



United States  
International Trade Commission

# African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights

Corrected June 2023

March 2023

Publication Number: 5419

Investigation Number: 332-589

# United States International Trade Commission

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United States International Trade Commission

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## ERRATA

For the United States International Trade Commission *African Growth and Opportunity Act (AGOA): Program Usage, Trends and Sectoral Highlights*, Investigation No. 332-589, USITC Publication 5419, March 2023.

- On page 96, U.S. import data were corrected to read “U.S. imports of apparel from AGOA beneficiaries have risen from \$939 million in 2001 to \$1.4 billion in 2021.” rather than “U.S. imports of apparel from AGOA beneficiaries have risen from \$953 million in 2001 to \$1.4 billion in 2021.”
- On page 99, the reference to the figure number was corrected to read “Figure 3.1 shows which SSA countries are eligible for AGOA textile and apparel provisions . . .” rather than “Figure 3.2 shows which SSA countries are eligible for AGOA textile and apparel provisions . . .”
- On page 114, the dollar amount and year were corrected to read “Initially, imports from AGOA beneficiaries increase from \$939 million in 2001 to \$1.8 billion in 2004, before decreasing between 2004 and 2010 . . .” rather than “Initially, imports from AGOA beneficiaries increased from \$939 million in 2001 to \$1.6 billion in 2004, before decreasing between 2000 and 2010 . . .”
- On page 115, figure 3.5 was replaced to reflect corrected data and the table note was updated to add “The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1.”
- On page 116, the value of imports was corrected to read “Imports from AGOA beneficiaries grew rapidly from \$696 million to \$1.8 billion . . .” rather than “Imports from AGOA beneficiaries grew rapidly from \$728 million to \$1.8 billion . . .”
- On page 118, references to “imports under AGOA” and “imports under the program” were corrected to read “imports from AGOA beneficiaries.”
- Table F.8 was updated to reflect corrected data.

June, 2023



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# Acronyms and Abbreviations

<b>Term</b>	<b>Definition</b>
3CF	third-country fabric
AfCFTA	African Continental Free Trade Area
AGOA	African Growth and Opportunity Act
AGOA I	Trade and Development Act of 2000
AGOA II	Trade Act of 2002
AGOA III	AGOA Acceleration Act of 2004
AGOA IV	Africa Investment Incentive Act of 2006
AGOA V	Act to Amend AGOA
AGOA VI	AGOA Extension and Enhancement Act of 2015
AGOA VII	AGOA and Millennium Challenge Act Modernization Act of 2018
ATC	Agreement on Textiles and Clothing
ATI	USAID Africa Trade Initiative
AVE	ad valorem equivalent
AWEP	African Women's Entrepreneurship Program
BDC	beneficiary developing country
C-4	cotton-four countries (Benin, Burkina Faso, Chad, and Mali)
CAFTA-DR	Dominican Republic-Central America Free Trade Agreement
CAR	Central African Republic
CBI	Centre for the Promotion of Imports from Developing Countries
CBP	U.S. Customs and Border Protection
CBTPA	Caribbean Basin Trade Partnership Act
CCC	Conseil du Café-Cacao
CIGCI	Côte d'Ivoire-Ghana Cocoa Initiative
CLCCG	Child Labor Cocoa Coordinating Group
CMT	cut, make, and trim
CNL	competitive need limitation
COCOBOD	Ghana Cocoa Board
Commission	U.S. International Trade Commission
Committee	U.S. House of Representatives Committee on Ways and Means
CRIG	Cocoa Research Institute of Ghana
DRC	Democratic Republic of the Congo
DUS	droit unique de sortie (single exit right)
EAC	East African Community
EATIH	U.S. Eastern Africa Trade and Investment Hub
EPZ	export processing zone
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
FTA	free trade agreement
GDIZ	Glo-Djigbe Industrial Zone (Benin)
GDP	gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation) GmbH
GSP	U.S. Generalized System of Preferences
GTP	Growth and Transformation Plan (Ethiopia)
GVC	global value chain
ha	hectare
HS	Harmonized Commodity Description and Coding System (Harmonized System, WCO)

## African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights

<b>Term</b>	<b>Definition</b>
HTS	Harmonized Tariff Schedule of the United States
ICAC	International Cotton Advisory Committee
ICCO	International Cocoa Organization
ILO	International Labour Organization
IPR	intellectual property rights
ISEAL	International Social and Environmental Accreditation and Labelling
ITA	International Trade Administration (USDOC)
kg	kilogram
KIT	Koninklijk Instituut voor de Tropen (Royal Tropical Institute, Netherlands)
LBC	licensed buying company
LDBDC	least-developed beneficiary developing country
LDC	least-developed country
LID	Living Income Differential
LNDC	Lesotho National Development Corporation
MCC	Millennium Challenge Corporation
MFA	Multifiber Arrangement
MFN	most-favored nation
mm	millimeter
MMF	manmade fiber
MOU	memorandum of understanding
NAFTA	North American Free Trade Agreement
NORC	National Opinion Research Center
NTR	normal trade relations (MFN status)
OECD	Organisation for Economic Co-operation and Development
OTEXA	Office of Textiles and Apparel (USDOC, ITA)
PIA	Plateforme Industrielle d'Adetikope (Adetikope Industrial Platform, Togo)
R&D	research and development
REC	regional economic community
ROO	rule of origin
SSA	sub-Saharan Africa
TI	technology intensity
TIVA	trade in value added
TMB	Textiles Monitoring Body
TRQ	tariff-rate quota
UK	United Kingdom
U.S.	United States (adjective)
USAID	U.S. Agency for International Development
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
USD	U.S. dollar
USDA	U.S. Department of Agriculture
USDOC	U.S. Department of Commerce
USDOL	U.S. Department of Labor
USGS	U.S. Geological Survey
USITC	U.S. International Trade Commission
USTR	Office of the U.S. Trade Representative
VSLA	village savings and loans association
WCO	World Customs Organization
WRO	withhold release order
WTO	World Trade Organization



# Executive Summary

This report provides information on and analysis of the African Growth and Opportunity Act (AGOA) program in general and select industries in AGOA beneficiary countries. AGOA was signed into law on May 18, 2000, as part of the Trade and Development Act of 2000 and subsequently amended over the following two decades. It is currently in effect through September 30, 2025, as provided for in the AGOA Extension and Enhancement Act of 2015. AGOA is a trade preference program that grants duty-free access on certain products exported by qualifying sub-Saharan Africa (SSA) countries to the United States. A country desiring to benefit from AGOA must meet enumerated criteria before it is granted beneficiary status, and some countries have gained, lost, or re-gained this status over the life of the program. The impact of AGOA on beneficiary countries can be substantial within certain countries and sectors, especially apparel, but the broader influence on economic development and poverty reduction throughout SSA appears minimal.

## The Request and Approach

The U.S. House of Representatives Committee on Ways and Means (Committee) requested an investigation and report in a letter received by the U.S. International Trade Commission (Commission or USITC) on January 19, 2022. The Committee requested that the report provide analysis on the AGOA program in general and an analysis of specific industries in AGOA beneficiary countries. The broad assessments of AGOA include trends and utilization rates over the life of the program and information on its impacts on workers, underserved communities, regional integration, and economic development. The case studies provide details on the cotton, apparel, certain chemicals, and cocoa industries, including an analysis of each industry's competitive strengths and weaknesses and their impact on employment, economic development, and poverty reduction.

The Commission gathered information and data from a variety of sources. A public hearing was held on June 9, 2022, where seven ambassadors or other foreign government officials and 19 representatives of SSA trade associations and manufacturers, buyers for international firms, and academics provided testimony on the impacts of AGOA. Commission staff also traveled to five SSA countries (South Africa, Lesotho, Côte d'Ivoire, Ghana, and Kenya) to gather information from local stakeholders, which was supplemented by virtual interviews; these discussions included foreign government officials, representatives of manufacturing and purchasing firms, think tanks, non-governmental organizations, unions, and industry associations. This information gathering was supplemented by available trade and production data, written submissions to the Commission, and a review of the available literature.

## Main Findings

### Overview of AGOA

#### Beneficiary Eligibility

AGOA is a U.S. unilateral trade preference program available to 49 countries in the SSA region, of which 36 were beneficiaries in 2022 (figure ES.1). It builds on the U.S. Generalized System of Preferences (GSP) program, and to qualify for AGOA a country must be eligible for GSP. In addition, AGOA establishes requirements for a country to be eligible for AGOA benefits. These requirements are in five primary areas: economic (status of the AGOA country's market economy, economic reform, and elimination of barriers to U.S. trade); political (rule of law, political pluralism, and anti-corruption); poverty reduction; labor, child labor, and human rights; and terrorism and security. The most common reason for a loss of eligibility relates to concerns over the rule of law and political pluralism.

**Figure ES.1** Sub-Saharan Africa countries and their AGOA country eligibility status, 2022

Underlying data for this figure can be found in appendix F, table F.1.



Source: Compiled by USITC staff.

Notes: AGOA country eligibility status is based on AGOA program eligibility and AGOA benefits eligibility. Additional information on eligibility status is available in appendix E, table E.1. SSA comprises the countries identified in 19 U.S.C. § 3706. For purposes of this report, countries are referred to by their names in current usage, even where different from those names in the AGOA legislation (e.g., Eswatini instead of Swaziland). Equatorial Guinea and Seychelles are not AGOA program eligible because they are no longer GSP beneficiary developing countries. Two other countries, Somalia and Sudan, are not AGOA program eligible because they have never requested to join AGOA. Burundi, Cameroon, Eritrea, Ethiopia, Guinea, Mali, Mauritania, South Sudan, and Zimbabwe are AGOA program eligible but were not AGOA beneficiaries in 2022.

## Product Eligibility

Products under most tariff-rate lines in the Harmonized Tariff Schedule of the United States (HTS) are eligible for duty-free entry from AGOA beneficiaries. About 38 percent of tariff lines in the HTS are already duty free under normal trade relations (NTR). Under AGOA, an additional 47 percent of tariff lines are eligible for duty-free access, not including those covered by AGOA's textiles and apparel

product benefits. GSP provides duty-free access for a small (less than 0.1 percent) number of additional tariff lines not designated duty free under AGOA. Combined, about 85 percent of all tariff lines, not including those covered by AGOA's textiles and apparel product benefits, are eligible for duty-free access to the United States if imported from any AGOA beneficiary. About 97 percent of tariff lines, however, are covered by AGOA for AGOA beneficiaries with full textile and apparel product benefits. The remaining dutiable products are predominantly agricultural (e.g., meat, sugar, and dairy). Not all AGOA beneficiaries are eligible for textile and apparel benefits under AGOA. To be eligible for textile and apparel benefits, countries must establish legal and administrative procedures to prevent transshipment. In addition, to be eligible for the third-country fabric (3CF) provision—a significant benefit that allows duty-free access for apparel made of fabric from any origin—an AGOA beneficiary must be designated a lesser-developed AGOA beneficiary. Twenty-four of 36 AGOA beneficiaries in 2022 were eligible for AGOA textile and apparel benefits. Of these, only South Africa was ineligible for the 3CF provision because it has not been designated as a lesser-developed AGOA beneficiary.

