

## AGOA Trade Agreement

- Non-reciprocal trade tariff preference program covering sub-Saharan Africa (SSA)
- Signed into law 18 May, 2000
- Duty & quota free access:

-To eligible countries: economic, legal, and human rights issues

-to 6,500+ products that meet US standards: textiles/apparel, automobiles, perishables, foods, footwear, fruit, etc.

- AGOA expires in 2015
  - Third Country Fabric (TCF) Provision extended to Sept. 2015
  - Current lobby efforts to extend both beyond 2015
  - 41 AGOA eligible countries, incl. S.Sudan

### Characteristics

- one of the largest markets (US\$1 trillion annual trade volume)
- relatively homogeneous market
- an ever consuming public
- legal framework (relatively business friendly)
- volume buyers, quality conscious
- very competitive- variety
- a multijurisdictional country (federal and state legal frameworks)

### Market entry

- Indirect exporting
  - via local buyer and exporter
  - Direct exporting/entry
  - **US agent, broker/importer**
  - new branch operation
  - joint venturing - US partners
  - buying an existing US company

## Export from SA

2010- \$3,1bn, 2011- \$3,797bn

- YTD- Jan-Aug: \$2,352bn (2011), \$2,32bn (2012)
  - Total SA Exports: 277% growth since 2000
- ◆ about 43% of South African exports to the US enter under AGOA
- ◆ SA is the most diversified export economy under AGOA
- Vehicles/transport equipment, fruit/citrus, grapes, wine, fruit juice, footwear, etc.
  - -compared to e.g. Nigeria & Angola which are almost 100% oil
- ◆ Key Exports: automotive- 42%, iron & steel- 22%, chemicals- 12%, beverages- 2%, citrus, etc.
- Automotive: 850% growth between 2000 and 2010 to the U.S
  - Automotive Investment: 317% by major manufacturers [GM, Daimler, Ford, Toyota, BMW]
- ◆ SA excluded from TCF provision

HTS Code	Description (truncated)	Duty NTR	US Imports 2011	SA Exports 2010	SA Exports 2011	YTD Exports 2012- Jan- Aug
08052000	Mandarins	1.9c/kg	\$177,809,900	\$9,625,300	\$5,592,800	\$6,213,300
20089910	Avocados (prepared)	10.6c/kg	\$140,533,500	\$772,300	\$893,200	\$0.00
12022040	Peanuts	6.6 c/kg	\$15,062,100	\$0.00	\$1,020,600	\$ 0.0
62111110	Men/boys' swimwear, of man-made fibers	27.8%	\$91,918,100	\$0.00	\$0.00	\$4,200
42022190	Handbags w/w/o shoulder strap, patented leather	9%	\$972,982,700	\$456,000	\$389,300	\$344,300

## Textiles/Apparel Exports under AGOA

*Source: USITC*

Country	2010 (\$000)	2011 (\$000)	YTD 2012 (Jan- Jun) (\$000)
Lesotho	280,342	314,311	130,103
Kenya	200,471	258,964	111,891
Mauritius	117,555	153,544	76,503
Swaziland	92,359	76,580	24,540
Botswana	11,559	15,475	6,480
Malawi	10,219	13,492	3,281
Ethiopia	6,512	9,981	6,378
South Africa	8,591	6,107	2,675
Tanzania	1,849	5,119	3,704
Ghana	803	1,299	937
Nigeria		1	748
Uganda	238	810	32
Mozambique		183	0
Namibia			8
<b>Totals</b>		<b>855,939</b>	<b>367,289</b>

### AGOA Issues

- Short-term nature of AGOA
  - Buyers & investors
- US Standards
  - High, stringent
    - sub-tropical fruits, litchis/mangoes
- Volumes
  - US buyers generally place huge orders
  - Africa's low capacity to handle large volumes
- Short-term nature of the Third Country Fabric (TCF) Provision

- Lack of US Involvement:
  - As investors
  - Expertise
- Fast changing needs, e.g. fashion apparel
- -African suppliers struggle to keep pace

### **Competitiveness**

-SA- 2 extremes

-a) legal rights, banks, exchanges

- -b) crime, cost of business, flexibility
- Communication
- Slow/non-responsive
- Partnerships
  - partnership era, like marriage
- Raw Material,
  - varieties and quantities from the region
- -limited export diversification
- Packaging and labelling
  - esp. in food products
- -Trade Hub research in 2011
- Negotiating
  - most African firms don't negotiate
- Speed-to-Market
  - some exporters end up air-freighting to the US, costly
- Factory inefficiencies
- 55% vs 70-80% in Asia (textiles)

### **Why Are Some Products Refused Entry Into The US?**

- labeling
- misbranding
- false information
- unapproved drugs
- counterfeit activities

- labeling not being in English
- unsanitary manufacturing conditions
- non-disclosure of ingredients, additives
- non-disclosure of nutritional information
- manufacturer/importer's names not listed

Total Cases: 864

420 (2010), 444 (2011), SA 346 (40%) of total