UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

The African Growth and Opportunities Act

A Review of its Benefits, Limitations, Utilization, and Results

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Note

The present study on the African Growth and Opportunities Act was commissioned in 2022 by the United Nations Conference on Trade and Development.

Contents

Acronyms and Abbreviations

AfCFTA	African Continental Free Trade Agreement
AGOA	African Growth and Opportunities Act
API	American Petroleum Institute
AVE	Ad valorem equivalent
CBERA	Caribbean Basin Economic Recovery Act
CBO	Congressional Budget Office
CIF	Cost plus insurance and freight
FAS	Free alongside ship
FDI	Foreign direct investment
FOB	Free on board
FTA	Free trade agreement
FTZ	Foreign trade zone
GDP	Gross domestic product
GSP	Generalized System of Preferences
HTS	Harmonized Tariff System (of the United States)
LDC	Least developed country
MFA	Multifibre Arrangement
MFN	Most Favored Nation
RoO	Rules of origin
SITC	Standard Industrial Trade Classification
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
USITC	United States International Trade Commission
WITS	World Integrated Trade Solution
WTO	World Trade Organization

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INTRODUCTION

The Generalized System of Preferences (GSP) was proposed in 1964 at the first quadrennial conference of the United Nations Conference on Trade and Development (UNCTAD), which has a lengthy association with trade preferences as a tool of development. Like the GSP, the African Growth and Opportunities Act (AGOA) and other preferential trade programs are founded upon the concept that mutually beneficial North-South trade offers a more certain and sustainable path to development than aid, and that preferences can help overcome the structural disadvantages that developing countries face.

While preferential market access can, indeed, give developing countries a trade boost, that effect varies greatly by exporting country and by sector. Tariff preferences are obviously moot for any products that are already duty-free on a most-favored-nation (MFN) basis and are only of limited value when MFN tariffs are low. Even for some goods that might otherwise be subject to significant tariffs, other factors may carry equal or greater weight in determining the magnitude and diversity of sub-Saharan countries' exports. On the importing country's side, these include non-tariff measures such as sanitary and phytosanitary barriers, standards, and so forth; on the exporting countries' side, these include inter alia the country's endowments of natural resources, the capacity of its workforce, the cost and reliability of its energy system, and the efficiency of the port and shipping services on which its exporters rely.

Thus, while preferences have had a beneficial effect in some sectors, on their own they offer neither a necessary nor a sufficient explanation for changes in trade patterns over time. Several other considerations, ranging from shifting patterns in United States energy production and imports, to the phase-out of textile and apparel import quotas, have been even more influential in determining what products the United States imports and where they originate. One may readily find examples of sub-Saharan African industries that have done well without receiving AGOA preferences, and others for which exports have stagnated or even declined despite duty-free privileges.

The four analytical sections that comprise this submission assess the AGOA program in progressively more specific levels. Section II addresses the overall relationship between poverty, trade preferences, and other instruments intended to promote economic development. The positive but limited impact of preferences can be seen in the utilization of the AGOA preferences, as reviewed in Section III. There differing experiences according to country and sector are assessed. The sectoral differences are examined more precisely in the next two sections, each of which address the United States International Trade Commission (USITC)'s stated intention to present case studies on cotton, apparel, certain chemicals, and cocoa. In Section IV the broader trends in United States imports of apparel, minerals, and other products from the region are reviewed. Section V turns to the question of whether AGOA preferences have helped beneficiary countries to upgrade their production and exports in hydrocarbons, cocoa, and cotton goods. Section VI concludes by providing specific considerations for the improvement of AGOA.

Box 1: Data Sources and Conventions

This analysis is based primarily on a review of trade between the United States and the AGOA beneficiary countries. Apart from a few exceptions as noted below, all data examined here are derived from the DataWeb that the United States International Trade Commission (USITC) maintains at https://dataweb.usitc.gov/. Readers should note that the following conventions are employed throughout this analysis:

• Except as noted in the review of the petroleum sector, all import data are based on imports for consumption rather than general imports and, in keeping with United States practice on customs value, i.e., the ex-farm, ex-mine, or ex-factory price, rather than the free alongside ship (FAS), free on board (FOB), or cost plus insurance and freight (CIF) values of imports;

• In order to reduce the impact that short-term effects (including inter alia the COVID pandemic) might have on trade statistics, much of the data is presented in three-year totals or averages, whether reviewing the periods prior to AGOA's entry into force (e.g., 1998-00) or the most recently available data (i.e., 2019-2021);

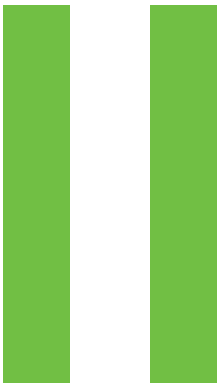
• The term "AGOA Countries" is used to mean the 39 sub-Saharan African countries that were eligible for AGOA preferences during 2021 (classifying all other countries in the region as "Other Sub-Saharan"); and

• While for reasons of length, many of the tariff-level product descriptions in relevant tables are shortened, and the relevant item numbers are also provided for any readers who wish to find the full descriptions in the Harmonized Tariff Schedule (HTS).

Some data are presented here for AGOA countries as a whole, and other data distinguish among countries. These distinctions are key, insofar as imports from the AGOA beneficiaries are heavily concentrated in just a few countries. For the entirety of 2000-2021, 78% of all imports from these 39 countries came from South Africa and two oil-exporting countries (i.e., Angola and Nigeria). Conversely, the 18 smallest partners collectively contributed just 1% of these imports.

The heavy concentration of imports in a few countries can distort perceptions of the differing rates of change in United States trade with distinct partners. While total imports from all AGOA beneficiaries rose by just 37% from 1998-2000 to 2019-2021, the increase is much larger if the special cases of Angola and Nigeria are set aside. Imports from those two oil-exporters were down 53% from 1998-2000 to 2019-2021, but imports from the 37 remaining AGOA countries were up by 144% (which is identical to the rate of increase in total United States imports from all sources over that same period). If the import data for South Africa are also isolated, where United States. imports experienced an especially high rate of growth (270%), the increase in imports from the other 36 countries falls back to a modest 68%.

These asymmetries underline the importance of distinguishing among countries and sectors when assessing the past performance of AGOA, and also when considering possible improvements to the program. In place of reaching blanket conclusions regarding the success or failure of the entire program, it is better to identify specific aspects in which it has performed more or less well and seek to find specific causes for these differences in performance.



THE RELATIONSHIP BETWEEN POVERTY AND PREFERENCES

The original authorizing legislation for AGOA declared that it was "it is in the mutual interest of the United States and the countries of sub-Saharan Africa to promote stable and sustainable economic growth and development in sub-Saharan Africa," and thus made it United States policy to "encourag[e] increased trade and investment between the United States and sub-Saharan Africa" and to "reduc[e] tariff and nontariff barriers and other obstacles to sub-Saharan African and United States trade."[1] The contribution that these privileges make to poverty reduction is necessarily indirect, operating through the profits that exports generate for firms and the jobs that they create for workers, as well as the technologies and skills that may be transferred through trade and investment. The effectiveness of trade preferences as a tool of development can best be gauged by determining whether beneficiary countries export more to the United States than they did pre-AGOA (i.e., a quantitative increase), and also whether they export better products to the United States than they did pre-AGOA (i.e., a qualitative improvement). Later sections of this analysis seek to quantify those effects, first by considering the overall levels of United States imports from AGOA countries, and then asking whether the program has helped the region to upgrade the products that it ships to the United States.

Before the actual trade and investment data is reviewed, however, it is best to review some foundational points. One is that poverty not only defines the purpose of AGOA by providing a target to address, but also constrains the capacity of the beneficiary countries to take full advantage of this opportunity. Those constraints may exercise a greater influence than the program itself does in determining the modest outcomes that are reviewed below. Another foundational point concerns the inherent limits in the effectiveness of preferences when tariff barriers are relatively low. As a general rule, Most Favored Nation (MFN) rates in most sectors are only a fraction of what they were in past generations. Neither of these observations are meant to suggest that programs such as AGOA are unnecessary or unhelpful; to the contrary, AGOA should be seen as a key element in United States economic relations with sub-Saharan Africa. These foundational points should nonetheless shape the expectations for the program and underline the continued importance of investment and foreign assistance as other elements in that relationship.

II.A. The Challenges Facing Sub-Saharan African Producers and Exporters

Preferential programs such as AGOA are both inspired and constrained by poverty, such that the capacity of the beneficiary countries to make full use of these opportunities remain inhibited by structural disadvantages. Chief among these disadvantages is continued reliance on exports of raw materials. "The diversification of African economies is the most viable means by which these countries can prosper in the global economy and address vulnerabilities and economic uncertainties," as UNCTAD noted in the Economic Development in Africa Report 2022, but "economic diversification and structural transformation must pass through strong headwinds."[2]

Poverty and lower levels of industrial development manifest themselves in numerous ways that inhibit the capacity of countries to produce and export more advanced, processed products that are price-competitive, meet global standards, and fulfill the AGOA rules of origin. In addition to gaps in resources, credit, and human capital, these constraints include less reliable and affordable energy, high transport and trade-facilitation costs, and difficulties in complying with voluntary standards and quality controls. Space does not permit a comprehensive review of these disadvantages, but the available evidence would appear to imply that, taken together, they often outweigh the value of tariff preferences — especially when those preferences rarely amount to more than a few percentage points.

One way of contemplating AGOA is to situate it in the "trade not aid" paradigm. Viewed from one perspective, this program outstrips foreign assistance as a component of the United States' economic relationship with sub-Saharan Africa. During 2001-2021, total United States. goods imports from the AGOA countries reached $791 billion (an average of $37.7 billion per year). That was about five times larger than aid, with the total value of United States foreign economic assistance obligations to sub-Saharan African countries during fiscal years 2001 through 2019 being $145 billion (an average of $7.6 billion per year).[3] The relative magnitudes look

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1 Sections 201 ("Findings") and 103 ("Statement of Policy") of the Trade and Development Act of 2000 (Public Law 106-200), as posted at https://www.govinfo.gov/content/pkg/BILLS-106hr434enr/html/BILLS-106hr434enr.htm.

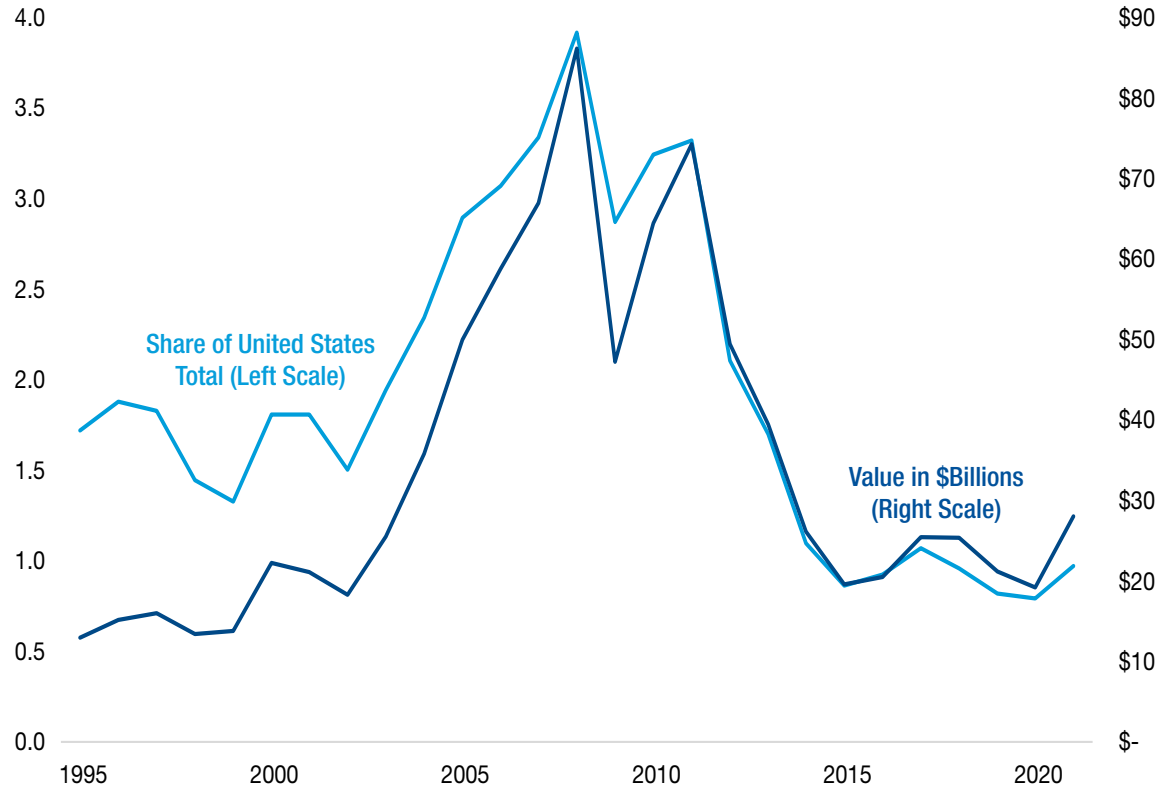
2 UNCTAD, Rethinking the Foundations of Export Diversification in Africa: The Catalytic Role of Business and Financial Services (2022), at https://unctad.org/system/files/official-document/aldcafrica2022_en.pdf, page xii.

3 This figure is calculated from data posted by the United States Agency for International Development (USAID) at https://www.foreignassistance.gov/reports. It includes programs administered by USAID and many other government agencies (but not military assistance), some of which is obligated to the sub-Saharan African region as a whole (or to sub-regions in Africa) and the rest to specific countries (not all of which are AGOA beneficiaries).

quite different, however, if focus is placed more specifically on the tariffs that are foregone by reason of AGOA. It can be roughly estimated that in the average program year, AGOA has relieved exporters in sub-Saharan Africa from paying approximately $250-300 million in tariffs.[4] Put another way, without AGOA, the program's beneficiaries would ceteris paribus have paid approximately $5-6 billion in tariffs during 2001-2021. The total value of all tariffs foregone under AGOA since its inception is therefore smaller than average annual United States foreign economic assistance obligations to sub-Saharan Africa.

These comparisons underline the point that trade and aid are best seen not as substitutes but as complements, insofar as foreign assistance can help countries to overcome the obstacles that prevent them from taking fullest advantage of the opportunities that AGOA creates. Several initiatives of United Nations agencies, the African Union and United States Government agencies are based on that premise. One key example is the joint report of the African Union Commission, the Economic Commission for Africa, and the Africa Trade Policy Centre offering Guidelines on Developing a National AGOA Strategy.[5] Since this report came out in 2012, national strategies have been issued (and some of them later updated) for nineteen countries.[6] These programs are complemented by initiatives of the Government of the United States at the regional (e.g., Prosper Africa) and subregional levels (e.g., the East Africa Trade Promotion and AGOA Project), through which USAID works to help countries make the most of AGOA by enhancing business-to-business linkages and dealing with standards, market access, and policy reforms.

Figure 1. : Total United States Goods Imports from AGOA ($Billions)



Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov.

[4] This admittedly broad approximation can be derived through different methods. One is via the estimates made by the Congressional Budget Office (CBO) under rules requiring offsets for any programs that reduce government revenue (e.g., through the reduction or exoneration of tariffs). When Congress approved the AGOA-renewal bill in 2015, the CBO estimated that extending and amending AGOA would reduce United States government revenues by $2.8 billion over the 2015-2025 period; see the documentation at https://www.finance.senate.gov/imo/media/doc/SRPT114-43.pdf, especially pages 16-17. Another means of estimating the foregone tariffs is to apply the average tariff that the United States imposed immediately before AGOA (i.e., 0.95% during 1998-00) to later imports from the AGOA countries, then adjust the figure for the tariffs that countries still paid. This approach yields an average of $322 million per year, which is on the same order of magnitude as the CBO figure (which averages $254 million per year).

[5] Available online at https://agoa.info/images/documents/6188/guidelines-for-national-agoa-response-strategy-auuneca.pdf.

[6] The strategies for Botswana, Burundi, Eswatini, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Rwanda, Senegal, Sierra Leone, Tanzania, Togo, and Zambia are available online at https://agoa.info/downloads/national-strategies.html.

II.B. Trends in United States Trade and Investment with AGOA Countries

These tariff preferences and aid programs notwithstanding, the actual results for United States trade and investment with sub-Saharan Africa have not always met the high expectations set at the inception of AGOA. Figure 1 summarizes the rise and decline in the beneficiary countries' share of United States goods imports, showing that merchandise imports from these countries have gone through a few phases since the program entered into effect in 2001. The initial phase saw rapid growth, with the absolute and relative values of total United States imports from AGOA beneficiaries soaring from 2003 to 2008. They then declined from that peak and have more or less plateaued since 2015. While the absolute value of United States imports from these countries has been somewhat higher in recent years than it was just before AGOA, and at the very start of the program, these countries' share of total United States imports actually fell from an average of 1.7% in 1995-2002 to 0.9% in 2015-2021. This decline in the beneficiaries' share of total United States imports indicates that more is at play than shifts in the overall levels of demand in the United States, or global price trends for commodities.

