AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA)

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ABSTRACT

Policy and social monitoring research has revealed the existence of social conditions that are conducive to American business in Africa. This research process led to the African Growth and Opportunity Act 2000 (AGOA) passed by U.S. Congress. The Act states that Sub-Saharan Africa represents *a region of enormous economic potential* and of enduring political significance to the United States. In the same vein, the World Bank reports that Sub-Saharan Africa will be the most important development challenge in the 21st century. Many U.S. business school graduates and faculty and even businesses are not aware of AGOA or the vast business opportunities and potential of Africa. This paper addresses the historical foundations of AGOA, its envisioned benefits to Africa and the U.S., its record of achievement in training, trade, promotion of appropriate African business policies, its phases and future.[1]

Keywords: African Growth and Opportunity Act (AGOA); eligibility criteria; duty-free, quota-free access; fabric, yarn and thread; General System of Preferences; AG0A Phases.

INTRODUCTION

In terms of conceptual framework and methodology the paper aims at the following concerns:

First, to provide information on AGOA using the historical facts attained through literature review of primary and secondary sources. The historical facts were obtained from such sources as Congress reports and the documented policies and practices of the U.S. administration before the enactment of AGOA. Other sources were the deliberations of business coalitions that sought the enhancement of U.S. trade with Africa. In addition other historical facts were unearthed from newspaper and magazine findings as well as the assertions of individuals who have seen the need, based on their factual knowledge of Africa, to create a more robust trade environment between the United States and the continent of Africa.

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Second, to use conceptual analysis to categorize the various aspects of AGOA and to identify the scientific approaches undergirding the various moments of its development. Through conceptual analysis the paper will identify the various scientific approaches that have been used to justify the enactment of AGOA or to assess its positive and negative impacts. The analytic method will also enable us to see that the scientific approaches underlying AGOA form a certain triangulation in that it reflects elements of survey and policy-oriented, social investigation research. In this connection it is worth noting that preceding AGOA enactment various data on different African countries were collected from 1995 to the year 2000, when AGOA was passed by Congress. Figure 1 reflects this process from 1995 to 2001. Furthermore, AGOA has elements of social experiment in view of its transient nature, for the year 2004 will terminate some of its provisions while 2008 will put an end to others. Finally, AGOA has elements of evaluative research, especially formative evaluation, in that the progress of the first AGOA was evaluated leading to the second AGOA, which adds more provisions to the Act in order to rectify the omissions of the first AGOA and thus adjust and adapt to the experiences of the first AGOA on the ground

The third aim of the paper is normative in that it transcends description and analysis by setting the standards to which AGOA should conform. In expressing our normative concern we take into consideration the documented views of others who have had experience dealing with AGOA. This aim of the paper will propose the measures that should be incorporated into AGOA to make it more beneficial to Africa and the United States.

In light of these conceptual and methodological concerns, the first part of the paper will refer to recent statements made by the Presidents of the United States and their administrations as well as the U.S. Congress and the business community regarding the *need* for U.S. and Africa to be involved in trade for mutual benefit. We will consider the global factors that gave more impetus to the realization of this *need*, especially the change in the balance of power between the United States and the former Soviet Union. The economic impact of this change in global power relations is revealed in statistical figures that show an upswing trajectory of trade between African countries and the United States prior to the enactment of AGOA. Hence these political and economic realities constitute the historical foundations of AGOA.

The second part identifies and explains the eligibility criteria, which African countries area required to meet in order to have access to the benefits of AGOA, and shows how different African countries are categorized in terms of their access to different provisions of the AGOA.

The third part delves into AGOA's record of achievement as it pertains to training, trade and effect on policies. There is treatment of the educational activities that U.S. has undertaken in different countries of Africa to ensure that these countries have the necessary knowledge to implement the provisions of AGOA. Furthermore, we provide data on the effect of AGOA in terms of industrial development in various African countries. In addition this part of the paper provides information on the extent to which AGOA has influenced improvement of African industrial policies as they pertain to various practices such as workers' conditions of employment and reduction of corruption.

The fourth part describes and analyzes the phases and the literature on the future of AGOA. This part shows the extent to which AGOA has continued to take different forms so as to cope with the realities that were not envisaged at the beginning. In the

conclusion we make recommendations aimed at strengthening AGOA, taking into consideration the views of others concerned with the development of trade between Africa and the United States.

AGOA: HISTORICAL FACTORS

"In an era of global trade and global terror, the futures of the developed world and the developing world are closely linked. We benefit from each other's success.
We're not immune from each other's troubles."

President George W. Bush at the
US--Sub-Saharan Africa Trade and Economic Cooperation Forum,
October 29, 2001.

A question can be raised regarding the importance of Africa to such a superpower as the United States. In the above quotation the President of the United States, addressing a gathering of African leaders who participated in the U.S.-Sub-Saharan African Trade Economic Cooperation Forum on October 2001, answered this question by unequivocally asserting that in the age of global trade and global terror, Africa and the U.S. need each other. For instance, U.S. needs the support of Kenya in fighting terrorism by allowing American and American allies to use the Kenyan side of the Indian Ocean to monitor terrorist activities in that part of the world.[2] However, the American political institution that has provided a more detailed answer to the question is the United States Congress, which passed the African Growth and Opportunity Act (AGOA), with a subtitle "Trade Policy for Sub-Sahara Africa" on May 18, 2000. In Section 102 of the Act the Congress noted that "Sub-Saharan Africa represent a region of enormous economic potential and of enduring political significance to the United State". The U.S. Government is urging private equity funds to invest in infrastructure projects in sub Saharan Africa. American policymakers have shown that they recognize the opportunities in Africa as demonstrated by the historic April 1998 lengthy visit to the continent by President Clinton.

