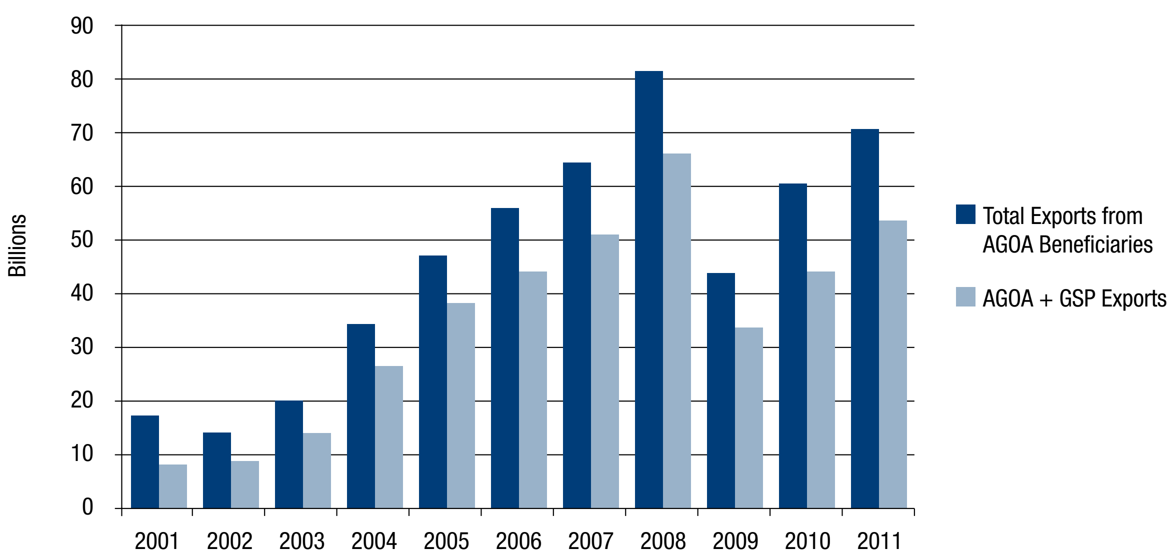
3. The Achievements of AGOA

Ten Years of Growth

When AGOA is looked at in its entirety, the value of products coming into the U.S. has shown relatively strong growth. Exports from AGOA beneficiaries were $53.8 billion in 2011. This represents a 21.5 percent increase in AGOA exports from 2010 and a more than 500 percent increase from the initial $8.15 billion in AGOA exports in 2001 as shown in figure 2. Mineral fuels and crude oil drove this increase and accounted for 91.6 percent of AGOA exports in 2011 (figure 3 and 4). The AGOA share of total U.S. imports, an amount totaling $2.19 trillion in 2011, although still relatively small as an aggregate number, grew from 0.7 percent to 2.5 percent during this 10-year period.[11] In addition, during the last 10 years, on average more than 70 percent of Sub-Saharan Africa's exports to the U.S. have been duty free under AGOA or GSP.

Figure 2. Exports from AGOA Beneficiaries: Total Exports and AGOA and GSP Eligible, 2001-2011