The relative decline in United States imports from Africa can also be seen in the World Integrated Trade Solution (WITS) data. This joint project of UNCTAD and other international partners shows that the United States was the largest foreign market for merchandise exports of sub-Saharan Africa in 2000, when it took in fully 20.8% of the region's exports. The share destined for the United States market fell after AGOA took effect. The share was reduced to 10.8% in 2005, recovered to 16.3% in 2010, then tumbled to 4.8% in 2015. As of 2019, the United States position had fallen to fourth (after China, India, and South Africa), with its share of sub-Saharan African exports being just 5.2%. The share of sub-Saharan African imports originating in the United States fell much less sharply, declining from 7.7% in 2000 (second only to South Africa) to 6.5% in 2019 (fourth place).[7]

Together with trade preferences and foreign assistance, foreign direct investment (FDI) is the third leg of the United States' economic relations with the region. Investment promotion was already an identified goal in the original AGOA legislation, and provisions in the 2015 law that inter alia renewed AGOA preferences for ten more years further elevated this objective in United States policy.[8] Increased FDI is arguably more important than trade per se, as it more fully demonstrates the long- term commitment of United States-based investors while also offering better prospects for the transfer of technology and enhancement of local skills.

Table 1. United States Foreign Direct Investment Abroad, 2000-2021
United States Direct Investment Position Abroad on an Historical-Cost Basis, Millions of Dollars

	2000		2021		Change 2000-2021	
	Total	Share (%)	Total	Share (%)	Absolute	% Change
Africa	11,891	0.90	44,808	0.69	32,917	276.8
Egypt	1,998	0.15	11,697	0.18	9,699	485.4
Nigeria	470	0.04	5,920	0.09	5,450	1,159.6
South Africa	3,562	0.27	7,553	0.12	3,991	112.0
Other	5,861	0.45	19,638	0.30	13,777	235.1
Memo: Approximate. Sub-Saharan	9,893	0.75	33,111	0.51	23,218	234.7
Canada	132,472	10.06	406,356	6.26	272,884	206.7
Europe	687,320	52.22	3,981,383	61.36	3,294,063	479.3
Latin America & Other Western Hemisphere	266,576	20.25	1,017,716	15.68	751,140	281.8
Asia & Pacific	207,125	15.74	957,469	14.76	750,344	362.3
Rest of World	10,863	0.83	81,280	1.25	70,417	648.2
All Countries	1,316,247	100.00	6,489,012	100.00	5,172,765	393.0

"Approximate Sub-Saharan" equals Africa minus Egypt. The resulting figure includes some unknown amount of United States FDI in other North African countries (e.g., Tunisia and Morocco). Note also that no distinction is drawn here between sub-Saharan African countries as a whole and those countries that are designated for AGOA benefits.
Source: Calculated from United States Bureau of Economic Analysis (Department of Commerce) data at https://apps.bea.gov/international/xls/Position%20Abroad%202000-2009.xls and https://apps.bea.gov/international/xls/usdia-current/usdia-position-2020-2021.xlsx.

7 All data are derived from https://wits.worldbank.org/CountryProfile/en/Country/SSF/Year/2019/TradeFlow/EXPIMP and pages for prior years. Note that all data reported here are for all sub-Saharan Africa (i.e., AGOA beneficiaries and others), and that this source reports data for European Union markets individually.

8 See especially Section 102 ("Findings") of the Trade Preferences Extension Act of 2015 (Public Law 114-27), as posted at https://agoa.info/images/documents/5695/bills-114hr1295enr.pdf.

The investment data reported in Table 1 are somewhat more difficult to interpret than trade data, partly because the figures are sparse.[9] The approximation reported in the table suggests that United States. FDI in sub-Saharan Africa more than tripled in absolute terms from 2000 through 2021, with an average of $1.1 billion in new capital being invested in sub-Saharan Africa each year since 2000. Put another way, the value of new FDI has been roughly three or four times larger than the tariffs foregone by way of AGOA. A more pessimistic view of the data instead highlights the small share of United States capital that is devoted to sub-Saharan Africa. These countries received less than one-half of 1% of the $5.2 trillion that the United States invested abroad in the years since AGOA was approved. Over that same period, the region's relative share of United States FDI fell from 0.75% to 0.51%.

II.C. Limits on the Extent and Effect of AGOA Preferences

None of the foregoing observations about trade and investment are meant to suggest that countries have underperformed because of AGOA, but one may certainly say that they have done relatively poorly despite their preferential treatment. There is in fact good reason to expect the potential impact of preferences to diminish over time. They might have been tremendously important in 1931 (the first full year of the Hawley-Smoot Tariff Act), when average United States tariffs on dutiable imports had been 53.2%. These rates have been negotiated downward in a long series of bilateral and then multilateral agreements: They were reduced to 20.1% in 1947 (when the GATT era began), then to 5.6% in 1976 (when the United States GSP program took effect), and to 4.9% in 2001 (the inception of AGOA).[10] That progress reversed somewhat with the imposition of special tariffs in recent years, bringing the average back to 8.9% in 2021. As will be discussed in a later section, however, the sub-Saharan African region was not exempt from those extraordinary tariffs. Duties imposed as a result of competition with other countries have also been imposed on metals imported from South Africa. Even with that boost in the rates, the overall pattern is clear enough: Declining average tariffs also mean declining margins of preference, and hence the declining capacity of those preferences to stimulate trade and attract investment.

The apparently limited effect of the AGOA preferences should not be seen solely in the context of this specific program, but instead as one manifestation of a larger phenomenon. As may be appreciated from the data in Figure 2, there actually exists an inverse relationship between the tariff reductions enjoyed under United States preference programs and the resulting growth in imports. Whereas the average tariff imposed on imports from AGOA beneficiaries since 2000 is the lowest among all groups, this same set of countries also had the lowest growth. China has been subject to the highest average tariffs and had the highest growth in import penetration. With some minor variations between countries with the lowest growth and the highest growth, all of the categories confirm this perverse correlation between tariffs and growth. It is notable that growth was higher for sub-Saharan African countries that do not have AGOA preferences than it was for the AGOA countries per se.

The lesson here is not that preferences are irrelevant or even harmful, but that they have less impact than the underlying competitiveness of their beneficiaries. The data suggest that the structural disadvantages faced by most countries to which the United States extends preferential treatment, apart from a few FTA partners such as Australia and Canada, may equal or exceed the marginal advantages offered by tariff preferences. This is a point that should inform the retrospective assessment of how the program has performed thus far, as well as its relationship to other elements of United States economic relations with sub-Saharan Africa. It should also inform the consideration of how AGOA might be reformed when it is renewed.

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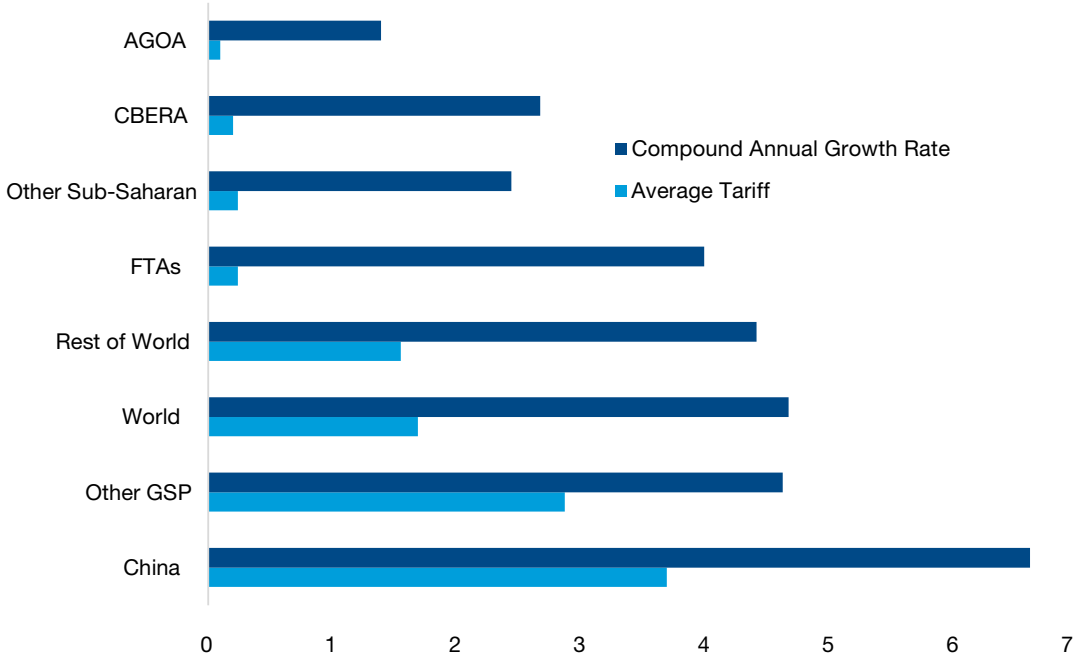
[9] Investment data are generally less complete than trade data, providing fewer details with respect to industries and partners. Because the data reported by the United States Department of Commerce's Bureau of Economic Analysis identify only a few individual African countries, and do not distinguish between sub-Saharan Africa, Egypt and the Maghreb region, the level of United States investment in the AGOA countries (which themselves comprise a subset of sub-Saharan Africa) can only be roughly approximated.

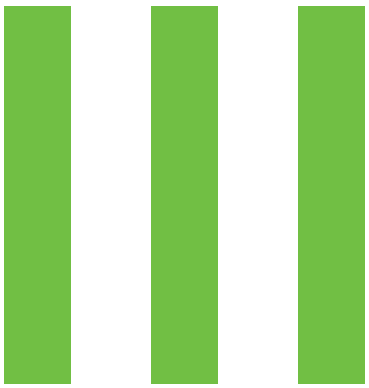
[10] See USITC, "U.S. Imports for Consumption, Duties Collected, and Ratio of Duties to Value, 1891-2021," posted at https://www.usitc.gov/documents/dataweb/ave_table_1891_2021.pdf.

Figure 2. : Growth in United States Goods Imports from Selected Partners, 2001-2021



Average Tariff = Average tariff (%) imposed on these countries for the entirety of the period 2001-2021.
FTAs = Countries whose FTAs with the United States were in effect by 2021.
AGOA = Countries eligible for AGOA benefits as of 2021.
Other Sub-Saharan = Sub-Saharan African countries not designate for AGOA in 2021.
CBERA = Beneficiary countries of the Caribbean Basin Economic Recovery Act.
Other GSP = Countries eligible for the Generalized System of Preferences as of 2021, minus those included in other categories listed above.
Rest of World = All countries not classified in one of the categories above, consisting primarily of the United Kingdom, Japan, etc. and the European Union, as well as numerous middle-income countries that do not enjoy preferential access.

Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov.



THE EXTENT AND UTILIZATION OF PREFERENCES

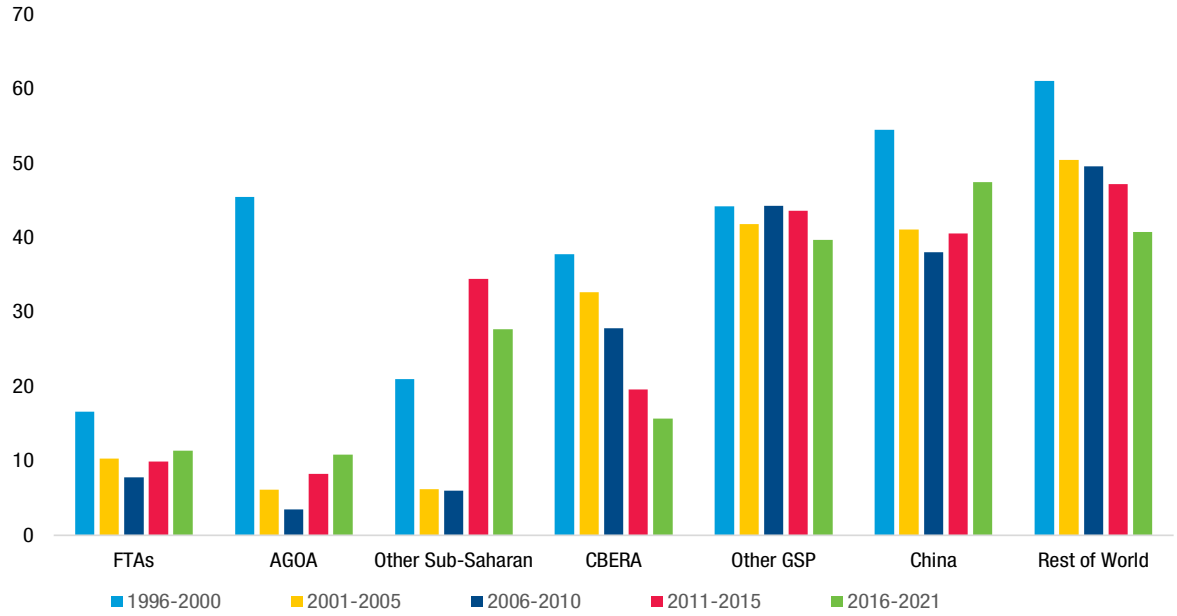
Based on the observations made above, it is reasonable to treat the value of duty-free privileges not as an assumption but as a measurable factor. The data reviewed in this section pick up from the points made in Section II to show why the benefits of AGOA's trade preferences have been limited. The inception of this program in 2001 represented a real but marginal improvement from the access that the beneficiary countries already enjoyed, whether imports entered on non-preferential (MFN) terms or under the GSP. While many other imports were relieved of tariffs, they were often relatively low. The overall result has been a modest boost to the exports of sub-Saharan African exports to the United States, to varying degrees across countries and sectors.

III.A. Effect of AGOA Preferences on Dutiability and Average Duties

The data in figures 3 and 4 show that in the five-year period preceding AGOA's entry into force (i.e., 1996-2000), the share of AGOA exports subject to duty was (at 45%) approaching the level for non-preferential partners (61%). This dropped quite sharply to just 6% when AGOA first took effect (2001-2005), which was actually below the level for the FTA partners of the United States (10%). The data nonetheless suggest two limitations on the effectiveness of those preferences. First, the share of dutiable imports from the AGOA countries has inched up over the years: It reached 8% in 2011-2015, then 11% in 2015-2021. More significantly, the average margins of preference under this program represent only an incremental improvement. The average tariff on imports from the future AGOA beneficiaries was already below 1% from 1996-2000, and the average tariffs on competitor countries continued to decline as the Uruguay Round cuts took effect. The limited coverage and shrinking preferential margins can also be perceived by comparing the data for the AGOA beneficiaries and other sub-Saharan African countries: The average tariffs paid on imports from the non-AGOA African countries are not much different from those paid on imports from the countries designated for this program.

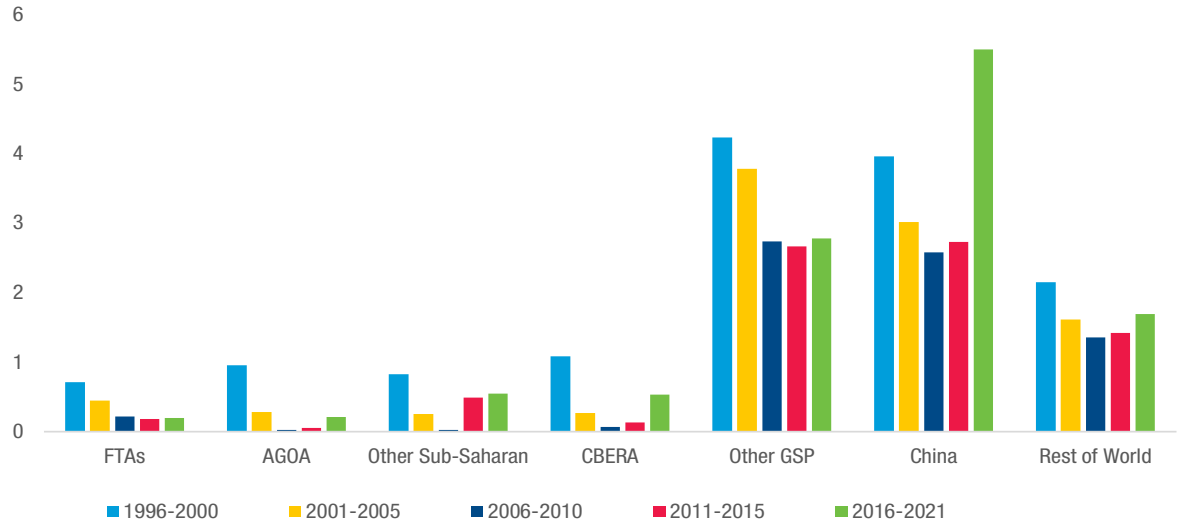
The data reported in Table 2 further elaborate on these limitations, showing the treatment of the 30 leading items in United States imports from AGOA countries. These items comprised 53% of United States imports from the AGOA countries from 1998-2000, and 76% of imports from 2019-2021. The most striking observation here concerns how few of these goods could benefit from the program. AGOA preferences are moot for the 20 out of 30 items shown in the table that are already duty-free on an MFN basis. Among the remaining ten items, only two would otherwise be subject to MFN tariffs that are far above the United States average; four of the others are subject to nuisance rates of 1% or less, and the remaining four are in the range of 1.9-5.5%. Many of the fastest growing United States imports from AGOA countries are indeed duty-free on an MFN basis, an observation reinforcing the general point that tariff preferences are just one of many factors affecting countries' capacity and competitiveness. For most AGOA countries, endowments of natural resources are by far the most significant consideration: Even if duties (and thus preference margins) were high, they could not make certain products, for example, minerals appear where they do not yet exist.

