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POLICY BRIEF

# PB 16-21 Making US Trade and Investment Policies Work for Global Development

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In an interconnected world, sustainable and inclusive economic growth in less developed countries helps to secure US interests and values. Economic development nurtures peaceful societies, reduces refugee flows, ameliorates humanitarian crises, expands markets for US exports, and safeguards human rights and other core US aspirations. Well-designed trade and investment policies are indispensable tools to achieve these objectives.[1]

While much popular concern focuses on foreign assistance as a means to help poor countries and communities, aid spending entails a direct transfer of US tax dollars to recipients, which is not always efficiently delivered. Well-designed trade and investment policies, on the other hand, can benefit both rich and poor countries. Expanded trade in the right sectors can benefit poor and middle class Americans by lowering prices of commodities that account for relatively large shares of purchases by lower-income families (e.g., Fajgelbaum and Khandelwal 2014). Reducing poverty and growing the middle class overseas, moreover, expands consumer markets for US exports, generating business and job growth in the United States.

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In addition, pro-development trade policies do not always necessarily displace large numbers of US jobs, as many American public figures claim, because imports from countries on the lowest rungs of the development ladder tend to substitute for imports from China (and other more successful developing countries), rather than displacing well-paying US jobs that may be lost to middle-income or advanced-country trading partners (US Global Leadership Coalition 2015).[2] Trade and investment policies may also be more economically efficient than aid in fostering development. The reason is that expanding trade through granting preferences to poorer countries reduces taxes whereas aid requires raising revenue through higher taxes. Equally important, trade and investment frameworks can be more stable and predictable than aid spending because they do not require ongoing appropriations by the US Congress.

1. Poor countries need to be given opportunities to trade, and they need additional assistance to be able to take advantage of these market access opportunities—good trade policy and good development policies must go hand in hand.

2. We do not dismiss the potential job impact of trade deals. Substantially better worker adjustment programs should go hand in hand with trade and investment agreements. Indeed, we support significantly expanding assistance for workers displaced by dynamic changes in the global economy. However, the topic of worker adjustment support is not the focus of this Policy Brief.

And, fundamentally, export-led growth is an important way for low-income countries to reduce poverty and raise living standards in the long term. To borrow a phrase used by some politicians, pro-development trade and investment policies are thus a hand-up, not a hand-out.

Many countries in Asia have already demonstrated the power of global economic integration to drive domestic development. But in other parts of the world, some countries have yet to realize these dividends. Africa, for the most part, lags behind in its participation in both global and regional markets, and many African economies have not yet fulfilled their economic performance potential, leaving too many Africans vulnerable to poverty. Likewise, Latin America has unevenly captured the development benefits of global trade and remains highly dependent on commodity exports. This poor performance has generated enormous pressures to migrate to both Europe and the United States.

This Policy Brief reviews several current US trade and investment policy programs focused on global development, concluding that many are not realizing their full potential. Seven pragmatic but transformative initiatives that could build on past policy successes are discussed as possible ways to help unlock development for the world's poor. Our proposals include broadening the coverage of US trade preferences for these countries to more products, modifying preference terms to encourage product diversification and value addition, improving the conditionality mechanisms under which preferences are granted, and strengthening the links between investment frameworks and development policy objectives. Each of these proposals presents political considerations that must be taken into account if they are to be implemented.

Before proceeding, three prefatory comments. First, broader (and more US-relevant) trade and investment initiatives, such as the North American Free Trade Agreement (NAFTA), the Trans-Pacific Partnership (TPP), and the Trans-Atlantic Trade and Investment Partnership (TTIP), are not considered, even though they have significant development implications, because this Policy Brief focuses narrowly on trade and investment policies that either have development as a core objective or have a disproportionately large impact on low-income countries. Second, development finance institutions such as the Overseas Private Investment Corporation (OPIC) and the International Finance Corporation (IFC) are for the most part excluded from our analysis. Private sector financing has increased significantly over the past 15 years compared with official development aid (Kharas et al. 2013), so this Policy Brief focuses on how internationally negotiated agreements shape and constrain private sector opportunities in developing countries, rather than on US tools to support businesses directly (e.g., loans, loan guarantees, and export financing). Third, while our topic is trade and investment agreements, geostrategic issues are the backdrop to the analysis. Good trade and investment agreements can serve as the cornerstone of global peace and stability.

## EXISTING TRADE AND INVESTMENT AGREEMENTS

The US government promotes trade and investment with poor countries in three ways: multilaterally, bilaterally/plurilaterally, and unilaterally.

The major multilateral mechanism for developing countries is "special and differential treatment" (SDT) at the World Trade Organization (WTO). The SDT general provision often exempts least developed countries (LDCs) from WTO obligations, and liberalization requirements on those designating themselves as developing countries are often less demanding. The WTO Doha Round was launched in 2001 with the express commitment to "place the needs of developing countries at the heart of its work program."[3] But the round has deadlocked for a number of reasons, the most important of which for the United States was the lack of meaningful liberalization from the large emerging-market economies that are now too important to ignore.[4] As a result, at the Nairobi ministerial in 2015 WTO members basically buried the Doha Round in an "agreement to disagree."[5]

Although the WTO continues to play an important role in many existing areas, especially dispute settlement, and some agreements have been reached on trade facilitation and trade in information technology, there is no consensus on the WTO's future. While some WTO members seek to continue with the original Doha agenda, others want to introduce new issues, making progress unlikely through a grand multilateral agreement. While some more focused multilateral agreements (such as agreements to reduce subsidies in agriculture) and plurilateral agreements, which include only a subset of WTO members, may occur, regional programs, especially those focused on developing countries in general and Africa in particular, will need to be emphasized and improved.

3. Monterrey Conference Summary, *Over Seas, The Online Magazine for Sustainable Seas* 5, no. 3 (March 2002), http://oneocean.org/overseas/200203/monterey_consensus.html.

4. See, for example, Susan C. Schwab, "Acknowledge Doha's demise and Move on to Save the WTO," VoxEU.org, May 28, 2011.

5. Hanna Derringer, "The WTO Ministerial Conference in Nairobi—What Are the Results?" European Centre for International Political Economy blog, December 22, 2015, http://ecipe.org/blog/the-wto-ministerial-conference-in-nairobi-what-are-the-results/.

Bilaterally and plurilaterally, the United States has concluded free trade agreements (FTAs) with developing countries in the Western Hemisphere, Mexico (NAFTA[6]), Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic [CAFTA-DR[7]], Panama,[8] Colombia, Chile, and Peru), the Middle East (Morocco,[9] Jordan,[10] Bahrain,[11] and Oman[12]), and Asia (Singapore[13]), and negotiated the Trans-Pacific Partnership, which includes developing countries such as Vietnam and Malaysia. The United States also participates with a host of Pacific countries in the Asia Pacific Economic Cooperation (APEC) forum. Additionally, the United States has negotiated nearly 50 bilateral investment treaties (BITs), the vast majority with developing and emerging-market economies (though relatively few in Sub-Saharan Africa).[14] Currently the most important BIT negotiation under way is with China. In addition, many trade and investment framework agreements (TIFAs) have been concluded to promote cooperation and collaboration and sometimes to pave the way for future BITs and FTAs.

**...most of the products benefiting from GSP come from just a few countries.**

The United States offers unilateral preferences through the Generalized System of Preferences (GSP), allowed but not required under the General Agreement on Tariffs and Trade (GATT), and through regional programs. The GSP grants some poor countries duty-free, quota-free access for some products, subject to a number of conditions and limitations.[15] After expiring two years previously, the GSP was reauthorized in June 2015 and will be in place until December 2017. Unlike the most favored nation (MFN) obligations under the WTO, GSP preferences are granted as a privilege rather than a right. Thus developing countries can access the program if they meet certain standards (with respect to political and labor rights, for example), but ultimately the US president decides whether a country qualifies.[16] LDCs can qualify for preferences in some additional products, but products are also excluded when countries attain certain market-share thresholds. GSP coverage therefore is quite limited. As shown in table 1, in 2015 only 8.9 percent of all US imports from GSP-eligible countries actually benefited from GSP. In particular, coverage is very limited in products that are important for developing countries. Whereas textile mill products account for 11 percent of all US imports from GSP-eligible countries, and textiles and fabrics 3 percent, only a negligible amount of textile products actually qualifies for GSP. Similarly, while computers and electronic products account for 10.1 percent of all US imports from GSP-eligible countries, only 2.5 percent of these actually qualify for GSP.

