

Assessment Study on the impact of AGOA to Ethiopia Export Products

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1. Background

The African Growth and Opportunity Act (AGOA) provide duty-free access to a wide range of products from sub-Saharan African (SSA) nations. AGOA was originally enacted in 2000; however, its renewal in 2015 for an additional 10 years has provided the impetus for this plan. The ten-year time frame (now six years) provides a level of certainty to African countries that they will be able to access the U.S. market duty-free at least in the short- to medium-term, thereby encouraging them to make investments in exporting to that market.

Duty-free access to the U.S. market is subject to a Rules of Origin (ROO) provision) as well as customs requirements. AGOA preferences currently apply to approximately 6,500 tariff lines (at the HS8-digit level). This includes the approximately 5,000 tariff lines currently covered by the United States Generalised System of Preferences (GSP), plus tariff lines added by the AGOA legislation.

In addition, apparel sector tariff lines also qualify where countries have met the AGOA “apparel visa” requirements. Newly-added AGOA products comprise inter alia previously excluded items such as footwear, luggage, handbags, watches, certain automotive components etc.

As of December 2020, there were 119 developing countries use the GSP, including 17 non-independent territories and 44 least developed beneficiary developing countries (LDBDCs). In 2019, the top five BDCs in terms of U.S. imports entering under GSP were Thailand, India, Indonesia, Brazil, and the Philippines.

Africa consists 55 Countries (33 are LDCs and 22 are Developing Countries) and 38 member states are the beneficiaries of AGOA Schemes. Eleven Sub-Saharan countries namely Burundi; Cameroon; DRC; Equatorial Guinea; Eretria, Mauritania; Seychelles; Somalia; South Sudan; Sudan and Zimbabwe are removed from the list by different reason.

2. Criteria for Country Eligibility under GSP Mandatory criteria

The criteria that each country must satisfy before being designated a GSP beneficiary. These criteria are summarized below.

- 1) A GSP beneficiary may not be a Communist country, unless such country receives Normal Trade Relations (NTR) treatment, is a World Trade Organization (WTO) member and a member of the International Monetary Fund (IMF), and is not dominated or controlled by international communism;
- 2) A GSP beneficiary may not be a party to an arrangement of countries nor participate in actions the effect of which are (a) to withhold supplies of vital commodity resources from international trade or to raise the price of such commodities to an unreasonable level and (b) to cause serious disruption of the world economy;
- 3) A GSP beneficiary may not afford preferential treatment to products of a developed country that has, or is likely to have, a significant adverse effect on U. S. commerce;
- 4) A beneficiary may not have nationalized, expropriated or otherwise seized property of U.S. citizens or corporations without providing, or taking steps to provide, prompt, adequate, and effective compensation, or submitting such issues to a mutually agreed forum for arbitration;
- 5) A GSP beneficiary may not have failed to recognize or enforce arbitral awards in favor of U.S. citizens or corporations;
- 6) A GSP beneficiary may not aid or abet, by granting sanctuary from prosecution, any individual or group that has committed an act of international terrorism;
- 7) A GSP beneficiary must have taken or is taking steps to afford internationally recognized worker rights, including i) the right of association, ii) the right to organize and bargain collectively, iii) a prohibition on the use of any form of forced or compulsory labor, iv) a minimum age for the employment of children, and a prohibition on the worst forms of child labor, and v) acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health.
- 8) A GSP beneficiary must implement any commitments it makes to eliminate the worst forms of child labor.