Figure 3. : Share of United States Goods Imports Subject to Duty, 1996-2021



See Figure 2 for descriptions of country categories.
Source: Figures calculated from USITC DataWeb data at https://dataweb.usitc.gov.

Figure 4. : Average Calculated Duties on United States Goods Imports, 1996-2021



See Figure 2 for descriptions of country categories.
Source: Figures calculated from USITC DataWeb data at https://dataweb.usitc.gov.

Table 2. Leading Items in United States Imports from AGOA Countries, 1998-2000 and 2019-2021
Top 30 Items in United States Imports as of 2021, Imports in Millions of Dollars per Year and Shares of Total

		1998-2000		2019-2021		Change 1998-2021	2021 MFN Tariff
HTS Number	Description	Annual Imports	Share	Annual Imports	Share		
MFN Duty-Free as of 2021 (AGOA Moot)							
7110.31.00	Rhodium, unwrought or powder	159.5	1.0	2,300.8	10.4	1,342.6	Free
7110.21.00	Palladium, unwrought or powder	294.3	1.8	1,182.7	5.4	301.8	Free
7102.39.00	Nonindustrial diamonds, worked	113.8	0.7	1,073.8	4.9	843.9	Free
1801.00.00	Cocoa beans, whole or broken	301.6	1.9	771.5	3.5	155.8	Free
7108.12.10	Gold, nonmonetary, bullion	17.6	0.1	760.7	3.4	4,234.2	Free
7110.11.00	Platinum, unwrought or powder	649.6	4.0	575.1	2.6	- 11.5	Free
7115.90.05	Precious metal articles	0.0	0.0	570.3	2.6	>9,999.9	Free
0905.10.00	Vanilla beans	0.0	0.0	332.0	1.5	>9,999.9	Free
7102.31.00	Nonindustrial diamonds, unworked	258.9	1.6	312.7	1.4	20.8	Free
7110.29.00	Palladium, semi-manufactured	21.1	0.1	288.7	1.3	1,265.8	Free
0901.11.00	Coffee, not roasted/decaffeinated	78.0	0.5	259.5	1.2	232.7	Free
2614.00.60	Titanium ores & concentrates	57.0	0.4	253.8	1.2	344.9	Free
8421.39.40	Catalytic converters	37.9	0.2	218.2	1.0	475.3	Free
3815.12.00	Supported catalysts	0.4	0.0	193.0	0.9	>9,999.9	Free
7110.39.00	Rhodium, semi-manufactured	30.1	0.2	182.5	0.8	506.5	Free
1803.10.00	Cocoa paste, not defatted	9.9	0.1	180.9	0.8	1,723.6	Free
4001.22.00	Technically specified natural rubber	5.5	<0.1	162.7	0.7	2,866.1	Free
7110.41.00	Iridium, osmium & ruthenium	28.4	0.2	146.9	0.7	417.5	Free
7118.90.00	Coins	13.5	0.1	85.0	0.4	528.1	Free
7502.10.00	Nickel (o/than alloy), unwrought	3.2	<0.1	70.1	0.3	2,083.3	Free
MFN Dutiable as of 2021 (AGOA Eligible)							
2709.00.20**	Petroleum oils, 25° A.P.I. or more	6,202.0	38.5	4,118.1	18.7	- 33.6	0.2%
8703.23.01**	Motor vehicles to transport persons	0.0	0.0	543.2	2.5	>9,999.9	2.5%
2709.00.10**	Petroleum oils <25° A.P.I.	49.2	0.3	252.3	1.1	412.7	0.1%
6203.42.45	Men's/boys' trousers etc. cotton	0.0	0.0	236.5	1.1	>9,999.9	16.6%
7113.19.29*	Gold necklaces & neck chains	4.1	0.0	213.4	1.0	5,092.3	5.5%
7202.41.00*	Ferrochromium >4% carbon	76.1	0.5	205.3	0.9	169.9	1.9%
2710.19.11**	Distillate/residual fuel oil 25° A.P.I.	0.0	0.0	174.4	0.8	>9,999.9	0.1%
7606.12.30*	Aluminum alloy, plates/sheets/strip	20.1	0.1	130.3	0.6	547.8	3.0%
6110.30.30	Sweaters etc. of manmade fibers	9.5	0.1	121.5	0.6	1,172.6	32.0%
7403.11.00*	Refined copper cathodes & sections	5.7	0.0	113.7	0.5	1,905.7	1.0%

* : This product is also eligible for duty-free treatment under the Generalized System of Preferences (GSP).
** : This product is also eligible for duty-free treatment under the GSP when imported from a least-developed country.
Not all AGOA-eligible products were actually imported under either AGOA or the GSP.
Rates shown in underline are ad valorem equivalents calculated on the basis of average import prices in 2021. Note that for 2709.00.20 this results in a higher AVE than in other tables where calculations are based on a longer period.
Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov.

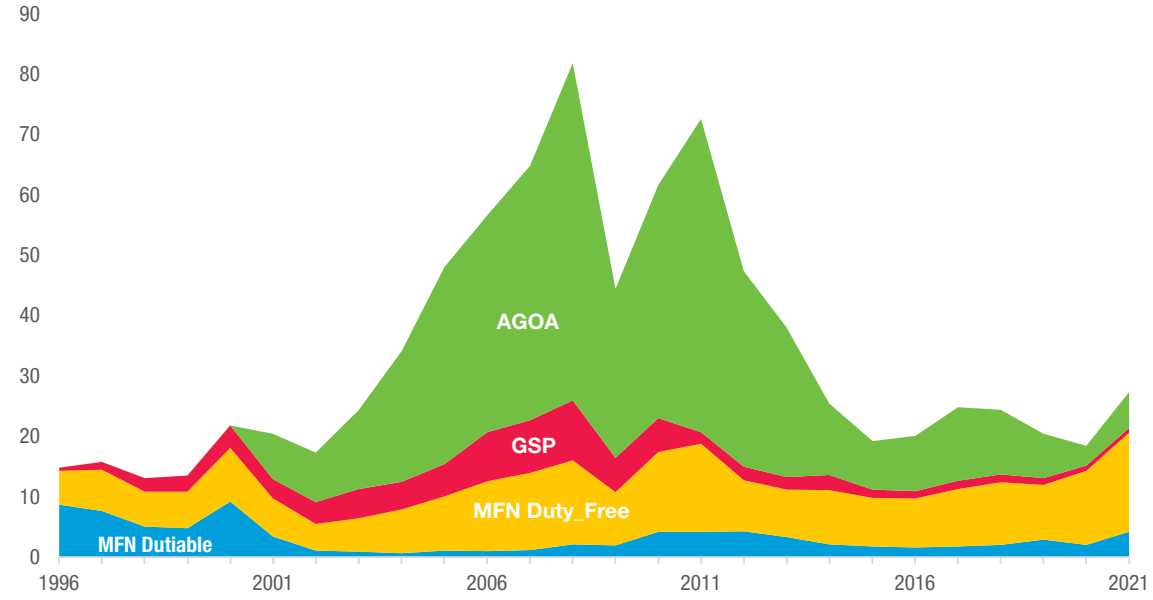
Table 2 also shows that most of the leading AGOA-eligible items in United States imports from the beneficiary countries were already eligible for duty-free treatment under the GSP. Four of these ten AGOA products were eligible when imported from any GSP beneficiary country, and another four were eligible when imported from one of the countries designated for least-developed beneficiary country status. Put another way, AGOA represents only a modest improvement over the status quo ante for the poorest AGOA countries, and a somewhat larger one for the higher-income countries in the region. The two apparel items shown in the table are the only goods that are entirely ineligible for GSP treatment and thus are most affected by AGOA preferences.

III.B. Utilization of AGOA Preferences

The data illustrated in Figure 5 and enumerated in Table 3 speak to the actual utilization of AGOA benefits by the region as a whole and by individual countries. As in the earlier review of the program's product coverage, these data suggest a wide range of experiences.

Figure 5. : United States Goods Imports from AGOA Countries by Tariff Program, 1996-2021

In Billions of Dollars



GSP = Generalized System of Preferences (including GSP for least-developed beneficiary countries).
Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov.

Taken as a whole, the AGOA countries have not recently used these preferences to nearly the same degree as they did during previous periods. The peak came in 2008, when the $55.9 billion in imports under AGOA accounted for 68.3% of United States imports from these countries. If one adds the value of imports under the GSP, the preferential value of imports that year rose to $65.8 billion (80.4% of the total). By 2021, preferential imports fell to $6.8 billion (24.7% of the total).

Table 3. Treatment of United States Imports from AGOA Beneficiary Countries, 1998-2000 and 2019-2021
Import Data in Millions of Dollars, Imports for Consumption

	Country's Share of Total United States Imports of Goods			Share of United States. Imports from the Country Entering Duty-Free			Average United States Duty on Total Imports from the Country			Share of United States Imports in 2019-2021 by Tariff Treatment		
	1998-2000	2019-2021	Change	1998-2000	2019-2021	Change	1998-2000	2019-2021	Change	MFN Duti-able	MFN Duty-Free	AGOA & GSP
Significant Increase												
Botswana	0.0025	0.0093	0.0068	63.1	99.9	36.8	6.37	0.00	- 6.37	0.1	99.9	0.0
Chad	0.0006	0.0019	0.0013	99.6	60.7	- 38.9	0.00	0.07	0.07	39.3	8.7	52.1
Cote d'Ivoire	0.0362	0.0396	0.0034	88.4	95.1	6.6	0.06	0.01	- 0.05	5.2	92.9	7.1
Djibouti	0.0000	0.0014	0.0013	93.4	98.2	4.8	1.02	0.03	- 0.99	1.8	97.2	1.0
Ethiopia	0.0036	0.0222	0.0186	99.0	97.8	- 1.2	0.02	0.15	0.13	2.2	52.5	45.4
Ghana	0.0179	0.0444	0.0266	84.8	52.2	-32.6	0.42	0.10	- 0.31	47.8	25.7	26.5

	Country's Share of Total United States Imports of Goods			Share of United States. Imports from the Country Entering Duty-Free			Average United States Duty on Total Imports from the Country			Share of United States Imports in 2019-2021 by Tariff Treatment		
	1998-2000	2019-2021	Change	1998-2000	2019-2021	Change	1998-2000	2019-2021	Change	MFN Duti-able	MFN Duty-Free	AGOA & GSP
Significant Increase												
Kenya	0.0101	0.0251	0.0150	57.4	97.6	40.2	6.88	0.11	-6.77	2.4	20.6	77.0
Lesotho	0.0112	0.0128	0.0016	0.0	98.8	98.8	18.30	0.14	- 18.16	1.2	12.1	86.7
Madagascar	0.0099	0.0279	0.0180	40.8	97.1	56.3	8.53	0.33	- 8.20	2.9	63.5	33.5
Mozambique	0.0019	0.0054	0.0035	99.2	92.4	- 6.8	0.10	0.19	0.09	7.6	85.3	7.1
Namibia	0.0040	0.0052	0.0012	91.7	98.4	6.6	0.24	0.05	- 0.19	1.6	92.3	6.1
Niger	0.0004	0.0029	0.0024	84.6	98.3	13.7	0.57	0.06	- 0.51	1.7	98.3	0.0
Rwanda	0.0004	0.0014	0.0010	97.6	96.6	- 1.0	0.55	0.14	- 0.41	3.4	85.9	10.7
Senegal	0.0009	0.0050	0.0041	68.8	96.0	27.2	0.58	0.07	- 0.51	6.7	92.8	0.5
South Africa	0.3338	0.4489	0.1151	83.0	96.3	13.4	1.06	0.44	- 0.62	3.7	77.2	19.1
Tanzania	0.0032	0.0045	0.0012	80.8	96.1	15.3	2.62	0.09	- 2.53	3.9	58.4	37.7
Uganda	0.0021	0.0033	0.0013	98.7	98.9	0.2	0.02	0.02	0.00	1.1	90.1	8.8
Zambia	0.0033	0.0043	0.0010	98.8	99.6	0.7	0.11	0.02	- 0.10	0.4	62.3	37.3
Little or No Change												
Benin	0.0008	0.0003	- 0.0005	98.5	97.5	- 1.0	0.12	0.03	- 0.09	2.5	88.4	9.1
Burkina Faso	0.0002	0.0002	0.0000	49.2	88.3	39.0	1.84	0.11	- 1.73	11.7	57.4	30.9
Cabo Verde	0.0001	0.0002	0.0001	79.5	93.6	14.2	4.91	0.50	-4.41	6.4	35.6	58.1
Central African Republic	0.0003	0.0001	- 0.0002	97.4	97.3	- 0.1	0.04	0.06	0.02	2.7	93.3	4.0
Comoros	0.0002	0.0002	0.0000	98.5	99.2	0.7	0.31	0.03	- 0.27	0.8	99.2	0.0
Gambia	0.0001	0.0000	0.0000	91.4	89.5	- 1.9	0.69	0.20	- 0.49	10.5	77.8	11.7
Guinea-Bissau	0.0001	0.0000	0.0000	63.9	99.7	35.7	0.31	0.01	- 0.29	0.3	96.3	3.3
Liberia	0.0033	0.0024	- 0.0008	98.9	99.7	0.8	0.04	0.01	- 0.04	0.3	99.7	0.0
Mali	0.0007	0.0001	- 0.0006	83.1	75.3	- 7.8	0.41	0.84	0.43	24.7	71.2	4.2
São Tomé and Príncipe	0.0001	0.0000	- 0.0001	83.0	71.6	-11.4	0.68	0.60	- 0.07	28.4	68.2	3.4
Sierra Leone	0.0008	0.0010	0.0002	86.1	78.9	- 7.2	1.14	0.68	- 0.46	21.1	78.2	0.7
Togo	0.0004	0.0007	0.0003	95.3	97.3	2.1	0.40	0.18	- 0.21	2.7	95.0	2.4
Significant Decrease												
Angola	0.2529	0.0333	- 0.2196	90.2	49.2	- 41.0	0.06	0.09	0.03	52.1	8.6	39.3
Congo	0.0394	0.0087	- 0.0307	33.2	79.4	46.2	0.35	0.03	- 0.32	20.6	16.9	62.5
Democratic Republic of the Congo	0.0196	0.0042	- 0.0154	95.6	98.0	2.4	0.03	0.03	0.00	2.0	29.8	68.2
Eswatini	0.0037	0.0008	- 0.0029	35.0	85.6	50.6	11.74	0.42	-11.32	14.4	11.2	74.4
Gabon	0.1495	0.0041	- 0.1454	49.3	95.7	46.4	0.24	0.02	- 0.22	4.4	94.9	0.7
Guinea	0.0102	0.0004	- 0.0098	99.3	93.2	- 6.2	0.02	0.23	0.21	6.8	90.7	2.5
Malawi	0.0053	0.0022	- 0.0031	64.1	97.4	33.3	4.31	0.31	- 4.00	2.6	27.7	69.7
Mauritius	0.0259	0.0110	- 0.0149	11.0	77.0	66.0	15.96	1.18	- 14.78	23.0	41.1	35.8
Nigeria	0.5896	0.1298	- 0.4598	38.5	59.2	20.8	0.29	0.07	- 0.21	40.8	8.0	51.2

Significant Increase = Countries whose shares of total United States imports increased by at least 0.0010% from 1998-2000 to 2019-2021.
Little or No Change = Countries whose shares of total United States imports changed by less than 0.0010% from 1998-2000 to 2019-2021.
Significant Decrease = Countries whose shares of total United States imports decreased by at least 0.0010% from 1998-2000 to 2019-2021.
Source: Calculated from USITC DataWeb at https://dataweb.usitc.gov/.

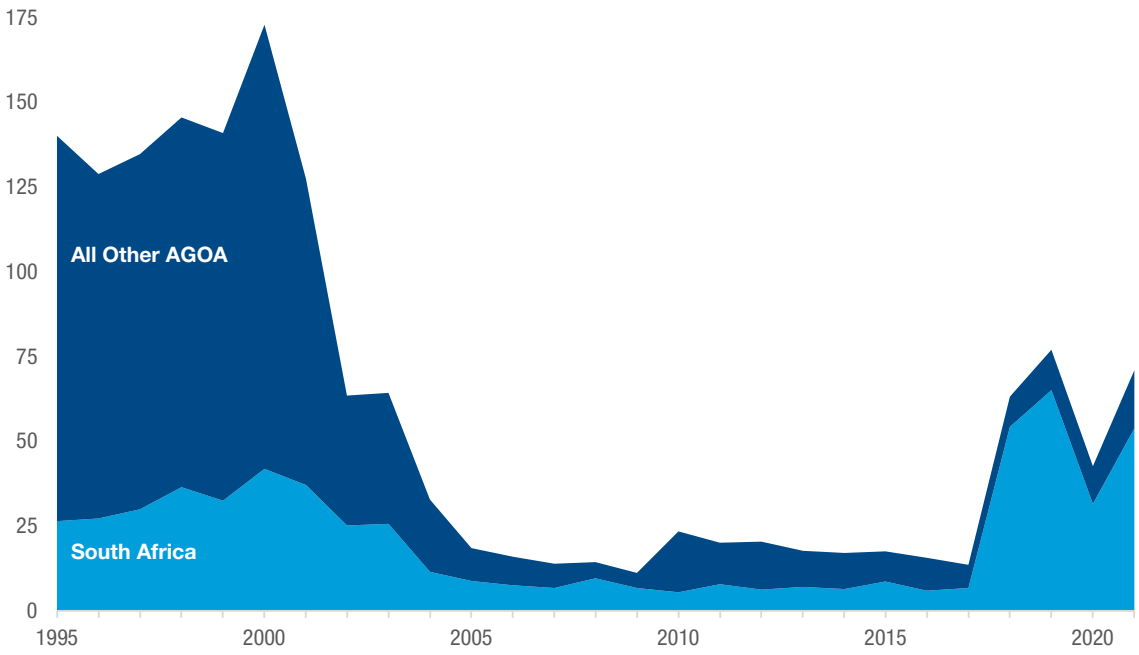
A much more nuanced picture emerges when looking at the patterns among the 39 individual AGOA countries. Table 3 does so first by comparing import shares in the three pre-AGOA years with those in the three most recent years. There it can be noted that 18 out of 39 countries (46%) enjoyed significant increases in their share of total United States imports, versus nine (23%) for which the share fell significantly and a dozen (31%) that experienced no meaningful change. These results are about what might be expected from random chance, where perhaps half might see their shares rise and the other half might see them stall or fall.

