
INTERNATIONAL TRADE DEVELOPMENTS

Trade Under AGOA Continues to Expand

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On May 18, 2000, President Bill Clinton signed the African Growth and Opportunity Act (AGOA) into law. Subsequently, on August 6, 2002, President George W. Bush signed the Trade Act of 2002, modifying the AGOA legislation and providing expanded preferential access for imports from Sub-Saharan Africa (SSA) beneficiary countries. These modifications are collectively referred to as AGOA II. This article discusses AGOA, its subsequent modifications, and U.S. trade with SSA beneficiary countries.

AGOA and U.S.-Sub-Saharan Africa Trade

While the Generalized System of Preferences (GSP) offers duty-free treatment for approximately 4,600 items from developing countries, the African Growth and Opportunity Act (AGOA) expands the number of eligible duty-free items to 6,400 items for eligible Sub-Saharan Africa (SSA) countries. Moreover, while the GSP program expires in 2006, AGOA does not expire until 2008, thereby extending duty-free treatment for SSA beneficiary countries.² AGOA provides both tangible and intangible benefits—in particular, increasing direct trade between the United States and Sub-Saharan Africa. Further, the Act encourages interregional trade among the African countries,³ provides incentives for accelerated trade

reforms,⁴ and facilitates economic dialogue between U.S. and African government officials.⁵

In 2003, U.S. exports to SSA reached \$6.7 billion. This represented a 13.1 percent increase from 2002 and approximately 1 percent of U.S. merchandise exports worldwide. The leading U.S. export markets in SSA were South Africa (40 percent of U.S. exports to SSA), Nigeria (15 percent), Angola (7 percent), Ethiopia (6 percent), Equatorial Guinea (5 percent), and Ghana (5 percent). Major export items included oil and gas exploration machinery, wheat and meslin, aircraft and

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² Specific details on AGOA and subsequent modifications to the Act are available at the official website on AGOA, maintained by the U.S. Department of Commerce at <http://www.agoa.gov>.

³ AGOA promotes trade between countries in SSA by allowing cumulation among AGOA beneficiaries. That is, AGOA beneficiary countries may include inputs from other AGOA eligible countries in meeting the GSP requirement of 35% value-added.

⁴ The benefits of AGOA are potentially available to the 48 countries of Sub-Saharan Africa. However, the benefits are not automatic. AGOA benefits are extended only to countries that meet specific eligibility criteria. These criteria include whether these countries have established or are making continual progress toward establishing a market-based economy, the rule of law, the elimination of barriers to U.S. trade and investment, economic policies to reduce poverty, the protection of internationally recognized worker rights, and a system to combat corruption.

⁵ Section 105 of the AGOA legislation requires the President to establish a U.S.-Africa Trade and Economic Forum. In creating the Forum, AGOA requires the President to direct the Secretaries of Commerce, State, Treasury, and the United States Trade Representative to host the annual meeting with their counterparts from Sub-Saharan Africa beneficiary countries to discuss expanding trade and investment relations between the United States and Sub-Saharan African countries, and the implementation of AGOA, including encouraging joint ventures between small and large businesses. Civil society organizations are encouraged by the Act to host a meeting with their counterparts in Sub-Saharan Africa in conjunction with the Forum meetings.

parts, motor vehicles, computer parts and accessories, and worn clothing. U.S. exports to Ethiopia, Equatorial Guinea, and Eritrea increased by 578 percent, 212 percent, and 203 percent, respectively. U.S. imports from SSA during 2003 reached \$25.5 billion, about 2 percent of U.S. merchandise imports worldwide, an increase of 40 percent from the \$18.2 billion reached during 2002. The leading SSA import sources were Nigeria (40 percent), South Africa (20 percent), Angola (17 percent), and Gabon (8 percent).

AGOA helped spur increases in imports from Sub-Saharan Africa. In 2003, AGOA imports (including GSP) totaled more than \$14 billion, accounting for more than half of total U.S. imports from the region. The top four import items from the SSA region under AGOA were petroleum oil, passenger motor vehicles, sweaters, and suits. Although energy-related products continued to dominate U.S. imports from SSA, imports of textiles and apparel items, as well as transportation equipment have increased significantly due to AGOA (table 1). Nonoil AGOA imports totaled \$2.9 billion, an increase of 32 percent from 2002. Leading non-oil import items under AGOA are presented in table 2.⁶ The top six AGOA beneficiaries were Nigeria, South Africa, Gabon, Côte d'Ivoire, Congo (ROC), and Lesotho. AGOA imports from Namibia, Congo (ROC), and Nigeria increased by 2,623 percent; 220 percent; and 73 percent. Figure 1 shows the growth in U.S.-SSA trade during the 1999-2003 period.