### Rules of Origin

At least 35 percent of a product's value must be grown, produced, or manufactured in the AGOA-eligible country, and exports must be directly shipped to the United States. For textile and apparel benefits, different rules of origin concerning the sourcing of inputs apply. Garments must be assembled in the beneficiary country and, with some exceptions, there are restrictions on the origin of yarns and fabric. One important exception is the third-country fabric provision, which, as noted above, is available to lesser-developed AGOA beneficiaries and provides for duty-free treatment for apparel made of fabric of any origin. Of the apparel entering the United States under AGOA in 2021, nearly 99 percent used the 3CF provision.

### U.S. Imports from AGOA Beneficiaries

Imports from AGOA beneficiaries claiming a preference program represent a minor fraction of overall U.S. trade. Less than 1 percent of total U.S. imports by value (about \$6.8 billion in 2021) enter under this program, and that level has been steady in current dollars since the program's inception. Crude petroleum has historically dominated trade under AGOA, representing a majority of trade value. Textile and apparel was the largest value-added sector, accounting for 33 percent of non-crude petroleum imports in 2021, and other low- and medium-technology industries such as copper cathodes and gold jewelry accounted for significant volumes of trade. A subset of AGOA-eligible countries accounted for the majority (81 percent) of non-crude petroleum AGOA trade in 2021 (South Africa, Kenya, Lesotho, Madagascar, and Ethiopia).

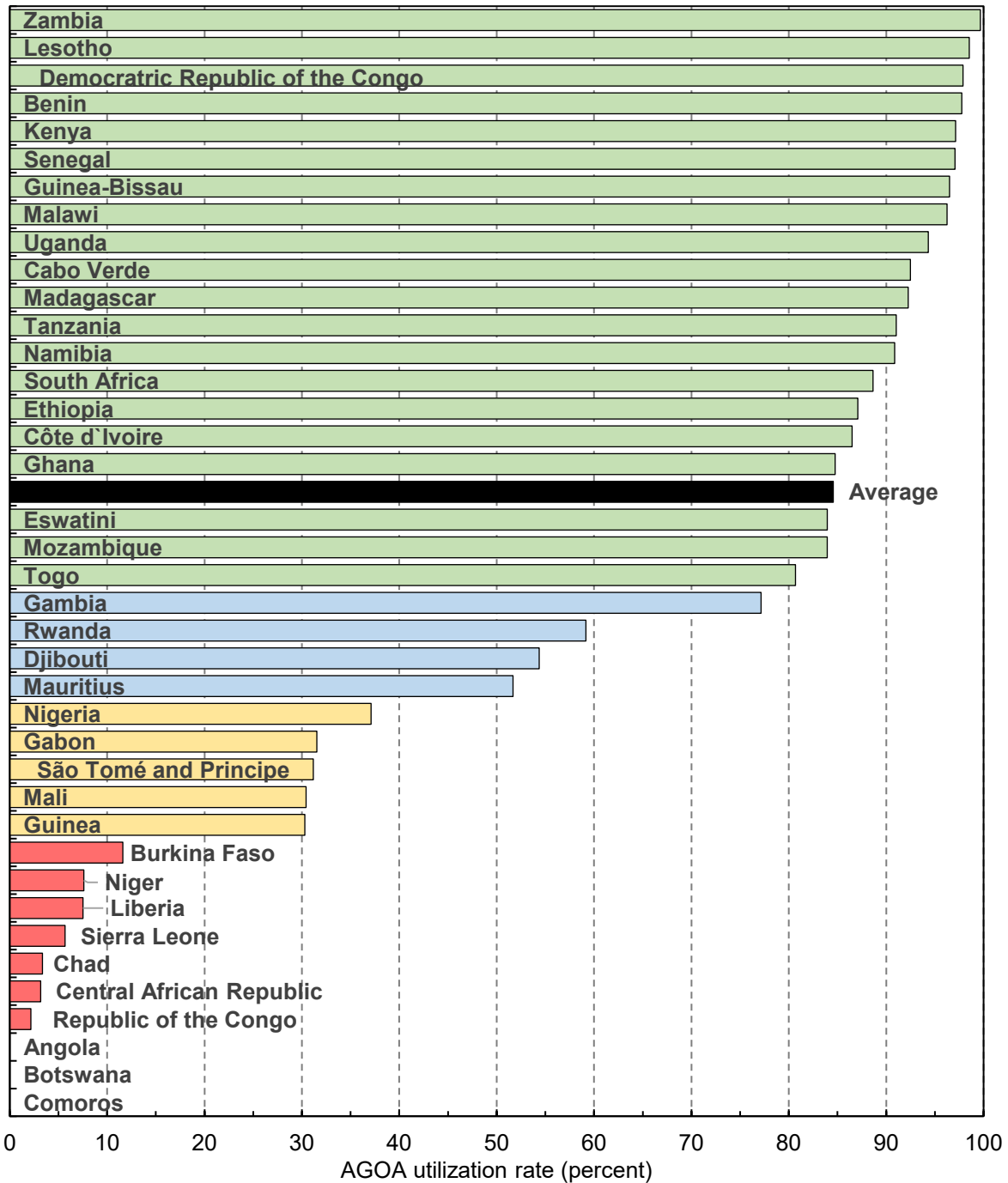
### Utilization Rates

The overall AGOA utilization rate, which is the rate at which U.S. imports of AGOA-covered products from an AGOA beneficiary claim the AGOA preference, across AGOA beneficiaries reached 85 percent in 2021, but it varied substantially by country (figure ES.2). For non-crude petroleum products, 24 of 39 eligible countries had utilization rates greater than 50 percent. Countries with higher utilization rates have sectors subject to the highest U.S. NTR tariff rates, exports aligned with AGOA-eligible products, eligible exports in amounts greater than \$1 million, and national AGOA strategies. Some beneficiary

countries, like Zambia, Lesotho, and Kenya, have consistently had non-crude petroleum utilization rates near or above 90 percent, while others like Comoros and Chad have had rates near zero percent.

**Figure ES.2** AGOA utilization rates excluding crude petroleum, by country, 2021

In percentages. Underlying data for this figure appear in appendix F, table F.16.



Source: DataWeb/Census, accessed November 10, 2022.

Note: AGOA utilization rates are calculated by dividing the value of U.S. imports for consumption under AGOA excluding crude by the value of U.S. imports for consumption of AGOA-eligible products, excluding crude. Utilization rates are only calculated in years a country is an AGOA beneficiary. The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1. Utilization rates are not calculable in years with no U.S. imports. Countries with utilization rates between 0–25 percent are colored red, 25–50 yellow, 50–75 blue, and 75–100 green.

## Overall Impact on Regional Integration, Workers, Economic Development, and Poverty Reduction

The impact of AGOA on regional integration, workers, underserved communities, and economic development in AGOA beneficiary countries appears to be minimal outside of certain countries and sectors. Assessing the impact of AGOA on regional integration, workers, economic development, and poverty reduction is challenging, given that so many factors can influence these outcomes. AGOA had a positive but limited impact on exports to the United States from AGOA beneficiaries as a whole. While the positive impact on exports is documented, especially in certain countries, there is scant literature connecting AGOA to these other areas. Interviews by Commission staff produced some examples of AGOA's positive impact on regional integration. AGOA has been important for some underserved groups, like women working in the apparel sector, but conclusive data documenting impacts on other communities are lacking. Evidence from fieldwork and limited academic literature indicate AGOA has had an impact on economic development and poverty reduction vis-à-vis job growth. This outcome is noted especially in the apparel industry, as the eight largest AGOA beneficiary apparel sectors directly employed an estimated 240,000–290,000 workers in 2021, but the effect is muted due to uncertainty surrounding the program's renewal.

## Case Studies

### Apparel

#### Sector Overview and Trade

The apparel industry in AGOA beneficiary countries is centered on export-oriented garment manufacturing. Most manufacturers obtain inputs and designs from an international purchaser and export finished or semi-finished articles of clothing. The vast majority of AGOA beneficiary apparel exports in 2021 originated in Madagascar, Kenya, Lesotho, Mauritius, and Ethiopia. The largest AGOA beneficiary apparel suppliers were among the first to be eligible for apparel benefits under AGOA and most have maintained AGOA benefits continuously. These suppliers are also eligible to export apparel under AGOA's liberal third-country fabric (3CF) provision. Apparel exports from AGOA beneficiaries to the United States have generally increased in value over the life of the program, from \$939 million in 2001 to \$1.4 billion in 2021, but there have been substantial fluctuations over time, and AGOA beneficiary countries only account for 1–2 percent of the U.S. market.