Looking instead at the share of imports that enter the United States duty-free on any grounds — whether preferential (i.e., AGOA or GSP) or non-discriminatory (i.e., duty-free on an MFN basis) — the picture is more positive. For 26 of these 39 countries, the share receiving duty-free treatment has lately been higher than it was before AGOA. That increase was over 50% for Eswatini, Lesotho, Madagascar and Mauritius. The results are even more favorable when looking at average duty rates, where they fell for 30 countries; those declines were especially sharp for the four countries that saw the largest increase in duty-free treatment. Even so, seven AGOA countries faced higher average tariffs in recent years than they did before AGOA, and the rate was unchanged for two.

As for AGOA and GSP utilization, the rate varies tremendously across countries. The data show that the combined value of these preferences was at or below 10% for 19 of the 39 countries and reached 75% or more for just two of them. Put another way, nine of these countries relied on the GSP or AGOA for 50% of more of their United States-bound exports, versus 30 for whom these programs covered less than half. Distinguishing between duty-free treatment according to whether or not it is discriminatory is also possible. For 27 of these 39 countries, more than half of their duty-free access to the United States market was achieved on an MFN basis; for the dozen others, more than half of their duty-free access came by way of preferences.

Figure 6. : Duties Collected on United States Goods Imported from AGOA Countries, 1995-2021

In Millions of Dollars



Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov

III.C. Three Causes of Dutiability: Extraordinary Tariffs, Rules of Origin, and AGOA Exclusions

Many imports from AGOA countries remain dutiable. As already seen in Figure 3, the share of dutiable imports from AGOA countries bottomed out in 2006-10, and the share rose in each of the following five-year periods. As may be appreciated from the data in Figure 6, this has resulted in a sharp increase in the duties paid on imports from these countries (and particularly South Africa).

Table 4. Leading Dutiable Items in United States Imports from AGOA Countries, 2019-2021

Average Annual Values for 2019-2021

		Tariffs Collected ($Actual)	Total Imports ($Millions)	Average Collected Duty
Duty-Free on an MFN Basis but Subject to Section 232 Tariffs				
7210.49.00	Iron/nonalloy steel, width 600mm+, flat-rolled	16,219,369	83.0	19.5
7606.12.30	Aluminum alloy, plates/sheets/strip	13,686,416	130.3	10.5
7304.19.10	Iron (not cast) or nonalloy steel, seamless line pipe	2,662,853	10.7	24.9
7601.10.60	Aluminum (other than alloy), unwrought	979,596	10.9	9.0
7219.34.00	Stainless steel, width 600mm+, cold/flat-rolled	943,370	3.8	25.0
7219.33.00	Stainless steel, width 600mm+, cold/flat-rolled	685,295	4.4	15.5
7217.20.30	Iron/nonalloy steel, round wire, <0.25% carbon	405,282	1.6	24.7
7219.35.00	Stainless steel, width 600mm+, cold/flat-rolled	204,867	0.8	25.0
7209.17.00	Iron/nonalloy steel, width 600mm+, cold/flat-rolled	119,047	0.5	25.0
Textile and Apparel Products (Presumably Did Not Meet Rules of Origin)				
6109.10.00	T-shirts, singlets, tank tops etc., of cotton	760,073	39.0	2.0
6205.20.20	Men's or boys' shirts, of cotton	621,397	119.1	0.5
6110.20.20	Sweaters, pullovers etc., of cotton	449,725	35.3	1.3
6110.30.30	Sweaters, pullovers etc., of manmade fibers	347,516	121.5	0.3
6104.63.20	Women's or girls' trousers, etc., synthetic fibers	336,201	106.2	0.3
6203.42.45	Men's/boys' trousers &shorts, cotton	329,986	236.5	0.1
6109.90.10	T-shirts, singlets, tank tops etc., of man-made fibers	279,475	63.5	0.4
6212.10.90	Brassieres, not containing lace, net or embroidery	263,084	11.2	2.3
6306.12.00	Tarpaulins, awnings etc., of synthetic fibers	220,989	2.5	8.8
6103.43.15	Men's or boys' trousers etc., of synthetic fibers	206,825	39.8	0.5
6204.62.80	Women's or girls' trousers, breeches etc., cotton	204,864	92.3	0.2
6103.42.10	Men's or boys' trousers, breeches etc., of cotton	143,342	10.4	1.4
5503.20.00	Synthetic staple fibers, of polyesters	131,106	3.0	4.3
Designated for AGOA but Not Eligible or Not Claimed				
2709.00.20	Petroleum oils, crude, testing 25° A.P.I. or more	3,414,548	4,118.1	0.1
2008.19.90	Other nuts and seeds, excluding mixtures	885,952	5.9	14.9
3922.10.00	Baths, shower baths and washbasins, of plastics	367,899	6.1	6.0
2710.19.11	Distillate and residual fuel oil, 25° A.P.I. or more	228,594	174.4	0.1
8111.00.47	Unwrought manganese flake	213,222	13.0	1.6
1515.90.80	Fixed vegetable fats and oils and their fractions	184,828	8.0	2.3
7607.11.30	Aluminum, foil, w/thickness n/o 0.01 mm, rolled	183,499	4.5	4.1
Product Not Designated for AGOA Treatment				
2008.70.20	Peaches, otherwise prepared or preserved	1,011,270	5.9	17.0
8111.00.49	Unwrought manganese	715,729	5.1	14.0
2008.97.90	Mixtures of fruit or other edible parts of plants	283,405	1.9	14.9
0712.90.40	Dried garlic, whole, cut, sliced, broken or powder	137,789	0.5	29.8

Note that import data include all imports from AGOA countries of these goods (AGOA or MFN).
The "Average Collected Duty" is therefore often lower than the MFN tariff.

Source: Calculated from USITC DataWeb at https://dataweb.usitc.gov/

Box 2: The AGOA Rules of Origin

Rules of origin (RoO) are a necessary component of any preferential trade arrangement, as those programs and agreements would otherwise be vulnerable to transshipment and other abuses. Proper RoO will strike a balance whereby they are sufficiently strict so as to ensure that preferences are extended only to the legitimate products of one's partner, yet not so strict as to make a program or agreement unworkable. The data reviewed in this submission suggest that the AGOA rules lean too heavily in one direction, as many items that are nominally eligible for AGOA continue to face MFN tariffs on entry into the United States market.

One way to improve AGOA RoO is to lower the threshold of the required value-added. Under the existing rules, a good must generally contain 35% local value-added. This ad valorem percentage requirement is directly inherited from the GSP program, where the United States rules have been unaltered since the enactment of the original authorizing legislation (the Trade Act of 1974).

Several factors influence in favor of a lower threshold value. One is that MFN rates were much higher in the early 1970s than they are today, which created greater incentives to meet the costs of compliance. Moreover, the model of industrial development has completely changed over the past half-century. Global production is no longer dominated by vertically integrated value chains in a single country, being marked instead by a more distributed system of production in which a variety of countries carry out different tasks that are based on their location and comparative advantages. It is simply anachronistic to expect African countries to develop an industrial capacity capable of contributing 35% value-added. The underlying objective of encouraging export diversification in sub-Saharan Africa would be much better served if AGOA countries could incorporate more intermediate materials from third countries. That is a point that the AGOA legislation implicitly recognizes for the apparel sector.

A submission of the Least Developed Country (LDC) Group at the World Trade Organization (WTO) Committee on Rules of Origin outlines the limitations of the current value-added rules under the GSP and AGOA (available online at https://www.wto.org/english/forums_e/public_forum22_e/pf22_session_fullpage_e.htm?session=256). These improvements would also include a revision of the ad valorem calculation methodology, and the deduction of the cost of insurance and freight from the ad valorem percentage calculation to bring United States practice into line with the methodologies of its FTAs. There is substantial precedent for the United States to undertake the requested reforms. When the European Union reformed its preferential rules in 2011, for example, it lowered the threshold for a number of products to an equivalent 30% value-added. The Nairobi Decision on preferential rules of origin for LDCs calls for 25% value-added (expressed as 75% non-originating materials). Most recently, in August 2022 the United Kingdom adopted RoO with a threshold of 25% for a number of products as requested by the LDCs.

Another important aspect of possible improvement is the extension of cumulation of rules of origin to all African Continental Free Trade Agreement (AfCFTA) members. Current United States law already permits regional cumulation among AGOA beneficiaries. The extension of AGOA cumulation to all AfCFTA members, including those in North Africa, could significantly incentivize productive investment and the establishment of regional value chains. Under the combined effect of the AfCFTA and AGOA, producers located in Africa could source intermediates from all member States benefiting from AfCFTA preferences and also meet the AGOA RoO. The combination of these trade preferences could open new trading and investment opportunities.

The data in Table 4 identify the principal reasons why some items imported from sub-Saharan Africa remain dutiable and suggest that the remaining gaps in AGOA coverage are the least of these. The most significant cause of dutiability is instead the imposition of high and extraordinary duties under Section 232 of the Trade Expansion Act of 1962 on iron, steel and aluminum products imported from South Africa. This one action is responsible for the great majority of the tariffs that remain on goods imported from AGOA countries.

A second reason for dutiability is the failure of some imports either to meet the AGOA rules of origin or, in some cases, to claim the eligibility to which they were due. The former may be assumed to be the case for

all of the apparel items shown in Table 4, given the high rates of duty that were consequently paid on these items, but one cannot be sure about some goods "Designated for AGOA but Not Eligible or Not Claimed." The fact that many of the textile and apparel items shown in Table 4 have been subject to average tariffs below 1% indicates that the great majority of these imports have entered free of duty. It is nonetheless notable that during 2019-2021 exporters in the AGOA countries paid an average of $5.2 million per year to the United States in tariffs on textile and apparel products, and that over the full 2001-2021 period these payments totaled $358.8 million.

The other seven goods for which AGOA preferences were not always claimed can be further divided into two types. One consists of those items that are otherwise subject to very low MFN rates, and in some cases the exporters may consider the formalities of proving eligibility to be costlier than the tariffs. That is clearly not the case for others such as HTS item 2008.19.90 (other nuts and seeds, excluding mixtures), on which average tariffs of 14.9% were paid. In this case, it could be assumed that the exporters did not claim AGOA treatment because they did not meet the AGOA rules of origin. These are the types of goods to which the analysis in Box 2 is devoted.

A final category shown in Table 4 consists of goods that have not been designated for preferential treatment under this program. These currently comprise a relatively small share of total imports and total duties paid, but one can only speculate on how much imports might be boosted if exporters of these goods were relieved of the high MFN duties that they must now pay. The potential market for HTS item 2008.70.20 (prepared or preserved peaches) seems especially promising, with South Africa currently being the fifth largest supplier (after Greece, China, Chile, and Spain) in a $123 million import market. Prospects for growth might also be high for HTS item 0712.90.40 (dried garlic), where China currently supplies three-quarters of the United States market and South Africa — a distant second — remains subject to the same, high 29.8% tariff. Except for that garlic, all of these AGOA-ineligible are eligible for duty-free treatment under the GSP when imported from least-developed beneficiary countries.

Beyond those four items identified at the bottom of Table 4, there are not many items left that are both (a) exported by AGOA countries and (b) formally excluded from the program's coverage. This can be seen by the fact that Table 5, in which several items are identified that meet both of those criteria, includes some goods for which current United States imports from AGOA countries are negligible. Those levels may nevertheless be inhibited by the very high tariffs that some of these items face, and one can only speculate on how much the AGOA countries might be able to export if they were to enjoy preferential access to the United States market. For example, HTS item 2106.90.80 (certain food preparations containing milk solids and sugar) is subject to a compound tariff of 70.4¢/kilogram plus 8.5%, which works out to a 71.1% AVE tariff for imports from Nigeria. It is possible that Nigeria might be able to export considerably more than $670 per year, were its shipments relieved of this tariff — and especially if these expanded preferences resulted in new investment in Nigerian production of this item.

Table 5. Leading Items not Designated for AGOA among United States Imports from AGOA Countries, 2019-2021
Based on Dutiable Imports from AGOA Countries; Average Annual Values for 2019-2021

HTS Number	Description	Main Suppliers among AGOA Countries	Tariffs Collected ($Actual)	Total Imports ($Actual)	Average Duty
0402.29.50	Milk & cream, concentrated, sweetened, in powder	Cabo Verde, Nigeria	15,731	31,549	49.9
0402.99.90	Milk & cream, concentrated and sweetened	South Africa	215	853	25.2
0712.90.40	Dried garlic, whole, cut, sliced, broken or powder	South Africa	137,789	462,374	29.8
1701.14.50	Other cane sugar, raw solid form, w/o flavoring or coloring	Eswatini, Mauritius, South Africa	3,933	72,868	5.4
1701.99.50	Cane/beet sugar & pure sucrose, refined, solid	South Africa, ,Ghana	95,092	2,287,046	4.2
1806.10.15	Cocoa powder, sweetened, less than 65% sugar	South Africa, Nigeria	3,589	130,591	2.7
1806.90.49	Chocolate and preparations w/cocoa, over 65% sugar	South Africa, Kenya	421	1,314	32.0
2008.11.60	Peanuts, otherwise prepared or preserved	Togo, Ghana	5,193	3,940	131.8
2008.50.40	Apricots, other than pulp, otherwise prepared or preserved	South Africa	79,590	267,081	29.8
2008.70.20	Peaches, otherwise prepared or preserved	South Africa	1,011,270	5,948,590	17.0
2008.97.90	Mixtures of fruit or other edible parts of plants	South Africa, Senegal, Eswatini	283,405	1,901,998	14.9
2101.20.58	Preparation over 10% sugar w/basis of extract/essence	Kenya	27,855	232,656	12.0
2106.90.80	Food preparations, over 10% milk solids, over 10% sugar	Nigeria	477	670	71.1
8111.00.49	Unwrought manganese	South Africa	715,729	5,112,332	14.0

Note: Rates shown in underline are ad valorem equivalents calculated on the basis of actual imports from AGOA countries in 2019-2021.

Source: Calculated from USITC DataWeb at https://dataweb.usitc.gov/.

IV

SECTORAL PERSPECTIVES: APPAREL, MINERALS AND OTHER PRODUCTS

In this section, trends in United States trade with specific sub-Saharan African countries and major categories among them are examined. One category consists of countries for which textile and apparel exports are significant and for whom the AGOA rules are critically important. By contrast, the program is far less significant to mineral exporters whose goods would, in the absence of this program, otherwise be subject to low or zero MFN duties. Yet a third group consists of countries for which neither the textile nor the mineral sectors are dominant.