The U. S. economic and commercial institutions, notably the Corporate Council on Africa, which comprises 180 U.S. companies interested in trading with Africa, have also given their answers to the question. The Council points out that at no time in history has the climate in Africa been more favorable for U.S. companies to do business. It notes that Africa is the second largest continent in the world and offers the combined potential of 750 million people in 53 sovereign countries, vast natural resources and untapped

[2] *afrol News* of 3 February 2002, reports that after the establishment of a base camp in Djibouti for German naval forces participating in the US-led anti-terrorism campaign, the German government is negotiating with Kenya to establish yet another camp in Mombasa. Somali Puntland could be a target for operations. Meanwhile, Kenya already notes the greatest concentration of foreign soldiers in its history.

market, and is rendered even more appealing my its invigorated commitment to democracy and economic modernization, African governments' privatizing of state-run industries and looking for partnerships with US firms on infrastructure projects, revitalization of agribusiness, purchasing of new airlines, revamping of telecommunications, construction of new ports, railways, airports and roads, and overhauling of their financial institutions. The Corporate Council on Africa further points out that two-way trade between US and sub-Saharan Africa totaled $29.4 billion[3] in 2000, and that this is larger than trade with the former Soviet Union and the Eastern European countries combined. The Council notes that among the business agencies and institutions that that have embarked on Africa trade are the US Export-Import Bank, US Overseas Private Investment Corporation (OPIC), and the Small Business Administration.

The Africa Growth and Opportunity Act (AGOA) passed by Congress in May 2000 was a culmination of a new American policy on Africa. It has provided a special impetus, momentum and diversification to U.S. trade with Africa. The roots of the Act can be traced to the collapse of the former Soviet Union in 1989 and the subsequent end of the Cold War. Before the end of the Soviet Union American policy in Africa was largely political and was characterized by emphasis on containment of Soviet communism. Economic players in Africa, such as the French, were expected to serve the interests of the United States by blocking the infiltration of communism in Africa, and were, as it were, given the monopoly of trade in Africa, especially in the Francophone Africa. At that time the United States did not have economic self-interest as a major American policy in Africa.

But with the demise of the Soviet Union America's policy in Africa has changed to the promotion of American economic self-interest characterized by decline of ideologically based policies in favor of the pursuit of trade and investment (Schraeder, 2000). Important measures to improve U.S. economic relations with sub-Saharan Africa began in mid-1990s. This policy was preceded by the launching in 1992 of a series of highly publicized speeches rejecting Washington's past support for France's privileged role in francophone Africa in favor of more aggressive approach to promoting U.S. trade and investment. In 1994, the Uruguay Round Agreements Act (P.L. 103-465) directed the Administration to develop an Africa trade and development policy and report on this policy to Congress annually for 5 years (Sek, 2001). In Congress there was strong bipartisan interest in legislation to enhance African economic growth and to improve U.S.-sub-Saharan economic relations. It is in light of these policy changes that we can interpret these words of Herman Cohen speaking in a francophone African country, Gabon: "The African market is open to everyone," explained former Assistant Secretary of State for African Affairs Herman Cohen in a 1995 speech in Libreville, Gabon, explicitly designated to denounce the French concept of *chasse gardee*" (hunting ground) which implied that France had monopoly of trade with francophone Africa. Cohen insisted "we must accept free and fair competition, equality between all actors (Sek, 2001). In 1996, the Clinton Administration unveiled America's first formal trade policy

[3] This figure is corroborated by Lenore Sek, Specialist in International Trade and Finance, Foreign Affairs, Defense, and Trade Division, reporting in Congressional Research Service (CRS) Library of Congress Order Code RS20063 updated June 20,2001

for aggressively pursuing new markets throughout Africa, including in francophone Africa (Department of Commerce, 1996). This Report led to the creation of an interagency Africa Trade and Development Coordinating Group, which is jointly chaired by the National Economic Council (NEC) and the National Security Council (NSC). The launching of the Clinton administration's long-awaited trade policy was a significant departure from the Cold War deference to European economic interests in their former colonies.

