AGOA Nations Frustrated By Administration's Adherence To Status Quo

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Private-sector and African government sources this week expressed disappointment over the Obama administration's apparent refusal to endorse expanding the number of products covered under the African Growth and Opportunity Act (AGOA), extending the program beyond 2015, or keeping AGOA-type benefits from other poor countries such as Bangladesh and Cambodia.

These sources said that Obama administration officials at last week's AGOA Forum in Kenya signaled they planned to largely retain the AGOA structure under the Bush administration.

"The existing [AGOA] policies under the Bush administration were good, so continuing those policies is not a bad thing, but people were expecting more," one private-sector source said. "There's a sense of disappointment that the Obama administration hasn't tried to do more than what the Bush administration was doing."

Private-sector sources said African business and government leaders had anticipated that the Obama administration would unveil at the Forum at least one major initiative to improve AGOA, particularly since Obama said in a July 11 speech in Ghana that it would be a "commitment" of his administration to do more to promote trade and investment in African countries (Inside U.S. Trade, July 17).

But many attendees at the forum came away feeling that the administration appeared committed to "maintaining the status quo" of AGOA, according to one source.

A government official from an African country agreed that "we were expecting a lot more."

Instead of altering AGOA, administration officials stressed the need to better utilize the program as it is currently constituted.

During last week's forum, several African officials pressed U.S. Trade Representative Ron Kirk to extend to AGOA beneficiaries duty-free, quota-free (DFQF) access for agricultural products, including cocoa, tobacco, peanuts and other import-sensitive products.

However, sources said Kirk resisted those calls and repeated his argument, originally made in an Aug. 3 opinion-editorial in Kenyan newspapers, that the "answer is not expanding the list of AGOA products -- almost everything is already covered -- but in increasing the utilization of AGOA" (Inside U.S. Trade, Aug. 7).

A U.S. trade official this week pointed out that 98 percent of exports from sub-Saharan African countries enter the U.S. duty-free under either AGOA, the Generalized System of

Preferences (GSP) or on a zero-rate most favored nation (MFN) basis. The USTR official said that while there are more than 6,000 products covered by AGOA or GSP, AGOA countries have only exported “a fraction” of those products to the U.S.

“The key issue to address, therefore, is not necessarily more products or increased access, but how to improve the competitiveness of African countries and their productive capacity in order to encourage export diversification,” the official said. “USTR wants to see Africans produce a wider range of products that can be competitive in the U.S. and global markets.”

Secretary of State Hillary Clinton discussed the further utilization of AGOA during an Aug. 7 meeting with South African Minister of International Relations Maite Nkoana-Mashabane, Clinton said at a press conference following the meeting. Clinton said she and Nkoana-Mashabane “discussed ways to improve and increase” the utilization of AGOA “so that more products made in South Africa can enter the American market duty free.”

Several sources said that Clinton was referring to ways that South Africa could export more products already covered under AGOA to the U.S., not expanding the list of AGOA products.

However, private-sector sources said South African business interests have been pressing the Obama administration to expand their AGOA benefits. Their priorities have included obtaining DFQF access for import-sensitive agriculture products such as apples and peaches, and changing South Africa’s status under AGOA as a non-least-developed country (LDC) because that status currently prevents them from using third-country fabric for duty-free textile and apparel exports. Under AGOA, in order to be classified as an LDC a beneficiary country must have an annual per capita income of $1,500 or less.

A South African source said this week that this push to expand South Africa’s AGOA benefits was not discussed during the meeting between Nkoana-Mashaban and Clinton.

Sources said that African officials were particularly disappointed by Kirk’s opposition to their proposal that the U.S. deny AGOA-type preferences to other LDCs, such as Bangladesh and Cambodia, that they believe AGOA countries cannot compete with, particularly on apparel production. Before his trip to Africa, Kirk said he would respond to those African demands with “a little bit of tough love,” (Inside U.S. Trade, Aug. 7).

In an Aug. 11 op-ed, Rosa Whitaker, who served as assistant USTR for Africa in the Clinton and George W. Bush administrations, and Paul Collier, an Oxford University economics professor, wrote that if those trade benefits were extended to Cambodia and Bangladesh “Africa’s fragile industries will be decimated.”

Bangladesh and Cambodia exported more than $5.5 billion in garments to the U.S. in 2008, five times as much as all 48 sub-Saharan African countries combined, they wrote.

"Trade preferences should be, by nature, a development tool for the most vulnerable and not an extra advantage for those industries already thriving without them," Whitaker and Collier wrote.

On Aug. 11, the Government Accountability Office (GAO) released a report on how Congress could work to improve the competitiveness of the textile and apparel sector under AGOA. According to the report, duty-free access for AGOA beneficiaries "alone may not overcome the advantages Asian producers enjoy due to long-standing, established trade channels."

The report claims that a lack of resources for African countries to improve their infrastructure, such as power and water, and underdeveloped production facilities "increase the cost of production while reducing quality and variety."

A U.S. trade official said this week that the Obama administration's commitment to working with African nations to expand trade "is not diminished by our desire to assist other needy regions in the world."

This week, private-sector sources in favor of expanding those trade benefits to other LDCs said that benefits for Africa should not be exclusively maintained at the expense of other trading relationships.

One source said that many of the LDCs that do not receive those benefits currently are poorer than many of the AGOA beneficiaries.

"Pitting countries against each other is not a way to do good policy," the source said. "I think we should be focusing on both what can we do to help Africans to become more competitive, but also what do they need to do themselves."

"We should be looking at what does Africa really need," the source said. "Clearly the benefits have not been enough to make them competitive."

According to the GAO report, U.S. imports of textile and apparel from sub-Saharan African countries is 52 percent higher than it was before AGOA was implemented in 2000, but those imports make up only 1.3 percent of all U.S. imports of textile and apparel. Additionally, textile and apparel imports from AGOA countries dropped from a peak of about $1.8 billion in 2004 to $1.2 billion in 2008.

The GAO report included several recommendations including extending AGOA beyond 2015 which would "provide potential investors with greater long-term certainty about the program's benefits."

Sources said this week that administration officials at the AGOA Forum would not commit to work to make permanent, or at least extend, AGOA. AGOA was extended in 2004 by President Bush to expire in 2015.

A U.S. trade official signaled that extending AGOA was currently not a priority of the administration, since it did not expire until 2015 while other programs will expire sooner, such as the GSP program, which is set to expire at the end of this year.