As shown in appendix table A.1, most of the products benefiting from GSP come from only a few countries. More than half of all GSP benefits are concentrated in US imports from just three countries: India (26 percent), Thailand (20.2 percent), and Brazil (10.9 percent)—although even for these countries, GSP exports account for only about 10 percent of all exports to the United States.

The United States also has regional programs that grant unilateral concessions, such as the African Growth and Opportunity Act (AGOA), which provides Sub-Saharan countries that meet certain human rights conditions duty-free, quota-free access to the US markets and grants the least developed of these countries access in apparel with extremely generous rules of origin. Other programs include the Caribbean Basin Initiative (CBI) and the HOPE program for

6. "North American Free Trade Agreement (NAFTA)," 1993, Office of the US Trade Representative, https://ustr.gov/trade-agreements/free-trade-agreements/north-american-free-trade-agreement-nafta.

7. "Dominican Republic-Central America Free Trade Agreement (CAFTA)," 2006, Office of the US Trade Representative, https://ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta/final-text.

8. "Panama Trade Promotion Agreement (Panama TPA)," 2012, Office of the US Trade Representative, https://ustr.gov/trade-agreements/free-trade-agreements/panama-tpa.

9. "Morocco Free Trade Agreement (Morocco FTA)," 2006, Office of the US Trade Representative, https://ustr.gov/trade-agreements/free-trade-agreements/morocco-fta/final-text.

10. "Jordan Free Trade Agreement (Jordan FTA)," 2010, Office of the US Trade Representative, https://ustr.gov/trade-agreements/free-trade-agreements/jordan-fta/final-text.

11. "Bahrain Free Trade Agreement (Bahrain FTA)," 2006, Office of the US Trade Representative, https://ustr.gov/trade-agreements/free-trade-agreements/bahrain-fta.

12. "Oman Free Trade Agreement (Oman FTA)," 2009, Office of the US Trade Representative, https://ustr.gov/trade-agreements/free-trade-agreements/oman-fta/final-text.

13. "Singapore Free Trade Agreement (Singapore FTA)," 2004, Office of the US Trade Representative, https://ustr.gov/trade-agreements/free-trade-agreements/singapore-fta/final-text.

14. "United States Bilateral Investment Treaties," US Department of State, www.state.gov/e/eb/ifd/bit/117402.htm.

15. United Nations Conference on Trade and Development and Trade Mark Southern Africa, *Handbook on Duty-Free Quota-Free and Rules of Origin: Part II: Other Developed Countries' and Developing Countries' Implementation of DFQF* (New York & Geneva, 2012), http://unctad.org/en/PublicationsLibrary/aldc2009d3_en.pdf.

16. Ibid.

**Table 1 US imports from GSP-eligible countries, by product category, 2015**

| **Product description** | **Total US imports from GSP-eligible countries** (billions of dollars) | **GSP-qualified imports** (billions of dollars) | **Share of GSP-qualified imports in total imports from GSP-eligible countries** (percent) |
|---|---|---|---|
| Agricultural products | 6.416 | 0.329 | 5.1 |
| Livestock and livestock products | 0.318 | 0.0003 | 0.1 |
| Forestry products, nesoi | 1.585 | 0.054 | 3.4 |
| Fish, fresh/chilled/frozen and other marine products | 4.934 | 0.048 | 1 |
| Oil and gas | 22.029 | 0.038 | 0.2 |
| Minerals and ores | 10.632 | 2.042 | 19.2 |
| Food and kindred products | 0.613 | 0.315 | 51.3 |
| Beverages and tobacco products | 1.22 | 0.004 | 0.3 |
| Textiles and fabrics | 6.014 | 0.147 | 2.4 |
| Textile mill products | 21.716 | 0.068 | 0.3 |
| Apparel and accessories | 3.552 | 0.25 | 7 |
| Leather and allied products | 1.772 | 0.631 | 35.6 |
| Paper | 2.148 | 0.182 | 8.5 |
| Printed matter and related products, nesoi | 0.155 | 0.003 | 1.7 |
| Petroleum and coal products | 15.479 | 0 | 0 |
| Chemicals | 15.955 | 1.856 | 11.6 |
| Plastics and rubber products | 3.894 | 1.106 | 28.4 |
| Nonmetallic mineral products | 2.665 | 0.836 | 31.3 |
| Primary metal manufacturing | 13.029 | 1.551 | 11.9 |
| Fabricated metal products, nesoi | 4.024 | 1.676 | 41.7 |
| Machinery, except electrical | 6.808 | 1.359 | 20 |
| Computer and electronic products | 20.074 | 0.505 | 2.5 |
| Electrical equipment, appliances and components | 3.252 | 1.332 | 41 |
| Transportation equipment | 10.438 | 1.77 | 17 |
| Furniture and fixtures | 1.714 | 0.034 | 2 |
| Miscellaneous manufactured commodities | 17.772 | 1.555 | 8.8 |
| **Total** | 198.208 | 17.691 | 8.9 |

GSP = Generalized System of Preferences; nesoi = not elsewhere specified or included

*Source:* US International Trade Commission DataWeb.

Haiti. The US government also engages in "aid for trade," supporting trade facilitation programs administered by development institutions such as the World Bank; through the US Agency for International Development (USAID) it has promoted regional trade hubs in Accra (Ghana), Libreville (Gabon), and Nairobi (Kenya), and the East African Community.

## Lessons from AGOA and GSP

AGOA covers most of Africa and removes tariffs on roughly 98 percent of product lines. Many LDCs in Sub-Saharan Africa have been able to take advantage of the program. While LDCs account for 38 percent of US imports from AGOA countries, they accounted for 56 percent of products receiving AGOA preferences. However, the coverage of AGOA is also not as comprehensive as it might appear at first glance. As shown in table 2, in 2015, the countries that qualify for AGOA exported only 42 percent of their total exports to the United States under the program and this share is boosted by the 82 percent share of all exports of oil and gas by countries that qualify. While the shares of apparel (97.3 percent), transportation equipment (75 percent), and leather and allied products (65 percent) are also high, the share of agricultural products (12.2 percent) is small and other manufactured products barely feature. Entirely excluded are some important agricultural products such as cotton (a sector that employs a large number of poor Africans), and sugar and dairy products (discouraging African cocoa exporters from processing cocoa beans into chocolate and other value-added products) (PCHPAIPC 2009).