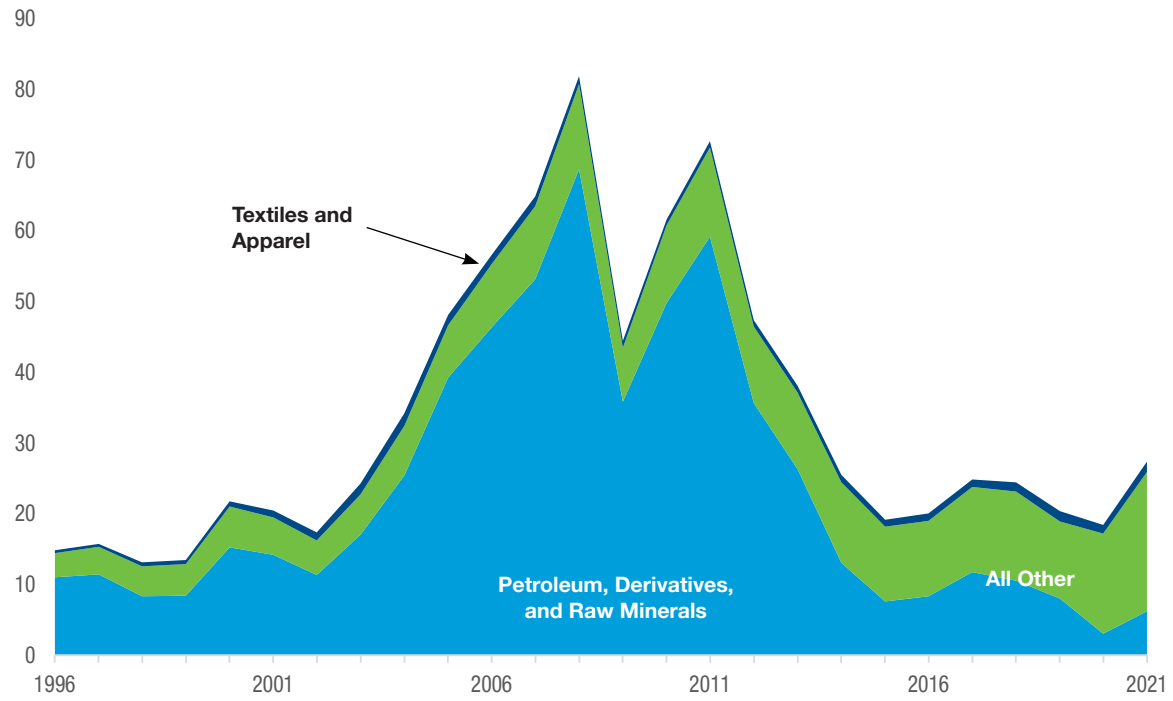
IV.A. Three Principal Categories by Sectoral Concentration

The data in Figure 7 and in Table 6 isolate two special sectors. One is petroleum, its derivatives, and other raw minerals, which has long been the largest sector in United States imports from sub-Saharan Africa. Imports of textiles and apparel have never come close to those in the minerals sector, but nonetheless deserve close attention on two additional grounds: They dominate the exports of several African countries and are also the one sector for which the AGOA's architects had the greatest hope. That hope rested not just on the very high MFN duties that the United States imposes on these goods, but also on their exclusion from the GSP. It was hoped that, like the Caribbean Basin Initiative before it, much of the benefits from AGOA would stem from this special treatment extended to a more select circle of apparel-exporting developing countries.

The data in Table 6 classify the AGOA countries in four categories. Two of them are for textile exporters, further divided here between the six major exporters (for whom recent textile and apparel exports accounted for at least 10% of total United States imports) and six others that are each above a 5% threshold. At least two of the countries classified here as "other" textile and apparel exporters might better be called "former" exporters, insofar as their share of United States imports was much lower from 2019-2021 than it had been prior to AGOA. The reasons for that decline are discussed below. These textile exporters are to be distinguished on the one hand from the 20 countries that rely principally on mineral exports, and a third group of seven countries that do not fit in either the textile or mineral groups.[11] These admittedly broad categories offer some useful distinctions regarding the overall patterns in United States imports from AGOA countries over the past two decades.

Figure 7. : United States Imports from AGOA Countries by Major Category, 1996-2021

Imports for Consumption, in Billions of Dollars



Textiles and Apparel = All items in HS chapters 50-63.
Petroleum, Derivatives, and Raw Minerals = All items in HS chapters 25-27.
Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov

[11] Note that the only borderline case is Cabo Verde, where textile and apparel products accounted for 20.0% of United States imports in 1998-00 but minerals and derivatives accounted for 61.9% in that same period; by 2019-2021, imports of both products fell below that threshold level. Cabo Verde is classified here in the minerals and derivatives group.

Table 6. Three Principal Categories of AGOA Beneficiary Countries

Total United States Imports by Product Category in Three-Year Periods, in Millions of Dollars, Imports for Consumption

	Textiles and Apparel				Petroleum, Derivatives, and Raw Minerals				All Other Products			
	Imports 1998-2000	Imports 2019-2021	% Change	2019-2021 Share	Imports 1998-2000	Imports 2019-2021	% Change	2019-2021 Share	Imports 1998-2000	Imports 2019-2021	% Change	2019-2021 Share
Major Textile Exporters												
Ethiopia	0.1	691.9	>99,999.9	40.7	8.7	0.0	- 100.0	0.0	102.4	1,006.2	882.7	59.3
Kenya	117.2	1,288.1	999.1	67.1	0.6	100.5	17,352.5	5.2	197.3	532.2	169.8	27.7
Lesotho	351.0	854.7	143.5	87.2	0.0	0.0	—	0.0	0.2	125.6	56,309.4	12.8
Madagascar	177.3	730.9	312.2	34.2	6.6	184.7	2,690.8	8.6	125.4	1,220.5	873.1	57.1
Mauritius	710.5	301.3	- 57.6	35.8	0.0	14.1	—	1.7	100.9	526.2	421.8	62.5
United Rep. of Tanzania	11.1	124.2	1,017.0	36.4	0.5	5.2	843.6	1.5	89.7	212.0	136.4	62.1
Other Textile Exporters												
Benin	5.5	0.9	- 84.3	3.8	3.5	0.0	- 100.0	0.0	14.7	21.6	47.6	96.2
Botswana	27.8	0.0	- 100.0	0.0	0.0	0.0	—	0.0	49.3	711.9	1,344.3	100.0
Burkina Faso	2.5	0.1	- 97.4	0.4	<0.1	<0.1	-77.8	<0.1	3.3	14.7	350.0	99.5
Eswatini	71.5	5.5	- 92.3	9.4	<0.1	0.0	- 100.0	0.0	43.9	53.4	21.6	90.6
Malawi	8.8	4.6	51.9	2.7	0.0	0.0	—	0.0	156.7	163.8	4.5	97.3
Mali	2.3	0.2	- 89.0	2.5	0.0	0.1	—	0.7	18.4	9.8	- 46.8	96.9
Mineral Exporters												
Angola	0.0	0.0	—	0.0	7,825.4	2,406.9	- 69.2	94.4	91.7	143.5	56.5	5.6
Cabo Verde	0.9	<0.1	- 96.1	0.3	2.8	0.0	- 98.8	0.3	0.8	12.6	1,458.3	99.5
Chad	0.0	0.0	—	0.0	0.0	132.6	—	91.2	19.0	12.8	-32.4	8.8
Congo	0.0	<0.1	135.6	<0.1	1,095.5	586.2	- 46.5	88.6	137.7	75.5	- 45.2	11.4
Democratic Republic of the Congo	0.0	<0.1	36.1	<0.1	351.6	19.5	-94.4	6.1	263.4	301.9	14.6	93.9
Côte d'Ivoire	1.6	0.3	- 81.0	<0.1	135.9	136.0	0.1	4.5	996.3	2,892.8	190.4	95.5
Gabon	0.0	<0.1	411.0	<0.1	4,325.1	241.6	- 94.4	77.3	356.1	71.1	- 80.0	22.7
Gambia	0.2		0.1	- 66.9	1.4	0.4	0.0	- 100.0	0.0	2.5	3.7	43.7	98.6
Ghana	11.9		49.0	311.5	1.4	78.6	2,402.3	2,957.2	70.7	469.1	948.2	102.1	27.9
Guinea	0.4		0.2	- 54.5	0.7	270.4	4.6	- 98.3	16.0	48.5	23.9	- 50.7	83.3
Guinea-Bissau	0.0		0.0	—	0.0	1.8	0.0	- 100.0	0.0	0.5	2.6	440.9	100.0
Mozambique	0.2		0.1	- 32.7	<0.1	2.8	147.7	5,205.8	35.7	57.5	265.5	362.0	64.2
Namibia	0.2		0.1	- 44.5	<0.1	24.5	19.9	- 18.9	5.0	99.1	374.6	277.9	94.9
Nigeria	5.2		8.3	60.5	0.1	16,749.6	9,331.6	- 44.3	94.0	1,701.3	588.8	- 65.4	5.9
Rwanda	<0.1		0.3	657.3	0.3	5.8	19.2	230.5	17.5	6.9	90.6	1,208.3	82.3
São Tomé and Príncipe	<0.1		<0.1	- 11.7	0.6	1.6	0.0	- 100.0	0.0	2.2	3.6	58.8	99.4
Senegal	1.0		1.6	50.1	0.4	7.8	97.3	1,149.6	25.6	18.1	281.6	1,459.1	74.0
Sierra Leone	0.8		1.0	28.0	1.2	1.3	10.5	689.7	13.3	24.3	67.3	176.8	85.4
South Africa	415.7		84.3	- 79.7	0.2	1,106.8	1,436.0	29.7	4.2	8,927.2	32,814.3	267.6	95.6
Togo	0.2		0.1	- 42.1	0.3	3.1	0.0	- 100.0	0.0	7.7	50.2	548.9	99.7
All Other													
Central African Republic	0.0		0.0	0.0	0.0	<0.1	0.0	- 100.0	0.0	8.6	6.3	- 26.4	100.0
Comoros	0.1		0.1	23.0	0.6	0.3	0.0	- 100.0	0.0	6.0	12.1	100.7	99.4
Djibouti	<0.1		0.2	29,612.8	0.2	0.0	0.0	—	0.0	1.1	103.6	9,691.1	99.8
Liberia	<0.1		<0.1	- 2.1	<0.1	<0.1	1.4	53,301.4	0.7	101.7	183.5	80.4	99.2
Niger	0.2		0.2	- 35.1	0.1	<0.1	0.0	- 100.0	0.0	13.3	219.5	1,551.9	99.9
Uganda	<0.1		0.3	1,702.3	0.1	1.3	1.9	46.2	0.7	63.2	251.8	298.5	99.2
Zambia	0.3		0.1	- 63.9	<0.1	<0.1	<0.1	706.1	<0.1	102.5	327.7	219.7	100.0
All AGOA	1,924.7		4,148.6	115.5	6.3	32,012.4	17,299.9	- 46.0	26.1	14,428.4	44,727.5	210.0	67.6

Major Textile Exporters = Textile and apparel products accounted in 2019 for at least 10.0% of total United States imports, and were greater than the minerals imports.
Other Textile Exporters = All others for whom textile and apparel products accounted in either period for at least 5.0% of total United States imports, and were greater than minerals imports.
Textiles and Apparel = All items in HS chapters 50-63.
Mineral Exporters = Minerals and derivatives products accounted in either period for at least 5.0% of total United States imports and were greater than textile and apparel imports.
Petroleum, Derivatives, and Raw Minerals = All items in HS chapters 25-27.
Source: Calculated from USITC DataWeb at https://dataweb.usitc.gov/.

IV.B. Trends in United States Imports of Textiles and Apparel

The textile and apparel provisions of AGOA constitute a special regime-within-a-regime. To simplify, AGOA-eligible countries that wish to export apparel duty-free to the United States must first be certified as compliant with the program's "wearing apparel" provisions. These generally require that the country establish effective product visa systems to prevent illegal transshipment and the use of counterfeit documentation, as well as enforcement and verification procedures. All countries classified here as textile exporters were eligible for the additional preferences in this sector at the end of 2021; the dates on which they acquired that eligibility vary widely.[12] Countries that are so certified then fall into two categories, based on whether they benefit from a special rule available to countries that meet the AGOA definition of least developed countries (LDCs).[13] AGOA initially allowed duty-free access for apparel made in LDCs from non-originating fabric for a four-year period; later reforms to the program extended this provision by several years at a time. AGOA countries that are not designated as LDCs, or for which this rule is suspended, are required to meet stricter rules of origin. Like the FTAs of the United States, those rules generally require that apparel be made from United States fabric, yarn, and thread; or from domestically produced fabric and yarns; or from fabrics and yarns produced in AGOA-beneficiary countries.

An analyst must consider three factors when reviewing the shifting circumstances of AGOA textile and apparel exporters: the margins of preference, the rules of origin, and quotas. Of these factors, the third is arguably the most important. The early years of the AGOA program coincided with the final years of the Multifibre Arrangement (MFA), a global quota system that had restricted textile and apparel trade since 1974. The United States and other developed countries agreed in the Uruguay Round negotiations to phase out the MFA quota system, which was done in stages from 1995 through 2005. While many developing countries saw the MFA as an instrument that stifled their exports, others perceived in its waning years that quota access offered something akin to a guaranteed market. The principal question for AGOA thus came down to whether the high margins of preference that the program offered in this sector, when coupled with generous rules of origin for some beneficiaries, could make up for the disappearance of the quota regime.

The data summarized in Table 7 suggest that AGOA exporters as a group have struggled to remain competitive in the post-MFA market. This is not a phenomenon unique neither to AGOA nor to its beneficiary countries, as the same trend can be seen across United States preferential programs. Shares of the United States import market variously peaked in the late MFA period (for Caribbean Basin suppliers), or early in the MFA phase-out (for FTA partners), or even in the late MFA phase-out period (for AGOA beneficiaries), but all of these preferred partners eventually saw their shares either plateau or decline. The collective shares held by these three categories of preferred United States partners rose from 28.5% in the late MFA period to 37.9% during the early MFA phase-out, then peaked at 38.4% in the late MFA phase-out. During the present, late post-phase-out period they have collectively provided 19.4% of United States textile and apparel imports — not much more than half the level achieved during that late MFA phase-out period. Looking more specifically at AGOA beneficiaries, their share during this latest period was the same 0.9% that it had been in the years immediately preceding the introduction of AGOA preferences.

Table 7. Shares of the United States Import Market for Textile and Apparel Products
Shares of Total United States Imports of Textile and Apparel Products in Each Period

Period	Years	AGOA	CBERA	FTA Partners	China	Rest of World
Late MFA	1989-1994	0.7%	1.4%	26.4%	40.3%	31.2%
Early MFA Phase-Out	1995-1999	0.9%	1.2%	35.8%	47.8%	14.4%
Late MFA Phase-Out	2000-2004	1.6%	0.6%	36.2%	49.7%	12.0%
Early Post-Phase-Out	2005-2010	1.3%	0.5%	22.8%	54.7%	20.7%
Late Post-Phase-Out	2011-2021	0.9%	0.8%	17.7%	53.3%	27.3%

See Figure 2 for descriptions of country categories.
Source: Calculated from USITC DataWeb at https://dataweb.usitc.gov/.

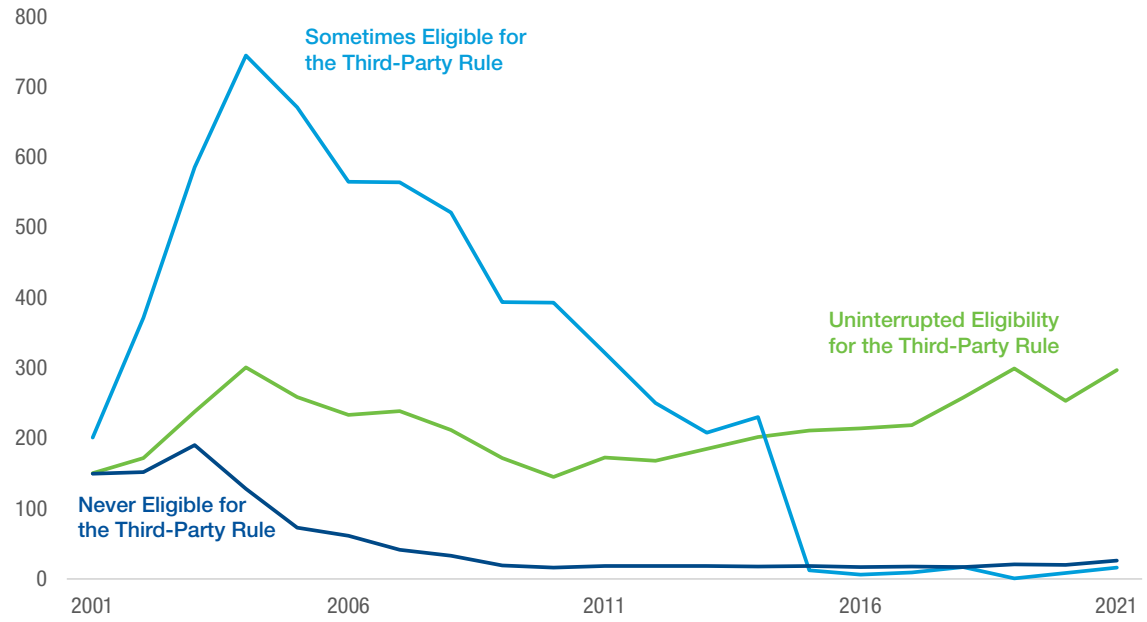
[12] Ethiopia and Mali both lost that eligibility as of 1 January 2022 but are still shown in the statistics in this study as textile exporters insofar as they still held that status during the period reviewed.

[13] It is notable that there is little correspondence between the list of countries receiving LDC treatment for AGOA purposes and those listed as LDCs in the United Nations system (as enumerated at https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/ldc_list.pdf). The countries that are classified by the United States as LDCs for this purpose, but not by the United Nations, include Botswana, Cabo Verde, Ghana, Kenya, Mauritius, Namibia and the United Republic of Tanzania. Conversely, the following are sub-Saharan African countries classified by the United Nations as LDCs but not designated by the United States for this third-party LDC rule: Angola, Burundi, Central African Republic, Comoros, Democratic Republic of the Congo, Djibouti, Eritrea, the Gambia, Guinea, Guinea-Bissau, Sao Tome and Principe, Somalia, South Sudan, Sudan and Togo.

