



THE AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA)

OPPORTUNITIES IN THE US MARKET

INTRODUCTION

The African Growth and Opportunity Act (AGOA) was enacted by the United States Congress in May 2000 as a component of the Trade and Development Act, 2000. The Act seeks to enhance trade and investment between United States and Africa by providing for one way trade preferences to products originating from the sub Saharan countries but only from those countries that meet eligibility criteria related to democracy, good governance and economic openness.

AGOA expands the list of products which eligible sub Saharan African countries may export to the United States subject to zero import duty under the Generalized System of Preferences (GSP). The AGOA GSP applies to over 6,400 items while GSP covers 4,600 items.

Kenya was among the first country to qualify to export under AGOA in 2001 and the United States is an important export destination for our products. Overall the total exports by Kenya in 2007 were valued at US \$ 326 million while imports were valued at US \$ 576 million. In 2007 the value of AGOA/GSP exports to the US amounted to US \$ 255 million which included tea, coffee, apparel and pyrethrum. On the other hand the major imports from the US included aircrafts and spare parts, chemical products and fertilizers.

The textile sector has particularly benefited from the AGOA initiative with exports to the US market increasing from US\$ 39.5 million in 1999 to US\$ 44 million and doubled to US \$ 126 million by the end of 2002. In 2007 the total exports of textiles to the US from Kenya was valued at US \$ 250 million. It is noteworthy that since the enactment of AGOA, textiles and apparels have dominated the composition of Kenya's exports to the US and constituted about 76% of the total exports in 2007.

The African Growth and Opportunity Act has helped to promote growth, create jobs and bolster reforms in sub-Saharan Africa (SSA), especially in the apparel sector. However unrestrained competition following the elimination of Multi-Fiber Arrangement (MFA) quotas on January 1, 2005 and the anticipated expiry of safeguard for China's exports later this year threatens to undermine this success, as evidenced by the fact that SSA is the only region that has experienced a serious decline in apparel market share in the United States.

These challenges notwithstanding, there exists huge potential for Kenya to increase the volume and value of exports to the US market through the AGOA initiative through aggressive diversification in order to tap into the huge market especially for products such as plastics and value added agricultural products. Other products with huge potential in the US market include flowers, pyrethrum, honey, coffee, handicrafts, leather and leather products

Further in October 2007 APHIS approved the issuance of import permits for peeled baby carrots and husked, silk-free baby corn from Kenya. Kenya is also eligible for Category 9 benefits, which includes handmade hand loomed, folklore products, and traditional fabrics which could be terrific niches, given that these products attract high duties from all sources except the FTA partners who generally don't make or export them.