**Table 2 US imports from AGOA-beneficiary countries, by product category, 2015**

| NAICS 3-digit code | Product description | Total US imports from AGOA-beneficiary countries (billions of dollars) | US imports under AGOA program (billions of dollars) | Percent share of total US imports under AGOA | Share of US imports under AGOA in total US imports from AGOA beneficiaries (percent) |
|---|---|---|---|---|---|
| 111 | Agricultural products | 1.684 | 0.2061 | 2.58 | 12.24 |
| 112 | Livestock and livestock products | 0.014 | 0.0002 | 0.003 | 1.60 |
| 113 | Forestry products, nesoi | 0.136 | 0 | 0 | 0 |
| 114 | Fish, fresh/chilled/frozen and other marine products | 0.047 | 0 | 0 | 0 |
| 211 | Oil and gas | 5.84 | 4.8141 | 60.29 | 82.43 |
| 212 | Minerals and ores | 0.519 | 0 | 0.00 | 0 |
| 311 | Food and kindred products | 0.408 | 0.0478 | 0.60 | 11.70 |
| 312 | Beverages and tobacco products | 0.057 | 0.0359 | 0.45 | 63.39 |
| 313 | Textiles and fabrics | 0.013 | 0 | 0 | 0 |
| 314 | Textile mill products | 0.009 | 0 | 0 | 0 |
| 315 | Apparel and accessories | 2.029 | 0.9911 | 12.41 | 97.28 |
| 316 | Leather and allied products | 0.036 | 0.0233 | 0.29 | 65.10 |
| 321 | Wood products | 0.112 | 0.0001 | 0.001 | 0.09 |
| 322 | Paper | 0.034 | 0 | 0 | 0 |
| 323 | Printed matter and related products, nesoi | 0.003 | 0 | 0 | 0 |
| 324 | Petroleum and coal products | 1.081 | 0.3335 | 4.18 | 30.85 |
| 325 | Chemicals | 0.696 | 0.0625 | 0.78 | 8.98 |
| 326 | Plastics and rubber products | 0.037 | 0 | 0 | 0 |
| 327 | Nonmetallic mineral products | 0.055 | 0.0008 | 0.01 | 1.47 |
| 331 | Primary metal manufacturing | 2.859 | 0.1083 | 1.36 | 3.79 |
| 332 | Fabricated metal products, nesoi | 0.049 | 0.000005 | 0.0001 | 0.01 |
| 333 | Machinery, except electrical | 0.203 | 0.0003 | 0.00 | 0.13 |
| 334 | Computer and electronic products | 0.065 | 0.000009 | 0.0001 | 0.01 |
| 335 | Electrical equipment, appliances and components | 0.037 | 0 | 0 | 0 |
| 336 | Transportation equipment | 1.807 | 1.3579 | 17.01 | 75.14 |
| 337 | Furniture and fixtures | 0.009 | 0 | 0 | 0 |
| 339 | Miscellaneous manufactured commodities | 1.643 | 0.0025 | 0.03 | 0.15 |
| | **Total** | 19.482 | 7.9844 | 100.00 | 40.98 |

AGOA = African Growth and Opportunity Act; NAICS = North American Industrial Classification System; nesoi = not elsewhere specified or included

*Source:* US International Trade Commission DataWeb.

AGOA has special rules of origin for clothing that have worked well in generating export growth in clothing. These rules allow LDCs to use third-country fabrics and still qualify for zero-tariff treatment. As indicated by the high share of apparel exported under the program, some of the poorer countries in Africa (such as Lesotho and Malawi) have been able to take advantage of this provision to expand their clothing exports to the United States, providing a fairly large number of predominantly female workers with new employment opportunities. South Africa has also been able to use the program to increase its automobile exports (PCHPAIPC 2009).

However, there is troubling evidence that the program has not been as successful as hoped in providing development benefits. For the most part, many of the firms that export clothing to the United States under AGOA are foreign-owned, meaning returns-to-capital do not accrue to the citizens of AGOA-beneficiary countries. There is also little evidence of forward or backward economic linkages, or spillover effects (upgrading of skills, value addition, or diversification of products and markets).[17] In this regard,

17. See, e.g., Lawrence Edwards and Robert Lawrence, "AGOA Rules: The Intended and Unintended Consequences of Special Fabric Provisions," November 20, 2013, AGOA.info: African Growth and Opportunity Act, http://agoa.info/news/article/5364-agoa-rules-the-intended-and-unintended-consequences-of-special-fabric-provisions.html.

trade has increased, but there has been little additional development.

Moreover, the large majority of US AGOA imports are in oil and other extractive industries, especially from countries like Angola and Nigeria (see appendix table A.2). Indeed, in 2015, despite oil prices being low, oil and gas imports accounted for more than 60 percent of the value of all US imports under AGOA (see table 2). In other words, less than 40 percent of the value of products imported under AGOA is in sectors that hold any promise of generating development dividends for African countries. This significantly overestimates the scope and benefits of the AGOA scheme. The fact that most AGOA countries are not diversifying their production (GAO 2014) is troubling because dependence on the extractive industry, often called the "resource curse," may have negative effects in emerging-market economies and fragile states—exacerbating inequality, fostering corruption, generating jobless growth, failing to create backward economic linkages, derailing a path to low-carbon economy, inflicting environmental and social damage, and inciting armed conflict.[18]

**...there is troubling evidence that AGOA has not been as successful as hoped in providing development benefits.**

Sustainable and inclusive growth requires that African economies transition from raw materials to value-added production that draws on local and regional sourcing and allows these economies to participate more fully in global supply chains. Both the lack of local linkages and spillovers in the manufacturing export sector and the continued dominance of oil and gas exports raise questions about AGOA's effectiveness as a development strategy.

AGOA's mechanisms for promoting human rights, labor rights, environmental safeguards, and democratic governance have room for improvement. On paper, both AGOA and GSP require countries to protect labor rights, make meaningful progress towards democratic governance, and uphold environmental standards. However, in practice many AGOA countries are not protecting fundamental workers' rights, not taking sufficient measures to address corruption, not protecting the property rights of smallholder farmers and pastoralists, and inadequately promoting democratic governance and basic civil liberties.

Despite having worthy eligibility conditions, AGOA fails on two counts. First, it has no clear mechanism for civil society stakeholders to provide inputs into the US Trade Representative's (USTR) compliance review of an AGOA country. Although the USTR reviews countries on a regular basis, the review process does not allow independent factual submissions from relevant stakeholders (particularly civil society and labor), and the inputs into the review are discretionary and nontransparent. Second, AGOA's approach to violations is binary: Countries violating the conditions are either "in" or "out" of the program. The eligibility criteria are applied so bluntly (the nuclear option) that either significant problems are overlooked or all benefits are denied (as in the cases of Swaziland and Madagascar). By contrast, the review process under the GSP is more effective. GSP is far from perfect, but it has a clear system for nongovernmental organizations (NGOs) and others to submit petitions requesting USTR reviews to ensure that trade partner beneficiaries comply with eligibility criteria. USTR has a transparent system for reviewing these petitions with broad input and then applying graduated suspensions of benefits as appropriate. An eligibility approach for AGOA and future preferential trade agreements that builds on the GSP system would be a significant improvement.

At the same time, as shown from the low coverage, many poor countries have trouble qualifying for the GSP, and thus its benefits are limited. While the GSP has been successful historically in promoting some trade with developing countries, in recent years its trade volumes have declined. As shown in table 1, the GSP program excludes many tariff lines for products in which many LDCs are most competitive. Unlike the EU policy of duty-free, quota-free access to LDCs under Everything but Arms, these exclusions mean that the United States is significantly underperforming as a development partner, especially with respect to LDCs outside AGOA. At the same time, preference margins of GSP countries have decreased as the United States has concluded free trade agreements with countries that once used the program. And unlike AGOA, GSP rules of origin requiring 35 percent value-added in the beneficiary LDC often prevent many LDCs that cannot produce sufficient value-added from qualifying. Moreover, when countries gain sufficient competitive capabilities, they are disqualified from the GSP program. The limitations built into the program have inhibited market growth in recipient countries without generating US jobs, simply increasing costs for US consumers purchasing these goods. For example, changes to protect US producers from "supercompetitive" products such as jewelry and tires mainly have diverted imports from GSP countries to non-GSP countries, instead of shifting production to the United States. Finally, the GSP has created uncertainty, because it has generally been granted only for one or two years and at times has been allowed to lapse.