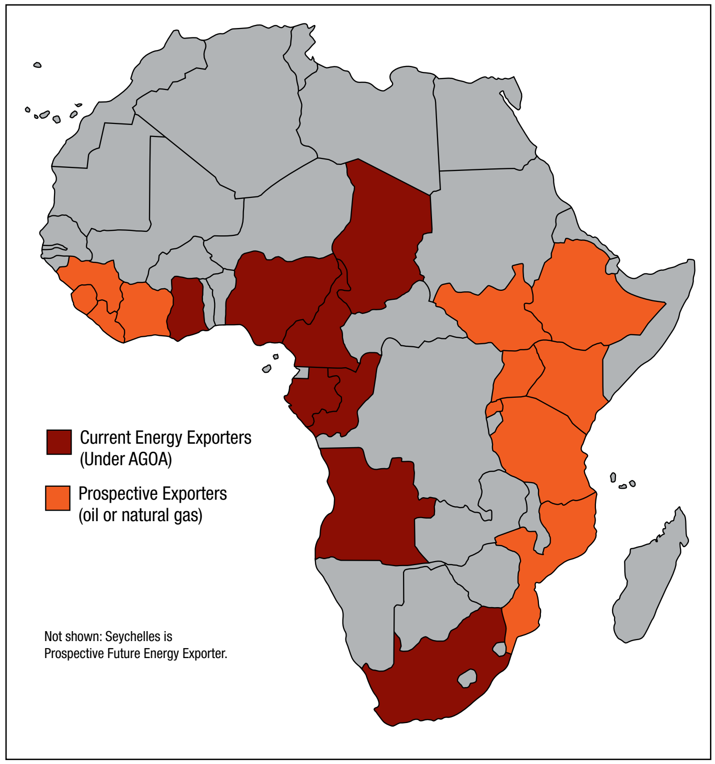


[11] These data were compiled from the U.S. International Trade Commission Tariff and Trade's DataWeb. The data at this Web site are compiled using tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission. Unless otherwise noted, import data are categorized as U.S. imports for consumption.

Over the course of the decade, petroleum products accounted for roughly 89 percent of AGOA imports (figure 4). This was not really due to AGOA, however, because most of these imports would have entered the U.S. duty free under GSP even if AGOA had never been enacted. Nonetheless, oil imports underscore the growing importance of Sub-Saharan Africa as a source of imported energy resources. For example, Angola and Nigeria have consistently accounted for about 10 percent of U.S. imported oil during the last decade. Moreover, given the recent discoveries of oil in other countries in the Gulf of Guinea, U.S. reliance on imported oil from Sub-Saharan Africa will likely continue to grow. The region provides a proportion of U.S. oil imports comparable to the Middle East (in fact, slightly higher in 2010).[12] In addition, the quality of West Africa's crude oil and the region's proximity to the eastern United States, especially in comparison with the countries in the Middle East, have made the region an important source of oil and one of increasingly strategic significance for the U.S.

The United States' reliance on imported oil from Africa has made a limited contribution to economic development on the continent. Although some U.S. energy companies have trained local nationals in management and technical skills and put in place corporate social responsibility programs, such initiatives have not created large numbers of new jobs. To make a fair assessment of AGOA, therefore, it is necessary to focus on the impact of increased non-energy AGOA imports into the U.S. and the role of these imports in poverty alleviation and economic development.

Figure 3. Map of Current and Prospective AGOA Eligible Oil and Natural Gas Exporters



Source for Current Exporters under AGOA: U.S. Energy Information Administration and U.S. International Trade Commission; Source for Prospective Oil/Natural Gas Exporters: Analysis of recent news and interviews with industry officials.

*South Africa exports a much smaller amount than all other countries in this category. In 2011 it exported less than $10 million of oil, while the next closest was Ghana with over $70 million.

