Comments Regarding U.S. Trade and Investment with Sub-Saharan Africa: Recent Developments USITC Investigation 332-564

Written Submission

6 February 2018

Thank you for the opportunity to provide you with some reflections on U.S. Trade and Investment with Sub-Saharan Africa from an American perspective gained during my employment over 26-years in the US export agricultural commodity market development sector in Africa.

The USITC launched this investigation as a fact-finding exercise which will examine American trade and investment in Sub-Saharan Africa, inter alia focusing on the benefits, the challenges and the constraints facing the USA under the Africa Growth and Opportunity Act (AGOA). I will endeavor to provide you with some pertinent facts, with a particular emphasis on wheat and agricultural trade.

In my view the following points are notable:

- AGOA has not brought about any direct benefits to the U.S agriculture community in general and U.S. wheat industry in particular.
- While the US has been allowing non-reciprocal market access into the US from African countries under AGOA, the European Union has forged ahead and is converting its equivalent of AGOA into reciprocal trade agreements. These are called Economic Partnership Agreements or EPAs.
- The European Union has out-maneuvered the US in this regard and now enjoys better market access to Africa than we do on numerous agricultural products, including wheat.
- By way of example the European Union accesses a 300,000-ton duty free quota into the South African market (including South Africa's customs union partners) while US exporters face a variable specific duty that has ranged between 30% - 50% ad valorem equivalent over recent years. South Africa has a growing wheat import requirement of about half of its wheat consumption (approximately 1.9 million tons for its 2017/18 marketing year), so unbalanced trade rules represent a long-term impediment to US wheat exports to South Africa, one of Africa's largest wheat users.
- According to the USDA's FAS office in Pretoria, South Africa (see Annex B), the United States competes at a disadvantage in the South African market due tariff differentials created by the free trade agreement between the European Union and South Africa. As a result, South Africa imports

only represent 5% of its total agricultural imports from the United States, while imports from the European Union have more than 25% of the market share. Of the major agricultural products imported by South Africa from the European Union, more than 85% enter the South African market duty free. On the other hand, less than 30% of the same products imported from the United States enter the South African market duty free.

- Systemically AGOA is not a WTO compliant program, underscoring the need to move towards more reciprocal trade. The US requires periodic waivers from the WTO membership to allow for AGOA preferences to be exempted from the most favored nation and non-discrimination provisions the WTO's General Agreement on Tariffs and Trade (GATT).
- Our wheat farmers need reciprocal trading arrangements in the form of free trade agreements that lower or remove tariffs, remove artificial barriers to trade and generally level the playing field with other wheat exporters, to the extent that this is possible.
- Numerous African countries (including those of interest to the USITC investigation, namely Cameroon, Côte d'Ivoire, Ethiopia, Kenya, Mauritius, Nigeria, and South Africa) which could be buying substantially more U.S. wheat, have not waited on the US but are negotiating agreements that give competing European exporters in-quota duty-free access in some important instances. South Africa is a good example of this.
- It would be beneficial for the US wheat producer and other US commodity producers to see AGOA replaced with reciprocal free trade agreements with African countries, especially those with substantial wheat and agricultural commodity import demand.
- This would not mean the end of the development dynamic present in AGOA. Typically, modern trade agreements with African countries will also have developmental elements in their make-up.
- In the interim period, during which AGOA is morphed into FTA's, the continuation of the current one-sided AGOA benefits should be accompanied by undertakings by the AGOA recipient countries to lower their applied MFN wheat import duties, rebate applied duties for production shortfalls to service domestic demand, and/or allocate specific quantities of their WTO minimum market access import quotas for wheat to the US, where these exist. This would be an interim step towards reciprocal market access for the US in terms of a free trade agreement. Call it an introduction phase to reciprocity in trade.
- SPS barriers also act as an impediment to US wheat exports, and Africa is no exception. While AGOA remains, eligibility for its preferences should also be linked to the timely and amicable removal of questionable SPS barriers faced by US wheat exports. In the African context the matter of the ban based on 'flag smut' (which has remained unresolved since 2006) limits exports not only to Kenya but also to Uganda. A calculation indicates that even a modest 5% rise in market share in Kenya would be worth over $20 million to the U.S. wheat industry.
- The United States has FTAs with just 20 countries. There are approximately 175 other countries in the world. I would like to put on record that the USTR should focus on new, high-standard FTAs with attractive markets from these 175, including countries in Africa.
- The only FTA that the USA currently has in Africa is with Morocco.
- USW notes the rapid progress that has been made towards Africa's continental trade pact, the Continental Free Trade Area (CFTA). We do not however deem it feasible for the US to conclude an FTA at this level. From a wheat growers' perspective, considering the size of import demand

