

AGOA Forum: So Far.. Where Now?

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The first annual AGOA Forum was held in Washington, DC on October 29-30, 2001 between United States officials and African trade and finance delegates. This Forum reviewed the effects of AGOA to date and provided a venue for discussions on enhancing both the act and U.S.-Sub-Saharan African economic relations.

Introduction

The Africa Growth and Opportunities Act (AGOA) was signed into U.S. law on May 18, 2000 establishing a new framework for trade, investment, and development between the United States and Sub-Saharan Africa. The stated goal of the act is to foster political and economic development in Africa by promoting international economic ties with the United States. Specifically, AGOA seeks to increase the levels of trade and investment between Sub-Saharan Africa and the United States by providing nonreciprocal trade benefits for a period of eight years. The primary means for achieving this goal is to exempt most products from eligible countries from trade quotas and duties. In addition to the approximately 4,600 tariff lines under the Generalized System of Preferences (GSP), AGOA includes an additional 1,800 tariff line items for quota- and duty-free treatment. One of the most significant provisions is that imports of apparel made from U.S. components are granted unlimited access to the U.S. market. Between GSP and AGOA, all but 60 products imported from AGOA countries are eligible for quota- and duty-free access to the U.S. market. The act also seeks to increase investment in Sub-Saharan Africa by promoting access and opportunities in AGOA countries for U.S. investors and businesses through an increase in loans, loan guarantees, and investment insurance through the U.S. Overseas Private Investment Corporation (OPIC). Finally, AGOA seeks to promote stable and open markets under democratic governments by encouraging economic development and reform in AGOA countries. Through these incentives, the U.S. has signaled its intent to foster self-sustaining economic and political development based on trade rather than aid. Currently, 35 Sub-Saharan African

countries are designated as eligible for AGOA benefits, 11 of which have completed apparel "visa" requirements² to receive preferential benefits for apparel exports to the United States. The law came into affect in January 2001, and the first AGOA products entered the United States the same month.

In May 2001, President Bush announced that the first annual trade and economic forum between African and U.S. officials, provided for in the AGOA legislation, would take place in October. The forum took place in Washington from October 29 to 30, 2001, where ministers assessed the benefits to date, reviewed developments thus far, and made recommendations on ways to increase the effectiveness of AGOA, including various implementation and communication issues. The forum also provided an opportunity for broader discussions regarding a further deepening of U.S.-African economic ties. All 35 AGOA eligible countries attended.

President Bush addressed a session where he outlined three new initiatives aimed at complementing AGOA. First, the creation of a \$200 million OPIC support facility for investment projects in Sub-Saharan Africa. Second, the launch of the Trade for African Development and Enterprise Program, with an initial funding of \$15 million to assist African businesses gain access to global markets. Third, the establishment of a regional office of the U.S. Trade and Development Agency (TDA) in Johannesburg, South Africa to provide guidance on trade liberalization and improving the investment climate.

Trade

U.S. Forum representatives emphasized the importance of trade relations between Sub-Saharan Africa and the United States. For example, Sub-Saharan

¹ The views and conclusions expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission as a whole or of any individual Commissioner.

² AGOA authorizes preferential treatment of apparel imports after countries have demonstrated the adoption of an effective textile and apparel "visa" system and associated procedures, to ensure the prevention of transshipment or use of counterfeit documents.

Africa provides 18 percent of U.S. petroleum imports, and the United States represents Sub-Saharan Africa's single largest export market. Despite this situation, Africa remains marginalized from the global economy to a large extent. Although global trade has tripled in value over the last two decades, Sub-Saharan Africa's trade volume and trade shares have continued to decline, a trend that the AGOA legislation attempts to address. President Bush and U.S. officials noted that U.S. imports from Sub-Saharan Africa in the first half of 2001 totaled nearly \$12 billion (an increase of 12 percent over the first half of 2000), of which AGOA products represented 58 percent. (See figure 1.) Over the same time period, U.S. exports to the region increased by 36 percent, to nearly \$4 billion, 92 percent of which were destined for AGOA countries. Regarding the issues of export diversification, United States Trade Representative (USTR) Zoellick pointed out that total trade in nonfuel goods increased by 25 percent during this period, citing more specifically that trade in textiles increased by 30 percent, mineral products by 14 percent, and machinery goods by 78 percent. Although from a small base, year-to-date data indicate the beginning of diversification across products and countries. (See table 1 and figure 2.)

