Attachment 1 | An Illustrative List of Proposals

November 28, 2012

The illustrative proposals are divided into five categories—general guidelines, non-sector specific, cross cutting, investment promotion, regional integration and trade preferences.

Section 1 General Guidelines

1. Modify AGOA so it is no longer a unilateral gift from the US, but a trade true partnership to which both sides contribute and from which both profit.[1]

2. Go beyond the current AGOA not only by deepening preferences but adding elements which support 1) US investment in the region and doubling US exports to the region; 2) the insertion of Africa into global supply chains and distribution networks and 3)the attainment of African regional integration goals.

3. Go beyond government to incorporate the private sector, NGOs, think tanks and academia in the effort.

4. Assure a coordinated approach among different Congressional Committees and Executive Agencies replacing the current approach where initiatives are stove-piped under separate mandates.

5. Follow a top down approach - meaning to determine what measures would meet the African situation, and then work with the relevant agencies/committees to design and implement them. This may require changing the basic legislative mandate of specific agencies rather than utilizing inappropriate existing programs designed for application in non-African countries simply because they are readily available.

6. Limit the principle government role to creating the prerequisites for unleashing the US private sector to participate in trade and investment with the region.

7. Develop separate programs - one focusing on economic growth and commercial interchanges, the other on more charitable, humanitarian, political and social issues. Currently, the attainment of both these objectives suffers from confusing and sometimes contradictory policies. Also, often funds required to create a level playing field for US competitiveness are siphoned off for worthy social causes.

[1] The paper recommends that African contribution, at this stage not involve reciprocal tariff concessions. As discussed, below, MT suggests that the African contribution includes facilitation measures aiming to double US exports to the region, protection of US investment and elimination of border formalities so that US companies can operate their supply chains and distribution networks smoothly.

Attachment 1 | An Illustrative List of Proposals

8. Emphasize inserting Africa into their global supply chains and distribution networks.[2] Here, U.S. manufacturing would be best served through coproduction ventures with Africa. The benefit here, in juxtaposition with China, is that Africa is not replacing high valued U.S. components with locally made products that infringe on intellectual property.

Section 2 | Non-Sector Specific Cross-Cutting

1. Institutionalize a business forum composed of U.S. multinational corporations, major financial entities (investment banks, insurance companies, and pension and equity funds) as well as representatives of SMEs and the African Diaspora to advise the government on a proactive policy to support their activities.

2. Require federal register notices before and after each TIFA meeting to ensure private sector input into the U.S. and to document commitments and progress resulting from the TIFA.

3. Follow Chinese and Indian precedents by hosting head of state summits to discuss and implement comprehensive economic approaches and strategies to the region.

4. Commission a USITC study to determine whether unilateral U.S. conditionality (e.g., corrupt practice acts, prohibitions against conflict minerals, fossil fuels limitations, withdrawal of MCC, USAID and AGOA benefits for anti-democratic behavior) is an effective way to promote U.S. goals. The question is not whether the conditions are justified, but whether they are effective especially if the US applies them unilaterally and/or whether there are more effective sanctions without damage on investment and innocent parties.

5. Require an agreed upon report or testimonial submission to Congress by African and U.S. stakeholders as to how the program is meeting objectives, innovating, or needing alteration.

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Section 3 | Promotion of US investment

1. Establish a one stop shop for US investors, possibly at the Department of Commerce, where USG officials would be responsible for shepherding private sector proposals through the interagency process rather than requiring individual countries to navigate the confusing array of government agencies involved in support of US trade and investment with the region.

2. Mandate the President to require Departments and other federal entities to work together to ensure that the US firms do not lose contracts in Africa due to more generous support from third country governments than that provided by the US.

3. Develop a model for comprehensive agreements replacing time-consuming negotiations of individual accords covering BITS, double taxation, investment guarantees, IPR protection and trade facilitation.

4. Review embassy staffing to determine where there should be a stronger commercial presence in the region including possible designation of a single officer to represent Commerce, USTDA, OPIC, USTDA and private sector linkages in USAID and MCC.

5. Direct that agencies with African programs work closely with the Small Business Administration (SBA) and the Minority Business Development Agency (MBDA) to promote SME and Diaspora investment.

6. Institute a U.S. information technology driven initiative to promote joint U.S. | African cooperation in the ICT sector. The premise to this is that according to *The Economist,* technology is having a bigger effect on Africa than anywhere else simply because it has started from such a low base--Africa is a global pioneer in banking on mobile devices.[3]

7. Promote a U.S. driven campaign to re-brand Africa as a competitive investment location.

8. Earmark, or if not possible, establish a target that 25% of the recent $40bn increase in ExIm's lending authority should be used for projects in the region. (The bank's charter may have to be modified to allow blended financing which offsets some of the risk through concessional assistance by development agencies to allow support of exports).

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[3] *The Economist*, October 20th – 26th 2012 p. 43

Attachment 1 | An Illustrative List of Proposals

9. Increase OPIC's lending ceilings and staffing levels to enhance its capacity to guarantee and finance more projects since despite it's a minimum amount of resources, it has been very successful in the projects which is supports.