The data illustrated in Figure 8 clearly suggest that outcomes for AGOA countries depend critically on their access to the third-party rule for LDCs. Middle-income countries that are ineligible for this rule saw their exports to the United States drop rapidly after the MFA quotas were fully phased-out,[14] while the circumstances of others have been greatly influenced by their eligibility for this rule. Twenty-one countries remained eligible for the third-party rule during 2021,[15] two of which —Ethiopia and Mali — were removed from AGOA altogether at the start of 2022. Another four AGOA beneficiaries have at times been eligible for this treatment but lost it prior to 2021. The most significant changes came in 2015, with the removal of Eswatini (formerly known as Swaziland) from AGOA benefits, followed by its reinstatement of AGOA benefits in 2017 and then the third-party eligibility in 2018. Whereas imports of textile and apparel products from Eswatini had peaked at $178.6 million in 2004 (up from $16.3 million in 1998), they fell slowly from 2005 to 2014 and sharply thereafter, plummeting to $42,414 by 2019. Imports have grown gradually since Eswatini's eligibility for the third-party rule was reinstated, but still amounted to just $3.7 million 2021. Rwanda, likewise, lost this eligibility in 2018,[16] as did the Gambia and the Niger in 2020. The countries whose third-party eligibility has either been sporadic or terminated collectively accounted for 8-12% of United States imports in this sector from AGOA countries during 2002-2011, but since 2015 they have not contributed more than 0.3%.

Figure 8. : United States Textile and Apparel Imports from AGOA Countries, 2001-2021

Index, 100 = Average Value for 1998-00



See the text for the composition of these three groups.
Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov.

Table 8 offers more detail on the textile and apparel products that the United States now imports from AGOA countries. Perhaps the most telling observation here is that the items tend to respond to price signals, as expressed in higher MFN duties and correspondingly high margins of preference. In 2021 the average MFN duty paid on United States dutiable imports of textile and apparel products from all sources was 16.5%. Only the five smallest items among the fifteen AGOA-origin products shown in Table 8 would have been subject to that average 16.5% rate, or a lower one, if they were imported on a non-preferential basis. Nearly half the products on this list were instead subject to MFN tariffs higher than 20%, suggesting that the apparel producers in the region aim at those items for which the price advantages of tariff preferences are greatest. It is also notable just how many of these imports make full use of AGOA preferences. For nearly all items in the table, the AGOA utilization rate was 97.9% or greater.

[14] South Africa is chief among the apparel-exporting AGOA countries that have never benefited from the third-party rule. That country's share of United States imports in this sector from AGOA countries started at 21.5% in 2001 but declined steadily after that. By 2021 it was just 2.1%.

[15] Benin, Botswana, Burkina Faso, Cabo Verde, Chad, Ethiopia, Ghana, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Senegal, Sierra Leone, Uganda, United Republic of Tanzania and Zambia.

[16] While some of the decisions affecting AGOA country eligibility have been made for non-commercial reasons, the decision to suspend Rwanda's benefits stemmed from a trade issue (i.e., its ban on imports of second-hand clothes).

Table 8. Top 15 Textile and Apparel Products Imported from AGOA Beneficiary Countries, 2019-21
Import Data in Millions of Dollars, Imports for Consumption

HTS Number	Description	Average 2019-2021 $Millions	Share of All AGOA	Principal AGOA Suppliers	MFN Tariff Rate	AGOA Utilization Rate
6203.42.45	Men's/boys' trousers and shorts, of cotton	236.5	1.1	Kenya, Madagascar, Lesotho, Ethiopia	16.6%	99.2%
6110.30.30	Sweaters, pullovers and similar articles, manmade fibers	121.5	0.6	Kenya, Lesotho, Madagascar, Ghana	32.0%	99.1%
6205.20.20	Men's or boys' shirts, not knitted or crocheted, of cotton	119.1	0.5	Madagascar, Mauritius, Ethiopia, Kenya	19.7%	97.4%
6104.63.20	Women's or girls' trousers, breeches etc., synthetic fibers	106.2	0.5	Lesotho, Kenya, Mauritius, Madagascar	28.2%	98.8%
6204.62.80	Women's or girls' trousers, breeches etc., of cotton	92.3	0.4	Madagascar, Kenya, Ethiopia, Lesotho	16.6%	98.6%
6203.43.90	Men's/boys' trousers, breeches, etc. synthetic fibers	71.9	0.3	Kenya, Ethiopia, Madagascar, Lesotho	27.9%	99.8%
6105.20.20	Men's or boys' shirts, of manmade fibers	70.2	0.3	Madagascar, Lesotho, Kenya, Ethiopia	32.0%	99.6%
6204.63.90	Women's or girls' trousers, breeches etc., synthetic fibers	67.4	0.3	Kenya, Madagascar, Ethiopia, Lesotho	28.6%	99.6%
6109.90.10	T-shirts, singlets, tank tops etc., of manmade fibers	63.5	0.3	Madagascar, Lesotho, Kenya, Tanzania	32.0%	98.6%
6103.43.15	Men's or boys' trousers, breeches etc., of synthetic fibers	39.8	0.2	Lesotho, Kenya, Ethiopia, Madagascar	28.2%	97.9%
6109.10.00	T-shirts, singlets, tank tops etc., of cotton	39.0	0.2	Kenya, Ethiopia, Madagascar, Mauritius	16.5%	88.2%
6110.20.20	Sweaters, pullovers and similar articles, of cotton	35.3	0.2	Kenya, Madagascar, Mauritius, Ethiopia	16.5%	92.2%
6104.62.20	Women's or girls' trousers, breeches etc., of cotton	24.8	0.1	Ethiopia, Lesotho, Madagascar, Mauritius	14.9%	97.8%
6211.43.10	Women's or girls' track suits etc., of manmade fibers	21.0	0.1	Kenya, Madagascar, Ghana, Ethiopia	16.0%	99.6%
6111.20.60	Babies' garments and clothing accessories, of cotton	18.8	0.1	Ethiopia	8.1%	98.8%

Share of All AGOA = Imports of this product 2019-2021 as a share of all United States goods imports from AGOA countries.
Textiles and Apparel = All items in HS chapters 50-63.
MFN Tariff Rate = The MFN (NTR) tariff rate reported in the Harmonized Tariff Schedules of the United States for 2021.
AGOA Utilization Rate = The share of United States imports from AGOA countries in 2019-2021 that entered under AGOA.
Principal suppliers are shown in descending order of importance, and list only countries that (1) accounted for over 5% of imports from the region and (2) fit in the space.
Source: Calculated from USITC DataWeb at https://dataweb.usitc.gov/.

IV.C. Trends in United States Imports of Petroleum, Derivatives, and Raw Minerals

The larger patterns reviewed earlier underlined the very large share of United States. imports from AGOA countries that are in the petroleum and raw minerals sector. The rise and fall of imports from this sector have been so large that any analyst who failed to examine it separately might, on the basis of the overall AGOA import data, reach a hasty conclusion regarding the limited value of this program. That would be a particularly unfortunate judgment, considering three grounds on which it should be expected that preferences have less effect on trade in mineral products and their derivatives. First, these items are usually subject to very low or zero MFN tariffs, and hence no program can offer any substantial margin of preference. Second, even if tariff preferences were very large, they could not change a country's resource endowments. Third, these items are subject to broader global trends in supply, demand and price. All of these points stand out when looking more closely at United States trade in this sector with the AGOA countries.

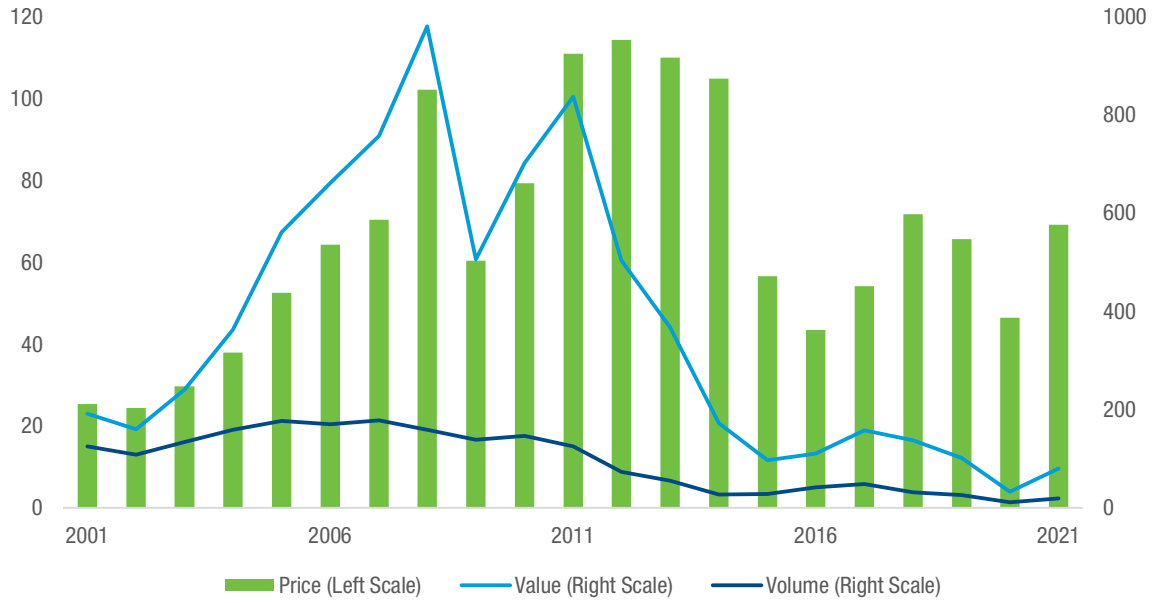
Crude oil and petroleum derivatives constitute the largest segment of the minerals sector. Shifting trade in these products has less to do with changes in production or competitiveness than it does with increasing United States oil production, a consequent decline in imports and a redirection of those imports. The peak year for global United States imports of crude oil was 2008, when total imports in this sector reached $275.0 billion and 24.3% of these imports came from six AGOA countries.[17] By 2021 that total had fallen to $122.5

[17] In order of value: Nigeria, Angola, Congo, Equatorial Guinea, Chad and Gabon.

billion, and just 2.9% of it came from those six countries. African petroleum-related exports have likewise undergone a major redirection. According to WITS data, the share of sub-Saharan African exports of fuels going to the United States fell from 37.6% in 2000 to 5.0% in 2019. During that same period, the share destined for China rose from 2.8% to 10.1%, and that going to Europe and Central Asia went from 9.7% to 34.5%.[18]

Figure 9. : United States Petroleum and Derivative Imports from AGOA Countries, 2001-2021

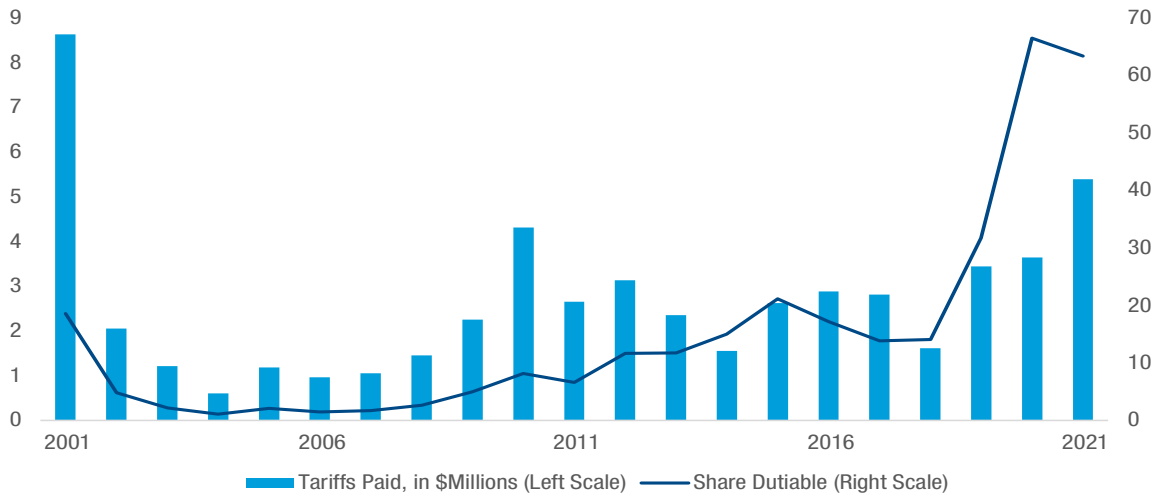
Prices on the Left Scale Expressed in Average Dollars per Barrel
For Values on the Right Scale 100 = Average Value for 1998-2000



Based on United States Imports of SITC 33 when denominated in barrels; does not include value or volume for imports denominated in kilograms, liters, or tons.
Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov.

These import patterns are also heavily influenced by price trends. As can be seen from the data in Figure 9, the rising imports of AGOA-origin petroleum and derivatives was more attributable to price than to volume. The average price of petroleum products imported from AGOA partners was just $25.39 per barrel in 2001 but quadrupled to $102.10 in 2008 (the peak year in total value) and then to $114.28 in 2010 (the peak year in price per barrel). The average price in 2021 ($69.12) remained higher than it had been in 2001, but overall values and volumes have lately been much lower than they were in the earliest years of the AGOA program.

Figure 10. : Tariff Treatment of United States Petroleum and Derivative Imports from AGOA Countries, 2001-2021



Based on United States Imports of SITC 33.
Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov.

[18] Calculated from data at https://wits.worldbank.org/CountryProfile/en/Country/SSF/Year/2000/TradeFlow/Export/Partner/all/Product/27-27_Fuels and https://wits.worldbank.org/CountryProfile/en/Country/SSF/Year/2019/TradeFlow/Export/Partner/all/Product/27-27_Fuels.

The data in Figure 10 pose a more difficult analytical problem, as they show a decreasing utilization of AGOA for petroleum-related products and a consequent increase in the tariffs paid on these imports. Well over half of these imports were dutiable in 2020 and 2021, resulting in millions of dollars in tariffs. There are two explanations that might account for this apparent anomaly. One is that the duties in this sector are quite low, generally in the range of 0.1-0.3% at recent price levels.[19] In contrast to the much higher rates applicable to textile and apparel products, the incentives for shippers to file the papers needed to avoid these nuisance tariffs are lower. Another and more arcane explanation concerns the special operations in United States refineries that are designated as foreign trade zones, which can produce serous distortions in the data. That is a topic which is further considered in Section V.A.

Table 9 offers greater detail on the petroleum-related and other mineral products that comprise this sector. The data clearly show that nine of these fifteen leading products are already duty-free on an MFN basis, and that ad valorem equivalents for the remaining six products are all 0.1% (at recent price levels). The data also provide more granularity on the low rate at which these MFN-dutiable imports utilized either AGOA or GSP preferences.

IV.D. Trends in United States. Imports of Other Products

The data in Table 10 show that even when turning to the residual category of "other" products, a great many of the goods that the United States imports from AGOA countries consist of raw or semi-processed primary products. Just over half of these fifteen leading products are related to minerals or metals, and three others are agricultural products. That leaves only four manufactured items, two of them associated with precious metals and two of them related to motor vehicles. Notably, nearly all imports of those four items from AGOA countries originate in South Africa.

Table 9. Top 15 Petroleum, Derivatives, and Raw Mineral Products Imported from AGOA Beneficiary Countries, 2019-2021
Import Data in Millions of Dollars, Imports for Consumption

HTS Number	Description	Average 2019-2021 $Millions	Share of All AGOA	Principal AGOA Suppliers	MFN Tariff Rate	AGOA/GSP Utilization Rate
2709.00.20	Petroleum oils, crude, testing 25° A.P.I. or more	4,118.1	18.7	Angola, Ghana	0.1%	51.7%
2614.00.60	Titanium ores and concentrates, other than synthetic rutile	253.8	1.2	South Africa, Madagascar, Mozambique	Free	-
2709.00.10	Petroleum oils, crude, testing under 25° A.P.I.	252.3	1.1	Angola, Nigeria	0.1%	73.9%
2620.99.50	Slag containing over 40% titanium	185.9	0.8	South Africa	Free	-
2710.19.11	Distillate and residual fuel oil testing 25° A.P.I. or more	174.4	0.8	Nigeria, Angola	0.1%	13.1%
2710.19.06	Distillate and residual fuel oil testing less than 25° A.P.I.	142.3	0.6	Angola, Congo-Brazzaville, Nigeria	0.1%	6.3%
2710.12.25	Naphthas or preps 70%+ by weight from petroleum oils	93.9	0.4	Nigeria, Angola	0.1%	58.8%
2602.00.00	Manganese ores and concentrates	89.5	0.4	Gabon, South Africa	Free	-
2713.11.00	Coke, petroleum, not calcined	52.0	0.2	Angola, Nigeria, Ghana	Free	-
2710.12.45	Light oil mixtures of hydrocarbons from petroleum oils	39.1	0.2	Ghana, Nigeria	0.1%	19.0%
2711.12.00	Propane, liquefied	31.7	0.1	Ghana, Nigeria, Angola	Free	-
2711.11.00	Natural gas, liquefied	30.1	0.1	Nigeria	Free	-
2712.20.00	Paraffin wax less than 0.75% oil by weight	29.6	0.1	South Africa	Free	-
2615.10.00	Zirconium ores and concentrates	28.8	0.1	South Africa, Senegal	Free	-
2711.29.00	Petroleum gases and other gaseous hydrocarbons	28.7	0.1	Angola, Nigeria, Ghana, Republic of Congo.	Free	-

Share of All AGOA = Imports of this product 2019-2021 as a share of all United States goods imports from AGOA countries.
Petroleum, Derivatives, and Raw Minerals = All items in HS chapters 25-27.
MFN Tariff Rate = Either the MFN (NTR) tariff rate reported in the Harmonized Tariff Schedules of the United States for 2021 or, if that is a specific or compound rate, an ad valorem equivalent (AVE) rate calculated on the basis of the average tariff paid on imports in 2021 from all sources that entered on non-preferential terms. AVEs are indicated by underline.
AGOA/GSP Utilization Rate = The share of United States imports from AGOA countries in 2019-2021 that entered under either AGOA or GSP.
—= AGOA/GSP Utilization Rate is moot because the product is duty-free on an MFN basis.
Principal suppliers are shown in descending order of importance, and list only countries that (1) accounted for over 5% of imports from the region and (2) fit in the space.
Source: Calculated from USITC DataWeb at https://dataweb.usitc.gov/.