Additional U.S.-Africa Economic Relations Issues

The Forum witnessed numerous discussions surrounding African economic development issues and U.S.-Africa economic relations. A frequent concern of African Forum delegates was the limited level of foreign direct investment destined for Sub-Saharan Africa. The importance of investment in providing technology, management expertise, access to overseas markets, and capital, over and above current development assistance levels was stressed by a number of delegates. For example, according to a 2000 United Nations Conference on Trade and Development report, Sub-Saharan Africa continues to receive relatively low levels of foreign direct investment. USTR Zoellick noted that \$120 million has been invested in Lesotho, four times the amount the country receives in economic aid. In his address, President Bush noted that incentives under the legislation have fostered nearly \$1 billion in investment going to the region. U.S. OPIC officials noted that the Africa Millennium Fund, a \$350 million private equity fund, represents the largest single fund created by OPIC. One suggestion was to raise the profile of Sub-Saharan African countries as investment destinations. For example, Stephen Hayes, President of the Corporate Council on Africa, recently

estimated that 95 out of 100 U.S. businesses have never heard of the African Trade Bill, now passed as the AGOA.

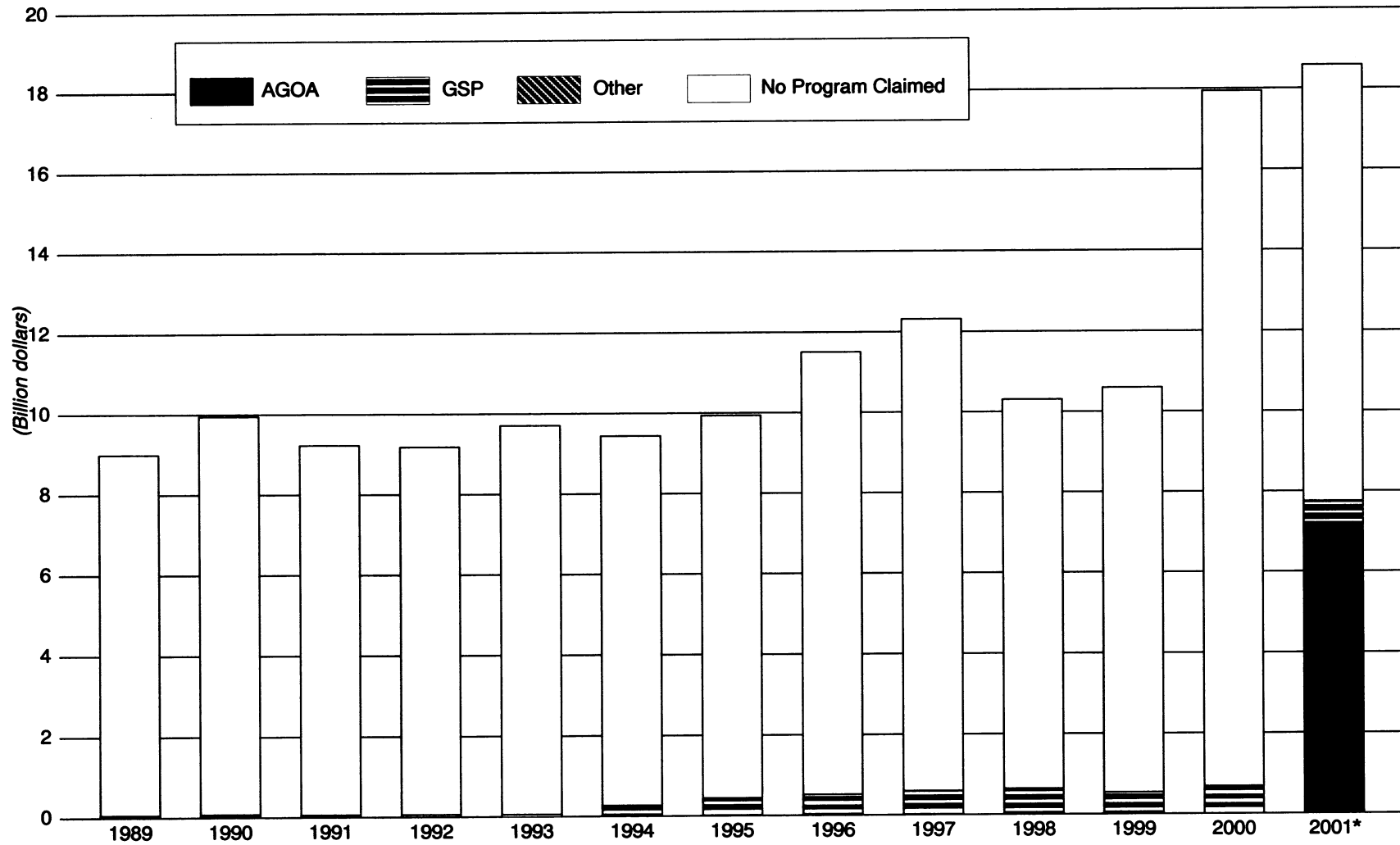
A significant social issue facing the ability of Sub-Saharan African countries to capitalize fully on AGOA benefits is the crisis in Africa involving Human Immune Virus (HIV) and its result Acquired Immune Deficiency Syndrome (AIDS). According to data presented at the forum by the United States Agency for International Development (USAID), 16 countries on the African continent for which there were data available have adult infection rates exceeding 10 percent, 22 countries have rates in the 2 percent to 10 percent range, and 4 countries have rates in the less than 2 percent category. USAID cited estimates that 1 in 12 workers in Sub-Saharan Africa are infected with HIV. Somewhat more optimistically, USAID officials stressed, however, that over 90 percent of all adults in AGOA-eligible countries are not infected with HIV. The spread of HIV/AIDS threatens AGOA's potential success by limiting trade and investment in various ways, such as constraining production or export capacity. Forum delegates pointed out that HIV/AIDS infection lowers the overall labor supply, lowers worker productivity, and disproportionately inflicts the most productive age groups. The magnitude of the infection raises associated investment risks, creating a poor business climate overall, and reduces profitability and overall investment returns by increasing production costs.