3. Criteria for Country Eligibility under AGOA Mandatory criteria

38 African countries that are eligible for AGOA benefits are Angola; Benin; Botswana; Burkina Faso; Cape Verde; Central African Republic; Chad; Comoros; Republic of Congo; Cote d'Ivoire; Djibouti; Eswatini; Ethiopia; Gabon; The Gambia; Ghana; Guinea; Guinea Bissau; Kenya; Lesotho; Liberia; Madagascar; Malawi; Mali; Mauritius; Mozambique; Namibia; Niger; Nigeria; Rwanda; Sao Tome and Principe; Senegal; Sierra Leone; South Africa; Tanzania; Togo; Uganda; Zambia. On the other hand, 17 African countries namely Burundi; Egypt; DRC; Cameroon; Sudan; Algeria; Morocco; Somalia; Mauritania; Zimbabwe; South Sudan; Tunisia; Eritria; Libya; Equatorial Guinea; Seychelles and Sahrawi Republic.

The Act authorizes the President to designate countries as eligible to receive the benefits of AGOA if they are determined to have established, or are making continual progress toward establishing the following: market-based economies; the rule of law and political pluralism; elimination of barriers to U.S. trade and investment; protection of intellectual property; efforts to combat corruption; policies to reduce poverty, increasing availability of health care and educational opportunities; protection of human rights and worker rights; and elimination of certain child labor practices.

4. Trade Relation between US and Ethiopia

Trade statistics between Ethiopia and USA shows that the average trade exchange (total trade turnover) from 2016 - 2020, is about 1.65 billion out of which 251.9 million USD constitutes Ethiopia's exports to USA. The remaining 1.4 billion USD of trade is imported from USA. The main exported item to US in the period 2016-2020 are: coffee, not roasted or decaffeinated, other footwear, other oil seeds and oleaginous fruits, men's or boys' shirts of cotton, men's or boys' trousers, breeches, etc., of cotton, most of export products covered in the list AGOA. The major import item from USA in the year 2015-2019 are -aeroplanes and other aircraft, of an unladen weight >15000kg, -aircraft spark-ignition piston engines, other parts of aeroplanes or helicopters.