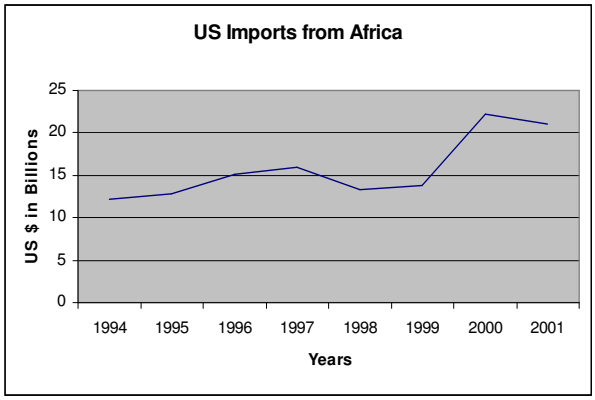
This change of policy has often been a source of conflict between the Americans and the French, and indeed bitter exchanges between Warren Christopher, Secretary of State during the Clinton Administration, and Godfrain, France's Minister of Co-operation, have been well documented. (Schraeder, 2000). The essential message that Christopher communicated to Godfrain, literally weeks before the U.S. presidential elections of November 1996, was that the time that Europeans carved out spheres of influence in Africa has passed, and that Americans are going to be active in trading with Africa. Godfrey responded sarcastically: "If I were a political or electoral counselor to President Bill Clinton, I would advise him more about helping African development after the elections." (French, 1996)

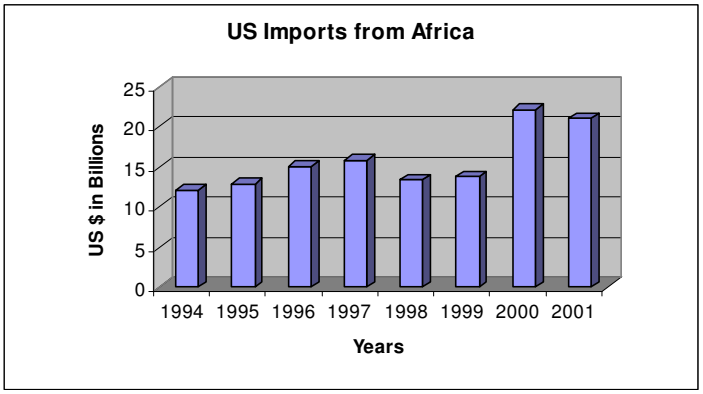
In 1997, President Clinton[4] announced the Partnership for Economic Growth and Opportunity in Africa, which included some proposals which Congress was already considering and which encouraged closer economic ties between the U.S. and Africa. The most noteworthy example of the administration's determination to highlight and advance expanding U.S. economic interests on the African continent was President Clinton's decision to make a twelve-day presidential trip to Africa in 1998. The trip included stops in Botswana, Ghana, Rwanda, Senegal, South Africa, and Uganda. For the first time in U.S. history, a sitting U.S. president had led an extended diplomatic mission to Africa, intent on improving U.S.-Africa ties and promoting U.S. trade and investment on the African continent (Bureau of Public Affairs, 1981). In December 1999, the Administration submitted the last of its five annual reports on Africa trade policy that were required under the Uruguay Round Agreement Act. The report restated the administration's support for the Partnership Initiative and for the Africa Growth and Opportunity Act, which was then under consideration in Congress (Sek, 2001).

The mentioned changes in America policy toward Africa constituted the political foundations of AGOA. However, there were also economic foundations of AGOA as shown by the U.S. Trade Representative, Dr. Abdul Shaikh, who indicated that even before AGOA became law trade between the United States and Africa was on the upswing (Shaikh, 2001). This upswing is evident in Figure 1 below.

[4] The Clinton years saw unprecedented high-level engagement in Africa and the articulation of a vision of partnership based on consultation and ambitious policy initiatives. Though important results were achieved in some areas, the administration encountered substantial obstacles. A well documented record of these years as they relate to Africa is found in Africa Policy in Clinton Year: Critical Choices *for the Bush Administration, edited by S. Morrison and J.G. Cooke, Center for Strategic and International Studies.* CSIS Significant Issues Series, October 2001.

FIGURE 1: U.S. Imports from Africa, 1994-2001[5]





Here we provide examples of some of the trade activities U.S. carried out in Africa before and during AGOA. The U.S. has been buying 75% of Angola's oil exports, and indeed Angola has a daily production of approximately 1 million barrels of crude (Villiers, 2003). The U.S. buys 22% of the Democratic Republic of Congo's products such as copper, coffee, petroleum, and diamond (Villiers, 2003) as well as crude oil from Congo Brazzaville, which is the 15th largest U.S. supplier of crude (Villiers, 2003). The US provides only 10% of Gabon's needs, which include petroleum-related machinery and other heavy equipment, but purchases about two-thirds of its oil (averaging $1.5 billion per year), as well as minerals and timber (Villiers, 2003). The U.S. exports wheat to Nigeria, which is the fifth largest importer of US wheat, while Nigeria was the fifth largest supplier of crude to the United States in1998 (behind Saudi Arabia, Canada, Venezuela and Mexico) (Villiers, 2003). The U.S. imports from the South African Customs Union (SACU),[6] which comprises five African countries, "currently stand at $3 billion a year, and in 2001 two-way trade was estimated at close of $8 billion" Kennedy, 2003) and "as it stands now South Africa, as the hub of the SACU, is America's largest trading partner" and United States "is the largest foreign investor in the country with some 900 American companies operating there. (Kennedy, 2003)."

[5] The statistical numbers upon which the above charts are based are accessible in "Overview of AGOA" by Paul Ryberg, President of *African Coalition for Trade (ACT),* but the charts are our own productions (See the References page).

