

Africa Growth and Opportunity Act (AGOA)

Bush signs the AGOA Acceleration Act of 2004 (AGOA III) into law on July 13th 2004

The AGOA Acceleration Act of 2004, a revision of the African Growth and Opportunity Act (AGOA) passed in 2000 and signed by President Clinton, extends trade advantages for many Sub-Saharan nations.

The overall program is authorized through September 30, 2008 and AGOA III extends the trade advantages by seven years, until 2015.

The bill also extends the third-country yarn and fabric provision that was due to expire this September through September 2007.

Since its enactment AGOA has provided duty- and quota-free access to a wide range of products from African countries that meet US political and economic benchmarks. Currently 37¹ of the 48 countries in Sub-Saharan Africa qualify.

AGOA extends duty-free treatment under the Generalized System of Preferences (GSP)² to AGOA eligible countries for more than 1,800 tariff line items in addition to the standard GSP list of approximately 4,600 items available to non-AGOA GSP beneficiary countries. And AGOA contains special apparel provisions that allow for limited duty and quota-free access to the US market for textiles manufactured in AGOA countries. AGOA countries enjoy **unlimited** duty-free exports only for garments fabricated with **US yarn and fabrics**. Apparel imports made from fabric and yarn produced in beneficiary African countries are subject to a cap of 1.5% of overall U.S. apparel imports, growing to 3.5% of overall imports over an 8 year period. An amendment to AGOA known as AGOA II³ signed in August 2002 doubled the applicable percentages of the cap.

The special **third-country yarn and fabric provision** extended in AGOA III is of great importance to eligible Sub-Saharan African countries because it circumvents the above restriction on the origin of yarn and fabrics used and allows **Lesser Developed Beneficiary Countries**⁴ to sell textiles made from yarn and fabrics coming from *any* third-country to the United States duty-free. Apparel imported under the Special Rule is counted against the cap specified for African fabric under AGOA I (not II).

¹ Angola; Benin; Botswana; Burkina Faso; Cameroon; Cape Verde; Chad; Republic of Congo; Democratic Republic of Congo; Djibouti; Ethiopia; Gabon; The Gambia; Ghana; Guinea; Guinea-Bissau; Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritania; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; Sao Tome and Principe; Senegal; Seychelles; Sierra Leone; South Africa; Swaziland; Tanzania; Uganda; Zambia (see http://www.agoa.gov/eligibility/country_eligibility.html for up to date info)

² The GSP program was instituted on January 1, 1976 and provides preferential duty-free entry for more than 4,600 products from approximately 140 designated beneficiary countries and territories.

³ In addition AGOA II grants Lesser Developed Beneficiary Country status to Botswana and Namibia and clarifies some of the eligibility criteria for apparel.

⁴those with a per capita GNP under \$1,500 in 1998. All Sub-Saharan African countries meet the per capita GNP requirements of the Special Rule with the exception of the following: Botswana, Gabon, Mauritius, Namibia, Seychelles, and South Africa.

The 2004 Report on the implementation of AGOA (published yearly since enactment, for all reports see <http://www.agoa.gov/resources/resources.html#agoareports>) states that total trade between the United States and Sub-Saharan Africa was just under \$33 billion in 2003, with U.S. exports of almost \$7 billion and U.S. imports of \$25.6 billion. U.S. imports under AGOA were valued at just over \$14 billion in 2003, a 55 percent increase from 2002. **U.S. imports** from Africa remained highly **concentrated among major crude oil suppliers** and South Africa - Nigeria, South Africa, Angola, and Gabon accounted for 82.9 percent of U.S. purchases in 2003. Oil imports (crude and non-crude) continued to dominate imports from Sub-Saharan Africa with \$17.9 billion in oil imports in 2003, accounting for 69.6 percent of all US purchases.

Oil imports had already benefited from low “most favored nation” (MFN) tariffs thus the main benefit of AGOA should be to develop non-oil trade.⁵ The textile industry which has been suffering from high barriers to imports into the US is covered by the special provisions mentioned above and thus remains restricted. But nevertheless imports of textiles have risen steadily in the past years, especially since enactment of AGOA.⁶ And according to the 2004 report as a result of AGOA imports of woven and knit apparel are the second leading U.S. import, accounting for 5.9 percent of purchases Platinum contributed 5 percent, diamonds 2.8 percent, cocoa 1.8 percent, and motor vehicles 1.5 percent.

