



# African Growth and Opportunity Act (AGOA): How far and Where to from here

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# Outline

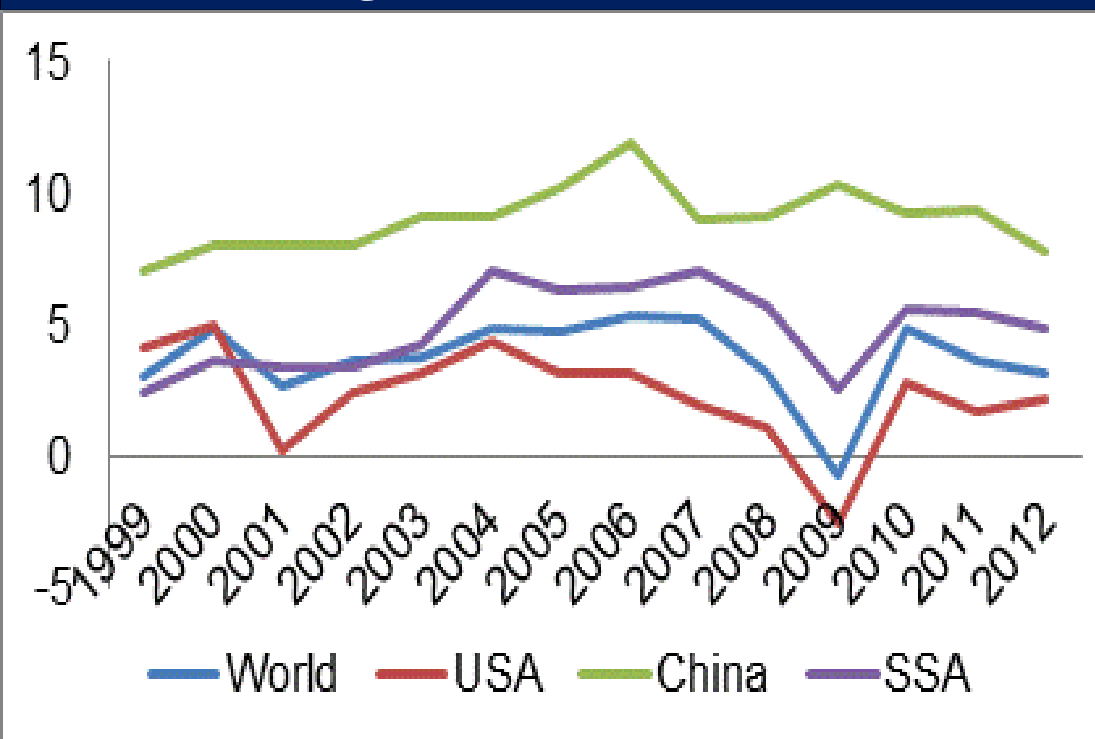
- ✦ Context of study
- ✦ Economic outlook
- ✦ Africa's trade dynamics
- ✦ The impact of AGOA on SSA
  - Has AGOA helped increase SSA's trade?
  - Has AGOA helped improve SSA's competitiveness?
  - Has AGOA helped increase regional value chains?
- ✦ How beneficial is AGOA's extension
- ✦ Maximising the opportunities and potential gains
- ✦ Conclusion

# Contextual issues

- ✚ AGOA came into force in 2000, expiring in 2015
- ✚ It enhances U.S. market access for 48 Sub-Saharan African Countries
- ✚ There is an on-going discussion about AGOA's extension beyond 2015:
  - Expansion of the AGOA dispensation to non-African Least Developed Countries (LDCs)
  - Consideration of a new reciprocal dispensation with AGOA beneficiaries
  - Graduation of certain countries, products or sectors
- ✚ But has AGOA been beneficial to the SSA countries? What are the implications of its extension?