Beyond increasing trade between the United States and Sub-Saharan Africa, AGOA also facilitates annual contact between senior-level officials of the United States and Sub-Saharan Africa governments. A yearly United States-Sub-Saharan Africa Trade and Economic Cooperation Forum (known as the AGOA Forum) is mandated by both the AGOA and AGOA II legislation.⁷ The Act requires the United States Trade Representative, Secretary of State, Secretary of Commerce, and Secretary of the Treasury to host meetings with senior-level officials from governments whose countries are eligible for AGOA. The President is required, if possible, to attend the Forum every other year. Thus, AGOA establishes an institutionalized economic dialogue between U.S. and African officials, similar to the dialogue that the U.S. maintains with other regions of the world, for example, the Summit of Americas and the Asia-Pacific Economic Cooperation

forum. The first AGOA Forum took place in Washington DC October 29-30, 2001. The second Forum was held in Mauritius from January 15 to 17, 2003, and the third Forum was hosted in Washington DC December 9-10, 2003. Two additional Forums—one for business and the other for nongovernmental organizations (NGOs)—have convened separately but in parallel with the government-to-government U.S.-SSA Trade and Economic Cooperation Forum.

On December 9, 2003, the U.S. Secretary of State and the Mauritian Minister of Industry and International Trade jointly opened the third AGOA Forum. In his opening remarks, Secretary of State Colin Powell indicated that President Bush had requested that the Congress extend AGOA beyond 2008 to give business the confidence to make long-term investments in African countries. Secretary Powell estimated that in the three years since AGOA came into effect, the direct benefits of AGOA included the creation of 190,000 jobs and the attraction of \$340 million in new investment to the African continent. Secretary Powell emphasized that behind these numbers lie hundreds of individual success stories directly and indirectly related to AGOA. He cited a number of examples such as two American companies that have invested in plants that currently employ 400 workers in Ghana to produce socks for export to the United States; a company in Tanzania that has hired 100 new employees, mostly women, and has increased its exports to the United States tenfold since AGOA was passed; plants in Namibia that now produce parts to install in cars manufactured in South Africa, that are in turn exported to the United States; and Zambia, where cotton exports to South Africa more than doubled in 2002 because of the increased demand generated by AGOA.⁸

AGOA has also acted as an incentive for accelerated trade reform efforts in some Sub-Saharan Africa countries. AGOA authorizes the President to determine a country's eligibility under the Act based on the country's attempts to progress toward a market-based economy, the rule of law, free trade, economic policies that reduce poverty, investment in health care and education, efforts to combat corruption, and protection of workers' rights. Sub-Saharan African countries designated as beneficiary countries must undergo an annual review of their status. During this annual review, countries may be added or withdrawn from the list of beneficiary countries. The President must terminate the designation of a country as a beneficiary country if he determines that the country is not making continued progress toward meeting the

⁶ For more information about U.S. trade and investment with Sub-Saharan Africa, see USITC, *U.S. Trade and Investment with Sub-Saharan Africa*, Inv. No. 332-415, Publication 3650, December 2003.

⁷ Proposed AGOA legislation (AGOA III) also aims to maintain provisions for the AGOA Forum.

⁸ U.S. Department of State, U.S. Secretary of State Powell and Foreign Minister of Mauritius Cuttaree, "Open Third AGOA Forum," found at <http://usinfo.state.gov/xarchives/display.html>.

Table 1
U.S. imports under AGOA¹ by sector, 2002-03

Sector	2002	2003	Difference in imports, 2003 less 2002	Difference in imports, 2003 over 2002
		<i>Thousand dollars</i>		<i>Percent</i>
Energy-related products	6,968,759	11,223,684	4,254,925	61.1
Textiles and apparel	803,333	1,202,077	398,744	49.6
Transportation equipment	544,711	731,636	186,925	34.3
Minerals and metals	373,163	412,519	39,356	10.5
Agricultural products	213,107	240,931	27,824	13.1
Chemicals and related products	136,153	176,786	40,633	29.8
Miscellaneous manufactures	40,424	59,144	18,720	46.3
Forest products	29,806	33,370	3,564	12.0
Electronic products	8,839	12,943	4,104	46.4
Machinery	17,828	11,157	-6,671	-37.4
Footwear	300	800	500	166.7
Total	9,136,423	14,105,047	4,968,624	54.4

¹ Includes GSP.