18. Notable exceptions are some states in the Gulf and Chile and Botswana, which have avoided most of these ill-effects.

### Lessons from African Regional Agreements

African leaders all pay lip service to the need for integrating the African continent, and regional and megaregional trade agreements have proliferated: Customs unions have been implemented in South Africa (Southern African Customs Union, SACU), East Africa (East African Community, EAC), and West Africa (West African Economic and Monetary Union, WAEMU); large regional free trade agreements have also been implemented between southern African economies (Southern African Development Community, SADC) and many countries in East and North Africa (Common Market for Eastern and Southern Africa, COMESA). A tripartite agreement was most recently concluded between the EAC, COMESA, and SADC. The challenge, however, is not a lack of agreements, but rather failure to implement these agreements on the ground: Poor administration of customs, deteriorating infrastructure, opaque regulatory regimes, and endemic corruption all hinder trade. US aid policies for facilitating African trade, both regionally and with the United States, are well intentioned, but much work remains to be done in this regard.

### Lessons from Bilateral Investment Treaties

Investment policies, and particularly bilateral investment treaties with low-income countries, may also undermine development objectives. BITs are intended to protect foreign investors from arbitrary expropriation and guarantee free transfer of capital. US BITs with developing countries (e.g., the Republic of Congo, Rwanda, the Democratic Republic of Congo [DRC], Mongolia, Mozambique, and Sri Lanka) are supposed to encourage much-needed foreign investments for the development of poor countries that lack sufficient domestic capital to unleash growth. However, the current US model BIT is not well-designed to foster sustainable and inclusive growth and sometimes limits the ability of poor countries to promote economic stability during financial crises.

The current US model BIT also undermines equal application of the law by excluding multiple stakeholders and by creating a parallel legal mechanism (investor-state dispute settlement [ISDS] proceedings) that can weaken a country's governance systems. Development best practices, as reflected in the Millennium Challenge Corporation (MCC) "country compact" approach, try to strengthen domestic governance capacity as a key strategy for development.[19] ISDS, in contrast, creates a separate legal system that only foreign investors can access—simultaneously establishing unequal legal rights between domestic and foreign-owned firms and potentially weakening domestic rule of law.

At the same time, current BITs could undermine the ability of governments to manage macroeconomic risks or respond to Schumpeterian economic dynamism. They tie the hands of governments facing capital flight in a financial crisis; limit policies to incentivize the emergence of new agglomeration economies, including through forward and backward linkages and technology spillovers; and constrain the ability of regulatory frameworks (for taxation, infrastructure, and environmental protection) to evolve appropriately as conditions change over time.

Secure property rights for all investors (foreign and domestic) are obviously a desirable and important policy objective. Thus, while a new Sustainable Development Model Investment Agreement (see below) should advance secure property rights, it should not undermine the public interest.

## POLICY OPPORTUNITIES

This section outlines specific policy proposals that would allow the US government to better leverage its trade and investment tools to enhance global development. To correct the deficiencies in existing programs, policies are needed to

- strengthen procedures for monitoring and protecting workers' rights and human rights, and empowering women in the workplace;
- encourage trade in the right sectors and diversification;
- reduce trade and investment costs imposed by corruption;
- promote agricultural development and food security through land tenure security of small farm holders;
- ensure environmental sustainability is not sacrificed for short-term GDP growth; and
- deepen democratic governance.

***1. Encourage country partners to transition away from extractive industry dependence towards integrated, sustainable growth models.***

### *Policy Framework*

Development-focused trade and investment policies should extend preferential tariff treatment to the sectors with potential to generate inclusive and sustainable economic growth in country partners, particularly diversified industry and manufacturing. Extractive industries (specifically oil, gas, petroleum, diamonds, cobalt, and timber hardwood) should therefore not receive preferential tariff treatment under GSP, AGOA, or any future preferential trade policy. Preferential treatment would end in phases over three years. In return, as we describe below, preferences, some of which could take the

19. This contrasts sharply with previous generations of development aid spending, which would often seek to circumvent inefficient governments and administer aid directly.

form of tariff reductions rather than complete elimination, should be expanded to additional nonextractive industry products.

### Political Considerations

Imposing (slightly) higher tariffs on extractive industry imports from developing countries will likely be supported by some powerful but strange bedfellows and opposed by other equally influential industry interests. Both US environmental advocates and fossil-fuel companies with production based predominantly or exclusively in the United States (e.g., fracking and coal mining interests in Appalachia and the Midwest) will likely support this policy. This presents a rare opportunity to forge a coalition of shared interests between environmentalists and poorer coal-producing regions of the United States. Global extractive companies (e.g., Shell, Chevron, etc.) will likely be opposed. This policy proposal could be a political win for an incoming administration looking to "deliver" for the two key constituencies of (a) environmentalists concerned about climate change or the environmental impacts of extractive industry production activities and (b) low-income white Americans in the Midwest and Appalachia.

**Extractive industries should not receive preferential tariff treatment under GSP, AGOA, or any future preferential trade policy.**

It should, however, be noted that general tariffs on oil and petroleum products are very low. For oil and gas, they are 0.15 of one percent and petroleum products 0.33 of one percent. Therefore, the marginal benefits conferred under AGOA to importers are relatively low. The tariff revenue that would have been raised by removing benefits on AGOA imports of these products in 2015 was approximately $10 million.

***2. Improve AGOA eligibility oversight and certification to better protect workers' rights and the environment, promote rule of law, empower women in the workplace, foster democratic governance, and combat corruption.[20]***

### Policy Framework

On paper AGOA requires countries to meet eligibility conditions, but these thresholds are relatively weak and in practice are virtually unenforceable due to lack of civil society input in the review process and a blunt "in" or "out" application of eligibility criteria.

The criteria for AGOA eligibility need to be improved to include progress towards global labor, environmental, and human rights standards (as elaborated through consultations with civil society and as reflected in the latest trade agreements) along with implementation of all global human and labor rights instruments and environmental treaties to which the United States is a party.

AGOA and any other future unilateral preference agreements should incorporate intermediate sanctions such as those currently implemented under the GSP—investigations, hearings, and partial loss of benefits—when beneficiary governments fail to meet eligibility standards. While far from perfect, the GSP contains a review process and the possibility of graduated sanctions, including targeted reduction of benefits and/or the removal of specific product lines.

All unilateral preference agreements need a clear, transparent, and participatory accountability process to ensure that eligibility conditions are taken seriously and enforced by governments. AGOA should therefore be reformed to encourage civil society organizations to report ongoing issues and require the country in question to respond if requested. As under GSP, annual reviews could be conducted by a subcommittee of the Trade Policy Staff Committee (an interagency committee led by USTR and including the Department of State and Department of Labor). During the annual review and in response to a civil society petition, the subcommittee would conduct a transparent review that would include considering, for example, cases of core labor standards violations lodged at the International Labor Organization (ILO), a country's status on the State Department's Trafficking in Persons Report Watch List, the Extractive Industries Transparency Initiative (EITI), and Dodd-Frank reporting, Foreign Corrupt Practices Act (FCPA) investigation outcomes, any goods identified by the Department of Labor as being made by forced or child labor, compliances with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and other environmental treaties and obligations, and other relevant evidence. Sanctions could be graduated, and remediation could be supported through USAID financing for capacity building in the specific area found in need of improvement.

20. Much of this proposal would require legislation to amend AGOA.

### Political Considerations

Environmental, labor, and human rights groups will support improving enforcement of the AGOA standards. African beneficiary countries will likely strongly oppose stronger monitoring and enforcement of eligibility conditions, particularly the possibility of independent civil society complaints triggering a review, but could be willing to accept additional monitoring in return for an increase in the number of products eligible for preferential treatment.

***3. With the exception of the textile rules of origin in AGOA for LDCs, which work well, rules of origin across-the-board need to be reformed, harmonized, and made easier for developing countries to use.***

### Policy Framework

Many of the rules of origin requirements for GSP, HOPE (Haiti), and AGOA beneficiaries are so complex and restrictive that most developing countries cannot qualify for benefits. Rules of origin should be reformed: Regional integration should be encouraged by allowing cumulation of value-added by groups of countries; US and EU rules should be harmonized to reduce transaction costs; and Haiti should be granted the AGOA rules for LDCs.

