AGOA AND THE AFRICAN AGRICULTURAL SECTOR

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The Africa Growth and Opportunity Act (AGOA) is indeed a laudable development by the U.S. to encourage and support African countries pursuing the difficult reforms necessary to create open markets and growth-oriented economies. African countries benefiting from AGOA are already diversifying their export bases; nearly all of them have improved significantly in the United Nations Conference on Trade and Development (UNCTAD) diversification index. Furthermore, countries such as Kenya and Lesotho have developed their textile and apparel industries, which have absorbed large amounts of surplus labor and spurred economic growth.[1]

However, export growth under AGOA is predominantly driven by oil and gas and very little by agricultural products. Data shows that about 90 percent of all U.S. imports from sub-Saharan Africa in 2008 are energy-related products. In fact, 70 percent of all U.S. imports in 2008 are from Nigeria and Angola, which mainly export oil. While total U.S. imports under AGOA have more than tripled between 2000 and 2008, the U.S. Department of Agriculture (USDA) reports that U.S. imports of agriculture, fish and for-

estry products from sub-Saharan Africa only increased by 49 percent from $568 million in 2001 to $846 million in 2009.[2] If this comparison elicits concern, a comparison of AGOA agricultural imports to total U.S. agricultural imports is cause for deeper concern, bearing in mind that these are exports from a group of 38 AGOA eligible countries. In 2008, AGOA imports represented 1 percent of U.S. imports of agricultural products. Total agricultural imports from AGOA countries are reported to be in the range of $1.2 billion to $1.4 billion per year. About $1 billion of these transactions take place under the existing Most Favored Nations (MFN) framework, leaving trade preferences under the General System of Preferences (GSP) and AGOA to account for the remaining balance. A further breakdown suggests that AGOA agricultural imports account for only about $120 million - 200 million per year and about 85 percent of these originate from South Africa alone. Based on these accounts, AGOA's impact on African agriculture is very limited. Yet, agriculture is the sector with the highest potential for poverty reduction and job creation in Africa.

To put this in context, the agricultural sector employs between 60 and 80 percent of the population in many African countries. Therefore, promoting growth in this sector should be an important focus of the periodic reviews of AGOA's performance. An issue of concern is that AGOA has not provided impetus for transforming smallholder African farms into large-scale enterprises that can help African countries take advantage of opportunities from AGOA. While it is true that African countries need to address the supply-side constraints facing agriculture, it is also important to realize and investigate the demand-side constraints affecting AGOA agricultural exports. Some of these constraints include:

- U.S. agricultural subsidies have essentially drowned out any competitive advantage of Africa's agriculture sector under AGOA. With U.S. farmers continuing to receive subsidies, African policymakers are reminded that subsidizing agriculture not only constitutes government intervention in markets, but it is also against the spirit of the AGOA reforms. These subsidies make American agricultural exports cheaper than locally produced products in AGOA beneficiary countries, ultimately destroying the possibility of growth in African smallholder farming.

- AGOA did not eliminate the quotas which existed prior to its enactment. Under the existing framework, exports of sugar, tobacco, dairy and beef are constrained by country-specific quotas that are based on a country's share of exports to the U.S. during a period that long predates AGOA. These and other processed agricultural products are also exempted from duty-free import to the U.S. under AGOA.

- African exports to the U.S. still face non-tariff barriers arising from the export approval process. For example, exports have

> to meet sanitary standards. However, the problem is not that these standards are unattainable, but that the process of approval is cumbersome and time consuming for African exporters. These complaints are coming not only from newcomers to the exporting business in Africa, but also from those that have already been regularly exporting similar items to European markets.

As U.S. representatives and delegations from African countries meet to review AGOA at 10 years and to develop new strategies, it is imperative that they keep the agricultural issues on the front burner. The lack of a supportive environment for agriculture in Africa in terms of infrastructure and high-quality inputs and seeds is part of the reason why the continent's agricultural products are not competitive. African governments should certainly invest more to support their local agricultural industries in these areas. However, the U.S. also bears part of the blame. African governments expect the U.S. to eliminate or reduce subsidies for American farmers. The U.S. should also make strong efforts to diversify its investments in Africa in ways that support the continent's agricultural sector rather than strictly focusing on the oil sector. Within the framework of AGOA, the U.S. could provide incentives for the American agro-industry to invest in Africa's agricultural sector. This can be done in partnership with the New Partnership for Africa's Development's Comprehensive African Agriculture Development Program (CAADP). In addition, export quotas to the U.S. predating AGOA should be eliminated and AGOA's doors should be open to all African agricultural products. Finally, as part of its trade capacity building program in Africa, the USDA should work toward simplifying the export approval process while at the same time maintaining health and safety standards.

ENDNOTES

1. UNCTAD Handbook of Statistics, 2009.

2. U.S. Department of Agriculture - Foreign Agricultural Service.