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July 25, 2014

African Growth and Opportunity Act (AGOA)

Overview

What is AGOA? AGOA, the cornerstone of U.S. trade policy toward sub-Saharan Africa since 2000, is a non-reciprocal U.S. trade preference program that provides duty-free access to the U.S. market for most exports from eligible sub-Saharan African countries. In addition to this preferential market access, the Act also requires an annual forum, known as the AGOA Forum, held between U.S. and AGOA country officials to discuss trade-related issues. Additionally, AGOA provides direction to select U.S. government agencies regarding their trade and investment support activities in the region.

What countries are eligible? AGOA lists 49 sub-Saharan African countries that are potential candidates for AGOA benefits. AGOA eligibility criteria address issues such as trade and investment policy, governance, and worker rights, among other issues, which countries must satisfy to be beneficiaries of the AGOA preferences. The President annually reviews and determines each country's AGOA eligibility. There are currently 41 AGOA-eligible countries. This includes Madagascar, whose eligibility was reinstated in June, as well as Swaziland, whose eligibility will be removed effective January 1, 2015.

What is the authorization status? The AGOA preference program was initially enacted in 2000. It has been amended five times, including one overall extension in 2004, as well as technical modifications and extensions of time-limited provisions (e.g., third-country fabric provision). AGOA authorization is currently set to expire on September 30, 2015.

What's the goal? Through AGOA, the U.S. Congress seeks to increase U.S. trade and investment with the region, promote sustainable economic growth through trade, and encourage the rule of law and market-oriented reforms.

"[T]o keep our trade growing, we need to renew AGOA. But we've also got to make some decisions about how we can make it more effective."
President Obama, July 1, 2013

Supporting Views—Supporters of AGOA argue that the program affords African producers a vital competitive advantage in the U.S. market, thereby enabling exports, encouraging investment in the region, boosting private sector activity and economic growth, and ultimately generating demand for U.S. goods and services as the region's economies develop.

Opposing Views—Opposition to AGOA comes primarily from U.S. producers that may face increased import competition from AGOA countries. Due to the relatively small level of U.S. imports under the program, such concerns may be relatively limited. Many observers are generally supportive of AGOA, but would like reforms.

Key Aspects of AGOA

Trade Preferences—The primary component of AGOA is the duty-free treatment of U.S. imports of certain products from beneficiary countries. This tariff savings can potentially help AGOA exporters compete with lower-cost producers in other countries.

Relation to the Generalized System of Preferences—The Generalized System of Preferences (GSP) is another U.S. preference program, but unlike AGOA, GSP is not regionally based. The AGOA preferences include all products covered by GSP, as well as some products excluded from GSP, such as autos and certain types of textiles and apparel. In both GSP and AGOA, additional benefits are granted to least-developed countries.

Apparel and Third-Country Fabric Provision—AGOA's duty-free treatment on certain apparel products is significant because (1) apparel articles face relatively high U.S. import tariffs; (2) they are excluded from GSP; (3) they can be manufactured in developing countries as their production utilizes lower-skilled labor and requires little capital investment; and (4) production in this sector can be a first-step toward higher value-added manufacturing. The third-country fabric provision in AGOA, which some argue is critical for AGOA countries' competitiveness in the sector, allows some U.S. apparel imports from least-developed sub-Saharan African countries to qualify for duty-free treatment even if the yarns and fabrics used in their production are imported from non-AGOA countries.

Trade Capacity Building—Unlike other U.S. preference programs, AGOA directs the President to provide U.S. government technical assistance and trade capacity building (TCB) in AGOA beneficiary countries. This assistance is intended to encourage governments to (1) liberalize trade policy; (2) harmonize laws and regulations with WTO membership commitments; (3) engage in financial and fiscal restructuring; and (4) promote greater agribusiness linkages. The United States Agency for International Development (USAID) administers certain TCB-related projects in support of AGOA, including funding for the three African Trade Hubs, which work to increase AGOA utilization by beneficiary countries.

Executive Branch Initiatives—AGOA encourages the President to seek partners in the region for reciprocal free trade agreements (FTAs). Negotiations were initiated with the South African Customs Union (SACU), but were eventually suspended in 2006. Until the provision expired in 2008, AGOA also required the President to provide an annual report to Congress on U.S. trade and investment policy with sub-Saharan Africa and AGOA implementation. AGOA also includes directives for the Overseas Private Investment Corporation (OPIC), the Export-Import Bank, and the U.S. Foreign Commercial Service on expanding their activities in sub-Saharan Africa.