#### Regional Integration

Regional integration in this sector is limited, and currently most of the upstream production of yarns and fabrics occurs outside the region. AGOA beneficiaries primarily participate in the downstream cut-and-sew operations of apparel. Regional integration in the apparel value chain would have some or all of the upstream sector processes taking place within the region, including fiber farming or extrusion, yarn spinning, and fabric knitting or weaving. Shifting toward regional integration can be beneficial because it generally reduces lead times and the cost of transportation, including storage costs, border delays, and tariffs. Regional integration can also have positive impacts on traceability of the supply chain, improving supply chain transparency and compliance. The apparel industry across AGOA beneficiaries has also

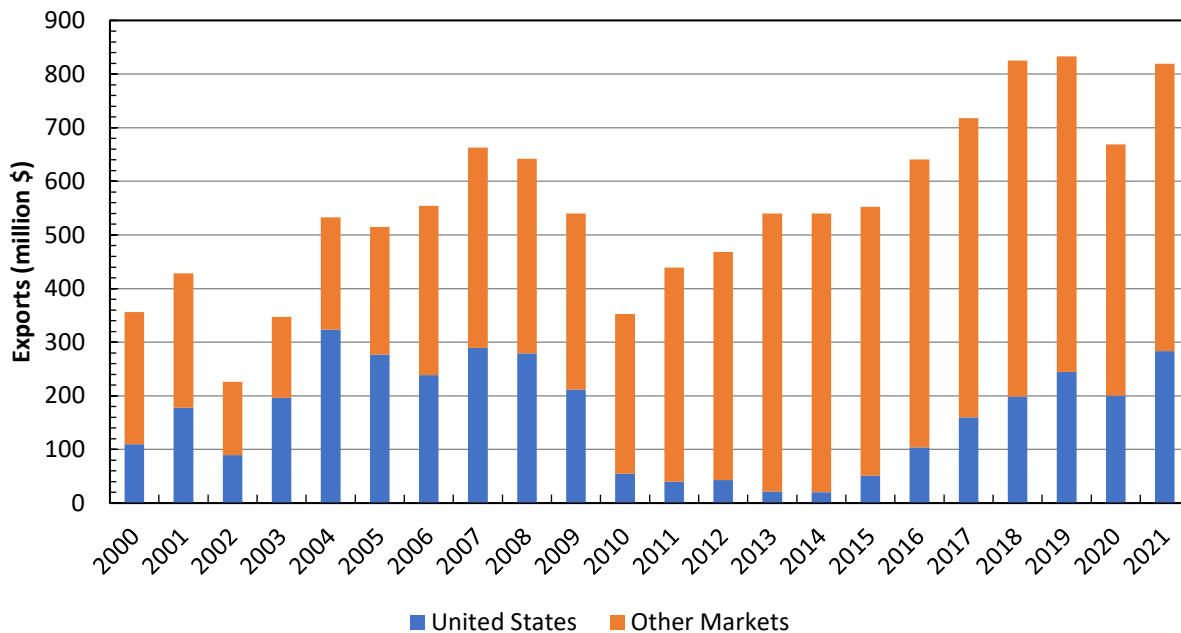
advocated for regional integration in efforts to increase reliable access to apparel inputs. Despite industry efforts, there has only been limited success integrating sectors of the apparel value chain among AGOA beneficiaries.

## Sector Competitive Strengths and Weaknesses

SSA apparel manufacturers currently benefit from multiple competitive strengths. The apparel industry across SSA is supported by an abundant low-cost workforce and supportive domestic policy. Tariff elimination under AGOA's apparel provisions is the largest competitive strength for beneficiary countries. Duty reductions as high as 32 percent substantially increase profitability for an industry with low margins. Some AGOA beneficiaries have gained and then lost AGOA benefits. AGOA benefits appear to be essential for SSA countries to maintain their apparel exports to the United States. Every instance from 2000 to 2021 of a country losing AGOA benefits by failing to meet the eligibility criteria shows that a loss of AGOA benefits results in a significant decline in U.S. imports of apparel from that country. Following its undemocratic transfer of power in 2009, Madagascar's loss of eligibility from 2009 to 2014 provides a representative example (figure ES.3). Additionally, some regional experts suggest that more consistent renewal of AGOA's apparel provisions could incentivize greater vertical integration as it would provide more certainty in the ability to recoup investments.

**Figure ES.3** Apparel exports from Madagascar by destination market, 2000–2021

In millions of U.S. dollars. Underlying data for this figure can be found in appendix F, table F.6.



Source: S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed January 7, 2023.

Note: Many sub-Saharan African (SSA) countries do not reliably report export data in the GTA database. Therefore, the data shown for SSA exports in this figure have been constructed using all reporting countries imports from SSA countries in the GTA database (mirror constructed export statistics data).

## **Sector Impact on Employment, Economic Development, and Poverty Reduction**

The apparel sector appears to play a large role in terms of economic development, employment, and poverty reduction. Jobs in this industry are generally higher paying than alternatives and provide opportunities for training and advancement. Women represent 70–90 percent of this workforce, and apparel jobs are an entry point to the formal economy. Some firms also provide benefits through childcare, education, and healthcare that magnify the sector’s impact on the surrounding communities. Despite the industry’s impact on workers, there have been isolated reports of labor violations within the region but, given the limited level of independent monitoring, it is not possible to assess how widespread these violations are.

### **Cotton**

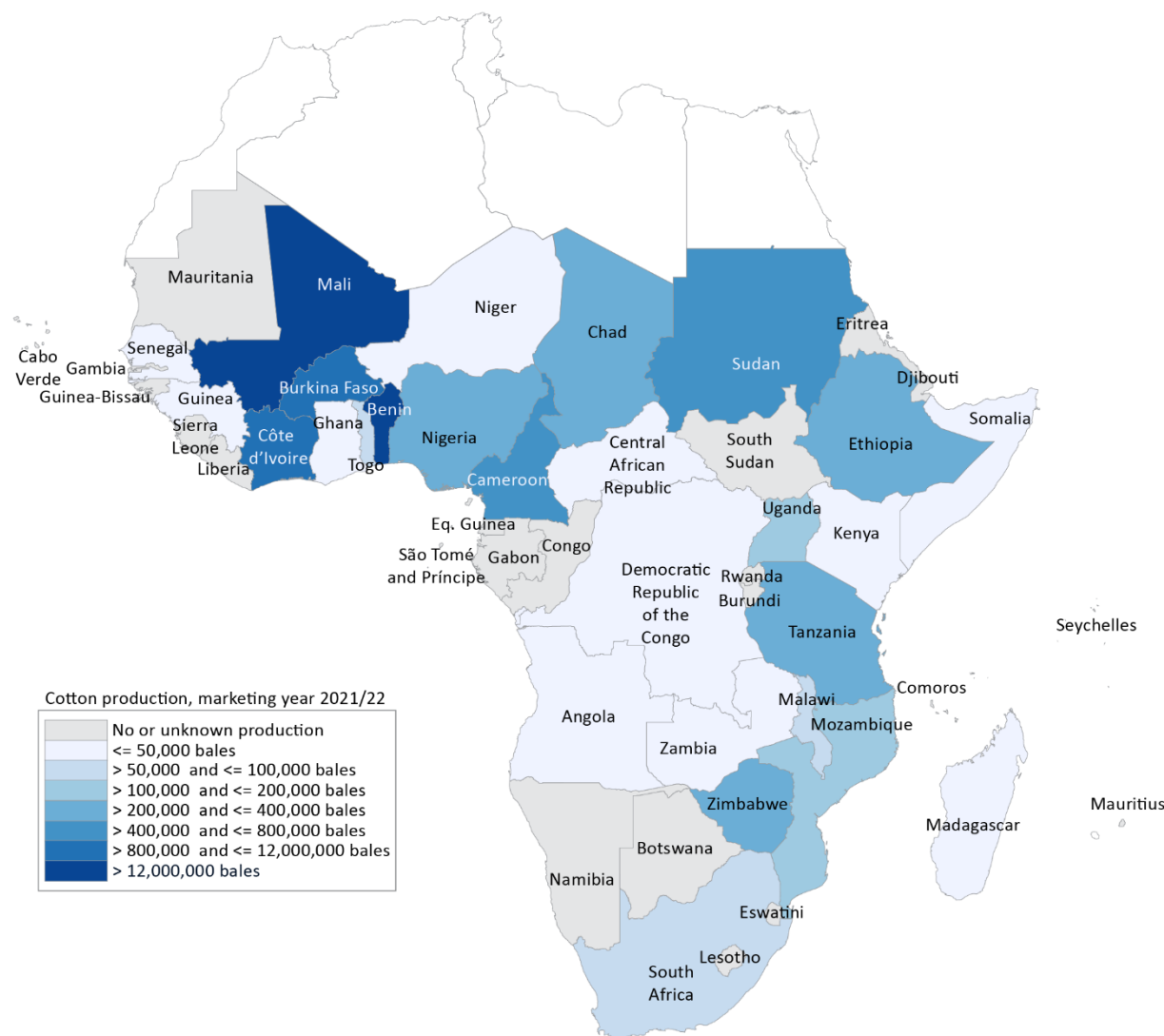
#### **Sector Overview and Trade**

Cotton growing is widespread across about 30 SSA countries (figure ES.4). The region, as a whole, accounts for about 7 percent of global production, making it the fifth-largest global producer. Production is generally increasing because of some improvement in yields, expansion of growing area, and, in some major producing countries, efforts to improve agronomic practices. The vast majority of SSA cotton—including from AGOA beneficiaries—is sold to international buyers and exported to Asian mills that process it into yarns and fabrics. The United States, the third-largest global cotton producer and greatest exporter, imports negligible amounts of cotton from AGOA beneficiaries and SSA more broadly. Similarly, a negligible amount of SSA cotton is directly used by the SSA apparel industry, because the region has limited mills necessary to process and transform the harvested cotton into more value-added products.



**Figure ES.4** Sub-Saharan African cotton-producing countries, marketing year 2021/22

Underlying data for this figure can be found in appendix F, table F.9.



Source: Compiled by USITC staff from USDA, FAS, PSD, accessed November 3, 2022. Information on AGOA benefits eligibility status appears in appendix E, table E.1.

Note: Bales are based on a 480 pounds equivalent basis; marketing year is August–July. Somalia, Sudan, and Zimbabwe have never been AGOA beneficiaries. Cameroon lost AGOA beneficiary status in January 2020. The Democratic Republic of Congo regained AGOA beneficiary status in January 2021. Mali, Ethiopia, and Guinea lost AGOA beneficiary status as of January 2022; Burkina Faso lost AGOA beneficiary status in January 2023.

## Sector Competitive Strengths and Weaknesses

The SSA cotton industry produces high-quality, “sustainable” cotton that can be used in a number of high-value end products and is sold globally. SSA cotton production benefits from a large availability of low-cost labor and strong global demand but struggles to increase supply to meet demand. Poor agronomic practices, lack of inputs (e.g., quality seeds and fertilizer), low use of mechanization and poor infrastructure, and political instability/civil strife and climate change all lead to this disparity.

## **Sector Impact on Employment, Economic Development, and Poverty Reduction**

Cotton-growing regions in sub-Saharan Africa tend to be poorer and less politically stable than other parts of the region. These areas tend to have limited opportunities for jobs and for growing crops other than cotton. Because cotton can grow in hotter and drier environments than many other crops, it may be the main source of revenue for many producers. Many industry and subject matter experts hold that cotton production has helped prevent extreme poverty. However, without increasing yields per hectare and using local cotton to create a vertically integrated regional value chain, cotton will have a limited impact on employment, poverty reduction, and economic development.