and tariff levels for wheat, a logical starting point to proceed from for a new FTA would be to engage with the largest wheat markets in sub-Saharan Africa [1].

- The table provided below shows the top-ten wheat importing countries in the sub-Saharan African region. The total annual wheat imports (from all sources) for 2016/17 for these 10 countries was just over 12 million metric tons.
- Annex A expands upon these figures and shows a 3-year import history for each of these 10 importing nations and the countries or origin supplying the wheat imports to the respective countries.
- Assuming a region-wide, Sub-Saharan African Free Trade Agreement (or agreements) existing between the US and the region, this would lock in duty-free access to over 12 million metric tons of wheat imports for US farmers; a 50% market share would be valued at approximately $1.4 billion annually.

Top 10 Wheat Importers in Sub-Saharan Africa
Marketing Year 2016/2017
(Wheat & Meslin HS 1001)

Country	Total Import Demand (Tons) *	Tariff & Charges to the USA (%) ^
Nigeria	4,818,461	5%
Kenya	1,616,460	35%
South Africa	1,453,805	30%
Tanzania	900,326	35%
Mozambique	704,356	2.5%
Senegal	637,606	5%
Cameroon	613,515	10%
Ghana	552,842	5%
Cote d' Ivoire	665,450	5%
DR Congo	215,176	5%
Totals	**12,177,997**	

Source: USDA

[1] USW's Regional Office for Sub-Saharan Africa is located in Cape Town South Africa and currently concentrates the 10 countries listed. However, this certainly does not exclude other African countries from the scope of a US/S-SA FTA or series of FTAs. One example to examine in considering this is to look at with the Southern African Customs Union (SACU) which comprises South Africa, together with Botswana, Namibia, Lesotho and Swaziland.

NOTE: Nigeria Tariff & Charges to the USA should be 20%
In summary:

1. **There is little value to US wheat producers and other US agricultural growers and ranchers in continuing to use AGOA as the mode of trade with Africa.**
2. **Free Trade Agreements should be negotiated to replace AGOA.**
3. **In the interim phase-out period, AGOA benefits should be linked to improved agricultural market access for US wheat and the wider US agricultural commodity producers and ranchers.**

In closing:

There is a strong affinity between the views expressed in this submission and USTR Lighthizer's Statement on President Trump's State of the Union Address at the end of January 2018, where he stated that:

"[The President's] unwavering commitment to promoting America's interests and insisting on fair and reciprocal trade will deliver even more prosperity to the American people. As the President has said, America is no longer turning a blind eye to unfair foreign trade practices. We are and will continue to strongly enforce our trade laws and defend American workers, farmers, ranchers and businesses."

I appreciate the opportunity to provide comments on US trade relations with Sub-Saharan Africa in an effort to increase the competitiveness of U.S. wheat in world trade so as to increase U.S. wheat and US agricultural commodity exports, and I look forward to further dialogue and/or supplying additional information on this topic.