** South Sudan is GSP eligible, but not yet AGOA eligible.

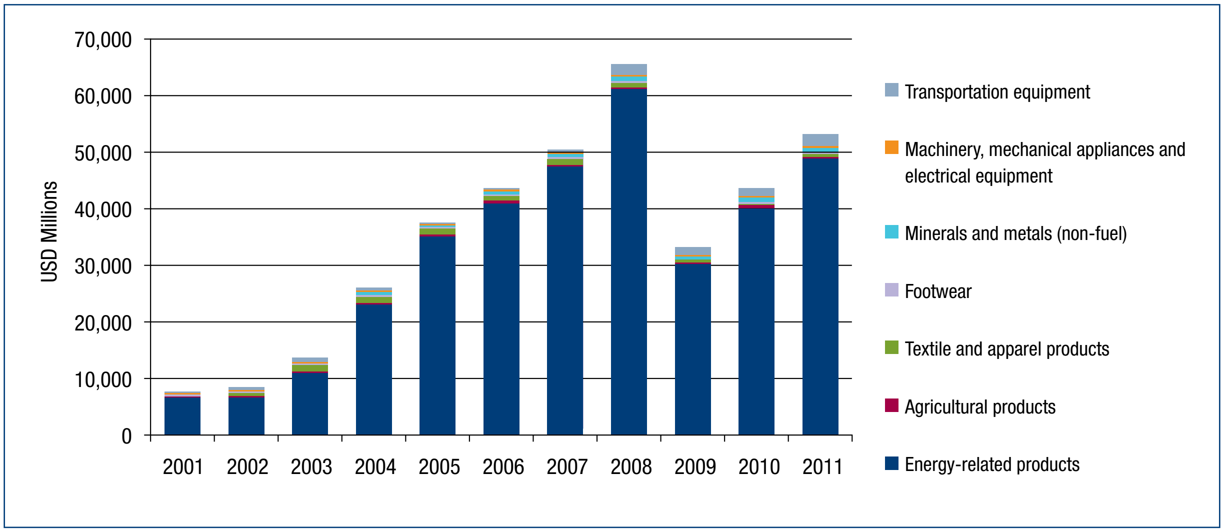
AGOA's Non-Energy Exports

Analyzing and disaggregating nonpetroleum imports shows the value of AGOA for job creation and light manufacturing in Africa. AGOA's nonpetroleum exports showed steady growth between 2001 and 2011, virtually tripling from about $1.2 billion to $4.5 billion, and peaking at $4.7 billion in 2008 (figure 5).

In the early years of AGOA, the number of countries and the variety of sectors reflected in the nonpetroleum exporter group were small. In AGOA's first year, only 13 of the 34 eligible

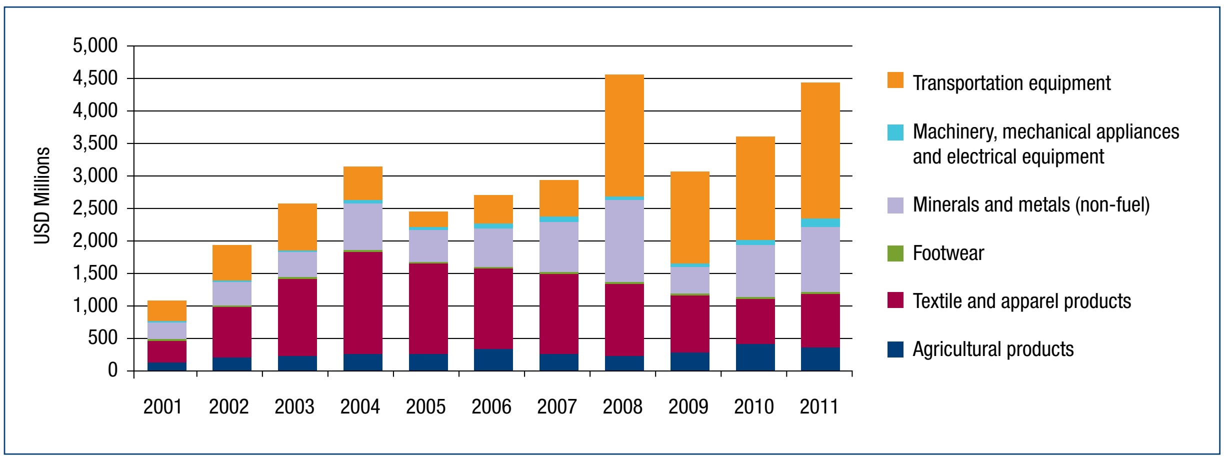
[12] Corey Flintoff, "Where Does America Get Oil? You May Be Surprised," National Public Radio, April 12, 2012, www.npr.org/2012/04/11/150444802.

Figure 4. Composition of AGOA and GSP Exports, 2001-11



Data Source: U.S. International Trade Commission Trade and Tariff Dataweb. Sector categories are estimates using the chapters of the U.S. Harmonized Tariff Schedule. Does not include all sectors.