Another issue raised by African delegates centered around the 8-year time frame and the relative importance of the preferences given the extension of similar benefits to other developing countries, such as Caribbean countries. U.S. officials commented that an act with possible revisions and extensions of AGOA, dubbed AGOA II, is currently working its way through the U.S. Congress.

African delegates at the Forum expressed the usefulness of, and requested additional, technical assistance to help their countries understand not only requirements under the act, but also the intricacies of access to the U.S. market, potential investor location, and navigating sanitary and phytosanitary requirements for agricultural exports to the United States. Several delegates noted that gaining U.S. sanitary and phytosanitary approval is often a 5 year process, thereby reducing the available timeframe under AGOA. According to USTR Zoellick, the United States to date has provided over \$50 million for trade-capacity building assistance and coordinated over 20 AGOA regional technical assistance and capacity building seminars.

Another recurring issue at the Forum was the negative economic effect of current external debt levels. For example, delegates noted that to escape pervasive poverty levels, Sub-Saharan Africa will need to achieve

Figure 1
U.S. Imports from Sub-Saharan Africa



*Data for 2001 is annualized based on information through August 2001. Other = imports involving civil aircraft, pharmaceuticals, or unknown countries.

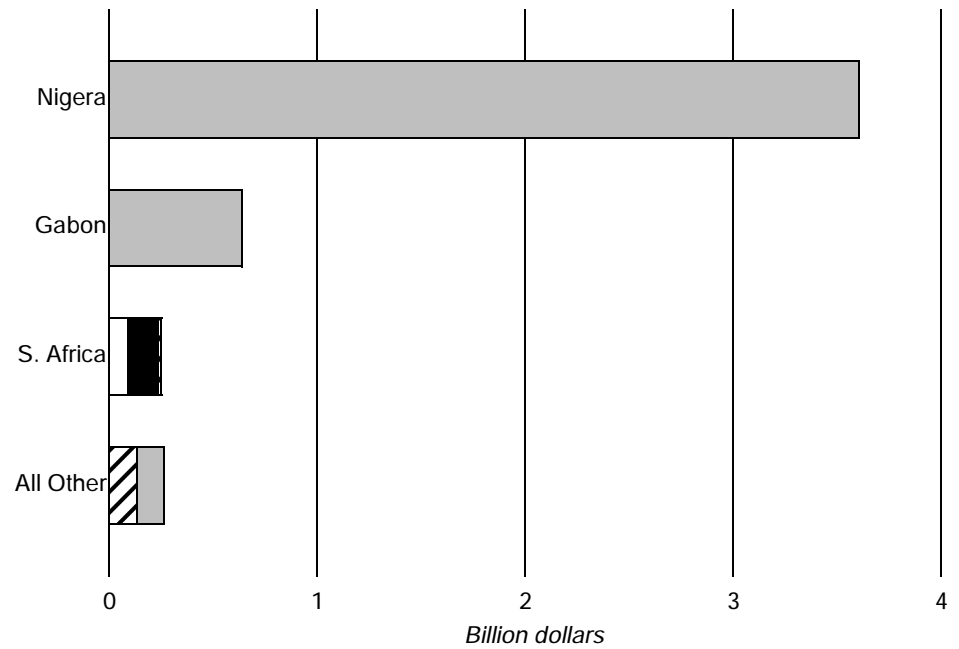
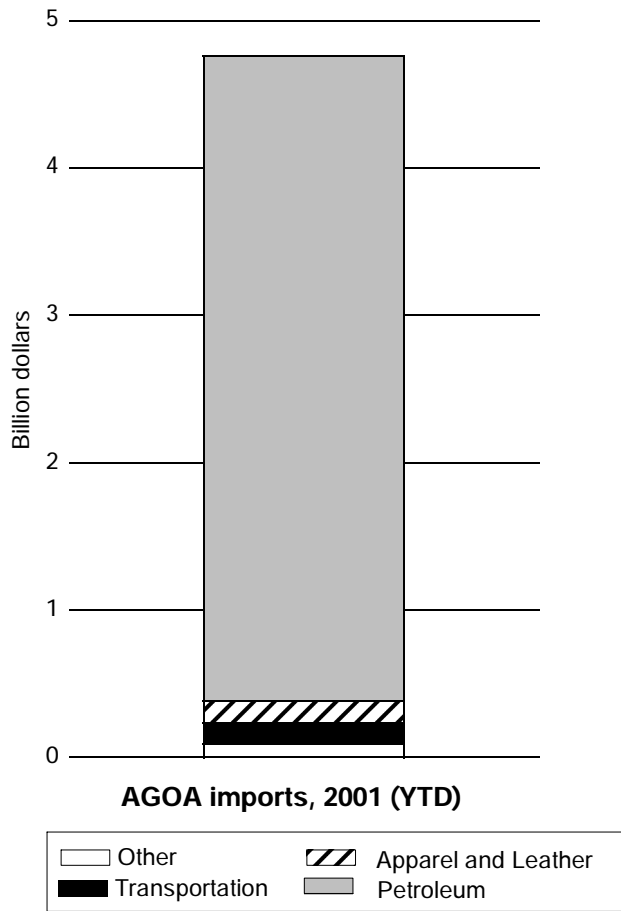
Table 1
Leading AGOA Imports, 2001 (year-to-date)