## **Cocoa**

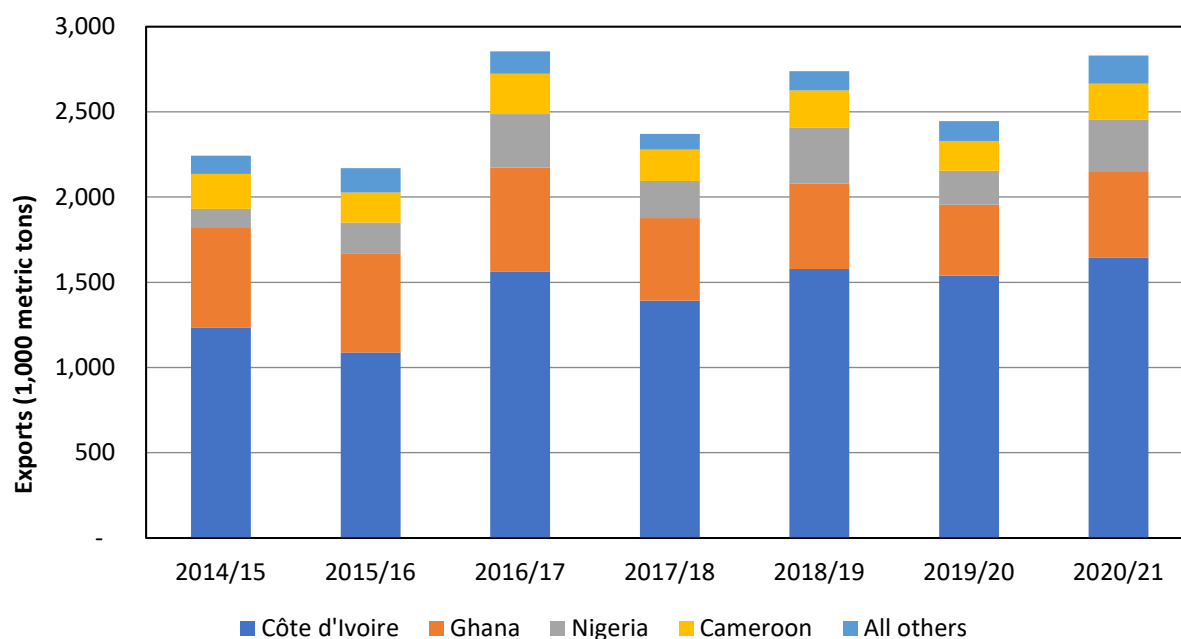
### **Sector Overview and Trade**

SSA countries represent the majority of primary cocoa production worldwide. Côte d'Ivoire and Ghana collectively account for the majority of SSA production (figure ES.5) and 60 percent of global cocoa bean output. There is also a growing cocoa processing sector in SSA that transforms the beans into higher-value powder, paste, or cake. Some reports cite AGOA as an aid to increased cocoa processing. There is a limit to how far the region can move into higher-value products, however, because the region generally lacks access to the sugar and dairy required to manufacture finished chocolate and confectionary products. National governments play a large role in the sector, both in markets and in incentivizing investment downstream.

Virtually all cocoa produced in SSA is exported—either as beans or processed products—to Europe, the United States, and Malaysia, which are the largest importers of SSA cocoa products. U.S. imports of all cocoa products from the region exceeded \$1.2 billion in 2021. About 8 percent entered under AGOA, but most entered NTR duty free. AGOA currently plays a minor role in the SSA cocoa industry because only two processed cocoa products are AGOA eligible. Movement up the cocoa value chain by producing more processed commodities could allow AGOA beneficiaries to make better use of these provisions.

**Figure ES.5** Sub-Saharan African exports of cocoa beans and processed cocoa products, by top exporter, cocoa years 2014/15–2020/21

In 1,000 metric tons. Underlying data for this figure can be found in appendix F, table F.12.



Source: ICCO, Cocoa Statistics, accessed July 15, 2022.

Note: Top sub-Saharan African (SSA) exporters are shown individually based on their ranking in 2020/21. The cocoa year is October 1 to September 30. Côte d'Ivoire, Ghana, and Nigeria were AGOA beneficiaries for the entirety of 2014–21. Cameroon lost AGOA beneficiary status in 2020. All others comprises both AGOA beneficiaries and non-beneficiaries. The list of AGOA beneficiary countries is unique for each year.

## Sector Competitive Strengths and Weaknesses

Cocoa producers in West Africa have the advantage of a large volume of high-quality, commodity cocoa beans, making them versatile in blending and a convenient source to the biggest buyers. West African processors have access to cheaper raw materials and domestic tax incentives, which gives them a competitive advantage and helps offset high energy costs. In addition, processing at origin helps save on transportation costs because the shell of the cocoa bean, which makes up 20 percent of the bean's weight, is removed during processing.

## Sector Impact on Employment, Economic Development, and Poverty Reduction

The cocoa sector supports overall economic development in the region in terms of its contribution to national GDP and export earnings. However, the sector contributes little to rural economic development, as poverty remains pervasive in cocoa farming communities. Although cocoa is a major source of employment for millions of farmers and workers, where few other opportunities exist, the majority of farmers earn below a living income. Jobs at the processing level are considered to be high-quality formal jobs; however, the automated nature of cocoa processing limits the number of jobs generated. Despite some efforts to address the problem, child labor remains an issue.

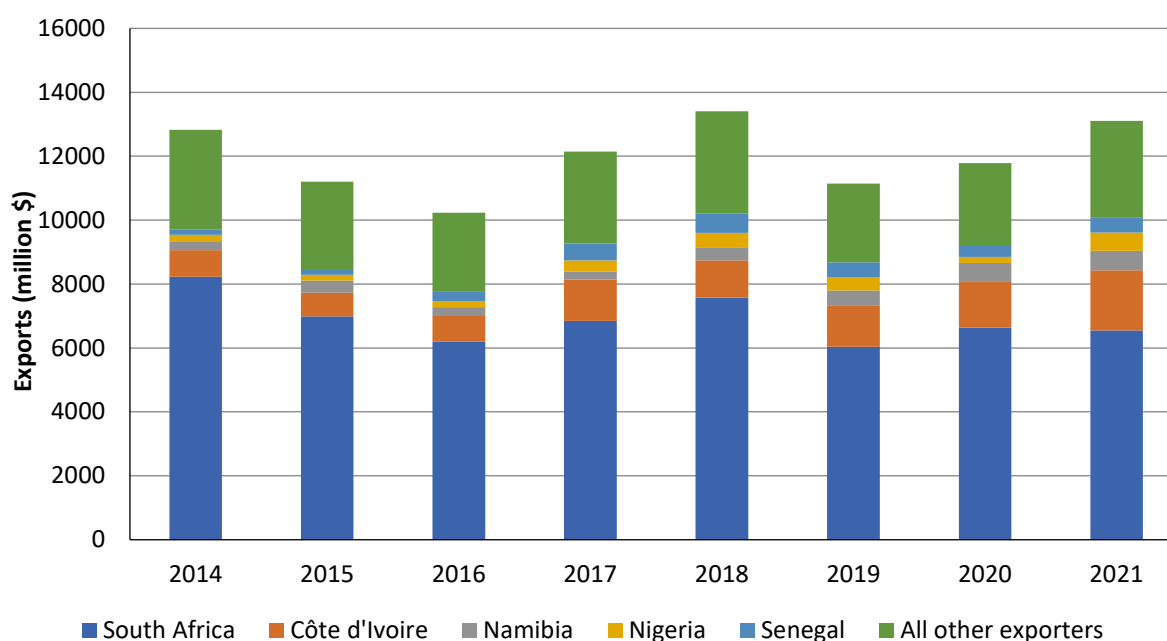
## Chemicals

### Sector Overview and Trade

Some chemical manufacturing exists in other SSA countries, but South Africa is the only nation in the region to have a diversified, value-added chemical industry because of its long history of industrialization to supply its mining, energy, and agriculture sectors. The modern South African industry is generally focused on commodity chemicals used as inputs for other processes, which are lower value than more specialized products. U.S. imports of chemicals from SSA were valued at \$1.6 billion in 2021. Almost all of the \$384 million of these imports coming in under AGOA originated in South Africa.

**Figure ES 6** Sub-Saharan African exports of chemicals, by top exporter, 2014–21

In millions of U.S. dollars. Underlying data for this figure can be found in appendix F, table F.14.



Source: S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 28–40, accessed October 6, 2022.

Note: Top sub-Saharan African (SSA) exporters are shown individually according to their rankings in 2021. All listed countries were AGOA beneficiaries for 2014–21. Other exporters comprises both AGOA beneficiaries and non-beneficiaries. The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1. Many SSA countries do not reliably report export data. Therefore, SSA exports are represented by global imports from SSA countries (mirror data).

### Sector Competitive Strengths and Weaknesses

The chemical industry in SSA is a minor player in the global market, which is dominated by large multinational companies. South Africa is the only country in SSA with a sizeable chemical industry, which is also the most mature, based on its large feedstock source material and long-term investment in the industry. However, South Africa’s chemical industry mainly produces commodity chemicals and has only a small presence in the intermediate or specialty chemicals segments, which limits the range of products available and its ability to produce differentiated products. There has also been stagnation over the past several years, and some subsectors are reportedly in decline, potentially reducing South Africa’s

reliability of supply. Most other SSA countries with significant feedstocks, mainly oil, have not taken the next steps into the production of chemicals.

### **Sector Impact on Employment, Economic Development, and Poverty Reduction**

Chemicals are key inputs and important to all AGOA beneficiary economies, but the industry's impact on economic development in AGOA beneficiaries is minor, overall. The chemical industry impact is largest in South Africa, where it constitutes about 3 percent of GDP and one-fifth of manufacturing. Over its history, the chemical industry played a major role in achieving South Africa's current level of development. Because the overall SSA chemical industry, with the exception of South Africa, is still in the early stages of development or does not have a strong foundation for growth, it currently provides few opportunities for economic development or regional integration. Wages are generally higher for workers in this sector and relatively few people are employed within it, making direct contributions to local economies likely to be minimal.



# Chapter 1

## Introduction

This report responds to the request received by the U.S. International Trade Commission (Commission or USITC) on January 19, 2022, from the U.S. House of Representatives Committee on Ways and Means (Committee) under section 332(g) of the Tariff Act of 1930 for an investigation and report on the African Growth and Opportunity Act (AGOA) program in general and its usage. The Committee noted that the AGOA program expires on September 30, 2025, and requested the report in the context of considering the future of the program. This chapter outlines the scope and organization of the report, presents the framework used in the case studies, and provides a detailed overview of the AGOA program.