Source: USITC Trade and Tariff Data Web, found at <http://www.dataweb.usitc.gov>.

Table 2
Leading U.S. non-oil imports under AGOA,¹ 2002-03

HTS No.	Item	2002	2003	Difference in imports, 2003 less 2002	Difference in imports, 2003 over 2002
		<i>Thousand dollars</i>			<i>Percent</i>
870323	Passenger motor vehicles with spark-ignition internal combustion reciprocating piston engine, cylinder capacity over 1,500 cc but not over 3,000 cc	338,959	319,362	-19,597	-5.8
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, not knitted or crocheted	161,721	214,197	52,476	32.4
611020	Sweaters, pullovers, sweatshirts, vests and similar articles of cotton, knitted or crocheted	160,695	233,464	72,769	45.3
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, not knitted or crocheted	153,938	254,654	100,716	65.4
870324	Passenger motor vehicles with spark-ignition internal combustion reciprocating piston engine, cylinder capacity over 3,000 cc	132,784	303,862	171,078	128.8
760612	Aluminium alloy rectangular (including square) plates, sheets and strip, over 0.2 mm thick	70,519	79,790	9,271	13.1
720230	Ferrosilicon manganese	50,749	49,910	-839	-1.7
170111	Cane sugar, raw, in solid form, not containing added flavoring or coloring matter	43,774	30,211	-13,563	-31.0
720211	Ferromanganese, containing more than 2% (wt.) carbon	43,305	39,394	-3,911	-9.0
611030	Sweaters, pullovers, sweatshirts, vests and similar articles of manmade fibers, knitted or crocheted	39,547	60,677	21,130	53.4
720241	Ferrochromium, containing more than 4% (wt.) carbon	36,531	72,549	36,018	98.6
240120	Tobacco, partly or wholly stemmed/stripped	31,193	30,482	-711	-2.3
711319	Jewelry and parts thereof, of precious metal other than silver	30,420	43,276	12,856	42.3
610910	T-shirts, singlets, tank tops and similar garments of cotton, knitted or crocheted	30,350	46,343	15,993	52.7
620520	Men's or boys' shirts of cotton, not knitted or crocheted	29,657	45,845	16,188	54.6
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted	25,209	43,026	17,817	70.7
610610	Women's or girls' blouses and shirts of cotton, knitted or crocheted ..	24,483	22,174	-2,309	-9.4
610510	Men's or boys' shirts of cotton, knitted or crocheted	24,146	22,410	-1,736	-7.2
280469	Silicon, containing by weight less than 99.99% silicon	22,753	32,314	9,561	42.0
721049	Flat-rolled iron or nonalloy steel products, not corrugated, 600 mm or more wide, plated or coated with zinc other than electrolytically	21,775	16,515	-5,260	-24.2
720219	Ferromanganese, containing 2% (wt.) or less carbon	18,789	19,722	933	5.0

Table 2—Continued
 Leading U.S. non-oil imports under AGOA,¹ 2002-03

HTS No.	Item	2002	2003	Difference in imports, 2003 less 2002	Difference in imports, 2003 over 2002
		<i>Thousand dollars</i>		<i>Percent</i>	
870870	Road wheels and parts and accessories thereof for motor vehicles	18,423	35,527	17,104	92.8
411390	Leather of animals nesoi, without hair on, further prepared after tanning or crusting, other than leather of heading 4114	17,412	10,216	-7,196	-41.3
720839	Flat-rolled products of iron or nonalloy steel, width 600 mm or more, in coils, hot-rolled worked only, of a thickness of less than 3 mm, nesoi	16,776	3,931	-12,845	-76.6
80510	Oranges, fresh	15,335	23,612	8,277	54.0
320611	Pigments and preparations containing 80% or more by weight of titanium dioxide calculated on the dry weight	13,983	13,951	-32	-0.2