# The economic outlook – shifting wealth and the new world economy

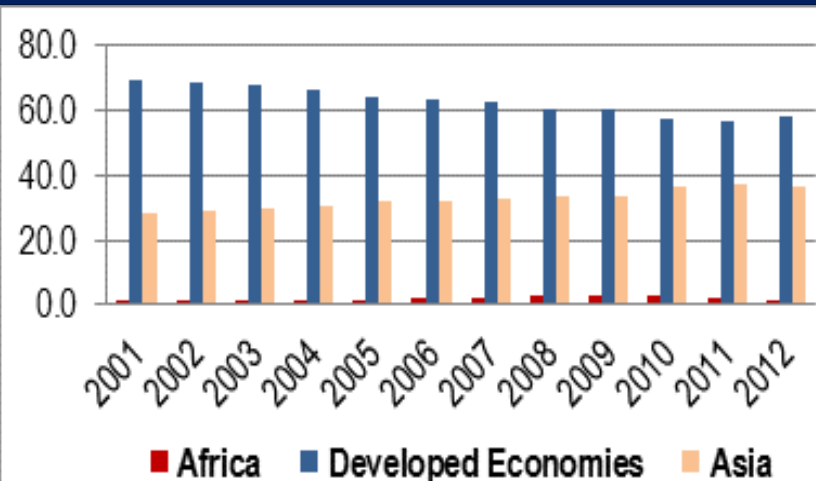
GDP growth rate (WEO 2013)



- Global growth is still in low gear and the driver of growth is shifting from advanced to emerging and developing countries, mainly China
- According to the IMF recent report, the impulse to global growth is expected to come mainly from the U.S
- Growth in China and other emerging economies
- Commodity prices remain and will continue to boost growth in SSA

# Africa's trade dynamics

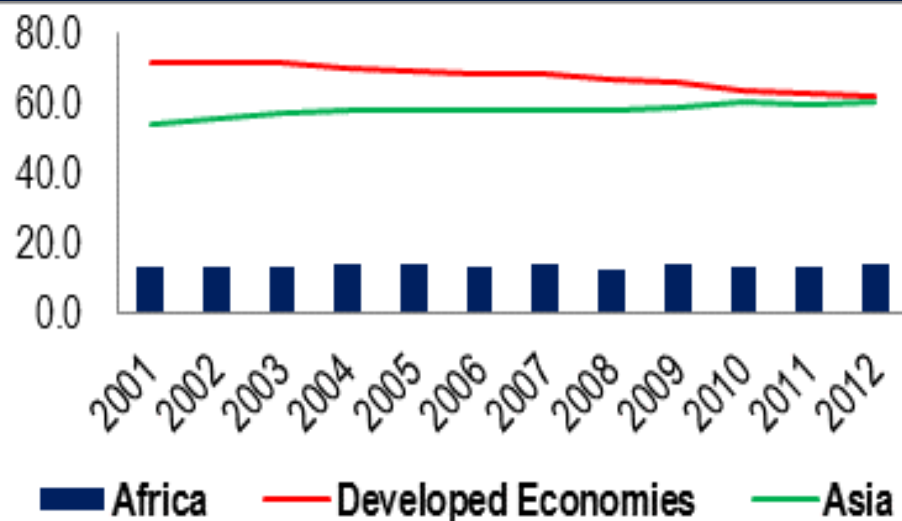
## Total trade (% of the ROW)



- Africa's share of world trade is fairly constant, increased slightly from 1.5% in 2001 to 1.7% in 2012
- Emerging Asia increased its share of world total trade from 27.9% in 2001 to 36.4% in 2012
  - Mainly driven by China from 4.2% to 11.4%
- Developed Economies however decreased its share of world total trade from 69.2% in 2001 to 57.8% in 2012
  - Mainly driven by USA from 15.7% to 11.7%