Figure 5. Composition of AGOA and GSP Exports, Excluding Energy-Related Products, 2010-11



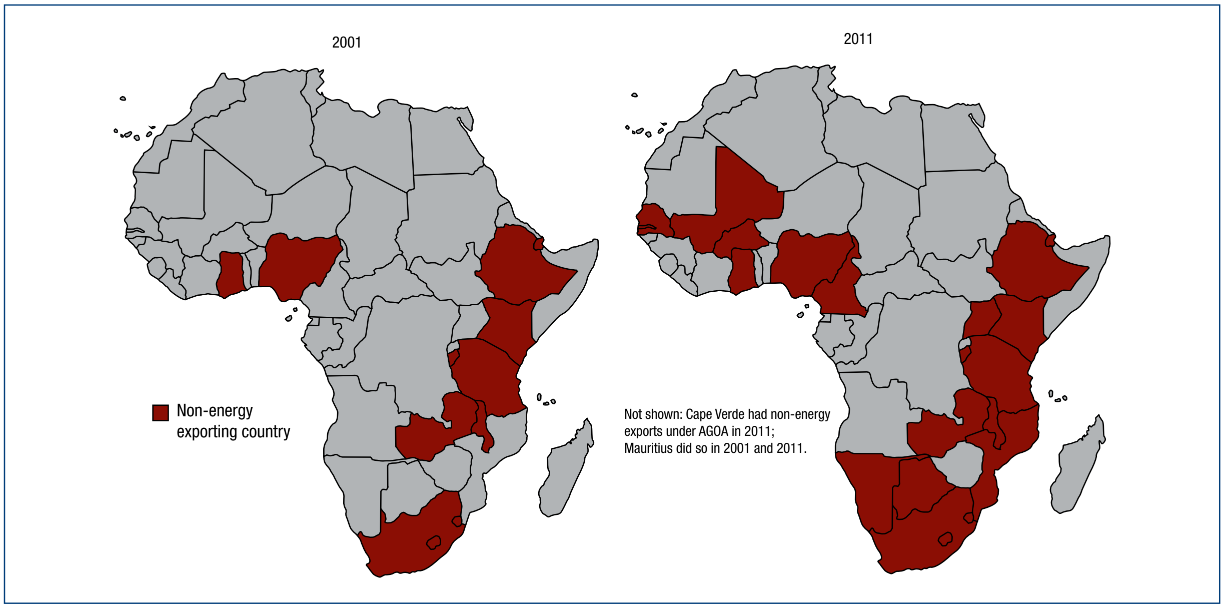
Data Source: U.S. International Trade Commission Trade and Tariff Dataweb. Sector categories are estimates using the chapters of the U.S. Harmonized Tariff Schedule. Does not include all sectors.

countries exported nonpetroleum products to the U.S. under AGOA. Textile and apparel accounted for more than $850 million in 2011, which was more than double the level of 2001, although a decline from a peak of more than $1.6 billion in 2004. Transportation equipment imported under AGOA, mostly automobiles from South Africa, grew from $296 million in 2001 to $2.1 billion in 2011. This was due to the fact that auto manufacturers based more production in South Africa to take advantage of duty-free entry to the U.S. market.[13]

In 2011, 11 years after AGOA was enacted, the number of countries exporting nonpetroleum products to the U.S. had expanded to 22, more than half of those eligible (figure 6). South Africa

[13] U.S. Department of Commerce, *U.S.-African Trade Profile* (Washington: U.S. Government Printing Office, 2003), 15.

FIGURE 6. COUNTRIES EXPORTING NON-ENERGY EXPORTS UNDER AGOA, 2001 AND 2011



has remained a major AGOA exporter. Mauritius, Lesotho, Swaziland and Kenya exported the largest percentage of apparel and textiles to the U.S. Smaller suppliers of apparel products were Botswana ($15.5 million), Malawi ($13.5 million), Ethiopia ($10.0 million), South Africa ($6.1 million), Tanzania ($5.2 million) and Ghana ($1.3 million).[14]

The evidence suggests that under AGOA, countries that were on the margin of the global economy, especially in terms of light manufacturing, are beginning to participate more actively, at least in trade with the U.S. Therefore, the policy questions are: During the next 10 years, will the current AGOA beneficiaries be able to again triple the volume of their nonpetroleum imports, as they have in the past decade? And will there be another doubling of the number of countries exporting non-energy products to the U.S. under AGOA, as there was during the first 10 years? If AGOA is extended and strengthened, and if African governments continue to work to take advantage of the legislation, this will be achievable.