### Scope

The Committee requested that the report provide a general overview of the AGOA program and its usage and also provide case studies of four industries to better understand the competitiveness of each sector and its impact on workers, economic development, and poverty reduction (See appendix A for the request letter). The Committee asked that the Commission's report include the following:

1. An overview of the AGOA program and its use, which should include, to the extent practicable:
  - a. A description of the program, including eligibility requirements, rules of origin, and scope of product coverage, including products not eligible for duty-free treatment under AGOA;
  - b. An overview of U.S. imports from AGOA eligible countries to the United States, highlighting the top exporting countries and top primary and value-added products, and separately identifying imports entered under AGOA, imports entering under an AGOA-eligible tariff line where no preference was claimed, and imports of non-AGOA eligible goods;
  - c. Identification of countries and sectors where AGOA utilization rates are, respectively, high and low, and broad factors that explain this; and
  - d. A qualitative examination, including a review of the available literature, of the role that AGOA has played in regional integration, and the extent to which AGOA has impacted workers and underserved communities, and contributed to economic development—including job growth and poverty reduction—in SSA countries.
2. Case studies for the following industries, to the extent practicable:
  - a. Cotton
    - i. An overview of the cotton industry in AGOA beneficiary countries, identifying top AGOA producers and trends in production, consumption, and exports, and including a discussion of how the sector contributes to employment, economic development, and poverty reduction;

## African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights

- ii. A qualitative analysis of the competitive strengths and weaknesses of production and exports of cotton in SSA countries; and
  - iii. An examination of the use of SSA-grown cotton in the AGOA or SSA apparel supply chain.
- b. Apparel
  - i. An overview of the apparel industry in AGOA beneficiary countries, identifying top AGOA producers and trends in production, consumption, and exports, and including a discussion of how the sector contributes to employment, economic development, and poverty reduction;
  - ii. A qualitative analysis of the competitive strengths and weaknesses of production and exports of apparel in SSA countries;
  - iii. Explanation of AGOA's additional apparel eligibility requirements and the effect of the loss and recovery of AGOA beneficiary status on the apparel industry;
  - iv. A description of the AGOA rules of origin for apparel and an examination of the relationship between the rules and production and exports to the United States; and
  - v. An examination of the degree of regional integration in the apparel supply chain in AGOA countries and, to the extent available, information regarding the country of origin of inputs, such as fabrics, yarns, fibers, and trims.
- c. Certain Chemicals
  - i. An overview of the chemicals industry in AGOA beneficiary countries, identifying top AGOA producers and trends in production, consumption, and exports, and including a discussion of how the sector contributes to employment, economic development, and poverty reduction;
  - ii. A qualitative analysis of the competitive strengths and weaknesses of production and exports of certain chemical products in SSA countries; and
  - iii. An examination of the relationship between AGOA preferences and SSA exports of certain chemicals to the U.S. market.
- d. Cocoa
  - i. An overview of the cocoa industry, including growing operations and processing, in AGOA beneficiary countries, identifying top AGOA producers and trends in production, consumption, and exports, and including a discussion of how the sector contributes to employment, economic development, and poverty reduction;
  - ii. A qualitative analysis of the competitive strengths and weaknesses of production and exports of cocoa in SSA countries; and



- iii. An examination of the relationship between AGOA preferences and SSA exports of cocoa and cocoa-related products to the U.S. market.

## Background

President William J. Clinton signed AGOA into law on May 18, 2000, as part of the Trade and Development Act of 2000 (AGOA I).<sup>1</sup> In its 2000 statement of policy within AGOA I, Congress expressed support for, among other goals, “encouraging increased trade and investment between the United States and sub-Saharan Africa; reducing tariff and nontariff barriers and other obstacles to sub-Saharan African and United States trade,” and “expanding United States assistance to sub-Saharan Africa’s regional integration efforts.” It also expressed support for negotiating reciprocal and mutually beneficial trade agreements with countries in sub-Saharan Africa (SSA), strengthening and expanding the SSA private sector, and facilitating the development of civil societies and political freedom in SSA countries.<sup>2</sup> In debating AGOA, the importance of linking labor and trade was discussed and ultimately Congress conditioned preferences under AGOA on countries making continual progress toward internationally recognized worker rights.<sup>3</sup> In a summary of AGOA issued at the time it was signed into law, the White House also recognized that the Act would protect African workers, as well as U.S. jobs, by requiring “respect for internationally recognized worker rights and human rights.”<sup>4</sup> AGOA is currently in effect through September 30, 2025, under the AGOA Extension and Enhancement Act of 2015 (AGOA VI).<sup>5</sup> AGOA VI contains an additional statement of policy to support “promoting the role of women in social, political, and economic development in sub-Saharan Africa.”<sup>6</sup> Although SSA is generally defined as the area of Africa south of the Sahara Desert, AGOA defines those specific countries that constitute SSA for purposes of AGOA eligibility (called AGOA SSA countries in this report).<sup>7</sup>

## Approach and Sources of Information

In response to the Committee’s request, the Commission based this report on an analysis of trade and investment data; a review of the relevant literature, including previous Commission reports on AGOA SSA countries; and information obtained from industry, government, academic, nongovernmental, and other sources through virtual and in-person interviews. In addition, the report includes information drawn from a public hearing the Commission held on June 9, 2022, and written submissions received in

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<sup>1</sup> Trade and Development Act of 2000, Pub. L. No. 106-200, 114 Stat. 251 (2000); see also 65 Fed. Reg. 33858 (May 25, 2000) (indicating date of presidential signature).

<sup>2</sup> Pub. L. No. 106-200, § 103, 114 Stat. 251, 253 (2000).

<sup>3</sup> House Committee on Ways and Means, “U.S. Trade Relations with Sub-Saharan Africa,” 106<sup>th</sup> Congress, February 3, 1999, 6 (statement of Rep. Levin). *U.S. Trade Relations with Sub-Saharan Africa*, H. Comm. on Ways and Means, 106th Cong. at 6 (1999)

<sup>4</sup> White House, “Details of the Trade and Development Act of 2000,” May 17, 2000.

<sup>5</sup> AGOA Extension and Enhancement Act of 2015, Pub. L. No. 114-27, § 103, 129 Stat. 362 (2015) (amending 19 U.S.C. §§ 2466b & 3721).

<sup>6</sup> Pub. L. No. 114-27, § 106, 129 Stat. 362 (2015).

<sup>7</sup> 19 U.S.C. § 3706. For a list of the AGOA SSA countries, see figure 1.2, in the AGOA Program Eligibility section below, and appendix E of this report.

response to a notice published in the *Federal Register*.<sup>8</sup> The trade data used in this report to examine the trends in exports from AGOA beneficiary countries came from official statistics of the U.S. Census Bureau and from the Global Trade Atlas database. Other sources of information for the report included academic literature and publications from U.S. and foreign governments; regional organizations in SSA countries, such as the Common Market for Eastern and Southern Africa and the African Development Bank; and international institutions, including the International Monetary Fund, the Organisation for Economic Co-operation and Development, the World Bank, the World Trade Organization, and United Nations (UN) agencies, such as the UN Conference on Trade and Development, the UN Economic Commission for Africa, and the UN Industrial Development Organization.

## Report Organization

This report is organized into six chapters that cover the two components of the request letter: (1) an overview of the AGOA program and its use and (2) case studies on four specific industries. Chapters 1 and 2 cover the first component. Chapter 1 (Introduction) describes the AGOA program, including eligibility requirements; trade benefits, including the scope of product coverage; and rules of origin (ROOs). Chapter 2, Overview of the AGOA Program and Qualitative Assessment, analyzes U.S. imports from AGOA beneficiary countries, identifies top sources of U.S. imports from AGOA beneficiaries and top U.S. imports under AGOA, and provides a review of AGOA utilization rates and U.S. investment in SSA. In addition, chapter 2 qualitatively analyzes (1) the role AGOA has played in regional integration, (2) the extent to which AGOA has impacted workers and underserved communities, and (3) AGOA's contribution to economic development.

The remaining chapters cover the case studies, as follows: chapter 3, Apparel; chapter 4, Cotton; chapter 5, Cocoa; and chapter 6, Certain Chemicals. These provide an overview of each industry, highlighting the top AGOA producers and trends in production, consumption, and exports. They also lay out the competitive strengths and weaknesses of SSA countries' production and exports. Finally, each case study discusses how the sector contributes to employment, economic development, and poverty reduction.

## Summary of Major AGOA Provisions

AGOA is a U.S. unilateral trade preference program available for countries in the SSA region.<sup>9</sup> It was created through AGOA I and built on trade preferences established under the U.S. Generalized System of Preferences (GSP).<sup>10</sup> The goals of AGOA are multifaceted, encompass trade and development

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<sup>8</sup> 87 Fed. Reg. 10239 (Feb. 23, 2020). See appendix C of this report for hearing participants and appendix D of this report for the positions of interested parties.

<sup>9</sup> 19 U.S.C. § 3701 et seq; see also USTR, "Preference Programs," accessed August 10, 2022. AGOA is "unilateral" in the sense that it is a U.S. law that provides preferential access to the U.S. market for imports from AGOA beneficiary countries without conditioning such access on AGOA beneficiary countries providing reciprocal treatment for U.S. exports to those countries or entering into international agreements with SSA states providing for such reciprocal treatment. AGOA.info, "What is AGOA?" accessed January 5, 2023.

<sup>10</sup> GSP was established under the Trade Act of 1974, Pub. L. No. 93-618, 88 Stat. 1978 (1975) (codified at 19 U.S.C. § 2461 et seq.), and section 111 of AGOA I added section 506A to title V of the Trade Act of 1974, codified at 19 U.S.C. §§ 2466a & 2466b.

objectives, and are reflected in a “statement of policy” set out in the statute.<sup>11</sup> With respect to trade, Congress expressed support for encouraging trade and investment between the United States and SSA, reducing tariff and nontariff barriers, and negotiating reciprocal and mutually beneficial trade agreements, in particular free trade agreements.<sup>12</sup> Since its creation, the program has been amended several times and reauthorized twice (figure 1.1).<sup>13</sup> Following enactment of AGOA, the President delegated certain functions related to its administration to the U.S. Trade Representative (Trade Representative).<sup>14</sup>

In broad terms, AGOA provides duty-free treatment for a range of imports from AGOA beneficiaries. It provides additional benefits as compared to GSP, foremost of which is providing duty-free access for a wider range of products, such as certain textile and apparel products and other products with limited access under GSP. In addition, AGOA also provides expanded access by eliminating for AGOA beneficiaries the quantitative limits on GSP benefits that were applicable to some GSP beneficiaries.<sup>15</sup> For some products, AGOA contains caps on the amount of imports that are allowed to enter duty free, but those caps have not come close to being exceeded. As described in the sections below, AGOA establishes criteria that must be met for a country to be eligible to receive product benefits, delineates products covered by AGOA, and establishes rules of origin (ROOs) for products to be eligible for AGOA product benefits, including specific ROOs for textile and apparel products.