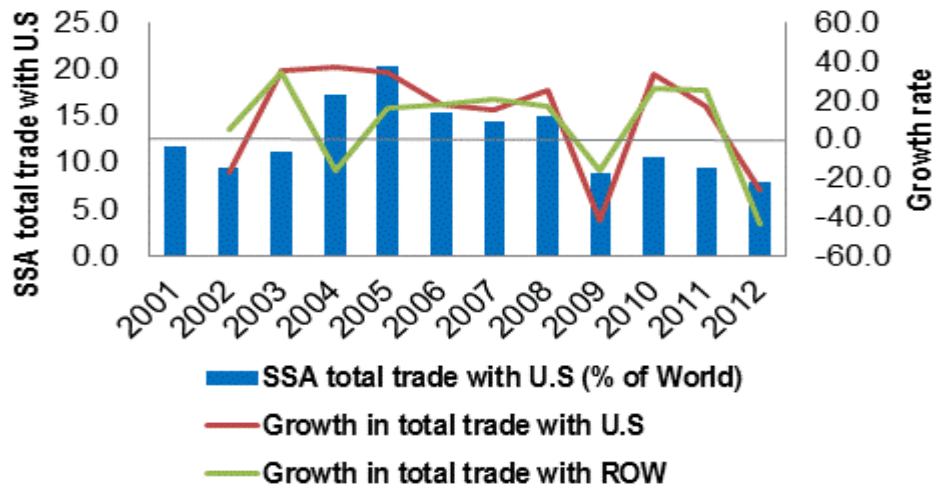
- This can also be seen through the differences in intra-regional trade:
  - African internal trade is constantly low (making up only 14% of its total trade on average), compared to 68% (for Developed Economies) and 58% (for Emerging Asia)
  - Asia internal trade has been growing steadily and is catching up with that of Developed Economies which has been declining