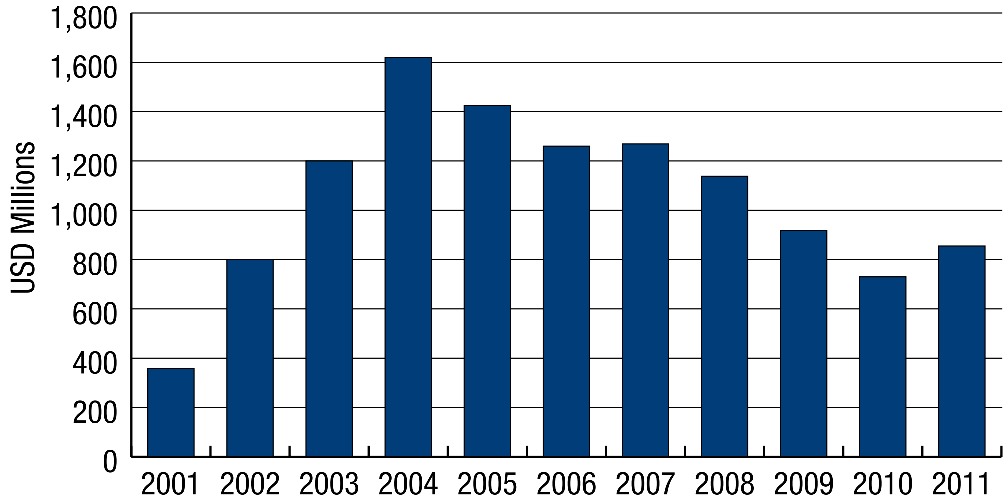
Textile and Apparel Imports

In fundamental respects, AGOA targeted Africa's textile and apparel sector as having the most potential to expand production for the U.S. market. AGOA in fact succeeded in attracting leading American companies to source from Africa. Levi's, Wal-Mart, Gap, Old Navy, Victoria's Secret, Target, Calvin Klein, Gloria Vanderbilt, Vanity Fair and Lands' End have sourced t-shirts, jeans and shirts from a group of AGOA beneficiaries, especially Lesotho, Kenya, Swaziland, Mauritius and Madagascar (before it lost its AGOA eligibility in 2009).

Between 2001 and 2005, U.S. companies imported more than $5.5 billion worth of textiles and apparel from AGOA beneficiaries, an average of more than $1 billion per year. On January 1, 2005, the Multi-Fiber Agreement expired, which abolished World Trade Organization's quotas on the amounts of textiles and garments that developing countries could export to industrial nations.

[14] U.S. International Trade Commission, "Textiles and Apparel: U.S. Imports from Sub-Saharan Africa under the Generalized System of Preferences and the African Growth and Opportunity Act, Year-to-Date from Jan.–Dec.," 2012, http://reportweb.usitc.gov/africa/by_sectors_agoa.jsp?sectorcode=TX.

Figure 7. AGOA and GSP Textile and Apparel Exports, 2001-11



Data Source: U.S. International Trade Commission Trade and Tariff Dataweb. Sector categories are estimates using the chapters of the U.S. Harmonized Tariff Schedule.

Because China was the principal beneficiary of the MFA's expiration, the U.S. and other nations imposed temporary restrictions on Chinese textile exports in early 2006. These restrictions expired at the end of 2008. As a result of increased competition from China and other Asian producers beginning in 2005, textile and apparel exports to the U.S. under AGOA declined from a high of $1.7 billion in 2004 to $870 million in 2011—on par with their 2002 export levels (figure 7).