Commodities with value greater than \$1 million

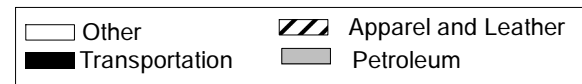
HTS No.	Description	Million dollars
2709	Petroleum oils and oils from bituminous minerals, crude	4,239.5
8703	Motor cars and other motor vehicles designed to transport people (other than public-transport type), including station wagons and racing cars	139.3
2710	Petroleum oils and oils from bituminous minerals (other than crude) and products therefrom, nesoi, containing 70% (by weight) or more of these oils	132.7
6204	Women's or girls' suits, ensembles, suit-type jackets, dresses, skirts, divided skirts, trousers, etc. (No swimwear), not knitted or crocheted	48.7
6203	Men's or boy's suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches, etc. (No swimwear), not knitted or crocheted	42.8
6110	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted ..	30.6
805	Citrus fruit, fresh or dried	17.7
7202	Ferroalloys	17.0
7209	Flat-rolled iron or nonalloy steel products, 600 mm (23.6 in.) or more wide, cold-rolled, not clad, plated or coated	13.4
2207	Ethyl alcohol, undenatured, of an alcoholic strength by volume of 80% vol. Or higher; ethyl alcohol and other spirits, denatured, of any strength	7.5
6205	Men's or boys' shirts, not knitted or crocheted	7.0
6104	Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, etc. (No swimwear), knitted or crocheted	7.0
7207	Semifinished products of iron or nonalloy steel	6.0
7216	Angles, shapes and sections of iron or nonalloy steel	5.3
7210	Flat-rolled iron or nonalloy steel products, 600 mm (23.6 in.) or more wide, clad, plated or coated	4.5
8707	Bodies (including cabs), for tractors, public-transport passenger vehicles, motor cars, goods transport vehicles and special purpose motor vehicles	3.5
6105	Men's or boys' shirts, knitted or crocheted	3.2
7304	Tubes, pipes and hollow profiles, seamless, of iron (other than cast) or steel	3.1
802	Nuts nesoi, fresh or dried	2.8
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sweetening or spirit, nesoi	2.6
7306	Tubes, pipes and hollow profiles nesoi (open seamed or welded, riveted or similarly closed), of iron or steel	2.6
6103	Men's or boys' suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches and shorts (no swimwear), knitted or crocheted	2.2
6106	Women's or girls' blouses and shirts, knitted or crocheted	2.1
6109	T-shirts, singlets, tank tops and similar garments, knitted or crocheted	2.1
8708	Parts and accessories for tractors, public-transport passenger vehicles, motor cars, goods transport motor vehicles and special purpose motor vehicles	1.9
7214	Bars and rods of iron or nonalloy steel nesoi, not further worked than forged, hot-rolled, hot-drawn etc., but including those twisted after rolling	1.4
806	Grapes, fresh or dried	1.3
2204	Wine of fresh grapes, including fortified wines; grape must (having an alcoholic strength by volume exceeding 0.5% vol.) nesoi	1.3
7217	Wire of iron or nonalloy steel	1.0

Source: Compiled from USITC dataweb.

Figure 2
AGOA imports, 2001 (year-to-date), by major product category and selected countries



AGOA imports, 2001 (YTD) by main countries



rates of economic growth similar to China, although China was not burdened with external debt to the same extent as most of Sub-Saharan Africa. President Bush reiterated his support for the judicious use of debt relief for heavily indebted African nations. In addition, U.S. Secretary of Treasury O'Neill clarified the Administration's focus on shifting assistance from loans to grants.

A working group at the Forum, the Private Sector Steering Committee, provided recommendations for enhancing the act's provisions including: expanding tax incentives for investing in Africa; increasing funding to combat HIV/AIDS; clarifying provisions regarding apparel imports; increasing funding for U.S. trade assistance agencies such as the Export-Import Bank, OPIC, and the TDA; providing supplemental risk insurance; further addressing sanitary and phytosanitary agricultural issues; increasing technical assistance related to customs and trade-capacity building; and encouraging increased air transport links to Africa.

Forum delegates listed several factors that continue to inhibit trade and investment which will require increased attention. Among the most prominent were the

role of infrastructure, communication networks, and reliable power supplies. USTR Zoellick also recognized the need to increase the development of trade flows networks, and U.S. Secretary of State Powell pointed out that despite limited numbers, there has, nevertheless, been an increase in shipping lanes for exports from southern Africa.

Conclusion

The Forum achieved its goal of providing U.S. officials and African delegates an opportunity to review achievements thus far and discuss opportunities for enhancing AGOA. As businesses advance along the learning curve, the role and benefits of AGOA should evolve and increase. As USTR Zoellick summarized, responsiveness to AGOA has varied and appears to depend largely on the development of infrastructure, political stability, and the regulatory environment in any given country in Sub-Saharan Africa. The ability of countries to capitalize on AGOA will depend ultimately on how Sub-Saharan Africa can address these fundamental structural issues.