## Intra-regional trade (% of total trade)



# The impact of AGOA (1): Has it helped increase SSA's trade

## SSA total trade with U.S and ROW



## SSA exports and imports with U.S

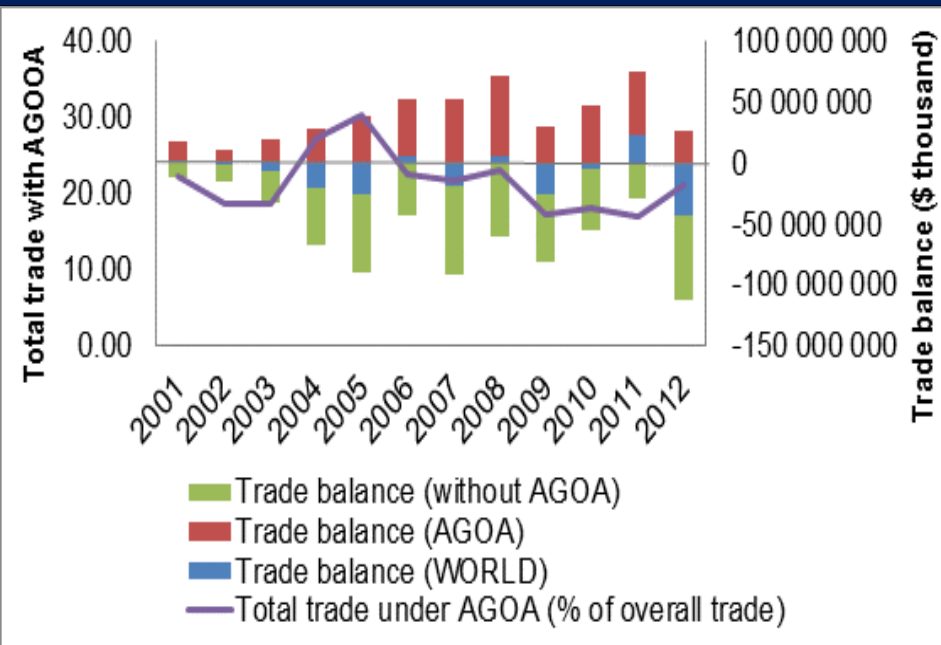


- **AGOA has had a marginal impact on SSA's trade:**

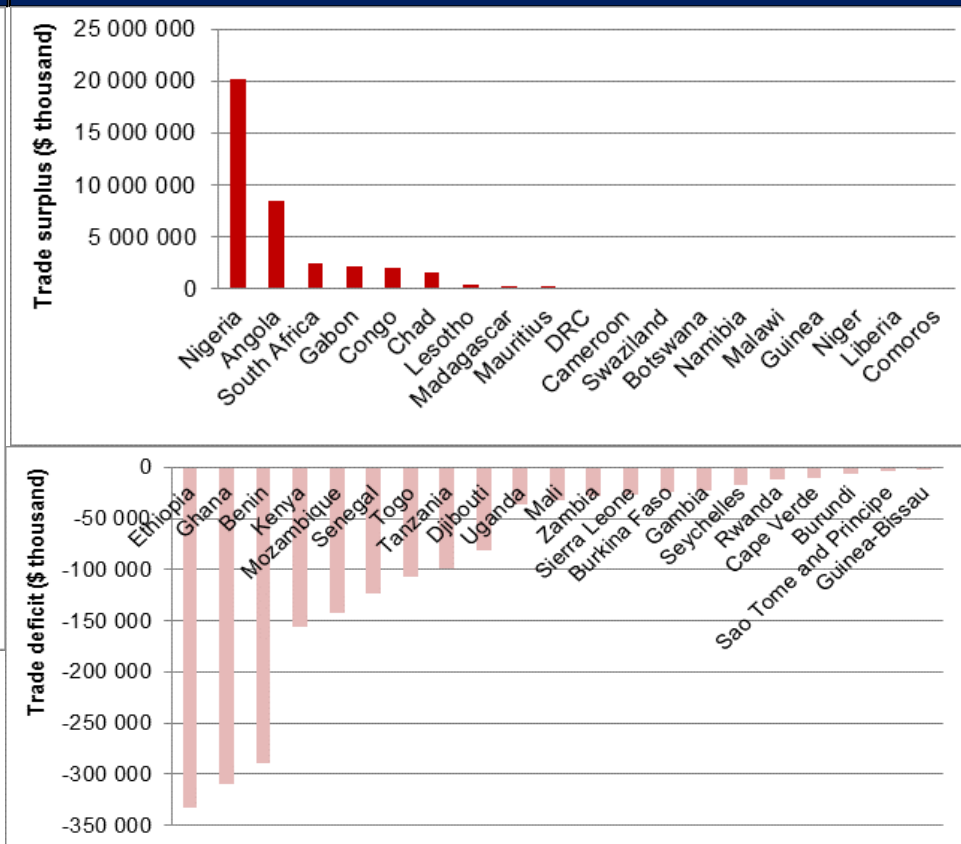
- U.S accounts for 22% of SSA's total trade (36% due to exports and 9% attributable to imports)
  - However, this has not been significantly different from what it was in 2001, and has been declining since 2005
- On average between 2001 and 2012, U.S imports more of SSA's goods (\$49 billion) than the SSA (\$13 billion)
- Growth in SSA total trade with or without U.S has significantly declined in 2012
  - Nonetheless on average, trade with U.S appeared to be more robust (grew at 12%) than with the ROW (8%)

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## SSA's total trade and trade balance



## Gainers and Losers (average 2001-12)



### AGOAO has helped improve SSA trade balance:

- Had it not been for the surpluses recorded with AGOAO (US\$36.4 billion on average between 2001-2012), total SSA trade balance (without AGOAO) would have been in deficit of US\$45.3 billion, reducing the average total deficit (SSA trade with world) to US\$8.9 billion (US\$36.4 – US\$45.3)

Gainers: 19 countries – except for SA, the remaining top 5 are oil producing countries (Nigeria, Angola, Gabon, Congo and Chad)  
 Losers: 21 countries

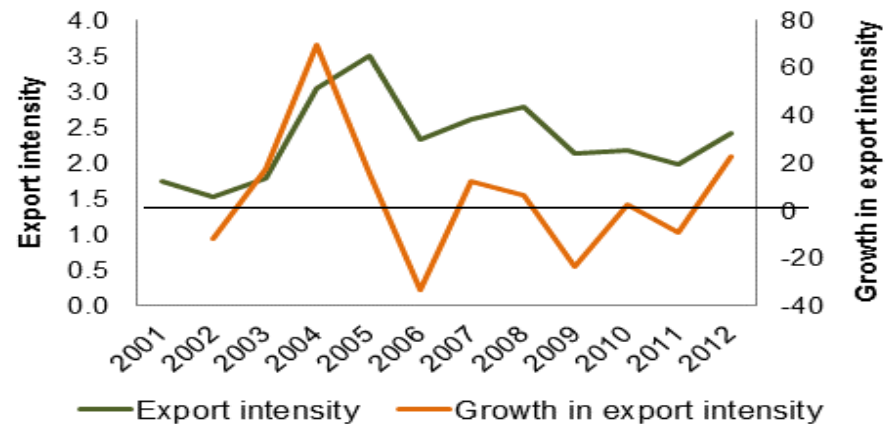
# The impact of AGOA (2):

