

Discussions underway regarding renewal of African Growth and Opportunity Act

The African Growth and Opportunity Act (AGOA)¹, which permits the duty-free import into the United States of thousands of types of goods produced in sub-Saharan Africa, is set to expire on September 30, 2015. Discussions are already underway regarding the renewal and possible expansion of AGOA. President Barack Obama and Michael Froman, the U.S. Trade Representative (USTR), have committed themselves to ensuring a “seamless” renewal of AGOA, though the U.S. is also likely to push for better access to African markets.

AGOA was enacted in May 2000 under President Bill Clinton and was subsequently expanded by a series of amendments signed by President George W. Bush in 2002, 2004 and 2006 (sometimes referred to as AGOA II, AGOA III and AGOA IV, respectively). AGOA permits the 39 eligible sub-Saharan African countries to export more than 6,400 products to the United States duty-free. AGOA has substantially eased access to U.S. markets for exports from eligible countries, which have more than quadrupled since the enactment of AGOA to nearly \$35 billion in 2012.

Under AGOA, the President has the authority to determine which countries are eligible to export products to the U.S. duty-free based on an annual evaluation of each country’s movement toward a market-based economy, rule of law, poverty reduction, labor rights and anti-corruption efforts. AGOA also authorizes the President to permit the duty-free import from an eligible country of any goods that the USTR and the U.S. International Trade Commission (USITC) determine are not sensitive. The trade preferences provided by AGOA, together with the U.S. Generalized System of Preferences (GSP) for duty-free import into the United States that apply more broadly to developing countries, permit nearly all types of goods exported from sub-Saharan Africa to be imported duty-free into the United States. At present, petroleum products represent 86% of exports to the U.S. under AGOA. Textiles, which would not otherwise benefit from duty-free treatment under GSP, also represent a significant portion of the goods imported to the U.S. duty-free under AGOA.

Some have argued that AGOA is largely a U.S.-led initiative that was adopted with little input from African countries, although this appears to be changing. AGOA requires the President to convene an annual U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum, also known as the AGOA Forum, to discuss the implementation of AGOA and the expansion of trade and investment relations between the U.S. and sub-Saharan Africa. The AGOA Forum alternates each year between the U.S. and Africa. The 12th annual AGOA Forum, held August 9-13, 2013 in Addis Ababa, Ethiopia, provided a platform for discussion of the pending renewal of AGOA.

Many African countries are pressing for AGOA to be renewed for at least 10 years. While renewal seems likely, the Obama administration has not indicated whether it is prepared to agree to an extension of that length. However, AGOA has become increasingly important to the U.S. as China has displaced the U.S. to become Africa’s top trading partner, a shift due in large part to China’s imports of crude oil from Nigeria and Angola.

Because AGOA is a unilateral trade preference program, it will ultimately be up to the U.S. Congress to extend AGOA. Congress is expected to focus its evaluation of AGOA not only on the interests of sub-Saharan Africa, but also on the benefits of AGOA to the U.S. In particular, Congress will look to the extent to which African countries that benefit from AGOA open their markets to U.S. exports. This will likely involve a comparison between the trade terms offered by African states to the U.S. and those offered to the European Union, which has negotiated Economic Partnership Agreements that include reciprocal tariff reductions with a number of African states. U.S. legislators may also seek to vary the benefits provided by AGOA, or require reciprocity, with respect to more developed African countries, such as South Africa. On the other side, African states are expected to look to expand AGOA to other products, notably those in the agricultural sector, where there are significant opportunities for development across sub-Saharan Africa. It remains to be seen how much influence African leaders will have on a renewed AGOA.

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¹ Full text of AGOA and additional information about country and product eligibility are available at <http://trade.gov/agoa/>