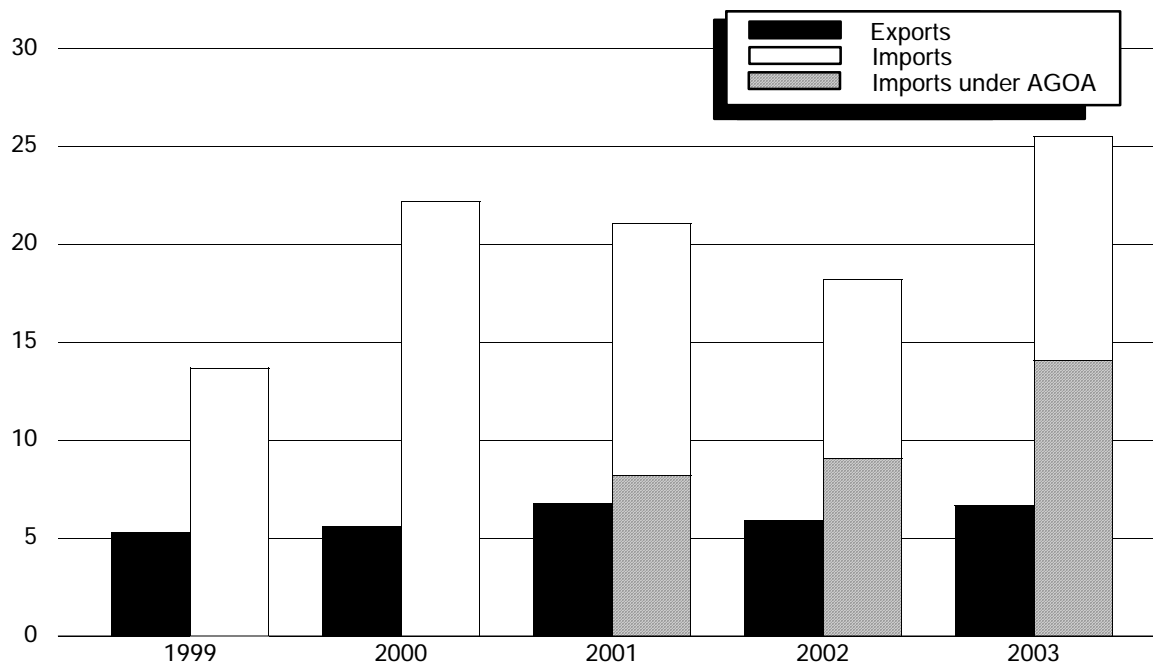
¹ Includes GSP.

Note.—“Nesoi” indicates not elsewhere specified or included.

Source: USITC Trade and Tariff Data Web, found at <http://www.dataweb.usitc.gov>.

Figure 1
U.S. trade with sub-Saharan Africa, in billion dollars, 1999-2003

Billion dollars



Note:—Trade data represents exports and imports from 48 SSA countries, and AGOA (including its GSP provisions) imports from 38 SSA countries eligible for AGOA benefits in 2003.

Source: USITC Trade and Tariff Data Web, found at <http://www.dataweb.usitc.gov>.

eligibility criteria.⁹ On December 30, 2003, President Bush approved the continued designation of 36 Sub-Saharan countries as eligible for tariff preferences under AGOA.¹⁰ The President further determined that Angola should be designated as an AGOA beneficiary country. Two countries, Eritrea and the Central African Republic, did not meet the AGOA eligibility requirements and were removed from the list of eligible countries.¹¹ Twenty-three beneficiary countries were further designated to be eligible for the apparel benefits under AGOA, benefits that are not automatic.¹² To qualify for these apparel benefits, the United States must first

determine that an AGOA beneficiary country has in place an effective visa system to prevent transshipment of apparel articles and the use of counterfeit documents relating to the importation of the articles into the United States. This apparel provision permits designated lesser developed beneficiary countries¹³ to utilize third-country fabric (that is, fabric from neither the United States nor from AGOA beneficiaries) to produce apparel products that receive duty-free treatment under AGOA provisions.¹⁴

The AGOA acts as a catalyst to other government, private, and NGO activities that promote trade and investment between the United States and Sub-Saharan Africa countries as well. In September 2003, for example, the United States Trade and Development Agency co-sponsored an event with the Ethio-American Trade Council to provide a group of more than 20 textile, apparel, and leather manufacturers from Ethiopia with exposure to the United States market. The AGOA Civil Society Network, whose stated goal

⁹ For more details about the country eligibility process, see "Country Eligibility," found at <http://www.agoa.gov>.