[19] These duties are denominated in specific terms, being either 5.25¢ or 10.5¢ per barrel for crude oil (depending on the grade) and similar levels for refined products.

Table 10. Top 15 Non-Textile, Non-Mineral Products Imported from AGOA Beneficiary Countries, 2019-2021
Import Data in Millions of Dollars, Imports for Consumption

HTS Number	Description	Average 2019-2021 $Millions	Share of All AGOA	Principal AGOA Suppliers	MFN Tariff Rate	AGOA Utilization Rate
7110.31.00	Rhodium, unwrought or in powder form	2,300.8	10.4	South Africa	Free	–
7110.21.00	Palladium, unwrought or in powder form	1,182.7	5.4	South Africa	Free	–
7102.39.00	Nonindustrial diamonds, worked, but not mounted or set	1,073.8	4.9	South Africa, Botswana, Mauritius	Free	–
1801.00.00	Cocoa beans, whole or broken, raw or roasted	771.5	3.5	Cote d'Ivoire, Ghana, Nigeria, Democratic Republic of Congo.	Free	–
7110.11.00	Platinum, unwrought or in powder form	575.1	2.6	South Africa	Free	–
7115.90.05	Precious metal articles, incl. metal clad w/precious metal	570.3	2.6	South Africa	Free	–
8703.23.01	Motor vehicles to transport persons, 1,500-3,000cc	543.2	2.5	South Africa	2.5%	99.9%
0905.10.00	Vanilla beans, neither crushed nor ground	332.0	1.5	Madagascar, Uganda, Comoros	Free	–
7102.31.00	Nonindustrial diamonds, unworked or simply sawn etc.	312.7	1.4	South Africa, Botswana, Namibia	Free	–
7110.29.00	Palladium, in semi-manufactured forms	288.7	1.3	South Africa	Free	–
0901.11.00	Coffee, not roasted, not decaffeinated	259.5	1.2	Ethiopia, Uganda, Kenya, Rwanda	Free	–
8421.39.40	Catalytic converters	218.2	1.0	South Africa	Free	–
7113.19.29	Gold necklaces and neck chains	213.4	1.0	South Africa	5.5%	99.9%
7202.41.00	Ferrochromium containing by weight more than 4% carbon	205.3	0.9	South Africa	1.9%	100.0%
3815.12.00	Supported catalysts with precious metal active substance	193.0	0.9	South Africa	Free	–

Share of All AGOA = Imports of this product 2019-2021 as a share of all United States goods imports from AGOA countries.
MFN Tariff Rate = The MFN (NTR) tariff rate reported in the Harmonized Tariff Schedules of the United States for 2021.
AGOA Utilization Rate = The share of United States imports from AGOA countries in 2019-2021 that entered under AGOA.
— = AGOA/GSP Utilization Rate is moot because the product is duty-free on an MFN basis.
Principal suppliers are shown in descending order of importance, and list only countries that (1) accounted for over 5% of imports from the region and (2) fit in the space.
Source: Calculated from USITC DataWeb at https://dataweb.usitc.gov/.

All but three of the fifteen items shown in Table 10 are duty-free on an MFN basis, and thus unaffected by AGOA preferences. That has not prevented large increases in United States imports of these items. To the contrary, here several of the biggest success stories of the AGOA period (if not of AGOA per se) are found. Take the case of HTS subheading 7110, which encompasses several forms of unwrought or semi-manufactured platinum; four such eight-digit items are shown in Table 10. In addition to platinum, these include rhodium, palladium, iridium, and other related metals. South Africa accounts for the vast majority of United States imports of 7110 from Africa.[20] While South Africa achieved first place among all United States suppliers of this product in the same year that AGOA came into effect, that achievement cannot be attributed to these preferences; platinum products were already duty-free on an MFN basis even before the Uruguay Round. Imports from South Africa of items under 7110 rose from $1.5 billion in 2000 to $7.7 billion in 2021; that $6.2 billion increase was larger than the $5.6 billion increase in the value of all United States imports from all AGOA countries over that same period. As of 2021 these platinum imports from South Africa accounted for 49.7% of all United States goods imports from that country, and 28.1% of all imports from all AGOA countries – notwithstanding the fact that AGOA preferences are irrelevant for these products.

South Africa is likewise the major regional supplier for several other products that have seen significant increases since the start of AGOA. It provided 69.6% of the worked nonindustrial diamonds that the United States imported from the AGOA countries in 2021, for example, as well as 55.6% of the unworked nonindustrial diamonds and 99.8% of the nonmonetary gold. What these and several other items have in common, besides their South African dominance and high rates of import growth, are their duty-free MFN status. They offer further support for the contention that preferential access is neither the necessary nor the sufficient cause for any observed rise in United States imports from a specific partner.

[20] The United States also sporadically imports small amounts of these goods from numerous other AGOA beneficiaries, but at far lower volumes and values than from South Africa; none of them have ever shipped as much as $1 million in any year to the United States. These other, occasional suppliers are the Congo, the Democratic Republic of the Congo, Côte d'Ivoire, Eswatini, Ethiopia, Ghana, Guinea, Kenya, Lesotho, Mali, Mauritius, the Niger and Nigeria.

V

UPGRADING IN IMPORTS: HYDROCARBONS, COCOA, AND COTTON GOODS

To what extent do AGOA countries use this opportunity to upgrade their production of goods? This qualitative question is ultimately more important than the purely quantitative issue of whether they make full use of duty-free opportunities for their existing productive capacity, as it addresses the larger issue of whether the AGOA program contributes not just to sheer growth but to real development in sub-Saharan Africa. After reviewing the country-level aggregate data, this section will address whether the trade data tell us anything about product upgrading in the cotton and cocoa sectors.

Product upgrading speaks to areas of special interest in the present review of the AGOA, namely the role that this program may play in supporting the implementation of the African Continental Free Trade Agreement (AfCFTA), its impact on workers and underserved communities, and its contribution to economic development. Those are large questions that are not always directly addressed by the minutiae of trade data, but it may be asserted as a general proposition that all three of these desired outcomes may be served when an upgrading occurs in the products that are made and exported from AGOA beneficiary countries. The more sophisticated a product may be, and the greater the number of components or processes that may be involved or incorporated in its manufacture, the greater is the likelihood that the product in question provides more and better jobs while also encouraging greater co-production across AfCFTA member countries. The benefit that countries obtain from exporting raw materials or semi-processed goods are multiplied if they can process those materials into finished products. The benefits are greater still when these processes are performed in more than one African country. The data reviewed below suggest that AGOA may have made a positive contribution in this respect but could do even more if the gaps in its coverage were to be closed.

V.A. Product Upgrading in the Hydrocarbon Sector

Unlike the cotton and cocoa sectors that will shortly be addressed, where the import data clearly illustrate whether or not AGOA partners are managing to move their production up the value chain, the trade data in the hydrocarbon sector can exaggerate the apparent level of processing that is conducted in an AGOA country. At issue here is a common practice by which crude oil is imported into refineries that are physically located in the United States (mostly along the Gulf Coast) but have been designated as foreign trade zones (FTZs) that are technically outside the customs territory of the country. The product is not actually imported until after it has been refined in that FTZ. Operations of this sort are designed to overcome a tariff inversion, insofar as the specific tariffs applied to crude oil can sometimes (depending on actual prices) entail AVEs that are higher than the tariffs applied to refined products. By not actually "importing" the goods until after they have been transformed, refiners can pay tariff rates that may be just a fraction of a percent lower yet may save millions when done in sufficient quantity.

One of the unintended consequences of these FTZ-centered transactions is a distorted view of what actually enters the United States from AGOA countries. What might at first look like product upgrading, insofar as the data report a higher level of refined imports, may actually show an upgrade that takes place in the United States. The difference can usually be approximated by looking for any differences between those shipments that are recorded as "general imports" (i.e., what actually arrives from abroad) and "imports for consumption" (i.e., what clears customs). For most sectors and products, the differences between these two numbers will be either zero or very small; a higher value for general imports will often represent either the gradual release of some goods from bonded warehouses or their reexport to other countries in entrepôt operations. When the difference is very large, however, it may point to more complex processing operations that are designed to overcome tariff inversions. The most typical transaction of this sort is one in which higher-tariff raw materials imported from a non-preferential partner are transformed into the lower-tariff good, then declared as a product imported from that same partner. In the case of a partner that is eligible for preferential treatment, such as an AGOA country, refiners might also have an incentive to import some raw material from that partner, combine it with a lesser quantity of raw material from another, non-preferential partner, and then – after refining it into some relatively high-duty product – declaring it as a product imported from the AGOA partner.

It is impossible to say how common such operations are in actual trade with AGOA partners, but the data suggest that it could be a widespread practice. The data reported in Table 11, which are based on totals over a three-year period (thus reducing the error that might arise from simple warehousing operations), show several refined products for which the "imports for consumption" values are significantly higher than the "general imports" value – sometimes by several orders of magnitude. Looking only at the data on imports for consumption will lead to underestimating the value of crude oil imported from AGOA countries and overestimating the value of the refined products imported from them. In some cases, that overestimation

is absolute: The general-import data suggest that the United States did not import any liquefied propane, butane, or ethylene (i.e., 2711.11 through 2711.14) from any AGOA country during 2019-2021, yet the data on imports for consumption show not-inconsiderable imports of $125.3 million.

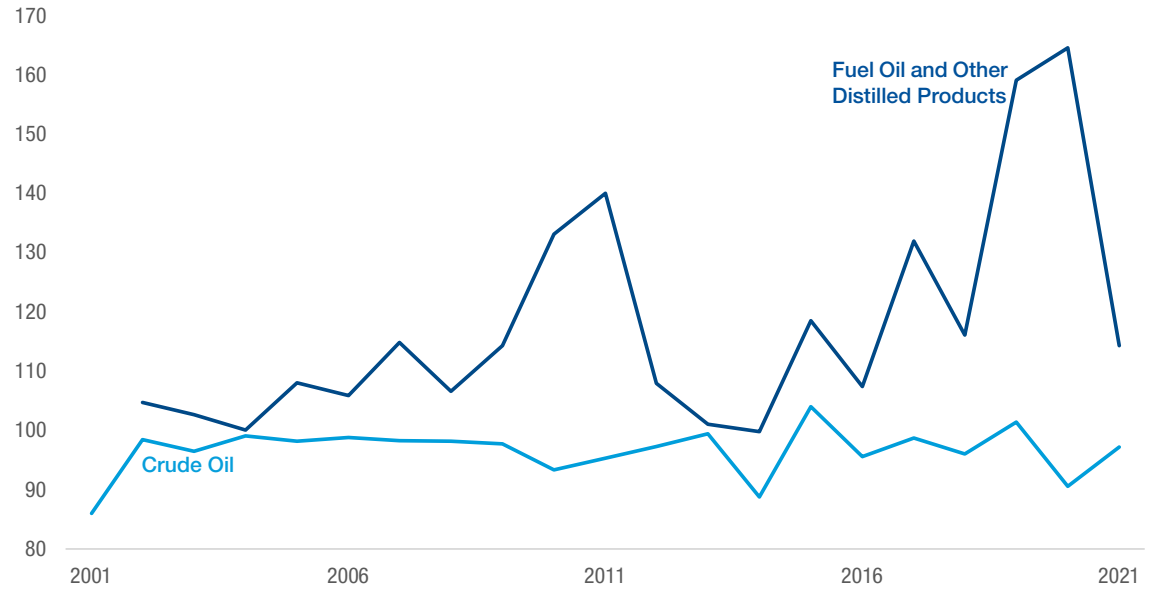
Table 11. General Imports and Imports for Consumption of Petroleum and Derivatives from AGOA Beneficiary Countries, 2019-2021
Import Data in Millions of Dollars, Totals for 2019-2021

HTS Number	Description	General Imports (A)	Imports for Consumption (B)	Difference between A & B		MFN Tariff Rate
				Absolute ($)	Relative (%)	
2709.00.20	Petroleum oils, crude, testing 25° A.P.I. or more	12,538.3	12,354.3	– 184.0	– 1.5%	0.1%
2709.00.10	Petroleum oils, crude, testing under 25° A.P.I.	829.2	756.8	– 72.4	– 8.7%	0.1%
2710.19.16	Kerosene-type jet fuel from petroleum oils	28.3	15.7	– 12.6	– 44.5%	0.6%
2710.19.26	Kerosene (except motor fuel/motor fuel blend stock)	0.0	0.1	0.1	–	0.1%
2713.20.00	Petroleum bitumen	0.0	0.9	0.9	–	Free
2710.12.25	Naphthas or preps 70%+ by weight from petroleum oils	276.8	281.6	4.8	1.7%	0.1%
2713.90.00	Residues (except petroleum coke or bitumen) of petroleum oils	0.0	4.8	4.8	–	Free
2710.19.45	Mixture of hydrocarbons from petroleum oils & bitum. minerals	0.2	5.9	5.8	3,785.4%	0.3%
2711.21.00	Natural gas, in gaseous state	0.0	6.8	6.8	–	Free
2711.14.00	Ethylene, propylene, butylene and butadiene, liquefied	0.0	10.0	10.0	–	Free
2711.13.00	Butanes, liquefied	0.0	20.2	20.2	–	Free
2711.12.00	Propane, liquefied	59.0	95.1	36.1	61.1%	Free
2710.19.11	Distillate and residual fuel oil testing 25° A.P.I. or >	452.3	523.1	70.8	15.7%	0.1%
2711.29.00	Petroleum gases and other gaseous hydrocarbons	4.2	86.1	81.9	1,952.6%	Free
2710.19.06	Distillate and residual fuel oil testing < 25° A.P.I.	220.9	426.9	206.0	93.3%	0.1%
	Total for All Items Above:	14,409.2	14,588.3	179.1	1.2	

Source: Calculated from USITC DataWeb at https://dataweb.usitc.gov/.

Figure 11. : Variations in the Reported Levels of United States Petroleum Product Imports from AGOA Countries, 2001-2021

Ratio of Imports for Consumption to General Imports; 100 = No Difference between the Measures



Fuel Oil and Other Distilled Products = HTS 2710.19.
Crude Oil = HTS 2709.00.
Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov.

These numbers suggest why it is important to examine both sets of data so as to get a truer picture of actual imports from the AGOA partners. If further evidence were needed in support of that point, consider the data illustrated in Figure 11 for United States imports of crude oil and fuel oil from AGOA countries. For all of 2001-2021, the total declared value for crude oil imported for consumption from AGOA countries was, at $490.3 billion, just 96.9% of the value reported as general imports (i.e., $506.1 billion). Over that same period, the reported imports for consumption of AGOA-origin refined products under HTS 2710.19 (primarily consisting of fuel oil) was, at $19.8 billion, 13.7% higher than the general imports (i.e., $17.4 billion); in some years the disparity was considerably higher. These special transactions offer one take on the under-utilization of AGOA benefits, and blur perceptions of actual imports from this region.

V.B. Product Upgrading in Cocoa and Chocolate

Compared to the rather convoluted case of petroleum refining, the data for the cocoa sector are straightforward. This is a sector where Côte d'Ivoire is the largest supplier, followed by Ghana and Nigeria; these three countries accounted for 98% of United States cocoa-related imports from AGOA countries from 2019-2021.[21] The numbers are also encouraging, as they offer real evidence of product upgrading on the part of these and other AGOA exporters. Even so, these figures also imply that more could be accomplished if some gaps in AGOA coverage were closed.

The data in Table 12 show three different types of tariff treatment extended to AGOA-origin cocoa and related products. Raw materials and some semi-processed or processed goods are duty-free on an MFN basis, several other semi-processed or processed goods enjoy substantial margins of preference under AGOA (insofar as the MFN tariffs are relatively high), and four of the items shown here[22] are subject to still higher specific and compound MFN tariffs and are not designated for AGOA treatment. If all cocoa-related products were eligible for duty-free treatment under AGOA, these escalatory tariffs would present a significant opportunity; the exclusion of the more advanced products instead constitutes a major constraint on countries' capacity to upgrade their production. Moreover, not all imports of the AGOA-designated products received preferential treatment; the raw data do not reveal whether this means the goods did not meet the rules of origin or did meet them but no benefits were claimed.