The United States should follow Canada and allow a cumulation approach to rules of origin, forming a broad cumulation zone among all LDCs and countries that are members of free trade agreements (FTAs) in which the United States participates. For example, if value is added in both Swaziland and Malawi, that product jointly produced should qualify for duty-free access to the United States. Similarly, cumulation of value-added in the Dominican Republic and Haiti should qualify. This would both encourage trade and investment between US FTA countries and LDCs and increase the opportunities for participation in the US market.

The different requirements of the United States and European Union increase the complexity and costs for exporting firms in poor countries. The European Union should adopt the AGOA rules for the LDCs in its Everything but Arms program, while the United States and European Union should both adopt the rules of origin outlined above for their GSP and LDC preference programs. The TTIP provides an opportunity to simplify and unify the rules of origin that developing countries are required to meet. Although the rules of origin of both the United States and European Union have each been crafted to reflect their particular political concerns, the common interest they share in development should override these parochial interests. The extent to which this "development agenda" is politically feasible depends on the extent to which the United States and European Union are willing to take on entrenched corporate special interests to pursue broader and deeper foreign policy objectives.

Textiles and clothing from Haiti should be allowed to use the AGOA rules of origin for LDCs. The HOPE program has not reached its full potential because it sets the bar too high for Haitian products to qualify.

### Political Considerations

See #4 below.

***4. Enhance the coverage and improve the effectiveness of GSP by allowing for additional partial tariff reductions (based on reformed rules of origin), more fairly distributing preferential benefits between all qualified low-income countries, and making the program permanent.***

### Policy Framework

Market access for developing countries and LDCs in Asia, Latin America, and the Caribbean should be improved by expanding the product coverage under GSP—conditioning graduated tariff reductions on gradations in domestic value-added. The United States currently either provides full duty-free access or excludes products from its programs. It should continue to provide full duty-free access to LDCs and developing countries in products covered under the GSP. In addition, the United States should allow GSP-eligible countries to qualify for duty reductions (but not zero tariffs) in all products currently excluded from the program (except extractive industries, as discussed earlier) and in which imports at the 10-digit Harmonized Tariff Schedule (HTS) level already account for high shares—say, 90 percent—of the US domestic market.[21] The size of tariff reductions for additional covered products should be contingent on the share of domestic value added. For products with lower local content, tariffs would be partially reduced rather than completely eliminated, while products with greater local content would get increasingly deeper tariff cuts. For example, products with only 20 percent local content value-added could qualify for 25 percent reductions in tariffs, while products

21. Certain articles are prohibited from receiving GSP treatment. These include most textiles, watches, footwear, handbags, luggage, flat goods, work gloves and other leather wearing apparel, which were not eligible for GSP starting January 1, 1995. In addition, any other article determined to be "import-sensitive" cannot be made eligible; in this regard, the GSP law specifically cites steel, glass, and electronic articles. See UNCTAD, *Generalized System of Preferences: Handbook on the Scheme of the United States of America*, 2010, page 12, http://unctad.org/en/Docs/itcdtsbmisc58rev2_en.pdf.

with 50 percent local content value-added would qualify for larger percent reductions. This approach would better reflect the realities of modern supply chains, provide opportunities for more products to participate in the program, and encourage backward linkages in developing economies. This will also incentivize LDCs and firms sourcing in them to increase domestic value-addition, rather than focusing their export production only on low-value-added products.

The program should ensure that the benefits of tariff preferences are widely shared among low-income countries through a diversification requirement: In each product, no single country would be able to receive more than 25 percent of GSP benefits, as calculated by share in US GSP imports. As shown in appendix table A.1, in 2015 India accounted for approximately 26 percent of US GSP imports, and Thailand accounted for approximately 20 percent. A 25 percent share cap would roughly maintain the status quo, ensuring that many GSP-eligible countries benefit from the program but no country crowds out competitors. Countries that historically have reached close to their 25 percent share would be granted tradeable import permits each year that they could allocate or auction to exporting companies. This tradeable permit scheme would avoid the distortions that might be introduced by a first-come-first-served system. Instead of forcing countries to leave the program when they achieve certain volumes or market shares, this approach allows the gradual reduction in tariff benefits as countries become more competitive.

In addition, the GSP program should be made permanent. Trade programs and policies take time to influence economic conditions. This is especially the case if we expect firms to invest in new productive capacity predicated on anticipated access to foreign markets. The practice of renewing GSP only for a few years, and the history of allowing the program to lapse, severely undermines its efficacy.

### Political Considerations

Both proposals 3 and 4 could be quite controversial, as many labor-intensive products, such as some textiles and footwear, are currently totally excluded from the GSP and restricted in AGOA. Organized labor, in particular, may be strongly opposed. However, poor countries often specialize in these products, many of which are no longer produced in large quantities in the United States and are instead imported from developing countries such as China. Therefore, since extending the product coverage of GSP would primarily shift imports from China to LDCs, rather than impact US domestic production, there may be less opposition. The proposal would be strongly supported by groups interested in fostering global economic development.

***5. Monitor and eliminate corruption, reduce burdensome red tape, and improve efficiency at border crossings.***

### Policy Framework

African regional integration agreements are plagued by an endemic failure not of words but of action. Poor administration of customs, deteriorating infrastructure, opaque regulatory regimes, and corruption all hinder trade. The United States should assist partners to reduce corruption and improve efficiency at border crossings by harmonizing import/export forms, building computer data tracking systems, and leveraging the power of mobile technology so citizens can report bribes.

The United States should provide funding and technical assistance to trade and investment hub partners to leverage the power of mobile technology and big data so ordinary citizens and entrepreneurs can use their mobile phones to report where/when/by whom they are asked for a bribe—generating a detailed GPS map of bribery hotspots and improving governance accountability through transparency.

The United States should also provide funding and technical assistance to trade and investment hub partners to harmonize import/export forms and use computer systems to reduce graft and help goods and people cross borders more efficiently. The Pacific Alliance already successfully implemented a technology integration and standardization program to better integrate customs exchanges, which should serve as a model for a similar program with all trade and investment hub partners.

### Political Considerations

In theory there should be little US domestic opposition to this proposal, except from the anti-tax and anti–foreign assistance wing of the Republican Party. The initiative should be supported by both global business interests and the global development lobby, as it advances both international trade and development opportunities in Africa. Low-income recipient countries will also be supportive. Opposition might emerge if funding is reallocated from an existing pet program staunchly defended by a specific organized interest group.

***6. Develop a Sustainable Development Model Investment Agreement (SDMIA) to foster inclusive and sustainable growth in developing countries through special and differential treatment.[22]***

22. The SDMIA would be targeted only at developing countries so the text of the existing model BIT would not be affected, but its application would be significantly curtailed.

### *Policy Framework*

While larger issues remain on the table regarding BITs broadly, these are not addressed here as this Policy Brief focuses only on the development agenda.

An SDMIA would articulate fundamental investor obligations with respect to responsible business conduct in key areas of corruption, human and labor rights, nondiscrimination (e.g., on the basis of gender), environmental impact, taxation, and benefit sharing. Investor obligations would be based on the application of existing global norms, specifically the UN Guiding Principles on Business and Human Rights and sector-specific frameworks (for example, the new Organization for Economic Cooperation and Development's [OECD] Base Erosion and Profit Shifting Framework and the Principles on Responsible Investment in Agriculture and Food Systems). Protections for investors under investment agreements would be contingent on adherence to these fundamental investor obligations.

**Develop a Sustainable Development Model Investment Agreement to foster inclusive and sustainable growth in developing countries.**

If any dispute resolution or arbitration clauses are included in an investment agreement, proceedings should be required to adhere to core legal principles of due process. This includes establishing public transparency regarding the parties and causes of action in investment disputes, guaranteeing the right of third parties to submit amicus briefs, interpreting rights and obligations in reference to established jurisprudence that balances public and private interests,[23] and strengthening domestic governance and legal systems by requiring exhaustion of domestic remedies before investors could bring a claim under a potential ISDS mechanism.