[6] South African Customs Union (SACU) comprises five countries: Botswana, Lesotho, Namibia, South Africa and Swaziland. See USTR Press Release, January 13, 2003 when these five African countries and U.S. agreed on a roadmap for negotiating a free trade agreement (FTA) designed to lower trade barriers, open markets and stimulate economic growth and development. This will be the United States' first FTA in sub-Saharan Africa.

BENEFITS TO ELIGIBLE AFRICAN COUNTRIES AND U.S.[7]

The African Growth and Opportunity Act (P.L. 106-200, Title I) was enacted on May 18, 2000 as part of the Trade and Development Act. The Act extends to African beneficiary countries the most liberal access to the U.S. market available to any countries except those with which the United States has free trade agreements (FTAs) (Export America, 2001). The Act has three salient features: first, the sense in which it benefits the African countries; second, its positive effect on American business; third, the conditions that countries have to fulfill in order to enjoy the benefits of the Act.

Regarding the sense in which the Act benefits African countries "the Act reinforces African reform efforts, provides improved access to U.S. credit and technical expertise, and establishes a high-level dialogue on trade and investment in the form of a U.S.-Africa Trade and Economic Forum (ASNAPP Online, 2003)." Concerning the way in which the Act benefits U.S. firms, "AGOA contributes to better market opportunities and better commercial partners in Africa, and new opportunities in privatizations of African state-owned enterprises and in infrastructure projects" (ASNAPP Online, 2003).

Turning to the conditions placed on participation by African countries, it is worth noting that the President of the U.S. may designate Sub-Saharan countries as eligible to receive the benefits of the Act if they are making progress in such areas as: establishment of market-based economies; development of political pluralism and the rule of law; elimination to barriers to U.S. trade and investment; protection of intellectual property; efforts to combat corruption; policies to reduce poverty; increased availability of health care and educational opportunities; protection of human rights and worker rights, and elimination of certain practices of child labor (ASNAPP Online, 2003)) .

[7] On December 31, 2002, President Bush approved the designation of the following 38 Sub-Saharan African countries as eligible for tariff preferences under the African Growth and Opportunity Act (AGOA): Benin; Botswana; Cameroon; Cape Verde; Central African Republic; Chad; Republic of the Congo; Cote d'Ivoire; Democratic Republic of the Congo (D.R.C ; Djibouti; Eritrea; Ethiopia; Gabon; The Gambia; Ghana; Guinea; Guinea-Bissau; Kenya; Lesotho; Madagascar; Malawi; Mali; Mauritania; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; So Tome and Principe; Senegal; Seychelles; Sierra Leone; South Africa; Swaziland; Tanzania; Uganda; and Zambia (See the map of Africa below).

FIGURE II

MAP OF AFRICA: The Map shows the 53 African countries that constitute the continent of Africa and the 38 AGOA eligible countries (shaded) out of 48 Sub-Saharan African (SSA) countries.

With regard to the countries that have been designated as AGOA eligible, "the President issued a proclamation October 2, 2000 which designated thirty four countries in Sub-Saharan Africa as eligible for the trade benefits of AGOA. Designation followed a public comment period and extensive interagency deliberations of each country's performance against the eligibility criteria. Congress never intended AGOA to be a blank check for all African countries without regard to performance (ASNAPP Online, 2003). To identify the countries that would enjoy the AGOA benefits there was social monitoring research undertaken to determine whether African countries met the criteria required for eligibility. This social monitoring involved evaluative research in the sense that each African country was to be evaluated on the basis of predetermined criteria including progress made towards a market-based economy, respect of the rule of law, the

embracement of general democratic principles and human rights issues (AGOA.infol., 2003). AGOA significantly liberalizes access to the U.S. market for the thirty eight (out of a total of forty eight) Sub-Saharan African Countries that are deemed to have fulfilled the predetermined criteria. A large quantity of descriptive statistics characterized by the use of the survey research methods involving quantitative data, such as the per capita income, was employed to determine eligibility. There was also the use of qualitative methods involving the consultations with U.S. embassy officials and other interested parties in an attempt to unearth facts pertaining to various issues such as corruption and human rights in different countries of the African continent.

The provisions governing trade imports apparel are divided into three categories of African countries. First, there is the category of Sub-Saharan eligible African countries that "will enjoy unlimited duty-free and quota-free access to the U.S. market for apparel made in Africa from U.S. fabric, U.S. yarn and U.S. thread." Second there is a category of African countries that will enjoy the benefits of the Act in its provision "for growth of apparel imports made from fabric and yarn produced in beneficiary Sub-Saharan countries from 1.5% of overall U.S. apparel imports to 3.5% over an 8-year period. Third, there is a category of Sub-Saharan countries that will, under a Special Rule for Lesser Developed Beneficiary Countries (those with a per capita GNP under $1,500 in 1998) enjoy an additional preference in the form of duty-free/quota free access for apparel made from fabric originating anywhere in the world. The Special Rule is in effect until September 30, 2004. The President's October 2, 2000 proclamation designated twenty eight countries as eligible for the Special Rule once they meet the apparel benefits criteria (AGOA Infol, 2003).

