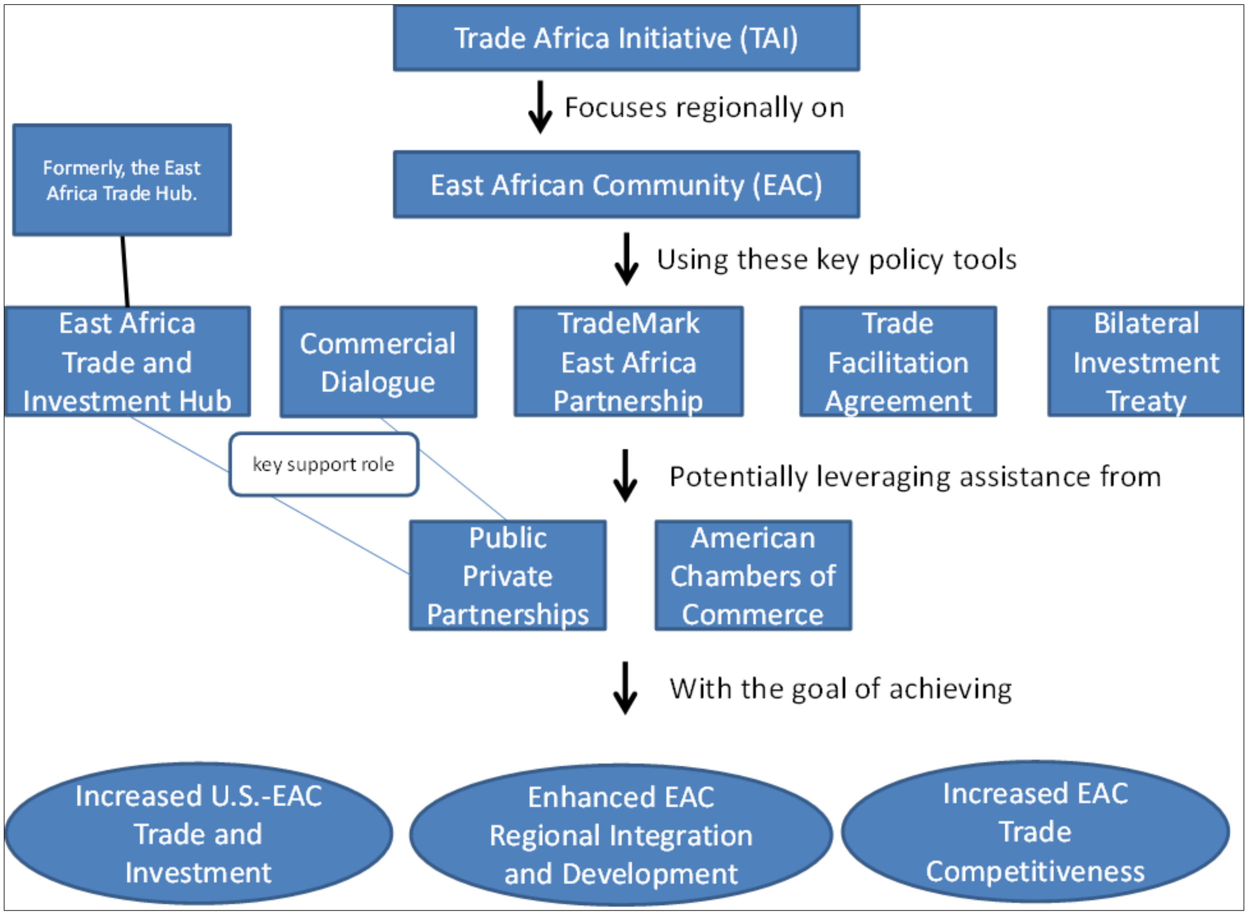
- **Negotiation of a U.S.-EAC trade facilitation agreement.** These agreements typically focus on customs procedures and aim to reduce trade costs.
- **Initial talks toward a possible U.S.-EAC bilateral investment treaty (BIT).** BITs are negotiated to protect U.S. overseas private investment, through non-discriminatory treatment, the right to investor-state arbitration, and other protections.
- **Ongoing commercial dialogue.** This consultative forum between governments focuses on expanding commercial relations and incorporates private sector views on key agenda issues. The U.S.-EAC dialogue is the first such U.S. dialogue with an African country.

USAID Trade Africa Contribution

- **The East Africa Trade and Investment Hub.** The current East Africa Trade Hub, similar to its counterparts in West and Southern Africa, seeks to enhance regional export capabilities, trade competitiveness, economic integration, and understanding and utilization of the AGOA preference program. The hub assists with inter-regional customs coordination, provides capacity building aid, and works to strengthen EAC industry trade groups and their ties with U.S. counterparts. Under Trade Africa, the EAC hub will be renamed the East Africa Trade and Investment Hub, a $65-$70 million, three- to five-year program. It will build directly on activities akin to those pursued by the current hub, but will also focus on expanding two-way U.S.-EAC trade and investment, in cooperation with other U.S. trade and development agencies.
- **USAID-TradeMark East Africa Partnership.** This five-year, $25 million project seeks to expand trade through trade cost reductions and continued progress toward an EAC Customs Union and Common Market.

The **Doing Business in Africa Campaign,** a Commerce Department-led initiative to help connect the U.S. private sector with business opportunities in all regions of Africa, also supports Trade Africa efforts.

Figure 2. Trade Africa Initiative (TAI) Overview



Source: CRS analysis of TAI public notices.

Related Initiative

Trade Africa is related to Power Africa, a separate initiative. Its goal is to double access to electricity in sub-Saharan Africa through support for public-private partnerships backed by up to $7.8 billion in public U.S. export financing, as well as technical, infrastructure, and institution-building aid. Power Africa supports TAI goals due to the key role of electricity in economic development, and because it aims to increase both U.S. power technology exports to Africa and related U.S. investment in the region.

Links between Power Africa and Trade Africa are reflected in the recent creation of the East Africa-based USAID Office of Power Africa and Trade Africa, which plays leading roles in the implementation of the two inter-agency initiatives.

Prospects

Trade Africa is ambitious in its regional focus and, if successful, may serve as a model for future trade and investment engagements with other African regional entities. Whether Congress may consider it an appropriate trade policy priority and how Congress may judge its success, however, remain open questions. Efforts to pursue a BIT and a trade facilitation agreement have no specified end-date, and their success will depend on how such potential accords are implemented. A concluded BIT would require consideration and ratification by the Senate. Congress may also see a need for greater benchmarking of TAI goals, so that implementation of the initiative can be rigorously measured.

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