## Has it helped increase SSA's competitiveness

### SSA exports with AGOA



### Export intensity



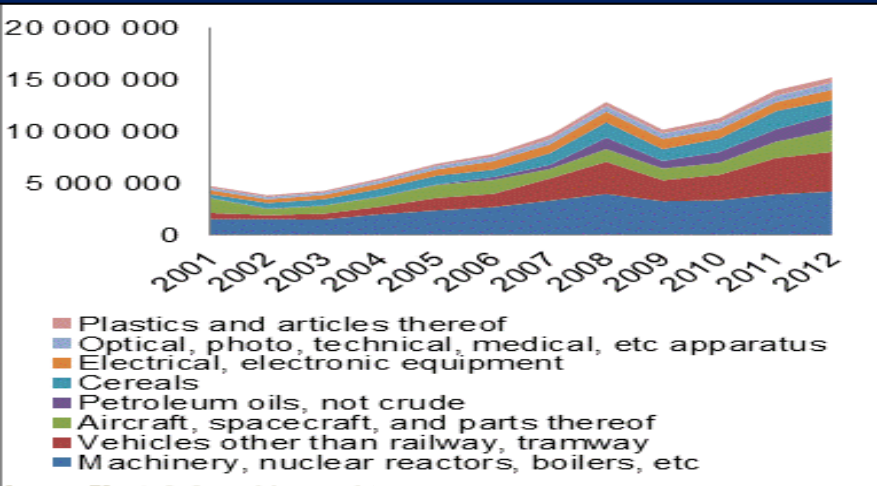
- **AGOA has had a marginal impact on SSA's exports:**

- SSA exports to U.S increased from US\$21 billion in 2001 to US\$73 billion in 2011 before declining by 34% to US\$43 billion in 2012 (against a 3% decrease of U.S imports from the world)
  - The recent decrease was mostly due to a 41% decline in U.S mineral fuel and oil imports (against 7% from the world) and a 22% decrease of precious stones and metals imports (against 5% from the world)
- More so, SSA exports to U.S has not kept pace with that of the ROW, the share has not been significantly different from what it was in 2001, and has been on a decline since 2005
- To further the analysis, we computed export intensity index:
  - An index of greater than one implies that SSA sells a proportionally larger share of its exports to U.S relative to the ROW
- Export intensity is greater than one for the period 2001-2012, implying that U.S has been the most important export destination for SSA, but with insignificant growth



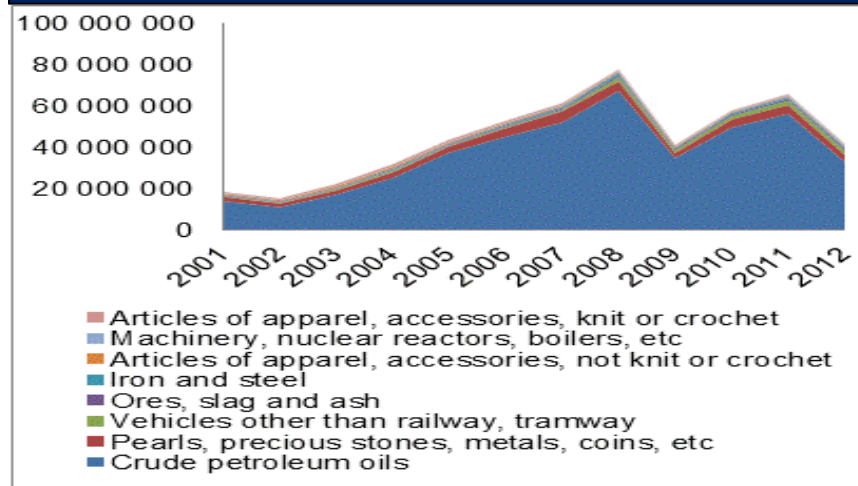
# The impact of AGOA (2): Has it helped increase SSA's value addition