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Annex A

Wheat Imports by Supplier for the 10 Largest Sub-Saharan African Buyers

Marketing years 2015, 2016 & 2017 (June to May) in metric tons

(Source USDA)

NIGERIA IMPORTS BY ORIGIN

Exporter	2014/15	2015/16	2016/17
United States	1,789,766	1,497,543	1,491,496
Canada	665,615	694,281	793,802
Russia	723,802	1,152,108	1,349,423
European Union	448,896	531,612	656,224
Australia	436,420	448,001	359,599
Argentina	42,100	58,000	63,100
Ukraine	11,000	0	92,761
Mexico	0	25,223	12,000
India	126	75	29
Thailand	0	0	26
South Africa	5	0	0
TOTAL	**4,117,730**	**4,406,843**	**4,818,460**

KENYA IMPORTS BY ORIGIN

Exporter	2014/15	2015/16	2016/17
Russia	397,903	536,151	439,461
Ukraine	267,860	150,061	79,599
European Union	599,918	850,952	331,160
Argentina	32,580	0	394,376
Canada	110,401	90,999	160,257
Australia	30,000	49	81,006
United States	37,600	0	130,508
India	60	75	95
Malaysia	0	8	0
TOTAL	**1,476,322**	**1,628,295**	**1,616,462**

SOUTH AFRICA IMPORTS BY ORIGIN

Exporter	2014/15	2015/16	2016/17
European Union	544,033	596,209	690,858
Russia	679,445	1,059,942	409,889
Argentina	64,630	58,456	41,496
United States	43,778	55,717	213,728
Ukraine	311,750	113,624	43,083
Canada	182,499	308,462	40,452
Australia	107,250	43,683	14,300
Botswana	198	0	87
India	5	2	6
Malaysia	0	0	15
TOTAL	**1,933,588**	**2,236,095**	**1,453,914**

TANZANIA IMPORTS BY ORIGIN

Exporter	2014/15	2015/16	2016/17
Russia	461,362	397,466	413,301
European Union	140,716	247,216	254,587
Australia	229,338	102	506
Argentina	0	0	62,080
Canada	54,201	34,290	103,292
United States	12,000	12,000	66,508
India	12	0	52
Ukraine	21,300	16,500	0
Kenya	0	16	0
TOTAL	**918,929**	**707,590**	**900,326**

MOZAMBIQUE IMPORTS BY ORIGIN

Exporter	2014/15	2015/16	2016/17
European Union	91,462	199,340	315,851
Russia	190,842	247,750	159,800
Australia	37,250	45,850	7,500
United States	5,000	9,848	48,330
Canada	224,560	76,001	121,660
Argentina	5,500	0	50,180
Ukraine	120,582	10,500	0
South Africa	273	19,514	1,031
India	1	6	2
TOTAL	**675,470**	**608,809**	**704,354**

SENEGAL IMPORTS BY ORIGIN

Exporter	2014/15	2015/16	2016/17
European Union	412,736	477,791	231,006
Russia	88,160	111,940	271,516
Canada	24,499	18,503	23,505
Argentina	0	0	48,900
Ukraine	0	0	62,683
United States	21,500	0	0
TOTAL	**546,895**	**608,234**	**637,610**

CAMEROON IMPORTS BY ORIGIN

Exporter	2014/15	2015/16	2016/17
European Union	384,737	446,190	219,943
Canada	161,088	193,440	99,013
Russia	3,501	5,500	233,641
United States	19,300	0	29,241
Argentina	0	0	31,675
TOTAL	**568,626**	**645,130**	**613,513**

GHANA IMPORTS BY ORIGIN

Exporter	2014/15	2015/16	2016/17
Canada	256,493	446,513	340,517
European Union	81,168	103,866	20,000
Russia	75,385	120,135	144,050
United States	35,084	10,000	45,230
Argentina	0	5,188	2,756
Ukraine	0	1,610	291
India	100	15	0
TOTAL	**448,250**	**687,327**	**552,844**

COTE D'IVOIRE IMPORTS BY ORIGIN

Exporter	2014/15	2015/16	2016/17
European Union	502,352	531,077	467,544
Russia	0	0	150,612
Canada	27,750	20,599	26,400
Argentina	0	0	10,170
United States	0	0	10,703
India	2	6	20
TOTAL	**530,104**	**551,682**	**665,449**