In specifying countries' obligations to foreign investors and rule of law commitments, the SDMIA should also strengthen the ability of low-income partner countries to meet common development challenges: protecting regulatory flexibility as circumstances evolve over time and allowing for capital controls in the case of extreme financial crises and capital flight.

### *Political Considerations*

Organized labor, environmentalists, human rights advocates, development/poverty advocates, and Elizabeth Warren/Bernie Sanders progressives will all strongly support this proposal, especially of expanded investor obligations and the reform or elimination of ISDS. The Chamber of Commerce and traditional corporate interests will be strongly opposed.

***7. Revitalize WTO negotiations on agricultural liberalization with a new approach, adopted from the framework that unlocked breakthroughs in the climate change negotiation process.***

### *Policy Framework*

The Doha Round negotiations at the WTO, designed to promote the interests of developing countries (especially in agricultural trade), has ended in failure. This was partly due to the unrealistic approach of treating equally all countries claiming to be "developing," which led to political blocs, posturing, and gridlock (Bhala 2008). Under the flawed negotiating framework, countries themselves decided if they are "developing" and then were all treated equally based on this bright line distinction. The United States should propose a new approach to WTO negotiations based on lessons learned from the climate change negotiations, shifting away from a sharp division between developed and developing countries. For years, global climate change policy was hobbled by the division between developing and developed countries. In Paris countries adopted a new hybrid international climate policy architecture that includes both bottom-up elements in the form of "intended nationally determined contributions" (INDCs) and top-down elements of oversight, guidance, and coordination.

The WTO should adopt a similar approach with differentiated responsibilities that reflect different capabilities.[24] Instead of negotiating over set tariff formulas with large loopholes for self-declared "developing" countries, the United

23. For example, the robust "takings" jurisprudence that has evolved in the United States over the past 225 years entails a complex analysis considering the character of a supposed invasion, common law nuisance rights, the economic impact of a regulation as applied to a particular property interest, a property owner's distinct investment-backed expectations with respect to that property, and the proportionality and nexus between a legitimate state interest and a permit condition. [See, e.g., *Palazzolo v. Rhode Island*, 533 U.S. 606 (2001); *Penn Central Transportation Co. v. City of New York*, 438 U.S. 104 (1978); *Nollan v. California Coastal Commission*, 483 U.S. 825 (1987)]. Currently dispute proceedings under BITs do not rely on this or any other established system of "takings" legal precedent, creating uncertainty regarding the interpretation of investor protection clauses and limiting the public interest considerations. Any dispute resolution mechanism should require reliance on established takings jurisprudence in a relevant jurisdiction.

24. The concept of Common But Differentiated Responsibilities (CBDR) was enshrined as Principle 7 of the Rio Declaration at the first Rio Earth Summit in 1992.

States and European Union would offer meaningful agricultural market access and subsidy reform in return for emerging-market economies such as China and India also making significant best-offer bound liberalization commitments. Thereafter a request and offer approach could achieve additional reductions. Patterned after the progress made in the Paris climate talks after negotiators moved away from sharp distinctions between developed and developing countries, a new approach to negotiations would allow members to make offers and requests with respect to market access and subsidies that reflect their differentiated capabilities and needs.

Consider, for example, that according to the WTO, Brazil bound its agricultural tariffs at a trade-weighted average rate in 2014 of 35.4 percent, whereas it applies an average rate of just 10.2 percent at its borders. While China is an exception in that its bound and applied rates are similar, most other developing countries also have huge differences between their bound and applied rates—for example, Indonesia 47.1 versus 7.5 percent, India 113.5 versus 33.4 percent, Chile 26.1 versus 6.0 percent, and Colombia 34.6 versus 4.2 percent. Surely the best offers of these countries should be much closer to their actual applied rates than their fictitious bound rates, which were used as the basis for the Doha Round negotiations.

This approach could unlock opportunities for progress on the agricultural market access offers that the United States has already had on the table since 2008 but could not close because major emerging-market economies did not reciprocate. The specific content of offers is the domain of agricultural experts and would likely consist of agreements reflecting the domestic political compromise forged over the past decade.

### *Political Considerations*

There should be little US domestic engagement (either in support or opposition) regarding the first step of reformulating the negotiating processes within the WTO, as the ultimate policy implications of a new negotiating process are difficult to predict ex ante. There will likely be strong opposition to this new approach from leading emerging-market economies (particularly Brazil, China, and India), which stand to lose the ability to organize voting blocs or hide behind LDCs regarding market access offers. Once the new approach is implemented, there will be varied and complex support and opposition to different aspects of US agricultural offers and expectation for reciprocity, both domestically and internationally. Domestically, there may still be political and policy consensus in support of the agricultural offers that the United States has had on the table since 2008. There could be ongoing opposition to many agricultural liberalization measures from the European Union.

## CONCLUDING COMMENTS

Trade and investment agreements have become increasingly controversial. Indeed, the TPP is now a lightning rod for politicians of both political parties. Many from across the political spectrum are suggesting that the US approach to "trade deals" needs to be fundamentally rethought. This presents both a challenge and an opportunity.

The challenge is to ensure that the United States continues to leverage one of its most powerful tools for advancing core strategic imperatives: fostering global peace and stability, counterbalancing China, providing real opportunities for the young generation in countries with exploding youth populations, undermining the siren call of Islamic fundamentalism, stemming the tide of refugees and economic migrants, reducing poverty and raising living standards for the worst off, improving human rights, and strengthening democracy around the world. The opportunity is just as great. This current moment of great rethink presents the possibility to reform suboptimal policies to better advance US goals for global development.

It would be an enormous missed opportunity for global development if US policies towards LDCs were ignored. We hope that the proposals in this Policy Brief will broaden the discussion to consider innovations in US trade and investment policies that could promote sustainable development in the nations that need it most.