Figure 1: Bilateral Trade flow

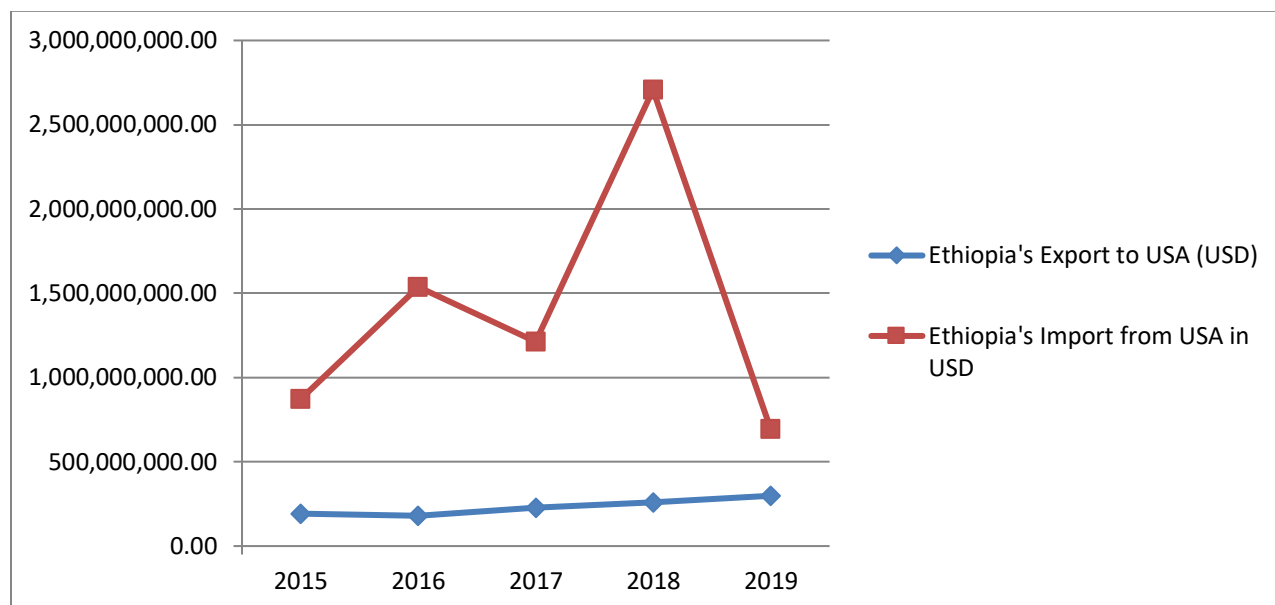


Figure 1 shows bilateral trade flows between the U.S. and Ethiopia from 2015-2019. Trade flows from the U.S. to Ethiopia were decline over time from 2017-2019. Meanwhile, the trade balance is negative on the indicated year in 2018, the deficit reached to 2.4 Billion USD.

Table 1: Top Ten Export item to USA Market (2016-2020)

HS Code	HS Description	Sum of FOB Value (USD)	Percentage
09011100	Coffee, Not Roasted or Decaffeinated	613,344,394.85	48.7
64059000	Footwear, Nes-	96,603,793.82	7.7
12079990	Other Oil Seeds and Oleaginous Fruits, Nes-	61,844,037.46	4.9
62052000	Men's or Boys' Shirts of Cotton-	42,889,644.72	3.4
61112000	-Babies' Garments, Etc, Of Cotton, Knitted Or Crocheted	41,205,593.86	3.3
62034200	--Men's or Boys' Trousers, Breeches, Etc, Of Cotton	32,420,941.39	2.6
61099000	-T-Shirts, Singlets, Etc, of Other Textiles, Nes, Knitted or Crocheted	20,958,073.91	1.7
19059020	---Fresh Injera	20,953,640.55	1.7
42032900	--Other	15,011,507.88	1.2
	Total	1,259,844,482.09	75.0

The main Export item to USA market are Coffee (48.7%) /Coffee Beans are not GSP or AGOA eligible but are duty free irrespective of country of origin/ followed by Foot wear (7.7%), Oilseed (4.9) and different types Cloths (11%) and Fresh Injeria (1.7%).

Table 2: Top Ten Import item to USA Market (2015-2019)

HS Code	HS Description	Total	Share %
88024000	-Aeroplanes and Other Aircraft, Nes, Of An Unladen Weight >15000kg	2,068,912,930.31	29.48
10011900	--Other Wheat	550,920,484.65	7.85
84071000	-Aircraft Spark-Ignition Piston Engines	440,398,904.04	6.27
84111200	--Turbo-Jets, Of A Thrust >25kn	410,673,615.10	5.85
88033000	-Otherparts Of Aeroplanes Or Helicopters	342,157,604.56	4.88
84119100	--Parts Of Turbo-Jets Or Turbo-Propellers	324,223,375.95	4.62
84128000	-Other Engines And Motors, Nes	289,112,054.56	4.12
30043900	Other Medicaments Of Other Hormones, For Retail Sale, Nes	278,209,592.86	3.96
10079000	-Other	243,617,809.79	3.47
07131000	Dried Peas, Shelled	181,498,219.07	2.59
Grand Total		7,018,567,478.92	73.09

The main imported products are Aero-planes and Other Aircraft (29.48%); other wheat (7.85%); Airplane related items (25.4%); Medical Items (3.96%) and Dried Peas (2.59%).

5. Ethiopia Status on AGOA

Ethiopia has been an AGOA beneficiary country since 2000 when the AGOA Act was enacted. A review of Ethiopia's performance under AGOA over the last 21 years shows a mixed result. On the one hand, AGOA exports have shown a steady growth in volume and product mix. Ethiopia's AGOA exports have increased from a very low base of 1 million USD in 2001 to 247

million USD in 2019. On the one hand, AGOA has opened up new export opportunities. Ethiopia has exported non-traditional export items such as textile and apparel, leather products, hand made goods, in increasing volume in the US market.

