Embassy of the United States of America

African Growth and Opportunity Act

Under AGOA, Kenya's flourishing flower industry enjoys duty-free access to U.S. markets, leaving distance and transportation costs as the primary limiting factors. *Getty Images*

The African Growth and Opportunity Act (AGOA), enacted in 2000, allows 37 eligible African countries to export most products duty-free to the United States. It promotes economic development and expedites the integration of African economies into the world trading system, and provides a framework for governments, the private sector and civil society to work together to build trade capacity and expand business links between the United States and Africa.

Increasing trade capacity involves technical assistance related to world trade rules, customs reform and modernization, development of industry standards and regulations, intellectual property rights (IPR) enforcement and infrastructure modernization.

In 2010 eligible countries exported $61 billion in products to the United States, of which 98.5 percent of non-oil products entered the U.S. market duty-free. Although petroleum products accounted for 91 percent of AGOA imports to the United States, the program has helped promote other, value-added exports such as apparel, footwear, processed agricultural products and manufactured goods.

AGOA has helped many African countries — Lesotho, Swaziland and Kenya, for example — to create tens of thousands of new jobs and boost their international competitiveness.

Lesotho is a good example of how AGOA makes a difference. In Lesotho, AGOA has given textile and apparel manufacturers a big advantage over their international competitors. The country is now sub-Saharan Africa's largest exporter of garments to the United States, with almost $300 million in clothing exports to the U.S. in 2010, more than 93 percent of that under AGOA. The clothing industry in Lesotho is the country's largest employer, with more than 40,000 workers.

AGOA also supports regional economic integration and provides incentives for African countries to improve their investment climates, reduce corruption, respect human rights and the rule of law, improve infrastructure and harmonize trade standards to help them become more competitive in the global marketplace.

Thirty-seven African countries are currently eligible for AGOA: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Chad, Comoros, Republic of Congo, Djibouti, Ethiopia, Gabon, The Gambia, Ghana, Guinea-Bissau, Kenya, Lesotho, Liberia, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Säo Tome and Principé, Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Uganda and Zambia.

Not Just Oil

"Oil is sub-Saharan Africa's leading export to the entire world," says Florizelle Liser, assistant U.S. trade representative for Africa, "so it only follows that oil would be the leading import under the program." But African exports are not just about oil: Non-oil exports to the United States from sub-Saharan Africa totaled $4 billion in 2010.

According to Liser, the list of products that AGOA does not cover is short and consists mainly of non-apparel textile products such as pillows and bedding, as well as agricultural products such as tobacco and sugar.

The U.S. Agency for International Development (USAID) has three trade hubs — in Nairobi, Kenya; Gaborone, Botswana; and Accra, Ghana — that help Africans identify trade opportunities under AGOA for products such as specialty foods, cut flowers, cosmetics, seafood and apparel.

U.S. imports from Africa have to meet the same standards, including sanitary measures for agricultural products, that apply to all U.S. trading partners and domestic producers. USAID trade hubs are helping to train African exporters to meet these standards, which are designed to ensure the safety of food, animals and plants that enter the United States. USAID trade hubs also help African entrepreneurs write business plans, raise capital, increase productivity and improve production processes so they can meet export standards set by governments and companies around the world.

Extending AGOA

The Obama administration wants Congress to extend AGOA beyond 2015, when it is scheduled to expire.

A special provision, which applies to AGOA apparel made with fabric from third countries, is scheduled to expire in September 2012. Subject to a cap, that provision allows most eligible sub-Saharan African countries to use non-U.S. fabric and yarn in apparel wholly assembled in their countries and still qualify for duty- and quota-free treatment. The Obama administration is working with Congress to extend this third-country fabric provision to 2015.

At the 2011 AGOA Forum on U.S.–Sub-Saharan Africa Trade and Cooperation in Lusaka, Zambia, in June, Secretary of State Hillary Rodham Clinton said she expects that Congress, in connection with the proposed extensions, would review progress on a number of obstacles preventing transformative change in Africa's economies:

- Infrastructure. Poor roads, ports and electric grids drive up the cost of doing business in Africa.
- Corruption. "Every bribe paid to a customs official represents a hidden tax on the cost of doing business and a drag on economic growth," Clinton said.
- The low level of economic cooperation, integration and trade among African nations, mostly a result of protectionism.

At the 2011 AGOA Forum in June, Secretary of State Hillary Rodham Clinton said the United States wants African women to have better opportunities to become business entrepreneurs. Cultural and bureaucratic barriers make it difficult for women to borrow and manage money and hire employees. *Getty Images*

"It is up to the leaders of this region to decide if you want economic integration," Clinton said. "You have to take on entrenched interests and respond to concerns about new competition while making the case over and over again as to why the people in your country will benefit from expanded trade."

She said the United States seeks to improve the entrepreneurial prospects of African women, who face cultural barriers to managing money and employees, and bureaucratic barriers to obtaining loans.

Enhancing Trade Capacity

At the opening of the 2011 AGOA Forum, U.S. Trade Representative Ron Kirk announced the African Competitiveness and Trade Expansion Initiative, which would spend up to $30 million a year for four years on trade-related technical assistance through USAID's hubs.

From 2006 through 2010 the African Global Competitiveness Initiative facilitated over $178 million in AGOA exports, provided export capacity building assistance to more than 234,000 firms, and trained nearly 660,000 Africans in trade capacity building. In addition, the initiative's infrastructure programs leveraged over $2 billion in investment for infrastructure and enabled 650,000 Africans to access Internet services.

In addition, the Obama administration announced an investment of $12 million for aflatoxin control in Africa. Aflatoxin is a highly poisonous, cancer-causing toxin produced by a fungus that affects about 25 percent of the world's agricultural production. It not only contributes to chronic health problems and food insecurity for people in developing countries but also prevents exports of affected agricultural commodities.