## APPENDIX A US IMPORTS UNDER AGOA AND GSP, BY COUNTRY

### Table A.1 US imports from GSP-eligible countries, 2015

| **Country** | **US imports of GSP-qualified products** (billions of dollars) | **US imports from GSP-eligible country** (billions of dollars) | **Share of GSP-qualified imports in total US imports from GSP-eligible country** (percent) | **Share of GSP-qualified imports in total GSP-qualified imports** (percent) | **Share of imports from GSP-eligible country in total US imports from GSP-eligible countries** (percent) |
|---|---|---|---|---|---|
| Afghanistan | 0.000321 | 0.023325 | 1.38 | 0.0018 | 0.0113 |
| Albania | 0.002886 | 0.030779 | 9.38 | 0.0163 | 0.0149 |
| Algeria | 0.0016 | 2.933164 | 0.05 | 0.0090 | 1.4195 |
| Angola | 0.000514 | 3.009896 | 0.02 | 0.0029 | 1.4566 |
| Anguilla | 0.000022 | 0.005584 | 0.39 | 0.0001 | 0.0027 |
| Armenia | 0.045616 | 0.062839 | 72.59 | 0.2578 | 0.0304 |
| Azerbaijan | 0.000485 | 0.58604 | 0.08 | 0.0027 | 0.2836 |
| Belize | 0.005746 | 0.075364 | 7.62 | 0.0325 | 0.0365 |
| Benin | 0.000075 | 0.004945 | 1.52 | 0.0004 | 0.0024 |
| Bhutan | 0.002675 | 0.003398 | 78.72 | 0.0151 | 0.0016 |
| Bolivia | 0.100823 | 1.00654 | 10.02 | 0.5698 | 0.4871 |
| Bosnia-Herzegovina | 0.00649 | 0.076698 | 8.46 | 0.0367 | 0.0371 |
| Botswana | 0.000008 | 0.225286 | 0.004 | 0.00005 | 0.1090 |
| Brazil | 1.930605 | 27.079843 | 7.13 | 10.9112 | 13.1051 |
| Burkina Faso | 0.000038 | 0.003593 | 1.06 | 0.0002 | 0.0017 |
| Burundi | 0.000007 | 0.008427 | 0.08 | 0.00004 | 0.0041 |
| Cambodia | 0.077101 | 2.993397 | 2.58 | 0.4358 | 1.4486 |
| Cameroon | 0.013211 | 0.13193 | 10.01 | 0.0747 | 0.0638 |
| Cape Verde | 0.00002 | 0.002201 | 0.91 | 0.0001 | 0.0011 |
| Chad | 0.000072 | 1.667234 | 0.00 | 0.0004 | 0.8068 |
| Comoros | 0.000031 | 0.001212 | 2.56 | 0.0002 | 0.0006 |
| Congo, Democratic Republic of | 0.11101 | 0.153455 | 72.34 | 0.6274 | 0.0743 |
| Congo, Republic of | 0.000532 | 0.311894 | 0.17 | 0.0030 | 0.1509 |
| Cook Islands | 0.000011 | 0.000848 | 1.30 | 0.0001 | 0.0004 |
| Cote d`Ivoire | 0.058324 | 1.027707 | 5.68 | 0.3296 | 0.4974 |
| Djibouti | 0.000133 | 0.035464 | 0.38 | 0.0008 | 0.0172 |
| Ecuador | 0.317065 | 7.24082 | 4.38 | 1.7920 | 3.5042 |
| Egypt | 0.069947 | 1.397258 | 5.01 | 0.3953 | 0.6762 |
| Ethiopia | 0.007107 | 0.310322 | 2.29 | 0.0402 | 0.1502 |
| Fiji | 0.016681 | 0.202612 | 8.23 | 0.0943 | 0.0981 |
| Gabon | 0.000112 | 0.281395 | 0.04 | 0.0006 | 0.1362 |
| Gambia | 0.000176 | 0.000875 | 20.11 | 0.0010 | 0.0004 |
| Georgia | 0.088733 | 0.195441 | 45.40 | 0.5015 | 0.0946 |
| Ghana | 0.024716 | 0.309368 | 7.99 | 0.1397 | 0.1497 |
| Grenada | 0.000014 | 0.009144 | 0.15 | 0.0001 | 0.0044 |
| Guinea | 0.000065 | 0.078396 | 0.08 | 0.0004 | 0.0379 |
| Guyana | 0.00381 | 0.431484 | 0.88 | 0.0215 | 0.2088 |
| Haiti | 0.000347 | 0.968201 | 0.04 | 0.0020 | 0.4686 |
| India | 4.602068 | 44.852109 | 10.26 | 26.0096 | 21.7059 |
| Indonesia | 1.678214 | 19.533854 | 8.59 | 9.4848 | 9.4533 |
| Iraq | 0.000104 | 4.854817 | 0.00 | 0.0006 | 2.3495 |
| Jamaica | 0.001751 | 0.2879 | 0.61 | 0.0099 | 0.1393 |

*(table continues)*

**Table A.1 US imports from GSP-eligible countries, 2015** *(continued)*

| **Country** | **US imports of GSP-qualified products** (billions of dollars) | **US imports from GSP-eligible country** (billions of dollars) | **Share of GSP-qualified imports in total US imports from GSP-eligible country** (percent) | **Share of GSP-qualified imports in total GSP-qualified imports** (percent) | **Share of imports from GSP-eligible country in total US imports from GSP-eligible countries** (percent) |
|---|---|---|---|---|---|
| Jordan | 0.008487 | 1.490489 | 0.57 | 0.0480 | 0.7213 |
| Kazakhstan | 0.104649 | 0.782351 | 13.38 | 0.5914 | 0.3786 |
| Kenya | 0.005797 | 0.573208 | 1.01 | 0.0328 | 0.2774 |
| Kosovo | 0.000158 | 0.002383 | 6.63 | 0.0009 | 0.0012 |
| Kyrgyzstan | 0.000042 | 0.014872 | 0.28 | 0.0002 | 0.0072 |
| Lebanon | 0.04311 | 0.093199 | 46.26 | 0.2436 | 0.0451 |
| Lesotho | 0.000053 | 0.329809 | 0.02 | 0.0003 | 0.1596 |
| Liberia | 0.000141 | 0.048461 | 0.29 | 0.0008 | 0.0235 |
| Macedonia | 0.005668 | 0.20309 | 2.79 | 0.0320 | 0.0983 |
| Madagascar | 0.003739 | 0.32267 | 1.16 | 0.0211 | 0.1560 |
| Malawi | 0.008755 | 0.060556 | 14.46 | 0.0495 | 0.0293 |
| Maldives | 0.000004 | 0.02174 | 0.02 | 0.00002 | 0.0105 |
| Mali | 0.000174 | 0.004504 | 3.86 | 0.0010 | 0.0022 |
| Mauritania | 0 | 0.001174 | 0 | 0 | 0.0006 |
| Mauritius | 0.010996 | 0.394888 | 2.78 | 0.0621 | 0.1911 |
| Moldova | 0.004303 | 0.043597 | 9.87 | 0.0243 | 0.0211 |
| Mongolia | 0.002859 | 0.017174 | 16.65 | 0.0162 | 0.0083 |
| Montenegro | 0.000212 | 0.002134 | 9.93 | 0.0012 | 0.0010 |
| Mozambique | 0.008284 | 0.109897 | 7.54 | 0.0468 | 0.0532 |
| Namibia | 0.000204 | 0.110529 | 0.18 | 0.0012 | 0.0535 |
| Nepal | 0.005285 | 0.086854 | 6.08 | 0.0299 | 0.0420 |
| Niger | 0.00002 | 0.004181 | 0.48 | 0.0001 | 0.0020 |
| Nigeria | 0.004433 | 1.925414 | 0.23 | 0.0251 | 0.9318 |
| Pakistan | 0.180443 | 3.675739 | 4.91 | 1.0198 | 1.7789 |
| Papua New Guinea | 0.000111 | 0.09081 | 0.12 | 0.0006 | 0.0439 |
| Paraguay | 0.066317 | 0.159546 | 41.57 | 0.3748 | 0.0772 |
| Philippines | 1.375669 | 10.181014 | 13.51 | 7.7749 | 4.9270 |
| Rwanda | 0.000362 | 0.046544 | 0.79 | 0.0020 | 0.0221 |
| Samoa | 0.001325 | 0.004221 | 31.39 | 0.0075 | 0.0020 |
| São Tomé & Principe | 0.000065 | 0.000773 | 8.41 | 0.0004 | 0.0004 |
| Senegal | 0.000395 | 0.071949 | 0.55 | 0.0022 | 0.0348 |
| Serbia | 0.049834 | 0.269696 | 18.48 | 0.2816 | 0.1305 |
| Sierra Leone | 0.00055 | 0.039938 | 1.38 | 0.0031 | 0.0193 |
| Solomon Islands | 0.002647 | 0.003522 | 75.16 | 0.0150 | 0.0017 |
| South Africa | 1.128093 | 7.436989 | 15.17 | 6.3757 | 3.5991 |
| Sri Lanka | 0.177767 | 2.886748 | 6.16 | 1.0047 | 1.3970 |
| St. Lucia Islands | 0 | 0.028534 | 0 | 0 | 0.0138 |
| St. Vincent & the Grenadines | 0.000011 | 0.001754 | 0.63 | 0.0001 | 0.0008 |
| Suriname | 0.001088 | 0.164234 | 0.66 | 0.0061 | 0.0795 |
| Swaziland | 0.013871 | 0.019915 | 69.65 | 0.0784 | 0.0096 |
| Tanzania | 0.000432 | 0.106686 | 0.40 | 0.0024 | 0.0516 |
| Thailand | 3.593352 | 28.566288 | 12.58 | 20.3086 | 13.8245 |