AGOA Forum—AGOA requires the President to convene an annual forum to discuss expanding trade and investment relations and the implementation of AGOA. The 13th AGOA Forum is to take place in Washington D.C. on August 4, 2014, in conjunction with the larger African Leaders Summit and will likely focus on AGOA's renewal.

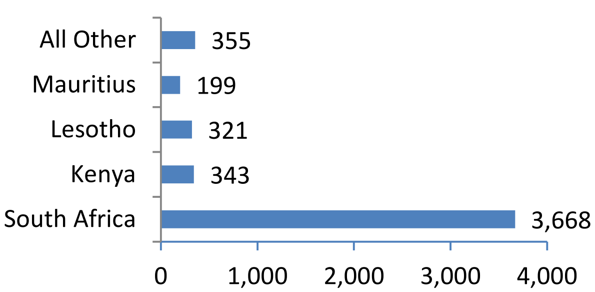
U.S. Imports Under AGOA

U.S. non-energy imports under AGOA have grown from $1.3 billion in 2001 to $4.9 billion in 2013, but they remain highly concentrated in select countries and industries.

- U.S. imports under AGOA were $38.2 billion in 2013.
- Crude oil accounted for 75% of U.S. AGOA imports, but crude imports have declined by $30 billion since 2011, largely due to U.S. production. Nigeria, Angola, Chad, Republic of Congo, and Gabon are the major oil exporters under AGOA.
- Non-energy imports (excluding crude and refined petroleum products) were $4.9 billion, with much of this coming from South Africa ($3.7 billion, with $2.2 billion in South African autos alone). Other top products were apparel and metals.
- Aside from South Africa and the oil producers, Kenya, Lesotho, and Mauritius, which export mostly apparel products, are the top users of the preference program. Together with South Africa these countries accounted for 93% of all U.S. non-energy imports under AGOA in 2013.

Figure 1. U.S. Non-Energy Imports Under AGOA

(2013, in million U.S. dollars)



Source: Analysis by CRS. Data from USITC.

Notes: Non-energy refers to all goods except HTS Chapter 27.

Renewal Debate

AGOA appears to enjoy broad bipartisan congressional support. Despite general support, there is ongoing debate regarding potential changes to the program, including those that could help better achieve its stated trade and development goals. In addition, African countries' willingness to implement the recent WTO trade facilitation agreement may affect support for the program. Key issues regarding AGOA's reauthorization include:

Country eligibility and reauthorization—Many views exist regarding the appropriate strength and coverage of AGOA eligibility criteria and the length of AGOA authorization. Some stakeholders would like less stringent eligibility requirements, less frequent reviews, and a longer or indefinite reauthorization period, while others argue that shorter authorization terms allow for greater congressional oversight and that strong eligibility requirements and annual reviews encourage reform.

Utilization of benefits—Nearly 75% of U.S. non-energy imports under AGOA come from South Africa alone, and in 2013, over half of AGOA beneficiaries' exports to the U.S. market were each worth less than $1 million. Creation of AGOA country export strategies and greater targeting of TCB toward potentially competitive sectors is viewed by some as an important way to increase use of the program.

Product coverage—AGOA covers most products, but some, mostly agricultural products, remain excluded. Including more products under AGOA may increase use of AGOA benefits, but may be opposed by U.S. producers.

Trade capacity building funding—Many supporters argue that AGOA may be underutilized due to beneficiary countries' inability to take advantage of AGOA benefits. Although AGOA mandates that TCB assistance be provided to increase use of the program, there is debate over the appropriate types and levels of TCB, as well as the effectiveness of TCB overall.

Duty-free, quota-free beyond Africa—Some argue that all least-developed countries, including non-African ones, should receive AGOA preferences, but others are concerned that this could erode the competitiveness of African exports to the United States, as they might face greater competition.

Reciprocal access and two-way trade—Given recent economic growth in Africa, some observers are now calling for a greater focus on two-way trade in AGOA and a greater push for reciprocal trade agreements with some AGOA-eligible countries. There is particular focus on those countries that have already negotiated reciprocal agreements with other parties. Such agreements, like that between South Africa and the European Union, could disadvantage U.S. exports to Africa.

For a more detailed look at AGOA, see CRS Report R43173, *African Growth and Opportunity Act (AGOA): Background and Reauthorization*, by Brock R Williams.

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