## SSA imports from U.S



SSA imports from U.S	2001-2012		
	Product	\$ thousand	Share
Machinery, nuclear reactors, boilers, etc	2 770 221	22.7	10.7
Vehicles other than railway, tramway	1 827 891	13.0	23.3
Aircraft, spacecraft, and parts thereof	1 200 165	10.6	9.1
Cereals	985 346	7.9	16.8
Electrical, electronic equipment	735 059	6.1	9.4
Optical, photo, technical, medical, etc apparatus	436 446	3.5	11.2
Petroleum oils, not crude	553 752	3.3	68.3
Plastics and articles thereof	315 764	2.5	13.1
<b>Total</b>	<b>8 824 642</b>	<b>69.6</b>	<b>20.2</b>

## SSA exports to U.S



SSA exports to U.S	2001-2012		
	Product	\$ thousand	Share
Crude petroleum oils	36 790 320	72.9	14.7
Pearls, precious stones, metals, coins, etc	3 331 250	7.3	8.8
Vehicles other than railway, tramway	1 056 738	2.1	31.7
Articles of apparel, accessories, not knit or crochet	613 326	1.6	10.6
Articles of apparel, accessories, knit or crochet	614 286	1.6	22.3
Ores, slag and ash	627 440	1.4	-0.2
Iron and steel	665 093	1.4	7.2
Machinery, nuclear reactors, boilers, etc	344 821	0.8	1.6
<b>Total</b>	<b>44 043 274</b>	<b>89.1</b>	<b>12.1</b>

More than 80% of SSA exports to U.S continued to be dominated by minerals and metals while about 70% comprising a wide range of products imported from U.S was on manufacturing

# How beneficial is AGOA's extension

Indicator	Pre-crisis	Post-crisis			Projection	
	2005-2007	2010	2011	2012	2013	2014
U.S GDP growth rate	2.8	2.8	1.7	2.2	1.7	2.7
SSA exports with AGOA (% of U.S imports)	3.1	3.2	3.2	2.1	<b>2.3</b>	<b>3.7</b>
Export elasticity of SSA with AGOA	1.1	1.1	1.9	0.9	1.3	1.4
Import elasticity of U.S	3.5	8.1	8.9	1.4	6.1	5.5
U.S total imports (US\$ billion)	1 889	1 966	2 263	2 334	2 477	2 613
SSA exports with AGOA (US\$ billion)	58.3	63.2	73.1	47.9	<b>55.9</b>	<b>97.8</b>

Source: Author's calculation

- **It pays to extend AGOA's trade preferential regime**

- Without AGOA, SSA could have seen a loss of about US\$61 billion (or 22%) in total trade
  - 36% due to exports and 8% attributable to imports
- Trade deficit could have worsened from the current US\$8.9 billion to about US\$45 billion
- SSA exports to U.S is projected to increase from US\$47.9 billion in 2012 to US\$55.9 billion and US\$97.8 billion in 2013 and 2014 respectively