The list of items under AGOA were increased on December 21, 2000, when "the President extended duty-free treatment under GSP (U.S. Generalized System of Preferences) to AGOA eligible countries for more than 1,800 tariff line items in addition to the standard GSP list of approximately 4,600 items available to non-AGOA GSP beneficiary countries. The additional GSP line items include footwear, luggage, handbags, watches and flatware. GSP is extended for Sub-Saharan African beneficiary countries until September 30, 2008, seven years longer than in the rest of the world (AGOA Infol, 2003).

RECORD OF ACHIEVEMENT: TRAINING, TRADE AND POLICIES

Since May 2000 the US government, committed to the promotion of the aims of AGOA, had, by December 2001, designated thirty five (now thirty eight) AGOA beneficiary countries. As of December 2001, nine sub-Saharan African countries had been designated for AGOA apparel benefits with five other countries in the process of meeting the requirements. In addition the US government has been involved in outreach programs involving training of African personnel for proper execution of AGOA aims. To this end, the United States has provided extensive technical assistance to sub-Saharan African countries, including widespread outreach efforts. An Internet site has been created to provide information on the AGOA. Over a dozen regional and national AGOA implementation seminars have been conducted in Africa and the United States. The

United States government has produced and distributed a comprehensive AGOA implementation guide and an AGOA video (Export America, 2001).

The U.S. Customs Service has conducted training seminars for officials from at least twenty four sub-Saharan African countries and sent technical assistance teams to five countries to provide guidance on requirements for AGOA apparel benefits.
Embassies have also conducted intensive outreach campaigns and speakers on the AGOA have been sent to twenty five countries. One of the four Overseas Private Investment Corporation (OPIC) funds, the Africa Millennium Fund, was mandated by the AGOA legislation. This $350 million will invest in telecommunications, transportation, electricity, water and sanitation projects. The AGOA legislation empowers Ex-Im Bank to expand its financial commitments in sub-Saharan Africa under its loan, guarantee and insurance programs. Ex-Im Bank programs are available in thirty-two countries in sub-Saharan Africa. Ex-Im Bank support for sub-Saharan Africa has grown from $56 million in 1998 to $914 million in 2000 ((Export America, 2001).

As a result of these outreach efforts, which involve the collaboration of the US and African countries, we may note the following positive results as far as trade is concerned. AGOA has already begun to stimulate robust growth in US-Africa commercial ties with thirty-five AGOA eligible countries as manifested by these facts:

FIGURE III

GROWTH IN DUTY-FREE IMPORTS FROM AFRICA TO THE U.S.
2000 vs 2001
($ million)[8]

Country	GSP Duty-Free Imports 2000	GS/AGOA Duty-Free Imports 2001	% Growth
Nigeria	$ 0.07	$ 5,688.00	N/A
Angola	$ 2,845.00	$ 2,511.00	<12%>
Gabon	$ 0.01	$ 939.00	N/A
South Africa	$ 583.00	$ 923.00	58%
Congo	$ 4.00	$ 130.00	3,150%

[8] The data in this figure are found in "Overview of AGOA" by Paul Ryberg, President of Africa Coalition for Trade (ACT) but due to the need to see the essential information the cents were rounded off to the nearest whole number except in the cases where the only available numbers were less than 1. This mathematical activity did not change the essence of Ryberg's statistical message pertaining to the general trends in trade between the African countries and the United States. See the documentation of the source in the Reference page.

DR Congo	$174.00	$ 119.00	<32%>
Lesotho	$ 0.00	$ 130.00	NA
Equatorial Guinea	$136.00	$ 116.00	<15%>
Madagascar	$ 5.00	$ 97.00	1,840%
Kenya	$ 4.00	$ 59.00	1,375%
Mauritius	$ 10.00	$ 54.00	440%
Zimbabwe	$ 61.00	$ 44.00	<28%>
Ghana	$ 14.00	$ 43.00	207%
Cameroon	$ 3.00	$ 37.00	1,333%
Senegal	$ 0.78	$ 0.57	<27%>
Uganda	$ 0.08	$ 0.14	7510%
All Others	$ 55.00	$ 57.00	4%
Totals	**$ 3,894.94**	**$ 10,947.71**	**181%**

First, in the first half of 2001 U.S. imports grew seven percent, while exports jumped 35 percent. Imports of knit and woven apparel expanded 28 percent, with especially strong performance by Madagascar, Mauritius, Lesotho, and South Africa (Export America, December 2001)

Second, U.S. industry has reported new sourcing contracts with African suppliers and many inquiries from African firms seeking joint ventures or U.S. expertise and inputs (Export America, December 2001).

Third, in a host of African countries, AGOA has led to substantial new investment, jobs and trade. Kevin J. Kelly notes "Kenya is among the few countries that have benefited from the initiative (AGOA), which has seen American imports from sub-Saharan Africa surge by 60 percent. Kenya is listed as one of the beneficiaries (Kelly, 20 January 2003). "A United States trade report shows that Kenya's textile sales soared from $189 million in 1999 to $577 million in 2001, following the establishment or reopening of nine textile firms that have created 20,000 jobs" (Kelly, 20 January 2003). According to Kenya's new President Mwai Kibaki additional 4000 jobs have recently been "created by the establishment of three new industries" under AGOA (The East African Standard, 9 April 2003). Much of this has been in the apparel and textile factories that previously was smarting from a wide-ranging United States embargo over transshipment claims" (Wahome, 24 September 2002). According to the World Investment Report, 2002, published by the United Nations Conference on "Trade and Development (UNCTAD),

investment totaling $13 million has been pumped into Kenya, thanks to the duty-free scheme pushed through by the administration of former US president, Bill Clinton" (Wahome, 24 September, 2002).

