

Oxfam America
Background Note:
The African Growth and Opportunity Act

The African Growth and Opportunity Act (AGOA) has created some benefits for businesses and workers. However, according to the US Department of Commerce¹, “[t]rade between the United States and Sub-Saharan Africa is highly concentrated, with a small number of African countries accounting for an overwhelming share of the total for both imports and exports.” Nigeria, South Africa, Angola, and Gabon together claimed 81.4 percent of U.S. imports from Africa in 2004, mostly for petroleum. This belies the notion that AGOA has significantly benefited sub-Saharan Africa.

In fact, it is just a relative handful of countries and industries that have prospered from the program, while for millions of other Africans, AGOA remains an elusive and irrelevant concept. Many continue to struggle in a global trade system that is unbalanced and unfair. The US and EU spend billions each year on agricultural subsidies, which drive down world prices for the commodities that many people in sub-Saharan Africa depend for their livelihoods. AGOA takes a small positive step towards integrating sub-Saharan Africa into the global trade system. However, rather than continuing to rely on selling their natural resources to the US through a unilateral, impermanent preference program, sub-Saharan African countries should also have the opportunity to improve trade in other sectors, such as agriculture. Until trade-distorting farm subsidies are eliminated, they will be simply unable to compete on a level playing field.

Emphasis on Extractive Industries

From 2003 to 2004, overall AGOA imports to the US increased 88 percent to \$26.6 billion. However, non-petroleum products accounted for only \$3.5 billion, an increase of only 22 percent from 2003. Petroleum and other natural resources continue to dominate AGOA imports, with petroleum products accounting for an 87 percent share. Of the top five AGOA beneficiary countries, four (Nigeria, Angola, Gabon and Chad) are significant oil exporters. In 2004, minerals and metals exports under AGOA increased 76 percent to \$728.1 million.

Dependence on oil, gas and mineral exports (gold, diamonds, copper, etc.) has a strong correlation with increased levels of corruption, civil conflict, human rights abuses, environmental damage, and poor development outcomes. In addition, these “extractive industries” produce few permanent local jobs and function as enclaves with few linkages to the local and national economies. For example, in Chad, the more than \$4 billion-plus investment in the Chad-Cameroon pipeline has resulted in fewer than 1,000 Chadians directly employed by the project.

¹ US-African Trade Profile. March 2005. Available at: <http://www.agoa.gov/resources/US-African%20Trade%20Profile%202005.pdf>

The AGOA eligibility criteria pertaining to good governance, anti-corruption and human rights are particularly relevant to sub-Saharan African oil, gas and mineral exporters. The AGOA Acceleration Act of 2004 reinforced the good governance provisions, and Congressional report language specified that the eligibility criteria should be used to “encourage greater transparency with regard to revenues in the natural resource sectors.”

Given the predominance of oil and other natural resources imported under AGOA, implementation of AGOA eligibility criteria, as well as the review process undertaken by the USTR for continued eligibility, should focus more specifically on governance concerns in the extractive industries sector. Many sub-Saharan African countries lack basic transparency concerning government revenues from extractive industries, and this secrecy creates an enabling environment for corruption and mismanagement of these revenues.

Congress, in its oversight function, has an important opportunity to provide guidance to the Executive Branch concerning its lenient interpretation of the eligibility requirements, especially as they relate to corruption and transparency issues in resource-rich countries such as Angola, Gabon, Chad, Nigeria, Democratic Republic of Congo, Sierra Leone, and others with troubling track records in this regard.

Civil Society and AGOA

Under AGOA Acceleration Act, the President is required to convene an annual high-level meeting between officials of the US government and AGOA country governments. This meeting has typically been accompanied by a private sector forum and a civil society forum. Some who attended the last civil society forum reported a significant lack of integration with the Ministerial and private sector forums. As such, they felt that their concerns, mainly around the lack of diversification of AGOA exports, had little chance of being heard by policy-makers and businesses, both of which have significant influence over trade and investment in sub-Saharan Africa. This underscores the notion that AGOA benefits a relatively small number of people, and civil society remains largely sidelined.

The US should make as strong an effort to listen to civil society’s views and ideas on how to improve AGOA as it does with the private sector and government. One way to do this could be to integrate the forums so that participants can benefit from hearing the opinions of other sectors. Another way would be to comply with Sec. 14 of the AGOA Acceleration Act, which requires the President to convene the Trade Advisory Committee on Africa (TACA) to “facilitate the goals and objectives of the African Growth and Opportunity Act”. The TACA was established under the Trade Act of 1974, but at present it does not have membership or meetings.

Diversification

Among civil society’s main concerns is the fact that AGOA imports to the US are limited to extractive industries, textiles, and apparel. Lacking oil, diamonds, and other

extractable natural resources and with little or no infrastructure for textile and apparel manufacturing, the majority of sub-Saharan African countries do not see much, if any, real benefit from AGOA. Agricultural commodity exports to the US face significant non-tariff barriers, such as sanitary and phyto-sanitary requirements that many African exporters are not equipped to meet.

Significant diversification of AGOA exports away from extractive industries towards agricultural and other types of products would go a long way towards making the benefits of AGOA more widespread. Removed from the AGOA Acceleration Act was a provision that would have extended preferential treatment to agricultural products that are statutorily-excluded from eligibility, such as peanuts, sugars, cocoa powder and chocolate, and tobacco products. By exempting AGOA countries from rules that forbid agricultural imports over the in-quota rates of tariff rate quotas, the US would make significant progress towards creating real opportunity for people in sub-Saharan Africa.

Trade Capacity Building

If the US truly wants sub-Saharan Africa to benefit from AGOA, it should provide significant new resources for trade capacity building and development projects that target rural development and agriculture. Seventy percent of sub-Saharan Africa depend on agriculture for their livelihood, and most live in rural areas. The United States gave \$115 million for trade capacity building activities in sub-Saharan Africa in 2003, which amounts to \$5.80 per capita. Clearly more is needed, and it should be directed at activities such as providing credit, marketing assistance, community-based extension services, and rural infrastructure. For countries that are eligible for the Millennium Challenge Account, a greater emphasis should be placed on promoting rural development and agriculture. Moreover, to address the core of the problem, the US should end its trade-distorting agricultural subsidies that are causing depressed world market prices.