Report Suggests AGOA Benefits Unrealized

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To help reverse a steady decline in African textile and apparel imports, Congress should consider extending the signature trade preference program for sub-Saharan Africa beyond its scheduled 2015 expiration, according to experts interviewed by GAO. Lawmakers and the Obama administration could also look into extending a provision of the African Growth and Opportunity Act enabling the poorest sub-Saharan manufacturers to use yarns and fabrics originating elsewhere to make their products, the report said.

The report to the House Ways and Means and Senate Finance committees was required under a law enacted last year extending trade preferences for Andean countries, which expire on Dec. 31. Released Wednesday, the findings come on the heels of a trip to Africa by U.S. officials, including Secretary of State Clinton and Trade Representative Kirk, which focused in part on enhancing the economic competitiveness of sub-Saharan Africa.

The pending expiration of the Andean program as well as the broader Generalized System of Preferences has prompted a debate in Congress about duty-free benefits for imports from the developing world. Other poor countries with competitive apparel sectors, including in Southeast Asia, are asking the United States for new benefits, while African countries want to preserve what little market share they have and, if possible, expand it.

According to GAO, textile and apparel exports to the United States under the African Growth and Opportunity Act have increased by 52 percent since the law's 2000 enactment. But despite the generous duty-free benefits, sub-Saharan countries only hold 1.3 percent of the U.S. market.

Moreover, textile and apparel imports from Africa have declined by one-third since 2005 after worldwide quotas disappeared. By contrast, China's U.S. market share more than doubled. The market share of Bangladesh and Cambodia -- two countries seeking duty-free benefits -- have increased as well, to the point where Bangladesh accounts for three times the output of all the sub-Saharan African countries combined.

Meanwhile, 98 percent of textile and apparel imports from Africa are clothing, as opposed to textile inputs such as yarn and fabrics, as well as finished textile products like pillowcases and blankets. The 2000 law was expected to bolster those exports and broaden Africa's industrial base, but U.S. textile imports have fallen under AGOA, from $24.2 million worth in 1998 to $15.6 million last year.

Extending "third-country" fabric eligibility beyond 2012 and the overall program beyond 2015 would provide investors in the region with certainty, private-sector and governmental officials told GAO. However, others raised concerns that this move could increase Africa's dependence on trade preferences, the report said.

At the same time, sub-Saharan countries "face infrastructure and development challenges that must be addressed before they can fully take advantage of these benefits," the report concludes. Trade capacity-building efforts "may be ineffective without global demand for production," it added, while experts told GAO that "African governments need to take action on governmental reforms to capitalize on the economic opportunities presented by trade preference programs."