The other notable beneficiaries are Mauritius where there is Foreign Direct Investment (FDI) worth $78 million flowing in" from Asian and European investors (Wahome, 24 September, 2002) and Lesotho where there is new investment of $120 million (four times the size of official development assistance to Lesotho) because of AGOA (Export America, December, 2001). Textile exports from Lesotho to the US jumped 50 percent in 2001/02 because of a new trade act (US International Trade Commission, 2003). Lesotho's textile exports to the US rose to just over 300,000 tons in 2001/02 from 200 000 tons the previous year and the textile industry is now the country's biggest employer, with more than 40,000 workers (U.S International Commission, 2003). South Africa and Madagascar, countries that already have a textile-manufacturing base, have also benefited from AGOA" (Kelly, 2003). Other countries where this is particularly true include, Senegal, Uganda, Zambia and Malawi where there are now, because of AGOA, "European and Taiwanese firms that have set up two garment plants, creating 4,350 jobs as well as Tanzania where there is a joint textile venture with an American firm that resulted in 1,000 jobs. Under AGOA, there is a tuna-processing plant established by a US company in Ghana and a fish processing plant – bought by a US firm – in the Cape Verde Islands" (Kelly, 2003).

Business Magazine reports that the imports under AGOA up to now have been dominated by energy related products, with 83 percent of all imports under AGOA coming from the energy sector, and furthermore that the total AGOA exports to the United States increased by 23% in the first half of 2002 (Business Magazine, 2003).

The U.S. administration's 2002 report on AGOA states that the legislation has helped transform the economic landscape of Sub-Saharan Africa (SSA) by stimulating new trade opportunities for African and American businesses, and creating new jobs and investments worth hundreds of millions of dollars. It reports that U.S. imports from SSA increased by more than 50 percent from 1999 to 2001. The United States imported $7.6 billion of duty-free goods under AGOA in 2001, which accounted for more than a third of the total imports ($21.3 billion) from SSA (Bread for the World, 2003). In 2002 crude oil dominated all imports from SSA, totaling 64 percent of the total value of imports, followed by platinum group metals (7 percent), apparel (4.4 percent). Four countries – Angola, Gabon, Nigeria and South Africa – accounted for the bulk (84 percent) of U.S. imports from SSA (Bread for the World, 2003). Meanwhile, U.S. exports to SSA rose by 17.4 percent from the previous year, from $5.9 billion to nearly $7 billion. However SSA accounts for less than 1 percent of overall U.S. exports and less than 2 percent of U.S. imports (Bread for the World, 2002).

USTR Press Release dated January 13, 2003 asserts that "the United States and five southern African nations (Botswana, Lesotho, Namibia, South Africa and Swaziland) agreed (on January 13, 2003) on a roadmap for negotiating a free trade agreement (FTA) designed to lower trade barriers, open market and stimulate economic growth and development (USTR Press Release, 2003). This will be the United States' first FTA in sub-Saharan Africa (USTR Press Release, 2003). The five SACU (Southern African Customs Union) countries are leading beneficiaries of the African Growth and Opportunity Act that when combined with another U.S. preference program (GSP)

provides duty free access to 38 sub-Saharan countries on approximately 6,500 products (USTR Press Release, 2003). The SACU countries were the top U.S. suppliers of non-fuel goods under AGOA in 2001, accounting for more than a quarter of U.S. non-fuel imports from eligible sub-Saharan African countries (USTR Press Release, 2003).

Jim Fisher-Thompson writing for *Washington File Staff* on Thursday, January 16, 2003 quotes Representative McDermott, the U.S. lawmaker "whom many have called the father of the Africa Growth and Opportunity Act" (Fisher-Thompson, 2003):

> AGOA has proved a real success to African nations, especially in the textile sector. Lesotho, for instance, has witnessed a more than seven-fold increase in textile and apparel exports since 2001. AGOA has been a boon for job creation. More than 50,000 jobs were created in Kenya. In South Africa, according to the U.S. Agency for International Development, nearly 90,000 jobs are supported by AGOA (Fisher Thompson, 2003).