Table 12. United States Imports of Cocoa and Related Products from AGOA Countries, 2019-2021

		Total Imports ($Millions)	AGOA-Eligible	MFN Tariff Rate	Share Dutiable	Total Duties ($Actual)	Average Duty	
							Dutiable Imports	Total Imports
Raw Material								
1801.00.00	Cocoa beans	2,314.6	N/A	Free	0.0	0	Free	0.0
1802.00.00	Cocoa shells, husks, skins etc.	<0.1	N/A	Free	0.0	0	Free	0.0
Semi-Processed								
1803.10.00	Cocoa paste, not defatted	542.7	N/A	Free	0.0	0	Free	0.0
1803.20.00	Cocoa paste, wholly or partly defatted	210.2	Yes	0.2¢/kg	4.5	7,040	0.1	<0.1
1804.00.00	Cocoa butter, fat and oil	48.1	N/A	Free	0.0	0	Free	0.0
Processed								
1805.00.00	Cocoa powder, not containing sugar	49.2	Yes	0.52¢/kilogram	3.4	2,910	0.2	<0.1
1806.10.15	Cocoa powder, sweetened, <65% sugar	0.4	No	21.7¢/kilogram	100.0	10,766	2.7	2.7
1806.20.20	Preparation wholly of ground cocoa	29.4	N/A	Free	0.0	0	Free	0.0
1806.20.50	Chocolate contain milk solids	11.0	Yes	4.3%	0.0	173	4.3	<0.1
1806.20.78	Chocolate & other preps with cocoa	0.3	Yes	8.5%	7.6	1,828	8.5	0.6
1806.20.99	Chocolate and preps with cocoa,	1.6	Yes	8.5%	0.0	0	8.5	0.0
1806.31.00	Chocolate and other cocoa blocks, etc.	0.3	Yes	5.6%	6.0	1,000	5.6	0.3
1806.32.08	Chocolate, not filled, 21% or more milk	<0.1	No	52.8¢/kilogram + 4.3%	100.0	440	7.7	7.7
1806.32.30	Chocolate, w/o butter/milk solids	4.7	Yes	4.3%	0.5	1,059	4.3	<0.1
1806.32.90	Cocoa preps, not filled, in blocks	0.7	Yes	6.0%	73.7	31,511	6.0	4.4
1806.90.10	Cocoa preps, 21% or more milk solids	<0.1	No	52.8¢/kilogram + 6%	100.0	7,636	41.4	41.4
1806.90.49	Chocolate and preps w/cocoa	<0.1	No	37.2¢/kilogram + 6%	100.0	1,263	32.0	32.0
1806.90.90	Chocolate and preps w/cocoa, not retail	2.6	Yes	6.0%	23.7	36,373	6.0	1.4
	Total	**3,215.8**			**0.4**	**101,999**	**0.8**	**<0.1**

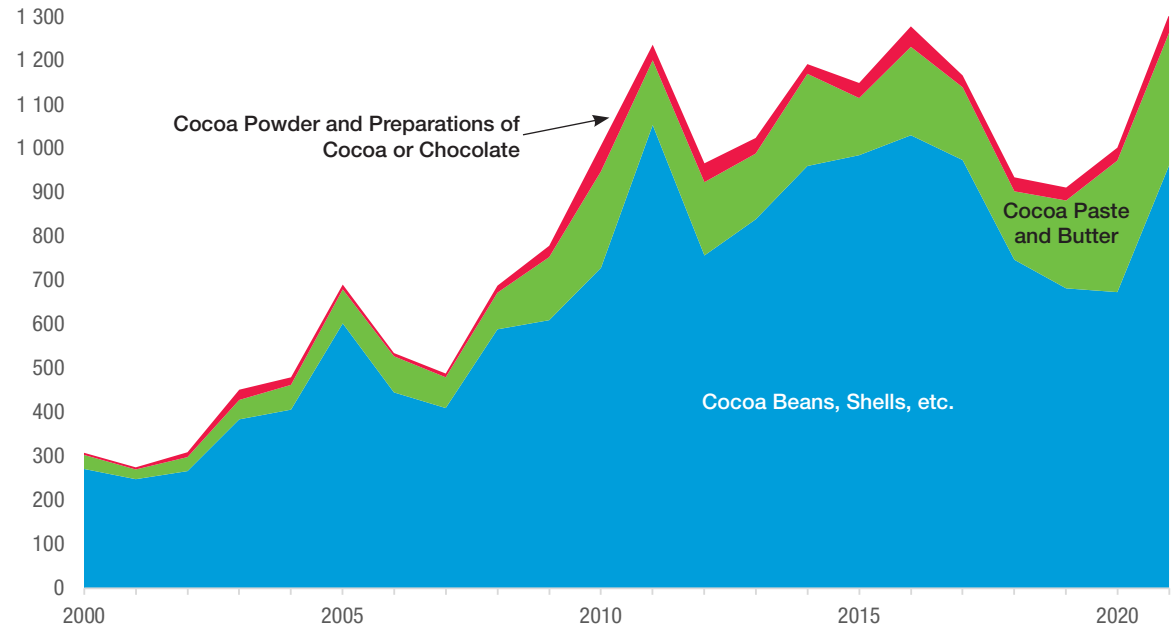
Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov.

[21] Other, smaller suppliers of cocoa products include the Congo, Kenya, Madagascar, São Tomé and Príncipe, Sierra Leone, South Africa, Uganda and the United Republic of Tanzania.

[22] Note that the table does not provide data on numerous cocoa-related products in HTS Chapter 18 that the United States does not currently import from any AGOA countries. Some of those items are not eligible for AGOA benefits.

Figure 12. : United States Imports of Cocoa and Related Goods from AGOA Countries, 2000-2021

In Millions of Dollars



Cocoa Powder & Preparations = All items in HTS 1805 and 1806.
Cocoa Paste & Butter = All items in HTS 1803 and 1804.
Cocoa Beans, Shells, etc. = All items in HTS 1801 and 1802.
Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov.

The data illustrated in Figure 12 show that product upgrading has been underway since the inception of the AGOA program. Comparing 1998-2000 to 2019-2021, the breakdown of cocoa-related products was as follows:

• Imports of the raw material more than doubled in absolute terms, rising from an average of $301.9 million to $771.5 million per year, but in relative terms the share fell from 88.9% to 72.0% of United States imports in the sector;

• The semi-processed material greatly multiplied from $33.7 million to $267.0 million per year in absolute terms, and its share likewise grew from 9.9% to 24.9%; and

• The final product grew almost as fast, with average annual imports rising from $4.0 million to $33.4 million, and the share rising from 1.2% to 3.1%.

It almost goes without saying that exports of these higher-value products are more beneficial for the AGOA countries. They incorporate more labor, and presumably labor that is better compensated, for the production of more sophisticated goods that provide greater choice to consumers both in the exporting countries and in the United States.

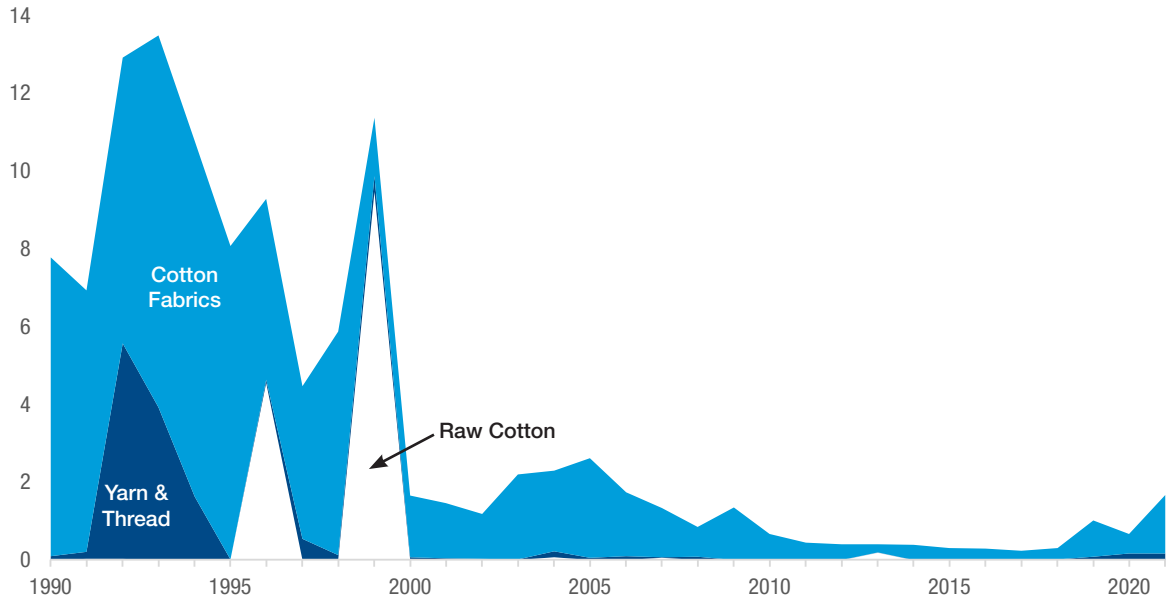
The evidence of upgrading can also be seen in the data for the principal regional supplier. The United States imported none of HTS item 1806.20.50 (certain chocolate containing milk solids) from Côte d'Ivoire prior to 2020, but in 2021 imports from this country rose to $11.0 million. That was not much more than 1% of United States cocoa-related imports from this country, but clearly demonstrated the prospect for further progress. Ghana has also been exporting larger quantities of chocolate to the United States in recent years but remains a very small supplier of these higher-end cocoa goods. Thus, while one may only speculate on the value of the still-protected cocoa products that might be imported from AGOA countries if these countries were given the opportunity, the available data suggest that this could be a real area not just for growth but for industrial development.

V.C. Product Upgrading in Cotton

For all of the progress experienced in the cocoa sector, the AGOA period has also seen a step backward in this cotton sector. That step can be attributed not to preferences, but rather to the simultaneous disappearance of the MFA quota system, the consequent reduction in United States apparel production and, hence, less demand for imports of raw and intermediate cotton goods.

Figure 13. : United States Imports of Cotton and Related Goods from AGOA Countries, 1990-2021

In Millions of Dollars

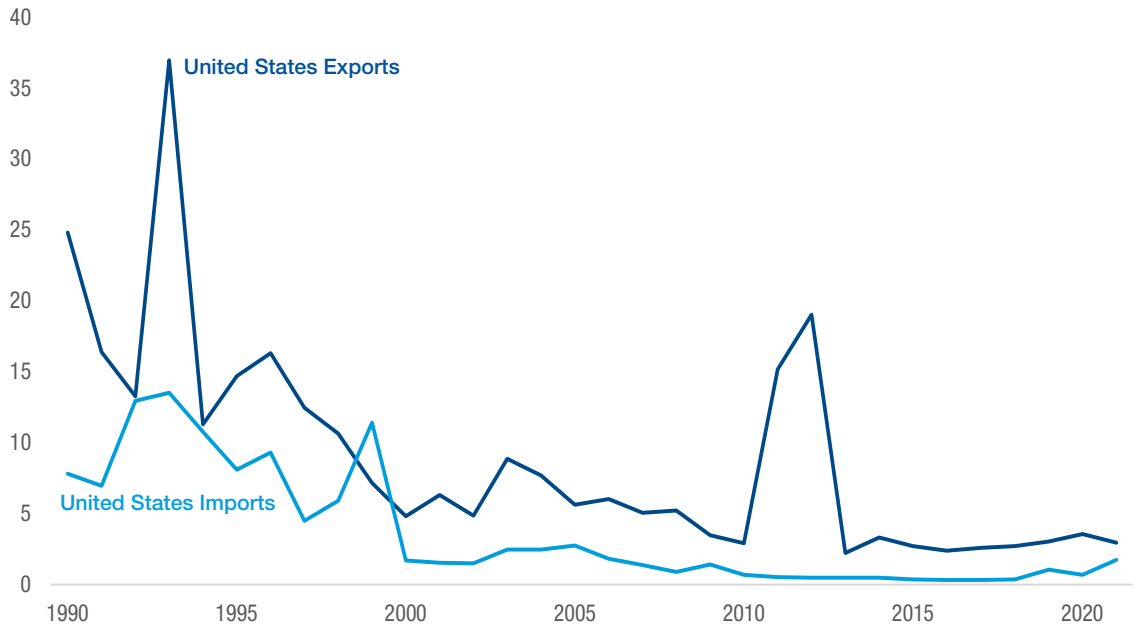


Cotton Fabrics = All items in HTS 5208-5212.
Yarn & Thread = All items in HTS 5204-5207.
Raw Cotton = All items in HTS 5201-5203.
Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov.

As can be seen from the data illustrated in Figure 13, prior to 2000 the United States imported several millions of dollars per year in cotton products from AGOA countries. Even more than raw cotton, this included cotton thread, yarn, and especially fabrics. Those imports quickly receded with the demise of MFA quotas, however, and have been below $2 million per year since 2006. The reduced United States imports of threads, yarn, and fabrics are a regional manifestation of a general, post-MFA trend: Comparing 2017-2021 with 1995-2000, average annual United States imports of raw cotton from all sources are down 78.0%, imports of cotton thread and yarns fell by 50.3%, and imports of cotton fabrics are 54.9% lower.

Figure 14. : United States Trade in Cotton Products with AGOA Countries, 1990-2021

Sum of Exports and Imports of Raw Cotton and Cotton Thread, Yarn, and Fabrics; Millions of Dollars



Source: Calculated from USITC DataWeb data at https://dataweb.usitc.gov.

The data in Figure 14 show that cotton trade is down in both directions. Compared to most other preferential arrangements, whether in the reciprocal form of FTAs or in autonomous programs such as the Caribbean Basin Initiative, the rules of origin for AGOA apparel trade allow for a more permissive approach to the incorporation of third-party fabric (at least for those LDCs that are so designated). This may be one reason why the past generation has witnessed a gradual decline not just of United States cotton imports from the AGOA partners, but also United States exports of cotton products to these same countries. Taken as a whole, however, the United States still enjoys a trade surplus with its AGOA partners in this sector.

VI

CONSIDERATIONS FOR THE RENEWAL AND REFORM OF AGOA

This analysis has shown the positive but limited impact that AGOA preferences have had in promoting the exports of sub-Saharan African countries to the United States, as well as in encouraging United States foreign direct investment in the region. The expansion in economic activity may be smaller than the architects of this program might have hoped, but not smaller than might have been anticipated; there are limits to what preferences can achieve when tariffs are generally low. It should also be noted that there can only be speculation on what would have happened in the absence of these preferences. It might be reasonable to suppose that both African exports and United States investment would have been lower still without these benefits and the complementary initiatives in United States foreign assistance.

Four ways that the AGOA program might be enhanced are considered. The first of these can be arrived at through reasoning, and the other three stem from the present review of shortcomings in the program as it now exists.

VI.A. Reauthorization for at Least One Full Decade

The stimulus that this program provides to trade, and even more so to investment, will be improved to the extent that traders and investors have confidence in its sustainability over the long term. Before investors tie up their capital in brick-and-mortar operations in Africa, they want to know that these commitments will pay off over years or decades.

The most beneficial reform would see AGOA preferences extended in perpetuity. It is understandable that United States budget rules may make such a commitment problematic, insofar as the pay-as-you-go principle generally requires that offsets be provided for any initiatives that entail significant reductions in government revenue (e.g., through the exoneration of tariffs). Unless an exception to this rule is contemplated, such as by allowing for the consideration of the dynamic effects of these reduced taxes, the second-best alternative to making AGOA preferences permanent is to expand their time horizon as far as possible. This time horizon could be expanded for at least a full decade.

VI.B. Designation of Products Not Yet Covered

The analysis herein has shown that there remain relatively few products that are not at least nominally covered by AGOA preferences. Several of these items not only remain subject to unusually high MFN tariffs but have also been exported – albeit in small quantities – by one or more sub-Saharan African countries. These include such items as certain unwrought manganese, canned peaches, and a variety of agricultural and food products containing such protected ingredients as dairy and sugar. All of these represent lost opportunities at present, but potential success stories in the future. A renewed AGOA program could plug these few, remaining gaps in the product coverage of the program.

VI.C. Reformed Rules of Origin

While there are relatively few products that have yet to be designated for AGOA treatment, there are a great many for which the program's preferences remain out of reach. The current rules of origin for this program are something of an anachronism, requiring a level of value-added (35%) well in excess of what might be economically achieved in the more complex modern supply chains of today. AGOA beneficiaries have struggled to meet these requirements for several types of food and industrial products.

Two types of improvements to the AGOA rules of origin could be considered in this study. One is that these be eased through a relaxation of the 35% value-added criterion, which might reasonably be lowered to 25% for some or all products, coupled with improvements in the calculation methodology (e.g., deduction of the cost of insurance and freight from the ad valorem percentage calculation). These improvements would align United States practice with that of its partners in the United Kingdom and in the European Union.

Also, the principle of cumulation, which current United States law permits among all AGOA beneficiaries, could be extended to all AfCFTA members. By extending these rules to cover the AfCFTA members who are not presently designated for AGOA treatment, particularly those in North Africa, the reformed program would enhance the operation of AGOA, show the support of the United States for this regional integration initiative, and open new trading and investment opportunities.

VI.D. Exemption of AGOA Beneficiary Countries from Extraordinary Tariffs

The analysis contained in this study shows that the single largest cause of continued dutiability in United States imports from sub-Saharan Africa comes through the imposition of extraordinary duties on iron, steel and aluminum products imported from South Africa. Those high duties, which were imposed under the

national security provision of United States trade law (i.e., Section 232 of the Trade Expansion Act of 1962), were likewise imposed on metals imports from many other United States trading partners. One consideration could be to remove these extraordinary tariffs. Without taking a position regarding the larger implications of any future actions that the United States might take under this same statute, another consideration would be that imports from sub-Saharan African countries be exempted from any other restrictions of this sort.