

THE NEW AFRICAN GROWTH AND OPPORTUNITY ACT

The African Growth and Opportunity Act (AGOA) was first authorized in the U.S Congress in 2000, to promote export-led economic growth and development of Sub Saharan African countries and to improve U.S Commercial engagements with the region. It is the cornerstone of the US-Africa economic partnership providing approximately 6000 products from Sub-Saharan Africa with quota and duty free access to the American market.

AGOA is a non-reciprocal and unilateral preference program that provides duty-free access into the United States for qualifying exports from eligible African countries. In addition to the tariff preference, the legislation also requires a mandatory annual meeting between the United States and African governments to discuss trade and economic issues, known as the AGOA Forum. The 2015 Forum is to be held in Gabon. Countries are also expected to meet specific eligibility requirements to qualify for AGOA.

The program is also similar to the Generalized System of Preference (GSP), a U.S trade preference program that applies to over 120 developing countries, including Sub Saharan countries. AGOA however builds on the GSP by providing preferential access to the U.S market for more products, such as apparel and sets out additional eligibility criteria. The GSP represents a set of formal exceptions from the WTO's Most Favoured Nation (MFN) principle which allows developed countries to offer developing countries preferential treatment on specific goods.

AGOA's authorization however expires on September 30, 2015 and most African governments and some US Congress members including trade associations, particularly the US Chamber of Commerce, have highlighted the success of the program and want an expedited re-authorization of the program. The debate is whether AGOA in its current form, is achieving the initial goals of the program, which is effectively improving the economic circumstances in Africa. Others also discussed how to improve the value of non-oil exports into the U.S under the program, as currently about 70% of exports to the U.S under the program are made up of petroleum products. Some experts were also of the opinion, that the AGOA program should be expanded to address concerns over U.S businesses ability to effectively compete on the continent.

The AGOA Extension and Enhancement Act of 2015, has already been approved by the Senate, awaiting approval by the House of Representatives and the US President. AGOA and GSP when renewed would help develop key industries and foster improvements in governance and policy regarding labour and human rights.

The initial draft released on 16th April, appears to settle on a 10 year re-authorization. It also includes a 10 year extension of the third-country fabric provision, which is essential to nurture the development of the textile and apparel industry on the continent. Another critical part of the draft extension act, is the promotion of greater regional integration by

expanding the rule of origin to allow AGOA countries flexibility to combine inputs to meet the rule of origin for AGOA eligible products. There is also emphasis on policy implementations promoting the adoption and implementation of WTO Agreements, with particular attention on the recently adopted WTO Multilateral Trade Facilitation Agreement, which can reduce red tape at the borders, increase trade in services and resolve critical agricultural policy issues. This will be executed through a Technical Assistance and Capacity Building Program to be carried out by different US agencies.

The draft also promotes compliance with eligibility criteria by providing greater flexibility to the U.S government to withdraw, suspend or limit benefits under AGOA, if it determines that such action would be more effective than termination. There is a provision for greater certainty in the operation of AGOA, in that the US Administration must notify Congress and any affected country at least 60 days before removing a country from the Program or withdraw, suspend or limit any benefits under the Program.

There is also a provision to simplify claims for preference, improving transparency and making it easier to complete paperwork on imports from AGOA beneficiaries. A new review mechanism was also announced, which states that any party, at any time, can petition the United States Trade Representative (USTR) about whether a country is meeting the AGOA eligibility criteria and the USTR can initiate an out-of-cycle review of a country's eligibility.

Key provisions of the legislation also include efforts to address "unfair" practices by the European Union that condition African access to the European market on signing unbalanced trade agreements. However, some experts believe this is to assist the U.S. catch up with the EU on trading with the continent.

The draft gives the US President the authority to include cotton products on the list of AGOA preference items available to least developed countries. There are proposals in the draft outlining a path for deepening and expanding trade and investment between the U.S. and Africa beyond 2025 when the currently contemplated extension is expected to expire. It requires the US Administration to develop a long term strategy for negotiating trade agreements with individual Sub-Saharan African countries or regional blocs.

Securing Benefits of AGOA for Ghana

Our focus should be on expanding the non-oil exports to the U.S markets. We need to narrow in on a few products which we can effectively and efficiently produce for export under this program. As an example, a handful of AGOA countries, particularly Kenya, Lesotho and Mauritius provide the bulk of apparel exports under the program. In 2014, Kenya exported \$423 million worth of apparel to the US under AGOA, Lesotho, \$289 million; Mauritius \$227 million and Swaziland \$77 million. Ghana may wish to examine why these countries have been so successful in utilizing the preference program.

Apparel production, unlike textile production, typically requires low-skilled labour and minimal capital expenditures, allowing the producing countries to become globally

competitive. The average tariff on apparel in the US is 11.4% as compared to an average of 3.5% for all products. This restriction on US imports of apparel makes the AGOA preferential treatment for this product line advantageous, making the AGOA countries competitive with low cost producers in Asia.

Similarly, we can also focus on exporting cocoa products under this program, Cote d'Ivoire in 2014 exported about \$ 70 million worth of cocoa products under AGOA. An improvement in our Golden Tree chocolate to meet the requirements of the US FDA, as well as well improvements in the taste and color specifically for that market will also improve our export earnings under AGOA.

In addition, in the agriculture sector, we can focus on selected products that are in demand in the U.S. For example, there has been an upsurge in the demand for Tilapia and red sweet potatoes in the the U.S. There is also an increase in the demand for 'niche' products like plantain, cassava, plantain chips and coconut water. We need to identify a few of such products and focus on optimizing these value chains and providing incentives to encourage production for export.

Out of over 300 products identified for export by the Ghana Export Promotion Council, a comprehensive focus on the handicrafts, baskets and bags will also be useful in taking advantage of the program.

Ghana can take advantage of AGOA by focusing on a few carefully selected products, and rapidly building our capability to effectively produce, process and export such products. Ghana can also take advantage of the capability development programs that will be promoted by the various U.S. agencies. We at the American Chamber of Commerce, Ghana will be available to assist with such efforts as we continue at all times to promote Ghana as a favourite destination for US investment.



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The American Chamber of Commerce, Ghana is the representative arm of US businesses and subsidiaries in the country, including Ghanaian businesses with US

ties. It was established and affiliated to the US Chamber in 1997 with the core mandate to promote trade and investment between the Republic of Ghana and the United States of America.

The U.S. Chamber of Commerce is the world's largest business organization representing the interests of more than 3 million businesses of all sizes, sectors, and regions. It has over 113 networks across the globe.