Table 3: Share of AGOA on Overall Export

Sector	2015	2016	2017	2018	Total	AGOA	Overall
Cut Flowers	5,509	6,085	5,423	4,838	21,855	6.19	2.55
Footwear	19,032	22,977	28,716	32,082	102,807	29.12	12.01
Home Décor/Fashion Accessories	3,538	5,229	4,791	5,892	19,450	5.51	2.27
Live Animal Products	89	-	3	-	92	0.03	0.01
Specialty Foods	2,160	1,930	1,807	1,588	7,485	2.12	0.87
Textiles and Apparel	17,275	32,341	51,866	98,550	200,032	56.65	23.37
Others	467	419	325	162	1,373	0.39	0.16
Total	48,070	68,981	92,931	143,112	353,094	100	41.26
Overall Total	190,285.40	179,654.94	226,888.33	258,958.62	855,787.30		100
%	25.26	38.40	40.96	55.26	41.26		

The main sectors that affect by the AGOA schemes as indicated in table 3 are Textiles, Leather, Flower and Specialty foods items like Injeria and cereals. The Footwear's export increased from 19 million USD in 2015 to 102 million USD 2018. On the other hand, Textiles and Apparel export also increased from 17 million USD to 200 million in 2018. The two sectors Export within the AGOA eligible product is 85.77%. Thus, the Footwear's and Textiles and Apparel sector is highly benefited the AGOA scheme.

Generally, the US market is indeed a huge market that offers Ethiopian firms great opportunities for business growth. Having a duty free and quota free access to this huge market offers Ethiopian firms great opportunities for business growth and expansion.

However, Ethiopia does not utilize the AGOA schemes as expected due to the information gap that affects most exporters and manufacturers; poor logistics, less productive capacity, transportation costs and limited presence of US investment in Ethiopia.

6. Potential Market replace the AGOA

The AGOA schemes has own custom requirements and Rule of origin Criteria. The detail analysis requires identifying the potential markets. In general, the following markets are potential market to replace AGOA.

1. Expansion of the Existing market

Footwear: Chapter 64 (63.8 % to US)

African countries (Kenya, Madagascar, South Africa and Uganda); EU countries (Italy, Netherland, Germany, France and Belgium); UK; Canada; Japan and Switzerland

Cloths (Articles of apparel and clothing accessories, Knitted or crocheted): Chapter 61 (52.5 % to US)

EU Countries (Germany, Spain, France, Belgium and Netherland); UK; Canada; Japan and UAE

Cloths (Articles of apparel and clothing accessories, not knitted or crocheted): Chapter 62 (72.1 % to US)

EU Countries (Germany, Italy, Spain, France, Austria and Netherland); UK; China, Canada UAE, Israel, Korea and Japan

Oilseed: Chapter 12.07 (4.24 % to US)

China, Israel, UAE, Vietnam, Singapore, Turkey, Japan, Saudi Arabia, Jordan, Yemen, Greece, India, Korea, Netherland , UK and Germany

Cut Flower: Chapter 06.02100 (10.08 % to US)

Netherland, Germany, Belgium, Canada, Italy, Spain, France, Japan, China, UK, Kenya, Norway, Uganda, Turkey, South Africa and Switzerland

2. New Market

As various studies shows the major consumer of the Footwear market in 2019 are Asia (54%); EU (14.8%); North Market (14.8%), Africa (9.5%); South America (6.1%); and Ocean (0.8%). From this result Asia, Europe and Africa will be a potential markets for Footwear Products.

On the other hand, leading importing countries of apparel worldwide by value in 2019 was EU (179 Billion USD), US (95.5 Billion USD), Japan (29.8 Billion USD), UK (26.4 Billion USD); China (11.2 Billion USD); Canada (11 Billion USD); South Korea (11 Billion USD); Russia (8.1 Billion USD and Switzerland (7.7 Billion USD). Therefore, Except the US, the other countries are potential market for cloth Export.