REFERENCES AND FURTHER READING:

for AGOA:

<http://www.agoa.gov/>

http://www.agoa.gov/agoa_legislation/AGOAIIL_text.pdf

<http://allafrica.com/agoa/>

http://hotdocs.usitc.gov/pub3650/pub3650_ch2.pdf

<http://www.cgdev.org/Publications/?PubID=88> (William R. Cline, CGDEV Brief volume 2 issue 3: Trading Up: Strengthening AGOA’s Development Potential (06/01/2003))

for GSP:

http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html

⁵ William R. Cline, CGDEV Brief volume 2 issue 3: Trading Up: Strengthening AGOA’s Development Potential

⁶ see graph at the end of the document for the rise in value of textile and oil imports

on Textiles and Trade:

http://www.wto.org/english/docs_e/legal_e/ursum_e.htm#cAgreement

http://www.wto.org/english/docs_e/legal_e/16-tex.pdf

<http://otexa.ita.doc.gov/msrpoint.htm>

<http://otexa.ita.doc.gov/>

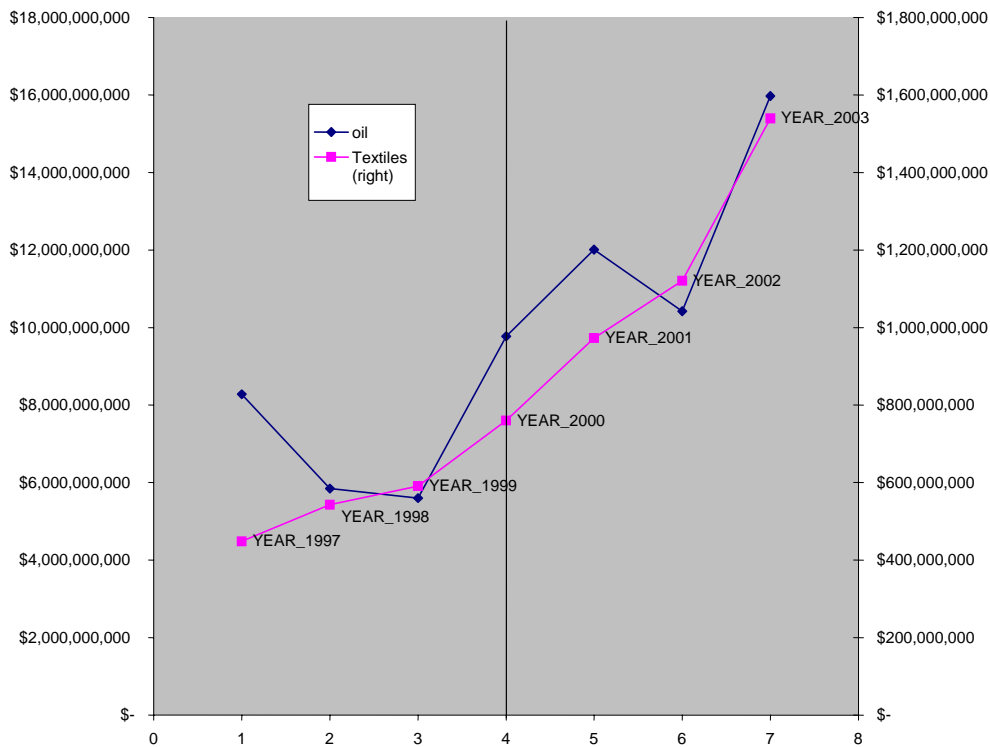
<http://www.cid.harvard.edu/cidtrade/issues/textiles.html>

for Trade Data:

<http://dataweb.usitc.gov/>

http://reportweb.usitc.gov/africa/by_country_agoa.jsp

GRAPH: OIL AND TEXTILE IMPORTS FROM AGOA COUNTRIES



data: Customs Value By NAIC classification (oil 211, textiles 313-15) from UNITED STATES INTERNATIONAL TRADE COMMISSION