AGOA has not only had an effect on trade, but also on policy. Many African countries have implemented or strengthened economic and political reforms and, during the AGOA country eligibility review process and the bilateral consultations, have been committed to improving labor and human rights situations. The U.S. State Department recently warned Swaziland and Eritrea "they could be denied AGOA's benefits unless they ended alleged human rights violations" (Kelly, 2003). There have also been fears that poor treatment of Kenyan workers at the Export Processing Zone where most textiles are manufactures may jeopardize AGOA"s future. The zone's employees staged demonstration in Nairobi in January 2003, "protesting over poor pay and working conditions, which critics say amount to flouting human rights" (Kelly, 2003)

Apart from making progress in trade under AGOA many African countries have undertaken the following policy reforms in order to insure that they continue enjoying AGOA benefits. A number of governments are either committed to tackling corruption or instituted new laws, procedures or commissions to do so. Some African countries are strengthening and reforming their business and trade laws and updating their intellectual property regimes to comply with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Other African countries are working to improve their customs procedures, streamline their tax systems, and accelerate privatization. Some African governments also have implemented or made commitments to implement a number of reforms related to worker rights, eliminating the worst forms of child labor, and human rights. Many sub-Saharan African businesses have become advocates for economic and political reform because of their interest in specific AGOA trade benefits. This advocacy is characterized by promotion of increased dialogue between African governments and their private sectors. The yearly U.S.-Africa Trade and Economic Cooperation Forum, in particular, has provided an opportunity for increased public-private dialogue on economic and political reform and on conditions for generating enhanced trade, investment and growth. U.S. companies stand to gain from AGOA. Because of historical ties, Africans are more familiar with trading with Europe. By building commercial linkages, AGOA will orient African countries to the United States. The annual U.S.-Africa Trade and Economic Forum will become an important venue for the United States to encourage and press for continued economic and political reform

PHASES AND FUTURE OF AGOA

FIGURE IV[9] AGOA I and AGOA II

A number of amendments to the original terms of the African Growth and Opportunity Act were signed into law by U.S. president George Bush during the latter part of 2002. These amendments were collectively known as AGOA II.

The table below outlines these amendments, and shows the difference between the relevant sections of "AGOA I" and "AGOA II".

Category	AGOA I	AGOA II
Knit-to-Shape	**The term "fabric" interpreted by US Customs as excluding components that are "knit-to-shape" (i.e. components that take their shape in the knitting process, rather than being cut from a bolt of cloth).**	**Knit-to-shape apparel qualifies for AGOA benefits.**
Lesser Developed Countries (LDC)	**Duty-free treatment for apparel articles assembled in less developed countries in sub-Saharan Africa, regardless of origin of fabric.**	**LDC apparel eligible for duty-free treatment regardless of origin of fabric and regardless of origin of yarn.**
Botswana and Namibia	**Not treated as less developed countries because per capita GNP in 1998 exceeded $1 500.**	**Specially designated as less developed countries.**
Hybrid Cutting	**Under US Customs interpretation, cutting of fabric must occur either in US or AGOA countries, but not both.**	**Hybrid cutting (i.e. cutting that occurs both in US and in AGOA countries) does not render fabric ineligible.**
Volume cap on duty-free treatment for apparel made from fabric made in AGOA region or, for lesser developed beneficiary countries from fabric made anywhere.	**Applicable percentages increase through October 1, 2007.**	**Applicable percentages doubled.**

The first or original phase of AGOA (also known as "AGOA I"), enacted in May 2000, was followed by Trade Act 2002 signed into law by President Bush on August 6, 2002. This is the second phase of AGOA generally known as "AGOA II". This new AGOA legislation according to Whitaker, Assistant U.S. Trade Representative (USTR) for Africa, had three important additions (Whitaker, 2003). First, there is now a provision

[9] This figure is taken from the publication *U.S. Government, 2002* containing the Trade Act of 2002 popularly known as AGOA II, which substantially expands preferential access for imports from beneficiary Sub-Saharan countries and encourages more investment in the region. It provides additional Congressional guidance to the Administration on how to administer the textile provisions of the bill.

for doubling the annual quantitative limits, called "caps", on duty-and-quote free African apparel exports into the U.S. market. This, according to Whitaker, "is an additional incentive for investment and productive capacity in African fabric production – weaving and spinning." Second, AGOA II extended duty-and quota-free status to additional apparel items, such as sweaters, T-shirts and socks, called "knit to shape", which were not include in the first phase of AGOA. Whitaker points out that knit-to-shape items are "the fastest-growing sectors of AGOA, and "countless countries that have established knit-to-shape industries, like South Africa, Madagascar, and Uganda, should see some immediate benefits". She also pointed out that the sector is also especially important to cotton growers in Africa. Third, AGOA II allowed Namibia and Botswana the right to use non-African fabric in apparel and textiles produced for the U.S. market, a benefit that heretofore had only been extended to less-developed economies (Whitaker, 2003).

Business Magazine points out that President Bush announced "through video conference, for an extension of the AGOA beyond 2008" (Business Magazine, 2003). This announcement has been certainly a source of satisfaction for Ministers and delegates of 38 AGOA member states, US businessmen and congressmen who attended the Second US sub-Saharan Africa Trade and Economic Cooperation Forum (Summit) held in Mauritius from 13-17 January 2003. Although many Summit participants welcomed the promise by Bush to seek the extension of the AGOA, some raised concerns about the sustainability of the initiative and its future impacts, and questioned whether the economic growth spurred by the AGOA could be maintained when the African privileges are cancelled out by wider global deals under the World Trade Organization (WTO), forcing African countries to compete in an increasingly open market (BRIDGE, 2003). For instance, there is "the burning issue related to the dismantling of the MultiFibre Agreement[10] in 2005 and the current US proposals to the World Trade Organization to eliminate customs tariffs and quotas by the year 2005" (Business Magazine, 2003). A recent World Bank study points to just such a challenge, for it reiterates that the textile import quotas will be discontinued in 2005, meaning African exporters will be expected to compete on the same as others on the U.S. market (Business Magazine, 2003). This World Bank study is corroborated by a new United Nations report that warns that the AGOA "benefits could end up being temporary owing to the transient nature of the AGOA privileges" (Wahome, 2002) According to the AGOA, all textiles from Africa must also be made from African fabrics by 2004, a deadline African trade officials at the Mauritius AGOA Summit lobbied to be moved forward into the future (BRIDGES, 2001).