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<sup>11</sup> 19 U.S.C. § 3702.

<sup>12</sup> 19 U.S.C. §§ 3702(1)–(4) & 3723. Subsequent AGOA amendments have further emphasized the goal of negotiating free trade agreements with AGOA beneficiaries. In 2004, the definition of “former beneficiary,” meaning a state that ceases to be eligible for AGOA by reason of entering into a free trade agreement with the United States, was added to AGOA, indicating that AGOA benefits were intended as a bridge to such agreements. Pub. L. No. 108-274, § 7, 118 Stat. 826 (2004) (codified at 19 U.S.C. § 2466a(e)(2)). Furthermore, Congress in 2015 added a requirement that the President submit a report every five years on the viability of and plans to negotiate free trade agreements with AGOA countries that have expressed such interest. Pub. L. No. 114-27, § 110(b), 129 Stat. 362 (2015) (codified at 19 U.S.C. § 3705 note). For the most recent such report, see USTR, *2022 Biennial Report on AGOA*, June 2022, 82.

<sup>13</sup> Pub. L. No. 108-274, § 7, 118 Stat. 820 (2004) (authorizing AGOA through September 30, 2015); Pub. L. No. 114-27, § 103, 129 Stat. 362 (2015) (authorizing AGOA through September 30, 2025).

<sup>14</sup> Proclamation No. 7350, 65 Fed. Reg. 59321 (October 4, 2000).

<sup>15</sup> This is described in detail in the AGOA and GSP Coverage Comparison section below. These quantitative restrictions are GSP program-specific and distinct from tariff-rate quotas.

**Figure 1.1** A history of major African Growth and Opportunity Act (AGOA) laws

3CF = third-country fabric

### Trade and Development Act of 2000 (AGOA I)

- AGOA effective dates: AGOA program and certain textile and apparel provisions until September 30, 2008; 3CF provision until September 30, 2004
- Program established including country and product eligibility criteria and certain textile and apparel provisions; the President is required to submit annual reports to Congress through 2008

### Trade Act of 2002 (AGOA II)

- AGOA effective dates: not adjusted
- Modifications include: clarifying and expanding aspects of certain textile and apparel provisions; increasing apparel import limit for apparel made from regional fabric

### AGOA Acceleration Act of 2004 (AGOA III)

- AGOA effective dates: AGOA program and certain textile and apparel provisions extended until September 30, 2015; 3CF provisions extended until September 30, 2007
- Modifications include: technical changes to certain textile and apparel provisions; increase to apparel import limit for the 3CF and regional fabric provisions; establishment of an interagency trade advisory committee (i.e., the AGOA Implementation Subcommittee of the Trade Policy Staff Committee); requirement for the President to establish certain developmental aid assistance programs

### Africa Investment Incentive Act of 2006 (AGOA IV)

- AGOA effective dates: 3CF extended until September 30, 2012
- Modifications include: adjustments to certain textile and apparel provisions; increased the apparel import limit under the 3CF provision

### Act to Amend AGOA of 2012 (AGOA V)

- AGOA effective dates: 3CF extended until September 30, 2015
- Modifications include: adding South Sudan to the list of countries eligible for AGOA sub-Saharan African country designation

### AGOA Extension and Enhancement Act of 2015 (AGOA VI)

- AGOA effective dates: AGOA program and all textile and apparel provisions extended until September 30, 2025
- Modifications include: revised eligibility review process to reestablish requirement for the President to submit reports to Congress (biennially through 2025) and allow the President flexibility to withdraw, suspend, or limit specific AGOA benefits; amended eligibility requirement to include property rights for women; amended non-apparel ROO to encourage regional integration

### AGOA and Millennium Challenge Act Modernization Act of 2018 (AGOA VII)

- AGOA effective dates: not adjusted
- Modifications include: directions for the President to build a website to disseminate information on AGOA; publish outcomes of AGOA forums on the required AGOA website; provide specified forms of trade capacity building

Sources: Trade and Development Act of 2000, Pub. L. No. 106-200, 114 Stat. 251 (2000) (AGOA I); Trade Act of 2002, Pub. L. No. 107-210, 116 Stat. 933 (2002) (AGOA II); AGOA Acceleration Act of 2004, Pub. L. No. 108-274, 118 Stat. 820 (2004) (AGOA III); Africa Investment Incentive Act of 2006 (Division D, Title VI of Tax Relief and Health Care Act of 2006), Pub. L. No. 109-432, 120 Stat. 3190 (2006) (AGOA IV); Act to Amend AGOA Pub. L. No. 112-163, 126 Stat. 1274 (2012) (AGOA V); AGOA Extension and Enhancement Act of 2015 (Title I of Trade Preferences Extension Act of 2015), Pub. L. No. 114-27, 129 Stat. 362 (2015) (AGOA VI); AGOA and MCA Modernization Act, Pub. L. No. 115-167, 132 Stat. 1276 (2018) (AGOA VII).

Notes: Terms used, as appropriate, in accordance with AGOA VI.

AGOA establishes country and product eligibility requirements. For purposes of this report, we define country eligibility requirements as comprising AGOA program eligibility and AGOA benefits eligibility. These requirements are summarized below, with more detailed discussion to follow:

3. AGOA program eligibility: Countries are eligible for the AGOA program if they are designated as an SSA country for purposes of AGOA,<sup>16</sup> are eligible for GSP<sup>17</sup> and request to join AGOA.<sup>18</sup> For purposes of this report, countries meeting these criteria are referred to as “eligible for the AGOA program” or having “AGOA program eligibility.”
4. AGOA benefits eligibility: Whether countries eligible for the AGOA program receive benefits under AGOA is based on whether they meet the AGOA benefits eligibility requirements.<sup>19</sup> For purposes of this report, any country meeting these criteria is referred to as an “AGOA beneficiary” or, as is commonly used by USTR, “AGOA eligible.”<sup>20</sup>
5. AGOA product eligibility: Products imported into the United States from an AGOA beneficiary are eligible for duty-free entry under AGOA if they meet the law’s product descriptions (i.e., are products covered by AGOA, also referred to as AGOA-covered products) and, for certain textile and apparel imports, additional product-specific eligibility requirements.<sup>21</sup> For AGOA-covered products to enter duty free, they must also meet the applicable ROOs and claim the preference. For purposes of this report, these are also described as “product benefits.”

## AGOA Country Eligibility

### AGOA Program Eligibility

AGOA program eligibility acts as a prerequisite for a country to become an AGOA beneficiary. To be AGOA program eligible, a country must be included in the statute’s definition of an AGOA SSA country,<sup>22</sup> request to join AGOA, and the country must be eligible for GSP.<sup>23</sup>

<sup>16</sup> 19 U.S.C. § 3706 (identifying SSA countries for purposes of AGOA).

<sup>17</sup> See, e.g., 87 Fed. Reg. 28856 (May 11, 2022) (initiation notice of AGOA eligibility review stating that AGOA beneficiaries must comply with AGOA and GSP). AGOA does not contain an explicit requirement that country eligibility for the AGOA program is conditioned on GSP eligibility, though for trade preference benefits AGOA requires that beneficiaries satisfy GSP criteria. For instance, AGOA benefits under 19 U.S.C. §§ 2466a (GSP preferences) and 3721 (duty free treatment for certain apparel and textiles) require that AGOA beneficiaries also satisfy GSP eligibility criteria. The Trade Representative has stopped reviewing SSA countries for AGOA benefits after they have graduated GSP. See, e.g., USTR, *2022 Biennial Report on AGOA*, June 2022, 17. This practice makes GSP eligibility in effect a requirement for AGOA program eligibility, including for non-trade benefits such as the AGOA Forum, which are not otherwise linked to GSP eligibility in law. 19 U.S.C. §§ 3703 & 3704(c)(1).

<sup>18</sup> The Trade Representative does not review countries for AGOA benefits eligibility that have not requested designation as an AGOA beneficiary country. See, e.g., USTR, *2022 Biennial Report on AGOA*, June 2022, 17. This practice makes requesting designation as an AGOA beneficiary in effect a requirement for AGOA program eligibility.

<sup>19</sup> 19 U.S.C. §§ 2466a(a)(2) (directing the President “to determine the current or potential eligibility of each country to be designated as a beneficiary sub-Saharan African country”) & 3703 (AGOA eligibility requirements).

<sup>20</sup> See e.g., USTR, *2022 Biennial Report on AGOA*, June 2022.

<sup>21</sup> 19 U.S.C. §§ 2466a(b) (describing products eligible for AGOA duty-free treatment) & 3721 (describing covered textiles and apparel). Certain textile and apparel provisions have additional country-level eligibility requirements (see the AGOA Exclusive Duty-free Products section below).

<sup>22</sup> 19 U.S.C. § 3706. This list has been amended once since enactment to add the Republic of South Sudan. Pub. L. No. 112-163, § 1(b), 126 Stat. 1274 (2012).

<sup>23</sup> The Trade Representative has stopped reviewing SSA countries for AGOA benefits after they have graduated GSP making GSP eligibility, in effect, a requirement for AGOA program eligibility.

## African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights

GSP is a unilateral trade preference program providing duty-free treatment for certain products to beneficiary developing countries (BDCs) from any region.<sup>24</sup> GSP also provides additional duty-free access to BDCs that the President designates as least-developed beneficiary developing countries (LDBDCs) under GSP.<sup>25</sup> As of 2022, GSP BDCs numbered 119, of which 44 were LDBDCs.<sup>26</sup>

Countries must meet certain eligibility criteria to qualify for GSP and, by extension, for AGOA.<sup>27</sup> These GSP criteria are set out in statute and cover a range of issues, including worker rights, arbitral awards, and intellectual property rights.<sup>28</sup> Once qualified for GSP, BDCs are assessed triennially to determine if they continue to meet the GSP eligibility criteria. According to these assessments, or in response to a petition from an interested party, a BDC may be subject to a formal GSP country practice review.<sup>29</sup> During such reviews, BDCs retain GSP benefits. As of November 2022, three SSA countries were subject to ongoing GSP country practice reviews. These reviews assess if the relevant governments are taking sufficient measures to satisfy the GSP statutory eligibility criteria on intellectual property rights (South Africa) and worker rights (Zimbabwe and Eritrea).<sup>30</sup>

In addition, GSP has an income limit that requires a BDC to “graduate” from the program if it becomes a high-income country.<sup>31</sup> A country’s income level is based on the World Bank’s income groups, which are

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<sup>24</sup> Designated GSP beneficiary developing countries (BDCs) are listed in HTS general note 4; for AGOA in HTS general note 16; and for the AGOA textiles, apparel, and luggage benefits in U.S. notes 1 and 2(d) of subchapter XIX of HTS chapter 98 (the latter note lists lesser-developed AGOA beneficiaries). AGOA benefits provided in the HTS by means of GSP duty-free entry continue in effect for AGOA beneficiary countries during lapses in GSP authorization. USITC, *Harmonized Tariff Schedule (2022), Rev. 11*, October 2022; see also box 1.3 in the AGOA and GSP Coverage Comparison section below. The term “country” is used here to mean all eligible trading partners, including territories. USTR, *GSP Guidebook*, November 2020, 14–15.