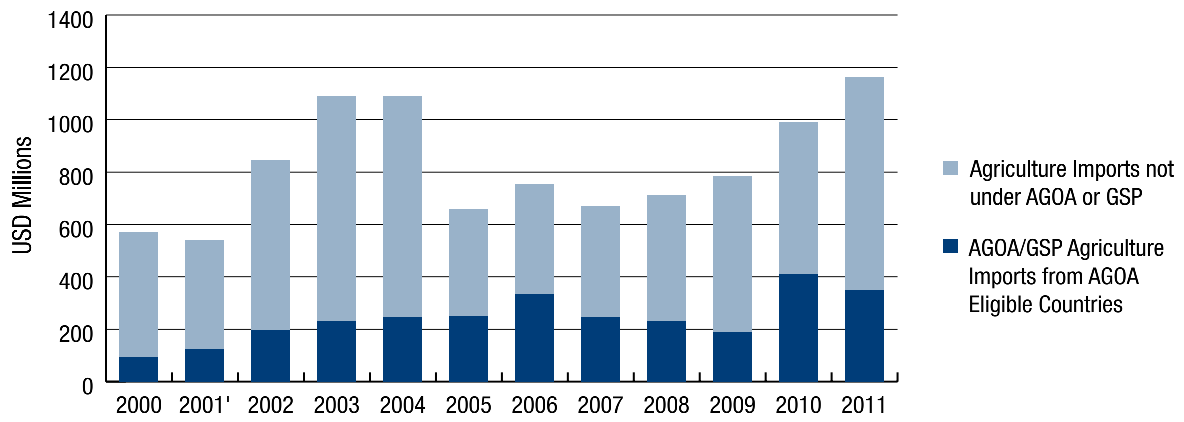
Agriculture

Agriculture has not played a central role in the accomplishments of AGOA. Agriculture provides 70 percent of employment in Sub-Saharan Africa and 30 percent of the region's gross domestic product. Agricultural products, on the other hand, are less than 1 percent of AGOA exports (figure 8). This is in part because a large proportion of U.S. agricultural imports from Sub-Saharan Africa are covered by the most-favored-nation system, and thus already have duty-free access. There is also a general lack of adding value to agricultural products in Africa. In addition, the U.S. is not the most suitable destination for some agricultural goods coming from Sub-Saharan Africa, such as cut flowers, especially when compared with the European Union's closer proximity. A recent report indicates that AGOA's agricultural benefits are constrained by quotas that predate AGOA and by the exclusion of some agricultural products from AGOA.[15]

Sanitary and Phytosanitary Standards, though important for maintaining food quality and protecting human, plant and animal health, do impose additional demands on exporters, and can limit agricultural market access for AGOA-eligible products. Although the U.S. provides a great deal of capacity-building support to Africa, more support is needed to help countries meet these standards and export agricultural goods to the U.S. market—as well as coordinate the activities of the U.S. agencies that provide this support.

[15] International Food and Agricultural Trade Policy Council and Partnership to Cut Hunger and Poverty in Africa, "AGOA and Agriculture," August 2009, http://www.agritrade.org/Publications/documents/PCHPAIPC_JointPolicyBrief_Aug3.pdf.

Figure 8. Agriculture Exports from AGOA-Eligible Countries: AGOA/GSP Duty-Free Exports and AGOA/GSP Ineligible Exports, 2001-11



Data Source: U.S. International Trade Commission Trade and Tariff Dataweb. Sector categories are estimates using the chapters of the U.S. Harmonized Tariff Schedule.

Job Creation under AGOA

AGOA has left a clear imprint on Africa, even if only about 300 of the 6,400 product lines have been utilized and some sectors have benefited more than others.[16] One direct benefit is the jobs that have been created in AGOA-eligible countries as a result of the legislation. Although this can be a difficult number to track precisely, there are some clear indicators.

