AGOA and Lesotho

The African Growth and Opportunity Act

- Duty-free access to the United States market for Lesotho’s exporters
- Trade preferences available until 2025
- AGOA provides a competitive advantage to traders

Lesotho is one of 40 Sub-Saharan African countries that currently enjoy duty-free export status to the United States for +6,500 products through a combination of AGOA and GSP preferences.

Lesotho’s Preferential Market Access to the United States

- 12% Textile products AGOA eligible (duty-free)
- 48% General products AGOA eligible (duty-free) incl. GSP
- 3% Remaining products subject to standard import duties
- 37% Duty-free under general US tariff regime (MFN)

AGOA: Cornerstone of US-Africa Trade Relations

What is AGOA?

- The African Growth and Opportunity Act (AGOA) forms part of United States’ trade legislation. AGOA was signed into law in May 2000 as Public Law 106. It grants special market access to Sub-Saharan African beneficiary countries like Lesotho but also provides a framework for other US support to African countries. Originally set to expire in 2008, it has been extended a few times, most recently in 2015 for a period of 10 years (now to 2025).
- AGOA builds on - and significantly enhances - the trade preferences under the US Generalised System of Preferences (GSP). Along with the GSP, it provides qualifying Sub-Saharan African beneficiary countries - including Lesotho - with non-reciprocal duty free access to the US market for approximately 6,500 products, including for some categories considered to be ‘sensitive’.
- Qualifying products under AGOA include textiles and clothing, motor vehicles and parts, and many agricultural products including macadamia nuts, leather products, chemicals, wine, travel luggage, machinery and equipment, and many more.

AGOA Rules of Origin

Rules of Origin (RoO) are the criteria used to determine the national origin of a product. RoOs form an integral part of preferential trade arrangements, and under AGOA help ensure that market access preferences are correctly linked to imports from an AGOA beneficiary country. The RoO prescribe the minimum local processing or local content required for a product to obtain origin status of the (exporting) country; only ‘originating’ products receive preferential entry (into the United States) in terms of the AGOA legislation.

AGOA Rules of Origin: Textiles and Clothing

- Qualifying apparel (garments) must be made up locally (cut, make, trim); however fabric sourced from anywhere in the world* may be used for this purpose.
- Textiles (yarns, fabric of Chapters 50-60 and 63) from Lesotho or any other AGOA ‘lesser developed beneficiary country’ also qualify under AGOA provided that they are wholly produced from locally produced fibres, yarns, fabrics, or components knit-to-shape in such countries.

AGOA Rules of Origin: Other Products

- Products must be the ‘growth, product or manufacture’ of one or more AGOA beneficiary countries, or if some imported / non-originating materials are used, the cost of local materials + direct cost of processing must equal at least 35% of the product’s appraised value at the US port of entry. Up to 15% (of the 35%) may consist of US materials.

Basic AGOA Trade Checklist

- Correctly identify unique HTS tariff code of product. See: https://hts.usitc.gov
- Check if product is AGOA / GSP eligible (0% duty) [Tariff Code ‘D’ for AGOA or ‘A’ for GSP]
- Alternatively: Check applicable duty, whether duty-free status under general US import tariff rules
- Ensure compliance with Rules of Origin requirements
- Obtain certificate of origin / endorsement from national customs / revenue service / Lesotho Ministry of Trade
UNITED STATES’ TRADE IN GOODS WITH LESOTHO SINCE THE START OF AGOA IN 2000

LESOTHO’s exports to the United States programme since 2000 | $ million

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports under AGOA</th>
<th>Exports under GSP</th>
<th>No preferences claimed</th>
<th>TOTAL country exports to US</th>
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Leading exports from Lesotho to the United States in 2017, by sector

Textiles and Apparel | $290m
- Not to scale
- 99.5% AGOA*

Minerals & metals | $15.9m
- 0% AGOA*

Electrical products | $1.2m
- 12% AGOA*
- Mainly automatic circuit breakers

Chemicals & related | $0.4m
- 23% AGOA*

Agricultural products | $0.1m
- 23% AGOA*
- Mainly non-industrial diamonds

Overview: Lesotho’s trade with the United States

Lesotho’s exports to the US have always consisted mainly of wearing apparel. AGOA has removed the high import duties that the US charges on apparel, providing an export market for Lesotho. For Lesotho, these rules are very favourable in that there are no restrictions on the sourcing of fabric from third countries.

During 2017, Lesotho exported goods worth $308m to the US, while importing only $91m in goods.

Lesotho’s main imports from the US comprise aeroplane parts, medicine, machinery, telecommunication equipment, and electronic devices.

Very few products are subject to US import duties; the rest qualify for GSP / AGOA, or are duty-free under the US WTO commitments.

Most of Lesotho’s exports to the US are now duty-free**. In 2000, $226m in duties were payable, mostly on Lesotho’s apparel imports into the US, and by 2017, this number was only $0.5m, as a result of AGOA/GSP preferences.

* Normal US import duties (if applicable to a product) are charged when local origin status (through compliance with the relevant Rules of Origin) can not be demonstrated.

SOME OF LESOTHO’S PRODUCT EXPORTS TO THE UNITED STATES

Apparel (HTS Ch. 61+62)

2017: $290m in exports to the US

Lesotho’s apparel sector has since 2011 been driven largely by AGOA. Initially, exchange rate considerations combined with the global quota system (mainly on Chinese textile exports) boosted the rapid rise in Lesotho’s apparel exports to the US. $5.7 billion in apparel has been exported by Lesotho over this period — 95% of which duty-free under AGOA. Lesotho is the second-largest apparel exporter under AGOA after Kenya.

Automatic circuit breakers (HTS 8536.20)

2017: $1.1 million exports to the US

Lesotho recently began exporting electrical equipment to the US; according to available trade data this comprises mainly automatic circuit breakers for a voltage not exceeding 1,000V. Products classified under HTS tariff code 8536.20 are eligible for AGOA preferences when imported into the US from an AGOA beneficiary country like Lesotho, and subject to meeting the Rules of Origin (35% local content rule).

Diamonds (HTS 7102)

2017: $16 million exports to US

Lesotho has exported $398m worth of diamonds to the US since 2000 (2004 saw the start of significant exports). These are primarily classified as unworked non-industrial diamonds, and to a lesser extent worked (processed) diamonds, but not set. No AGOA import duties are applicable on these tariff lines on importation into the US, which means that no special trade preferences are applicable.

The AGOA.info web portal forms part of tralac’s offerings.

Acknowledgements

This Infographic has been created by the Trade Law Centre (tralac). The AGOA.info website forms part of tralac’s offerings.

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