<sup>25</sup> 19 U.S.C. § 2463(a)(1)(B); see also the AGOA and GSP Coverage Comparison section below.

<sup>26</sup> USTR, “GSP By the Numbers,” 2021; USITC, *Harmonized Tariff Schedule (2022), Rev. 11*, October 2022, 26–28.

<sup>27</sup> The President decides whether to add or remove a country or a product from GSP. The interagency GSP Subcommittee of the Trade Policy Subcommittee (TPSC), which is chaired by staff from the Office of the U.S. Trade Representative (USTR), provides advice on these decisions. 19 U.S.C. § 2462; USTR, *GSP Guidebook*, November 2020, 8.

<sup>28</sup> All criteria are assessed when a country asks to join GSP. 19 U.S.C. § 2462(b)(2), (c).

<sup>29</sup> USTR established its GSP triennial assessments in 2017. Formal country practice reviews can result in three outcomes: (1) closure of the review with no change to benefits, (2) partial removal of GSP benefits, or (3) removal of the BDC from GSP. 19 U.S.C. § 2462(d)(1); USTR, “USTR Announces New Enforcement Priorities for GSP,” October 24, 2017; USTR, *GSP Guidebook*, November 2020, 9.

<sup>30</sup> USTR, “Current Reviews (GSP),” accessed November 14, 2022.

<sup>31</sup> Other reasons to graduate from GSP include economic development and trade competitiveness, as determined by the President. A BDC loses GSP benefits on January 1 of the second year after the President makes the graduation determination. 19 U.S.C. § 2462(e); USTR, *GSP Guidebook*, November 2020, 11.

updated annually.<sup>32</sup> Since the inception of AGOA, only two SSA countries—Seychelles and Equatorial Guinea—have lost AGOA program eligibility because of their income-based graduation from GSP.<sup>33</sup>

As of January 2023, 45 AGOA SSA countries were eligible for the AGOA program (a number unchanged since 2017) (figure 1.2). Since 2012, when the statute was amended to include the newly independent country of South Sudan, 49 countries have been defined to be part of the SSA region for purposes of AGOA.<sup>34</sup> However, four of these countries do not meet at least one AGOA program eligibility requirement. Two of those are the AGOA SSA countries noted above that are not AGOA program eligible because they are no longer GSP BDCs: Equatorial Guinea (since 2011) and Seychelles (since 2017). Two other countries, Somalia and Sudan, are not AGOA program eligible because they have never requested to join AGOA.<sup>35</sup>

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<sup>32</sup> The International Bank for Reconstruction and Development (better known as the “World Bank”) has four income groups, ranging from high to low, according to gross national income. Economies it designates as high-income are not eligible for GSP. World Bank, “World Bank Country and Lending Groups (2023),” accessed August 22, 2022; 19 U.S.C. § 2462(e).

<sup>33</sup> Seychelles graduated from GSP, effective January 1, 2017, which resulted in losing eligibility for trade and non-trade AGOA benefits. Effective 2011, Equatorial Guinea graduated from GSP because of its income but was never found to be AGOA eligible before losing AGOA program eligibility (see AGOA Benefits Eligibility, below). Proclamation No. 9333, 80 Fed. Reg. 60249 (October 5, 2015); Proclamation No. 8467, 74 Fed. Reg. 69221 (December 30, 2009); USTR, *2022 Biennial Report on AGOA*, June 2022, 17; GAO, *AGOA: Eligibility Process*, February 2015, 15–16; 87 Fed. Reg. 28856 (May 11, 2022) (initiation notice for AGOA eligibility review listing Equatorial Guinea and Seychelles as not eligible for AGOA due to GSP graduation).

<sup>34</sup> 19 U.S.C. § 3706; see also Pub. L. No. 112-163, § 1(b), 126 Stat. 1274 (2012) (amending 19 U.S.C. § 3706 to include “Republic of South Sudan”).

<sup>35</sup> USTR, *2022 Biennial Report on AGOA*, June 2022, 83.

**Figure 1.2** Sub-Saharan African countries and their AGOA country eligibility status, 2022

Underlying data for this figure can be found in appendix F, table F.1.



Source: Compiled by USITC staff.

Notes: AGOA country eligibility status is based on AGOA program eligibility and AGOA benefits eligibility. Additional information on eligibility status is available in appendix E, table E.1. SSA comprises the countries identified in 19 U.S.C. § 3706. For purposes of this report, countries are referred to by their names in current usage, even where different from those names in the AGOA legislation (e.g., Eswatini instead of Swaziland). Equatorial Guinea and Seychelles are not AGOA program eligible because they are no longer GSP BDCs. Two other countries, Somalia and Sudan, are not AGOA program eligible because they have never requested to join AGOA. Burundi, Cameroon, Eritrea, Ethiopia, Guinea, Mali, Mauritania, South Sudan, and Zimbabwe are AGOA program eligible but were not AGOA beneficiaries in 2022.

## AGOA Benefits Eligibility

Although a country may be eligible for the AGOA program, it is not automatically eligible to receive benefits. The eligibility requirements to be an AGOA beneficiary cover a range of criteria. USTR organizes the requirements into five categories for AGOA reporting purposes:

1. Economic: criteria on market economy, economic reform, and elimination of barriers to U.S. trade;



2. Political: criteria on rule of law, political pluralism, and anti-corruption;
3. Poverty Reduction: criteria to have policies aimed at reducing poverty;
4. Labor and Human Rights: criteria on worker rights, forced labor, child labor, and human rights (see text box 1.1); and
5. Terrorism and Security: criteria on international terrorism and U.S. national security.<sup>36</sup>

In this report, we use these five categories when discussing the AGOA benefits eligibility requirements.

### **Box 1.1** AGOA Benefits: Eligibility Criteria and Worker Rights

AGOA benefits eligibility criteria include criteria based on “internationally recognized” worker rights.<sup>a</sup> GSP has similar eligibility criteria, including with respect to “internationally recognized worker rights.”<sup>b</sup> Congress explained the inclusion of these criteria in GSP reflects the United States’ embrace of certain universal labor and political rights through adoption of the Universal Declaration of Human Rights, while also avoiding the imposition of U.S. standards on developing countries.<sup>c</sup> Both AGOA and GSP identify internationally recognized worker rights as the right of association, the right to organize and collectively bargain, a prohibition on the use of any form of forced or compulsory labor, a minimum age for employment of children, and acceptable conditions of work with respect to minimum wage, hours of work, and occupational safety and health. These rights overlap significantly with the rights identified in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and Its Follow-up.<sup>d</sup> GSP additionally defines internationally recognized worker rights as including a prohibition on the worst forms of child labor.<sup>e</sup>

With respect to child labor, ILO standards require a minimum age of employment for children; that work not interfere with children’s education; and that work not be mentally, physically, socially, or morally dangerous and harmful to children.<sup>f</sup> Permissible work meeting these standards is referred to as ‘child work,’ while ‘child labor’ refers to work that does not meet these standards and which is prohibited.<sup>g</sup> These terms (e.g., child labor and child work) are used in this report to distinguish between the different types of working conditions for children, consistent with the ILO convention.

<sup>a</sup> 19 U.S.C. § 3703(1)(F) & (3).

<sup>b</sup> 19 U.S.C. § 2462(b)(2)(G) & (c)(7).

<sup>c</sup> H.R. Rep. No. 98-1090 at 11–12 (1984) (explaining addition of internationally recognized worker rights to GSP eligibility criteria); see also G.A. Res. 217 (III) A, Universal Declaration of Human Rights (December 10, 1948) (resolution of the UN General Assembly that describes rights and freedoms for all peoples).

<sup>d</sup> 19 U.S.C. §§ 3703(1)(F) & 2467(4); International Labour Organization, “ILO Declaration on Fundamental Principles and Rights at Work (June 1998).” The declaration was amended in 2022 to add standards on occupational safety.

<sup>e</sup> 19 U.S.C. § 2467(4) & (6). The definition for ‘worst forms of child labor’ was added to GSP as part of the Trade and Development Act of 2000 that also created AGOA. Pub. L. No. 106-200, § 412, 114 Stat. 298 (2000).

<sup>f</sup> Minimum Age Convention, ILO No. 138, June 26, 1973; Worst Forms of Child Labor Convention, ILO No. 182, June 17, 1999; ILO, IPEC, “What Is Child Labour,” accessed January 30, 2023.

<sup>g</sup> Minimum Age Convention, ILO No. 138, arts. 6-7, June 26, 1973 (describing permissible forms of work by children); Worst Forms of Child Labor Convention, ILO No. 182, art. 3(d), June 17, 1999 (prohibiting work that is likely to harm the health, safety, or morals of children); see e.g., UTZ Certified, “UTZ Certified: Good Inside Position Paper on Child Lab,” 2011; ECLT Foundation, “Child Work, Child Labour,” accessed January 30, 2023 (defining terms “child work” and “child labor”).

<sup>36</sup> 19 U.S.C. § 3703. See also, e.g., USTR, *2022 Biennial Report on AGOA*, June 2022, 16–61.