10. Develop new criteria for the MCC; allowing it to support investment worthy proposals in countries that may not be eligible for MCC designation - but where progress is being made in meeting the designation benchmarks but only in cases where the project satisfies World Bank's financial criteria.

11. Work with Treasury and Congressional Committees to either modify IRS provisions to exempt from US taxation, profits earned from US investments in non-primary pursuits in Africa or negotiate double taxation treaties which allow exemption from US taxes for repatriated profits earned due to tax concessions provided by host governments.

12. Require the Defense Department to work with the U.S. private sector on opportunities for the Army Corps of Engineers to work with U.S. infrastructure companies in the region.

Section 4 | *Promoting Regional Integration*

1. Require State, USAID, USTR, Commerce and other financial and development agencies to work with the AU and the RECs to coordinate regional programmatic approaches.

2. Set up a formal mechanism for coordinating the work of hubs to both duplicate measures when they were successful and to operate joint programs in neighboring countries.

3. Intensify support for current efforts to eliminate border checkpoints, and where not possible, eliminate or harmonize as many customs formalities as possible to facilitate the movement of goods, and other factors of production (services, capital, labor, management etc.) I intra-REC trade.

4. Add a hierarchical element to the TIFA structure to correspond to the African building bloc approach toward regional integration. Here, have an AU-TIFA, then REC-TIFAs, and finally national TIFAs.

5. Apportion 20% of MCC country contracts to regional integration projects and/or establish good practice criteria to enable MCCs to designate RECs for MCC financing.

6. Add regional assistance components to the MCC specifically to promote development corridors. Here, the tripartite Group has asked for support for the North-South and Central Corridors, which was difficult to fund since they involved more than one country. A more far reaching proposal could be to designate deserving RECs for MCC status in the case of infrastructure projects.

7. Instruct the Treasury Department to work with the World Bank and other entities to develop Special Purpose Vehicles (SPVs) to guarantee regional infrastructure programs.

8. Support efforts to create an African customs union by 2019, a continental FTA by 2017, and a Tripartite FTA and an ECOWAS FTA/Customs union by 2015. This can be done through USAID's technical assistance to SSA negotiating efforts and USTR and State Department working with like-minded countries to assure that international trading rules do not create impediments and actually promote regional integration.

9. Work with the AU in Geneva and in capitals to convince the global trade community to allow all SSA countries to benefit from all unilateral preference programs into the next decade. The AGOA precedent of allowing the designation of all SSA countries should be adopted by the WTO in its Dufy/Free Quota Program and by the EU's *Everything but Arms* (EBA) policy. An AU proposal would provide WTO cover for duty-free treatment for all SSA countries provided they belonged to RECs progressing toward free trade.

10. Take the lead in negotiating an understanding among preference giving countries to refrain from entering into reciprocal negotiations with SSA countries until after 2020 since this would allow and even incentivize the SSA region to complete its continental FTA and customs union on a timely basis. Premature negotiations with third countries such as EU's effort to foist EPAs on individual countries before regional customs unions are in place will undermine efforts to establish a common external duty and prevent the free movement of products among countries within RECs[4].

Section 5 | *Trade Preferences*

1. Designate all AGOA imports for duty-free treatment as done under the EU's EBA scheme with a suitable phase-in period for sugar. If not, provide AGOA duty preferences for products currently excluded from duty-free entry where sub Saharan African countries have the capacity to exports. Special attention should focus on TRQs applied to sugar, tobacco, groundnuts and sweetened cocoa as an immediate way to double the African content of non-petroleum imports into the US under AGOA.

[4] One cannot establish a uniform CET in a customs union if some but not all members are obligated to provide duty-free treatment for EU imports and others apply MFN duties. If they allow derogations for the EU, those applying MFN duties would have to limit free movement of goods incorporating EU value-added which entered duty-free.

Attachment 1 | An Illustrative List of Proposals

2. Make AGOA preferences permanent and thus do away with uncertainty each time the program is due to be renewed.[5]

3. US programs whether traditional aid programs or designed to promote US investment should include provisions to promote African AGOA exports. In agriculture, special attention should be paid to promoting exports under AGOA exports in designing program to assist African efforts to carry out research, improve marketing, develop infrastructure and to meet SPS regulations. In manufacturing, US programs would focus on the development of AGOA export of light manufactures especially when the result is too displace low priced Far East imports with US-African coproduced items.

4. Gain U.S. domestic support for the unilateral extension of preferences conditioned on African beneficiaries working with the US under TIFAs and other structures to double US exports to the region and an understanding that the period of extension will be characterized by efforts to deepen economic integration.

5. Propose to current and future FTA US partners that African input incorporated into a product produced in a member country should be treated as an FTA input for purposes of determining the origin of the product.

6. Review specific origin rules which discourage AGOA exports such as those applicable to canned tuna fish and the origin of yarns incorporated in fabrics produced in AGOA beneficiaries eligible to export textiles and non-apparel textile products to the U.S.

[5] Permanent preferences do not discourage negotiations of reciprocal agreements specifically FTAs as evidenced by Central America including Panama negotiated FTAs despite benefiting from a permanent CBI program.