*(table continues)*

**Table A.1 US imports from GSP-eligible countries, 2015** *(continued)*

| **Country** | **US imports of GSP-qualified products** (billions of dollars) | **US imports from GSP-eligible country** (billions of dollars) | **Share of GSP-qualified imports in total US imports from GSP-eligible country** (percent) | **Share of GSP-qualified imports in total GSP-qualified imports** (percent) | **Share of imports from GSP-eligible country in total US imports from GSP-eligible countries** (percent) |
|---|---|---|---|---|---|
| Togo | 0.000135 | 0.014211 | 0.95 | 0.0008 | 0.0069 |
| Tokelau Islands | 0.000099 | 0.001848 | 5.36 | 0.0006 | 0.0009 |
| Tonga | 0.000086 | 0.002443 | 3.52 | 0.0005 | 0.0012 |
| Tunisia | 0.216965 | 0.535615 | 40.51 | 1.2262 | 0.2592 |
| Turkey | 1.220606 | 7.82372 | 15.60 | 6.8985 | 3.7862 |
| Uganda | 0.001454 | 0.064162 | 2.27 | 0.0082 | 0.0311 |
| Ukraine | 0.04086 | 0.841967 | 4.85 | 0.2309 | 0.4075 |
| Uruguay | 0.086733 | 0.604527 | 14.35 | 0.4902 | 0.2926 |
| Uzbekistan | 0.002724 | 0.009715 | 28.04 | 0.0154 | 0.0047 |
| Vanuatu | 0.000009 | 0.003671 | 0.25 | 0.0001 | 0.0018 |
| Venezuela | 0.094382 | 13.59938 | 0.69 | 0.5334 | 6.5813 |
| West Bank | 0.001128 | 0.005435 | 20.75 | 0.0064 | 0.0026 |
| Yemen | 0.000042 | 0.048271 | 0.09 | 0.0002 | 0.0234 |
| Zambia | 0.003474 | 0.058609 | 5.93 | 0.0196 | 0.0284 |
| Zimbabwe | 0.046079 | 0.06381 | 72.21 | 0.2604 | 0.0309 |
| **Total** | 17.693752 | 206.635482 | 8.56 | 100.0 | 100.0 |

*Source:* US International Trade Commission DataWeb.

**Table A.2 US imports from AGOA-beneficiary countries, 2015**

| | **US imports** (billions of dollars) | | | **Share of US imports** (percent) | | | | |
|---|---|---|---|---|---|---|---|---|
| **Country** | **Total** | **Under AGOA** | **Under GSP** | **AGOA** | **GSP** | **AGOA + GSP** | **Share of imports under AGOA in total US imports under AGOA** (percent) | **Share of imports from AGOA beneficiary in total US imports from AGOA beneficiaries** (percent) |
| | | | | **Least developed countries** | | | | |
| Angola | 3.0099 | 1.8301 | 0.0005 | 60.80 | 0.02 | 60.82 | 15.7334 | 22.9208 |
| Burkina Faso | 0.0036 | 0.000003 | 0.00004 | 0.08 | 1.06 | 1.14 | 0.0188 | 0.00004 |
| Cameroon | 0.1319 | 0.0001 | 0.0132 | 0.04 | 10.01 | 10.05 | 0.6896 | 0.0007 |
| Cape Verde | 0.0022 | 0.0005 | 0.00002 | 23.76 | 0.91 | 24.67 | 0.0115 | 0.0066 |
| Chad | 1.6672 | 1.4787 | 0.0001 | 88.69 | 0.00 | 88.70 | 8.7150 | 18.5202 |
| Congo, Republic of | 0.3119 | 0.2546 | 0.0005 | 81.62 | 0.17 | 81.79 | 1.6303 | 3.1884 |
| Djibouti | 0.0355 | 0.0005 | 0.0001 | 1.31 | 0.38 | 1.68 | 0.1854 | 0.0058 |
| Ethiopia | 0.3103 | 0.0409 | 0.0071 | 13.18 | 2.29 | 15.47 | 1.6221 | 0.5122 |
| Guinea | 0.0784 | 0.000004 | 0.0001 | 0.01 | 0.08 | 0.09 | 0.4098 | 0.0001 |
| Kenya | 0.5732 | 0.4282 | 0.0058 | 74.71 | 1.01 | 75.72 | 2.9963 | 5.3634 |
| Lesotho | 0.3298 | 0.2993 | 0.0001 | 90.75 | 0.02 | 90.77 | 1.7240 | 3.7488 |
| Madagascar | 0.3223 | 0.0398 | 0.0037 | 12.36 | 1.16 | 13.52 | 1.6846 | 0.4989 |
| Malawi | 0.0606 | 0.0410 | 0.0088 | 67.63 | 14.46 | 82.08 | 0.3165 | 0.5129 |
| Mali | 0.0045 | 0.00001 | 0.0002 | 0.31 | 3.86 | 4.17 | 0.0235 | 0.0002 |
| Mozambique | 0.1099 | 0.0003 | 0.0083 | 0.26 | 7.54 | 7.80 | 0.5745 | 0.0036 |
| Niger | 0.0042 | 0 | 0.00002 | 0 | 0.48 | 0.48 | 0.0219 | 0 |
| Rwanda | 0.0456 | 0.0004 | 0.0004 | 0.95 | 0.79 | 1.75 | 0.2386 | 0.0054 |
| Senegal | 0.0719 | 0.0155 | 0.0004 | 21.60 | 0.55 | 22.15 | 0.3761 | 0.1947 |
| Tanzania | 0.1067 | 0.0282 | 0.0004 | 26.40 | 0.40 | 26.81 | 0.5577 | 0.3528 |
| Togo | 0.0142 | 0.00001 | 0.0001 | 0.08 | 0.95 | 1.03 | 0.0743 | 0.0001 |
| Uganda | 0.0642 | 0.0001 | 0.0015 | 0.22 | 2.27 | 2.49 | 0.3354 | 0.0018 |
| **Subtotal** | 7.2580 | 4.4582 | 0.0513 | 61.42 | 1.15 | 62.57 | 38 | 56 |
| | | | | **Developing countries** | | | | |
| Botswana | 0.2253 | 0.0083 | 0.000008 | 3.66 | 0.00 | 3.67 | 1.1776 | 0.1033 |
| Cote d`Ivoire | 1.0277 | 0.0005 | 0.0583 | 0.05 | 5.68 | 5.73 | 5.3721 | 0.0066 |
| Gabon | 0.2814 | 0.1670 | 0.0001 | 59.35 | 0.04 | 59.39 | 1.4709 | 2.0917 |
| Ghana | 0.3094 | 0.0096 | 0.0247 | 3.11 | 7.99 | 11.10 | 1.6171 | 0.1206 |
| Mauritius | 0.3949 | 0.2071 | 0.0110 | 52.44 | 2.78 | 55.23 | 2.0642 | 2.5936 |
| Namibia | 0.1105 | 0 | 0.0002 | 0 | 0.18 | 0.18 | 0.5778 | 0 |
| Nigeria | 1.9254 | 1.4032 | 0.0044 | 72.88 | 0.23 | 73.11 | 10.0646 | 17.5745 |
| South Africa | 7.4370 | 1.7301 | 1.1281 | 23.26 | 15.17 | 38.43 | 38.8749 | 21.6690 |
| Zambia | 0.0586 | 0.0003 | 0.0035 | 0.45 | 5.93 | 6.38 | 0.3064 | 0.0033 |
| **Subtotal** | 11.7702 | 3.5261 | 1.2304 | 29.96 | 10.45 | 40.41 | 62 | 44 |
| **Total** | 19.0282 | 7.9843 | 1.2817 | 41.74 | 6.70 | 48.44 | 100 | 100 |

*Source:* US International Trade Commission DataWeb.

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