¹⁰ The 36 countries are Benin, Botswana, Cameroon, Cape Verde, Chad, Republic of the Congo, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, and Zambia.

¹¹ The White House, "To Take Certain Actions Under the African Growth and Opportunity Act, and for Other Purposes," found at <http://www.agoa.gov>.

¹² The 23 SSA countries are Benin, Botswana, Cameroon, Cape Verde, Côte d'Ivoire, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Rwanda, Senegal, South Africa, Swaziland, Tanzania, Uganda, and Zambia.

¹³ A country is designated a lesser developed beneficiary country for AGOA purposes if it had a per capita gross national product of less than \$1,500 a year in 1998.

¹⁴ All 23 countries designated as eligible for the AGOA apparel benefits—except for Mauritius and South Africa—are designated as lesser developed beneficiary countries eligible to use the third-country fabric provision under AGOA.

is to sustain the momentum of AGOA, convened December 8-10, 2003 in Washington DC for its second AGOA Civil Society session. The session—co-chaired by the Foundation for Democracy in Africa and the Mauritius Council for Social Service—developed an AGOA action plan to improve the efficiency and effectiveness of AGOA.

Other private and public organizations have contributed to sustaining and expanding the momentum of AGOA, such as the Corporate Council of Africa. This nonprofit organization held its fourth U.S.-Africa Business Summit with the theme of “Building Partnerships” from June 24 to 27, 2003 in Washington DC. The AGOA 3 Action Coalition, another nonprofit organization led by the former Assistant USTR for Africa, Rosa Whitaker, made a successful effort to enhance AGOA by providing proposed terms for the new AGOA III legislation.¹⁵

The current AGOA program is set to expire on September 30, 2008, although the apparel provision is to expire on September 30, 2004. A proposal to extend and expand AGOA was introduced in the Senate and House of Representatives on November 20 and 21, 2003, respectively. The bills—S. 1900 and HR 3572—are collectively known as AGOA III and have bipartisan support. Both bills aim to extend AGOA until at least 2015. Both bills also look to extend the third-country apparel provision for 4 more years, until 2008 when AGOA II expires, so that the lesser developed beneficiary countries will remain eligible to use third-country fabric in the production of duty-free apparel exports to the United States.

AGOA III also aims to diversify imports from SSA by offering technical assistance to the nonapparel sectors. The proposed legislation looks to provide a significant amount of technical assistance to African farmers to help them meet strict U.S. sanitary and phytosanitary requirements and overcome other

obstacles to marketing agricultural goods in the United States. The bills also seek to promote the development of infrastructure—notably transportation, energy, telecommunications, and water—necessary to increase trade between the United States and SSA. The legislation would encourage the U.S. Overseas Private Investment Corporation, Export-Import Bank, and Foreign Agricultural Service of the U.S. Department of Agriculture, to facilitate investment in AGOA beneficiary countries and to increase cooperation between U.S. and African transportation entities to reduce transit times and costs, considered major obstacles to increased trade.¹⁶

Conclusion

Total trade between the United States and the SSA countries increased between 1999 and 2003. AGOA has also encouraged interregional trade among African countries. In addition, AGOA created the U.S.-Africa Trade and Economic Cooperation Forum, an institutionalized mechanism to increase direct contact between the United States and SSA countries. The Act provides incentives for accelerated trade reforms, as well as the renovation and building of infrastructure important to U.S.-SSA trade. Many public, private, and nongovernmental organizations are involved in utilizing and expanding AGOA.

A proposal to extend and expand AGOA—AGOA III—was recently introduced in the United States Senate and House of Representatives. AGOA III proposes to extend AGOA until at least 2015, as well as extend for 4 more years the special apparel provision that allows lesser developed beneficiary countries to use third-country fabric and still remain eligible for AGOA’s duty-free treatment for apparel exports to the United States. Thus, AGOA has strengthened U.S.-Sub-Saharan Africa trade and economic relations.

¹⁵ U.S. Department of State, “AGOA Boosters Urge Wider U.S. Market Access,” *U.S.-Africa Farm Trade*, found at <http://usinfo.state.gov/xarchives/display.html>.

¹⁶ U.S. Department of State, “AGOA III Trade Bill Is Introduced in Congress,” found at <http://usinfo.state.gov/xarchives/display.html>, retrieved Feb. 4, 2004.