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East & Central Africa Global Competitiveness Hub

- Funded by USAID/REDSO
- Mandate: carry out USAID's Trade for African Development and Enterprise (TRADE) Initiative, a Presidential Initiative announced by President Bush at the First Annual AGOA Forum in October 2001
- Based in Nairobi, Kenya
- One of three Regional Hubs; others: Accra, Ghana (West Africa) and Gaborone, Botswana (Southern Africa)

Trade Hub: Main Components

- I. TRADE POLICY: WTO, COMESA
- II. AGOA: Technical Assistance and Market Linkages
- III. CUSTOMS: Harmonization of procedures
- IV. TRANSPORTATION: Emphasis on Northern Corridor (Kenya, Uganda, Rwanda, Burundi, eastern Democratic Republic of Congo)

Cross-cutting Issues

- **Anti-corruption**
- **Environment**
- **Gender**
- **HIV/AIDS**

ECA Hub Countries

ECA Hub Countries: 18

AGOA Eligible Countries: 12

Textile & Apparel Eligible Countries: 7 (Kenya, Madagascar, Mauritius, Tanzania, Uganda, Rwanda, Ethiopia)

Category 9* Certified Countries: 1 (Kenya)

**Handloomed/Handmade/Folklore Articles/Ethnic-printed textiles*

ECA Hub: AGOA Initiatives

GOAL: Increase ECA companies' capacity to benefit from AGOA

How?

- ✓ Training Sessions on AGOA for private sectors in ECA region
- ✓ Technical Assistance/Capacity Building
 - Firm-level assistance
 - Sector Focus: Textiles/Apparel, Handicrafts, Leather/Leather Goods
- ✓ Trade Shows: Apparel
 - ASAP (Las Vegas, NV)
- ✓ National AGOA Export Strategies
 - Rwanda, Ethiopia, Tanzania, Congo (Brazzaville) and Seychelles

What is AGOA?

*The African Growth & Opportunity Act
was signed into US law May 18, 2000
as part of the Trade and Development Act of 2000*

Duty-free, quota-free entry to the U.S. for most goods

- Extends GSP program (allowing duty-free entry of 4,650 products) until September 30, 2008 for AGOA-eligible countries
- Expands GSP - adds 1,835 new tariff line items

As a Result of...

- 1) Extended GSP
- 2) Expanded GSP
- 3) New treatment for qualifying apparel articles...

almost all products of AGOA beneficiary countries may enter the United States duty-free.

Indeed... last year, over 95% of U.S. imports from AGOA beneficiary countries entered duty-free.

AGOA: Apparel Provisions

When using U.S. fabric, yarn and thread:

- Duty-free/quota-free access to U.S. market without limits

When using Regional (African) fabric:

- Duty-free/Volume cap for apparel:
 - 1) made from fabric made in AGOA region and;
 - 2) for lesser developed beneficiary countries, from fabric made anywhere – “special rule” or “third country fabric provision”.

“AGOA III” Legislation

Signed into Law by the President on July 13, 2004:

- Extends overall program by 7 years, from 2008 until 2015.
- Extends third-country fabric provision for three years, from September 2004 until 2007, including a phase down of benefits in year three... year 3 (October 1, 2006), only 50% from 3rd country fabric.
- Addresses the restrictive rule-of-origin requirements: Modifies the AGOA rule of origin to allow use of non-AGOA produced collars and cuffs and other non-essential components for all import categories.
- Expands Coverage of Current “Category 9” AGOA Provision: Allows ethnic fabrics that are made on machines to qualify for AGOA duty free treatment under AGOA's folklore provision.

AGOA: Third Country Fabric Provision

- Rationale: While AGOA has fueled investment in the African textile industry, more time is needed for the industry to become more competitive with Asian and other producers
- Particularly important given the end of quotas under the WTO Multi-Fiber Agreement (MFA) on January 1, 2005
- Overall objective of AGOA in the textile and apparel sector: To develop an integrated textile and apparel industry in Sub-Saharan Africa – from growing cotton to producing apparel for export

*****84% of AGOA apparel imports last year came in under this provision*****

AGOA in Numbers

- In 2004, AGOA imports into the U.S. increased 88 percent to \$26.6 billion.
- Petroleum products continued to account for the largest portion of AGOA imports, with an 87% share.
- With petroleum excluded, AGOA imports were \$3.5 billion, growing by 22 percent in 2004.

Leading ECA Apparel Suppliers

“The Big Three”...

| | |
|---------------|---------------|
| 1. Madagascar | \$315 million |
| 2. Kenya | \$277 million |
| 3. Mauritius | \$148 million |

And the Rest...

| | |
|-------------|---------------|
| 4. Uganda | \$4 million |
| 5. Ethiopia | \$3 million |
| 6. Tanzania | \$2.5 million |
| 7. Rwanda | -- |

AGOA: Challenges

“Supply-side Constraints”:

- ✓ Lack of efficient/costly transportation systems
- ✓ Costly/unreliable energy supply
- ✓ Poor telecom/high telecom costs
- ✓ Low labor productivity
- ✓ Lack of capacity to support private business and investment

ITC Study

AGOA Suppliers v. Non-AGOA Suppliers

AGOA Suppliers

- High cost producer
- Produce basic (i.e. woven trousers, knit shirts) rather than fashion garments
- Limited capacity to supply large volumes
- Inferior logistics and infrastructure, esp. shipping times
- Lack of integrated production (cotton-yearn-fabric-apparel)
- Inferior sewing and managerial skills

What can ECA Apparel Companies Do to Maintain their AGOA Advantage?

What CANNOT be controlled:

- ✓ Safeguards against Chinese exports
- ✓ Revaluation of the Chinese currency
- ✓ Other External Variables

So focus on what CAN be controlled...

What can ECA Apparel Companies Do to Maintain Their AGOA Advantage?

Short-term

- ✓ Continue to capitalize on AGOA tariff advantage
- ✓ Reduce Costs
- ✓ Improve productivity
- ✓ Continue to establish relationships with U.S. buyers through trade shows and other fora
- ✓ “Go regional”, cooperate to meet large orders from U.S. buyers

What can ECA Apparel Companies Do to Maintain Their AGOA Advantage?

Longer-term

- ✓ Move up the value chain, beyond basic apparel
- ✓ Niche products, e.g. hand-loomed and machine-made ethnic fabrics (HAWESA)
- ✓ “Go regional”

AGOA Successes

- The ECA Hub worked intensively with 23 companies last year via its technical assistance and trade promotion initiatives.
- Collectively, these companies completed deals worth over \$3.5 million (Wal-Mart, JC Penny's, Target)...

It was money well spent – each dollar spent resulted in over \$30 of exports to the U.S. under AGOA.

ECA Hub: AGOA Action Plan

- #1) Continue to provide targeted technical assistance
-- Training, worker productivity
- #2) Continue to provide market linkage opportunities through sponsorship to U.S. trade shows
- #3) Continue to sensitize business communities to AGOA opportunities and challenges
- #4) Implement National AGOA Export Strategies
- #5) Support and encourage efforts towards regional integration

Thank You



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