Rosa Whitaker, the first assistant U.S. trade representative for Africa and now the CEO of the Whitaker Group, estimates that 300,000 jobs have been created. Paul Ryberg, the president of the African Coalition on Trade, which has companies and trade organizations in 19 African countries, confirms this number and contends that as many as 1.3 million jobs have been created indirectly by AGOA, supporting up to 10 million people.[17] The majority of these jobs are in those countries that have been at the forefront of textile and apparel exports to the U.S. In Kenya, the National Economic Survey finds that direct employment in the apparel sector, which is supported by AGOA, grew to 25,776. In South Africa, AGOA is estimated to have created 62,395 jobs.[18] In Lesotho, the Central Bank indicates that employment in the textile and garment sector grew from about 19,000 jobs in 1999, before AGOA went into effect, to about 45,700 jobs in 2011.[19]

In short, it is apparent that AGOA has led to job creation in those countries that have taken advantage of the non-energy exports, especially apparel and textile products. Many of these jobs are also held by women, which is important given that African women are more likely to invest job-related income in the

[16] U.S. International Trade Commission Tariff and Trade's DataWeb.

[17] "AGOA Is a 'Phenomenal Success,'" *West Africa Trade Hub: Tradewind Trade News*, August 8, 2010, www.watradehub.com/activities/tradewinds/aug10/agoa-phenomenal-success; interview with Paul Ryberg, president of the African Coalition for Trade, April 24, 2012.

[18] Aloyce R. Kaliba, *Economic Potential and Limitation of AGOA in Sub-Saharan Countries* (Ithaca, NY: Strategies and Analysis for Growth and Success), http://www.saga.cornell.edu/images/caurepts/kaliba-polrel.pdf.

[19] Ibid. "Africa Growth and Opportunities Act (AGOA): Economic Impact and Future Prospects," *CBL Economic Review* 131, June 2011; Youssuf Keita, "U.S.' African Growth and Opportunity Act: Influence upon Poverty Reduction with Evidence from Kenya, Lesotho and Mauritius," Consultancy Africa Intelligence, August 16, 2011; Kaliba, *Economic Potential*. Prince Osei Bonsu, "Obama Administration, Congress and Africa Celebrate 10 Years of AGOA," JobServeAfrica.Com, May 21, 2010.

welfare of their families. The African Women's Entrepreneurship Program, established in 2010, is a commendable effort at furthering the ability of women to benefit from AGOA. The program is managed in partnership with the U.S. State Department's Office of Global Women's Issues, the Bureau of African Affairs, and the Bureau of Economic and Business Affairs. The program works specifically to empower and provide capacity building support to female business owners. In addition to textile and apparel manufacturing, many jobs have been created in South Africa due to its steady exporting of automobiles and other transportation equipment. AGOA is clearly contributing to poverty alleviation through the creation of employment, and this trend needs to be accelerated.

In addition to job creation, there has also been foreign direct investment in the textile sector, especially from Asian investors. Taiwan, for example, has apparel production facilities in Kenya, Lesotho, Swaziland and Botswana.

Expanding Efforts of Regional Integration

AGOA has contributed to Africa's efforts to further regional integration, mostly through the creation of regional value chains and corresponding increases in intra-African trade partnerships. Most of these chains have been concentrated in the apparel sector, because the legislation allows for multiple countries to provide inputs via its special "rules of origin" provision. One example of highly inclusive regional integration is the apparel industry in Madagascar, before the revocation of its AGOA benefits. Its apparel exports increased from $53 million in 1992 to $469 million in 2004 (before the expiration of the Multi-Fiber Agreement), and its apparel industry was part of an extensive regional supply chain—with zippers from Swaziland, denim from Lesotho and cotton yarn from Zambia and South Africa.[20] Unfortunately, this example also showcases the fragility of such regional value chains under AGOA, especially in the case of Madagascar, which was declared ineligible following the 2009 coup. This has had a significant negative impact on the cross-border production chain.

[20] John Page and Nelipher Moyo, "Supporting Deeper Regional Integration in Africa," Brookings, 2011.