CONGO/DRC IMPORTS BY ORIGIN

Exporter	2014/15	2015/16	2016/17
European Union	109,233	173,092	105,901
Russia	146,446	162,249	78,805
United States	8,616	0	25,200
Argentina	0	0	5,260
Canada	11,999	27,042	0
Australia	12,000	0	0
Paraguay	1,338	0	0
Kenya	0	0	10
South Africa	17	0	0
TOTAL	**289,649**	**362,383**	**215,176**

Annex B

US competes at a disadvantage in the South African food market

(Source USDA)

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

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US competes at a disadvantage in the South African food market

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Report Highlights:

The United States competes at a disadvantage in the South African market due tariff differentials created by the free trade agreement between the European Union and South Africa. As a result, South Africa imports only represent five percent of its total agricultural imports from the United States, while imports from the European Union have more than 25 percent of the market share. Of the major agricultural products imported by South Africa from the European Union, more than 85 percent enter the South African market duty free. On the other hand, less than 30 percent of the same products imported from the United States enter the South African market duty free.

United States' agricultural products have limited opportunities in South Africa because of high import tariffs while the EU enjoys duty free access

The United States competes at a disadvantage in the South African market due tariff differentials created by the free trade agreement between the European Union and South Africa. As a result, South Africa imports only represent five percent of its total agricultural imports from the United States, while imports from the European Union have more than 25 percent of the market share. Of the major agricultural products imported by South Africa from the European Union, more than 85 percent enter the South African market duty free. On the other hand, less than 30 percent of the same products imported from the United States enter the South African market duty free.

One example is bone-in chicken, which was part of the Africa Growth and Opportunity Act (AGOA) negotiations along with beef and pork. Currently, the European Union's number one agricultural export product to South Africa is bone-in chicken, which enters the market duty free. Meanwhile, the U.S. poultry industry negotiated a quota of 65,000 tons that can enter the South African market at the current global rate. These imports are exempt from the anti-dumping duties currently imposed on the United States, but South Africa continues to impose an import duty of 37 percent (the anti-dumping duty for the United States on bone-in chicken is R9.40/kg outside of the quota of 65,000 tons or more than 100 percent). Half of that quota is designated for historically disadvantaged importers (HDIs). Currently there are 16 such entities, the majority of which do not have access to cold storage facilities or financing, making it exceptionally difficult for them to use their import licenses. With this uneven playing field, the United States to date has captured only five percent of the South African poultry meat import market. The USDA estimates local consumption at about 1.8 million tons for 2016. Even if U.S. poultry exports were to double the current values by the end of the CY year, imports from the United States would supply less than 2 percent of consumption. If U.S. poultry exports filled the entire quota, which is highly unlikely given the challenges facing the HDIs, the amount would only represent about 4 percent of consumption.

In contrast, the European Union's market share stands at 46 percent of the quantity imported and at 63 percent of the value of imported poultry meat, representing about almost 20 percent of South Africa's annual poultry production. The European Union also has more than 90 percent of the imported pork market and more than 17 percent of imported beef. On the other hand, United States beef product imports only represents four percent of total beef products imported by South Africa, and only a test shipment of pork products from the United States has entered the South African market so far.

The Road Ahead

The EU received hundreds of duty free line from their EPA with South Africa, including poultry, in return for its tariffs concessions. While the United States was able to use the AGOA out-of-cycle review to resolve some long-standing market access issues, U.S. companies are disadvantaged by the tariff differential vis-à-vis Europe. While AGOA has been extended until 2025, the South Africans have already started to think about the post-AGOA period. Department of Trade and Industry officials have made several public comments about the desirability of a "mutually beneficial trade relationship" with the United States. In the U.S.-South Africa Annual Bilateral Forum on September 28, DAFF officials stressed, "In the short term, the key issue for market access for South African agricultural products into the U.S. market is the continued participation of South Africa in AGOA. In the long term, the focus should be on the eventual transition of the trade relationship to a deeper, more balanced, bilateral trade partnership." This sentiment was echoed by DAFF officials during their September 29, meeting with USDA officials as well. However, at the higher political levels, South Africa remains cold to deepening the trade relationship, severely handicapping the competitiveness of U.S. agricultural products (See Table 1).