In order to influence the future of AGOA, a Civil Society Forum held in Mauritius in parallel to the Summit ended its meeting with the establishment of an AGOA Society Network. This Civil Society Forum, which included "a business

[10] The MultiFibre Agreement (MFA) set the rules for international trade in textiles and garments made from cotton, wool and synthetic fibre. It sets quotas limiting the amount of imports of textiles and clothing from "developing" to "developed" countries, essentially safeguarding industries in the industrialised countries, controlling the level of market access for developing country imports. Meanwhile the growth of textile and garments industries in many countries has been heavily dependent on the quota allocations under the MFA.

component and a meeting of U.S. officials as well as trade ministers from the 38 sub-Saharan nations that have qualified for participation in AGOA," (Fisher-Thompson, 2003) made recommendations geared toward making the benefits of AGOA more accessible to all members of society, and also with a view to rendering AGOA "a package that caters to human development concerns, and the recognition that trade alone is no solution for Africa" (Fisher-Thompson, 2003).

The position of the Civil Society Forum was a corroboration of an earlier view that was methodologically arrived at by Africa-America Institute, which sought the views of Africans regarding the impact of AGOA. The methodology used by the Africa-America Institute (AAI) involved the use of focus group sessions in different countries of Africa. Focus group sessions were held in Kenya, Uganda, South Africa, Nigeria, Mauritius, Madagascar, Ghana and Cote d'Ivoire. In addition, sessions were held with African expatriates in Washington, D.C. and Baton Rouge, Louisiana. The field representatives of AAI organized four of the African sessions; the other four were carried out in partnership with local, Africa-based non-governmental organizations. In all cases stratified random sampling was used to ensure inclusion of a cross section of informed participants from business, academic, and non-profit communities. Altogether, well over a hundred Africans participated in the project (Africa-America Institute)

The AAI methodology recommended a format, which consisted of moderated discussions involving 8-12 participants from diverse grounds on the themes underlying the recent U.S. trade initiative in Africa. In order to promote candor, names and

institutional affiliations were expunged from the public records of the proceedings (Africa –America Institute). The key findings of the participants in the twelve focus discussion groups were virtually unanimous on two points, namely, that trade and initiatives for African will not succeed without substantial investments in developing Africa's human resources, and that debt relief should be the highest priority of donor countries seeking to promote African economic development.

It is worth noting, however, that neither of these two points is inconsistent with AGOA. The first suggests that in order to have the intended effect, the enhanced market access and trade incentives provided for in AGOA should be accompanied by public and private sector investments in education, training, and professional development. The second point suggests that, whatever AGOA's fate, the willingness of the U.S. and other donor countries to approve substantial debt relief for African countries is crucially important to African economic prospects.

CONCLUSION

This paper has eschewed ideological debates that have been rampant in some circles of the intellectual community in the United States concerning AGOA's economic impact in Africa, for the simple reason that many ideological propositions are either so general and sweeping that their verification in empirical reality is virtually impossible or they are expressions of attitudes or value judgments that are amenable to divergent thinking and controversies. We have let the facts speak for themselves as far as this is possible. Or rather we have provided the facts and let the reader draw his or her conclusions regarding the extent to which AGOA has contributed to Africa's economic

progress. But we are cognizant of the fact that AGOA should not be seen as a panacea for solving the economic problems of Africa. Representative McDermott, who is known as the father of AGOA, rightly points that AGOA needs to be complemented by other programs such as humanitarian aid if greater progress is to be achieved in Africa. We support McDermott's view, for we know AGOA is only one variable – though an important one – in creating prosperous Africa.

Despite the mentioned limitations of AGOA, it has had positive impact in Africa, as the specific data we have provided on a host of African countries indicates. We propose that AGOA should be a permanent feature of the relationship between Africa and the United States. We base our view on the findings of other interested parties, such as Representatives Jim McDermott and Ed Royce who are convinced that the termination of AGOA in 2008 will culminate in the loss of economic and political gains that both Africa and the United States have attained. Representative Royce reinforced his reputation as a staunch proponent of private-sector-driven development for Africa at the second U.S. Sub-Saharan Africa Trade and Economic Cooperation [AGOA] Forum, calling for an expansion of the African Growth and Opportunity Act (AGOA) and extension beyond its 2008 expiration date.

Empirically established facts justify our assertion that AGOA has made it possible for the African countries mentioned in this paper to improve their economies in terms of trade with the U.S. and the attendant expansion and provision of employment, apart from benefiting the United States. We recommend that knowledge of AGOA be disseminated to business graduate schools, faculty and business community to create awareness of opportunities for business collaboration with the continent of Africa for the benefit of African countries and the United States.

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