# Maximising the opportunities and potential gains in AGOA trade

Product	Trade surplus	US Market growth(%)	Relative trade potential (%)	Major supplying country
Mineral fuels, oils, distillation products, etc	38 288 912	7.2	84	Nigeria & Angola
Pearls, precious stones, metals, coins, etc	3 074 951	8.8	92	South Africa
Iron and steel	634 707	22.3	89	South Africa
Ores, slag and ash	620 302	10.6	94	South Africa, Guinea, Namibia & Gabon
Articles of apparel, accessories, knit or crochet	607 274	1.6	60	Lesotho, Kenya, Madagascar & Swaziland
Articles of apparel, accessories, not knit or crochet	605 651	-0.2	44	Mauritius, Kenya, Lesotho, Swaziland & Madagascar
Coffee, tea, mate and spices	213 236	8.0	92	Ethiopia, Kenya & Madagascar
Aluminium and articles thereof	197 698	10.9	93	South Africa
Cocoa and cocoa preparations	139 351	31.0	95	Ghana, Nigeria & Cameroon
Edible fruit, nuts, peel of citrus fruit, melons	95 498	13.0	97	South Africa
Organic chemicals	73 246	15.8	60	South Africa
Wood and articles of wood, wood charcoal	65 790	3.5	96	Cameroon, Ghana & Congo
Rubber and articles thereof	53 709	17.4	98	Liberia
Other base metals, cermets, articles thereof	52 572	19.3	92	South Africa & Zambia
Fish, crustaceans, molluscs, aquatic invertebrates n	50 763	-3.9	97	South Africa
Tobacco and manufactured tobacco substitutes	35 733	8.0	97	Malawi
Sugars and sugar confectionery	31 567	35.5	94	South Africa, Mauritius & Malawi
Beverages, spirits and vinegar	27 859	11.3	95	South Africa
Works of art, collectors pieces and antiques	23 303	14.0	50	South Africa, Congo & Nigeria
Zinc and articles thereof	21 274	22.0	99	South Africa
Vegetable, fruit, nut, etc food preparations	19 337	4.3	96	South Africa
Oil seed, oleag fruits, grain, seed, fruit, etc, nes	19 023	10.2	98	Ethiopia & South Africa
Raw hides and skins (other than furskins) and leath	14 565	0.9	99	South Africa
Lac, gums, resins, vegetable saps and extracts nes	13 209	7.4	90	Chad, Tanzania & Rwanda
Salt, sulphur, earth, stone, plaster, lime and cemen	13 032	8.3	98	South Africa
Nickel and articles thereof	12 756	34.4	97	South Africa
Copper and articles thereof	9 766	23.1	99	South Africa
Meat, fish and seafood food preparations nes	9 284	40.0	96	Mauritius
Live animals	9 060	5.9	98	Mauritius
Live trees, plants, bulbs, roots, cut flowers etc	8 928	6.3	99	Kenya, South Africa & Ethiopia
Pulp of wood, fibrous cellulosic material, waste etc	7 039	8.0	97	South Africa
Special woven or tufted fabric, lace, tapestry etc	3 064	-17.0	90	South Africa
Manufactures of plaiting material, basketwork, etc.	2 830	7.7	87	Ghana, Madagascar & Rwanda
Articles of leather, animal gut, harness, travel good	1 523	18.3	91	South Africa, Mauritius & Ethiopia
Bird skin, feathers, artificial flowers, human hair	1 403	21.2	85	Senegal & Togo
Carpets and other textile floor coverings	1 357	3.6	94	South Africa
Umbrellas, walking-sticks, seat-sticks, whips, etc	802	5.0	95	South Africa
Wool, animal hair, horsehair yarn and fabric thereo	794	6.5	99	South Africa
Vegetable plaiting materials, vegetable products ne	524	-1.5	98	Madagascar & South Africa
Headgear and parts thereof	454	-7.2	93	Madagascar & South Africa
Furskins and artificial fur, manufactures thereof	408	1.5	96	South Africa
Residues, wastes of food industry, animal fodder	84	5.4	98	Nigeria & Congo

- 42 SSA products are traded in surplus with AGOA
- Petroleum products continued to account for the largest portion of U.S imports, making Nigeria the largest beneficiary of the total surpluses (85%)
- 5 out of 42 products show negative in terms of U.S market growth while the remaining 37 depict positive growth
- 25 South African products are benefiting, followed by Madagascar with 6 products
- The fastest U.S market growth occurs in meat, fish and seafood supplied by Mauritius
- Articles of apparel, not knit (largely from Mauritius, Kenya, Lesotho, Swaziland and Madagascar), has the lowest relative trade potential (44% export to ROW), followed by Works of art (at 50%)

# Conclusion

## AGOA has had a modest impact on SSA

- SSA's exports and trade balance are not significantly different from what they were in 2001

## AGOA's extension

- SSA countries to remove trade barriers in order to increase intra-regional trade and international competitiveness
- This is critical in diversifying its exports from commodities to high value added finished goods, and in maximising the opportunities and potential gains inherent in international trade
- Extension of the AGOA dispensation to non-African LDCs will result in preference erosion



Thank you