## African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights

The AGOA benefits eligibility requirements significantly overlap with Congress’s goals in its statement of policy for AGOA, and they serve as a means to encourage such policies in AGOA beneficiaries.<sup>37</sup> They have largely remained unchanged since the enactment of AGOA I, with only the addition of protection of private property rights for women in 2015.<sup>38</sup> Importantly, AGOA does not set a minimum threshold for meeting most eligibility requirements, but rather requires that countries be making “continual progress toward establishing” them, a standard more demanding than the “taking steps” standard in GSP.<sup>39</sup> This standard allows the President the discretion to consider each country’s circumstances and context when evaluating its eligibility.<sup>40</sup>

AGOA requires the President to monitor and determine annually whether a country meets the AGOA eligibility requirements.<sup>41</sup> AGOA VI also provided for out-of-cycle reviews to be conducted, as needed.<sup>42</sup> If the President determines that a country does not meet the eligibility criteria, that country cannot be designated as AGOA benefits eligible and therefore loses its AGOA benefits.<sup>43</sup> Additionally, the President may remove AGOA benefits for certain products for a country (e.g., textile/apparel benefits) in lieu of terminating the country’s overall AGOA benefits eligibility.<sup>44</sup> An SSA country may regain its AGOA benefits eligibility or lost product benefits if the President later finds it to be in compliance with the AGOA benefits eligibility requirements. As required, on behalf of the President, the Trade

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<sup>37</sup> Compare 19 U.S.C. § 3702 (support for policies, including rule of law, economic form, eradication of poverty, strengthening private sector) with § 3703 (eligibility criteria, including rule of law, market-based economic policies, economic policies that reduce poverty, and policies that minimize government interference in the economy).

<sup>38</sup> Pub. L. No. 114-27, § 106(b), 129 Stat. 369 (2015) (amending 19 U.S.C. § 3703(a)(1)(A) from “protects private property rights” to “protects private property rights for men and women”).

<sup>39</sup> 19 U.S.C. § 3703(1). The “continual progress” standard applies to eligibility benefits criteria listed at 19 U.S.C. § 3703(1), which includes labor rights, market-oriented policies, rule of law, political pluralism, and reducing trade and investment barriers. Countries are required “not to engage” in activities that undermine security and foreign policy interests, constitute gross violations of human rights, or support or engage in terrorist activities. 19 U.S.C. § 3703(2)–(3).

<sup>40</sup> See, e.g., S. Hrg. No. 105-991 at 12 (1998) (Statement of Secretary Albright).

<sup>41</sup> 19 U.S.C. §§ 2466a(a)(2) & 3705 note. As noted above, the President has delegated authority for this review to the Trade Representative, who leads the annual interagency eligibility review that provides recommendations to the President. For a detailed explanation of this process see GAO, *AGOA: Eligibility Process*, February 2015, 7–12.

<sup>42</sup> AGOA VI, sec. 105(d)(4) (codified at 19 U.S.C. § 2466a(d)(4)). See, e.g., USTR, “USTR Announces AGOA Out-of-Cycle Review,” June 20, 2017.

<sup>43</sup> 19 U.S.C. §§ 2466a(a)(3)(A) & 3703.

<sup>44</sup> The authority for the President to remove certain benefits—but allow the country to retain overall AGOA benefits eligibility—was included in AGOA VI, § 105(b) (codified at 19 U.S.C. § 2466a(c)(1)). The provision authorizes such a withdrawal/suspension of certain benefits where the President determines that such an approach would be “more effective” in promoting compliance than terminating the country’s designation as a beneficiary and removing all AGOA benefits. See, e.g., USTR, *2018 Biennial Report on AGOA*, June 2018, 12–13, 56.

Representative submits biennially to Congress reports providing analysis and updates on the eligibility of AGOA SSA countries.<sup>45</sup>

Most AGOA SSA countries have been AGOA beneficiaries (i.e., AGOA benefits eligible) at some point since the program’s inception (appendix E). As of January 2023, 4 of these 49 AGOA SSA countries had never been designated as AGOA beneficiaries. As mentioned above, Somalia and Sudan have never been eligible for the AGOA program because they have not requested designation as an AGOA beneficiary country and, therefore, have not been reviewed for AGOA benefits.<sup>46</sup> The remaining two countries—Equatorial Guinea, which was eligible for the AGOA program before 2011, and Zimbabwe—have never been designated as AGOA beneficiaries.<sup>47</sup> According to USTR AGOA reports, during the relevant AGOA reviews, neither Equatorial Guinea nor Zimbabwe was designated as AGOA benefits eligible because they did not meet multiple AGOA benefits eligibility criteria (e.g., human rights, rule of law, corruption, economic reform, and, for Equatorial Guinea, child labor).<sup>48</sup> However, Equatorial Guinea has not been reviewed for AGOA benefits since it graduated from GSP in 2011 and is no longer AGOA program eligible.<sup>49</sup>

As of January 2023, 45 countries were eligible for the AGOA program and, as a result, to be reviewed for AGOA benefits eligibility. More than half (28) of these countries have never been ineligible for AGOA benefits or lost any product-specific AGOA benefits once they became AGOA beneficiaries.<sup>50</sup> One

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<sup>45</sup> AGOA I required annual reports to Congress between 2001 and 2008 on “trade and investment policy of the United States for sub-Saharan Africa and on the implementation” of AGOA and that these reports include an analysis of eligibility requirements and determinations with respect to each AGOA country. Pub. L. No. 106-200, §§ 106 & 111, 114 Stat. 251 (2000) (codified at 19 U.S.C. §§ 2466a(a)(2) & 3705). Following this provision’s expiration, no reports were published between 2009 and 2016. AGOA VI required biennial reports on “trade and investment policy of the United States for sub-Saharan Africa and on the implementation” of AGOA, starting in 2016 through 2025. Pub. L. No. 114-27, § 110, 129 Stat. 362 (2015) (codified at 19 U.S.C. § 3705 notes); Exec. Order No. 13720, 81 Fed. Reg. 11089 (March 2, 2016) (designating the Trade Representative to issue AGOA reports). AGOA VI specifies that the biennial reports shall include information and analysis regarding compliance with AGOA benefits eligibility criteria. Pub. L. No. 114-27, § 110, 129 Stat. 362 (2015) (codified at 19 U.S.C. § 3705 note). USTR continues to make annual determinations regarding AGOA benefits eligibility, consistent with 19 USC § 2466a(a)(2), and reports on the eligibility status of AGOA program eligible countries biennially. A list of AGOA countries found to be benefits eligible pursuant to USTR’s annual reviews is published on the AGOA website. USTR also publishes in the *Federal Register* annual initiation notices on the eligibility review process that invite public comment, and the President publishes Presidential Proclamations announcing changes to an AGOA country’s beneficiary status.

<sup>46</sup> USTR, *2022 Biennial Report on AGOA*, June 2022, 83.

<sup>47</sup> Appendix E; see also, e.g., USTR, *2022 Biennial Report on AGOA*, June 2022, 61, 83.

<sup>48</sup> For two countries, Equatorial Guinea and Zimbabwe, specific reasons have shifted over time that have not made them eligible to be designated AGOA beneficiaries. USTR, *Comprehensive Report*, annual reports 2001–08; 2002, 91–92; 2003, 82–83; 2004, 74–75; 2005, 82–83; 2007, 88–89; 2008, 98–99 (for Equatorial Guinea); 2001, 99–100; 2002, 137–138; 2003, 117–18; 2004, 119–20; 2005, 120–21; 2006, 136–37; 2007, 130–31; 2008, 141–43 (for Zimbabwe); AGOA Country Reports; USTR, *Biennial Report*, biennial reports 2016–22; 2016, 59; 2018, 68–69; 2020, 62; 2022, 61 (for Zimbabwe).

<sup>49</sup> See AGOA Program Eligibility; Proclamation No. 8467, 74 Fed. Reg. 69221 (December 30, 2009).

<sup>50</sup> Appendix E. This count excludes Seychelles, which was not AGOA program eligible as of January 2023. However, Seychelles never lost its AGOA beneficiary status before losing its AGOA program eligibility when it became a high-income country.

country, Rwanda, has never lost its overall AGOA beneficiary status but did lose its textile and apparel product benefits, effective 2018, as a result of insufficient economic reform.<sup>51</sup>

The remaining 16 AGOA SSA countries have lost AGOA benefits for failure to meet one or more of the benefits eligibility requirements for various lengths of time through January 2023. The shortest period of benefits ineligibility was about one year, when Mauritania was not AGOA eligible from January to December of 2009 because a coup d'état led to lack of political pluralism and rule of law.<sup>52</sup> The longest period of benefits ineligibility has been ongoing since January 1, 2004, when Eritrea lost its AGOA beneficiary status because of human rights abuses and lack of political reform.<sup>53</sup> Some countries have moved in and out of benefits eligibility status. For example, Mauritania lost benefits eligibility three times (effective in 2006, 2009, and 2019) and regained it twice (2007 and 2009).<sup>54</sup> Effective in 2019, Mauritania lost AGOA eligibility for "insufficient progress toward combatting forced labor" and was still not an AGOA beneficiary as of January 2023.<sup>55</sup> In addition to Eritrea, Mauritania, and Zimbabwe, as of January 2023, seven other countries were AGOA program eligible but not AGOA beneficiaries: Burundi (for not meeting the AGOA benefits criteria on human rights, political pluralism, and rule of law), Burkina Faso (political pluralism and rule of law), Cameroon (human rights), Ethiopia (human rights), Guinea (political pluralism and rule of law), Mali (worker rights, human rights, political pluralism, and rule of law), and South Sudan (human rights).<sup>56</sup>

Table 1.1 shows the criteria that have been cited by the President in removing or restricting AGOA benefits between October 2000 and January 2023. Specifically, the table reflects the reasons that 17 countries either lost previously granted AGOA benefits eligibility (16 countries) or had textile and apparel benefits removed (Rwanda).<sup>57</sup> The most commonly cited reason for the loss of AGOA benefits eligibility or product-specific benefits is caused by a country's failure to meet the rule of law/political pluralism criteria. These losses of AGOA benefits eligibility have often been connected to the deterioration of a country's political environment because of a coup d'état.<sup>58</sup> The second-most common reason for loss of AGOA benefits eligibility or product-specific benefits is failure to meet the human

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<sup>51</sup> USTR, *2018 Biennial Report on AGOA*, June 2018, 12–13, 56; USTR, *2022 Biennial Report on AGOA*, June 2022, 51–52, 83. According to industry news, the economic reform failure is Rwanda's effective ban (through extremely high tariffs) on imports of used clothing and footwear. *Just Style*, "US Suspends Rwanda Duty-Free Apparel Status," July 31, 2018.

<sup>52</sup> Proclamation No. 8330, 73 Fed. Reg. 78913 (December 23, 2008); Proclamation No. 8468, 74 Fed. Reg. 69229 (December 30, 2009); GAO, *AGOA: Eligibility Process*, February 2015, 14.

<sup>53</sup> Eritrea and Central African Republic were the first two countries to lose AGOA eligibility. Proclamation No. 7748, 69 Fed. Reg. 227 (January 2, 2004); USTR, *2005 Comprehensive Report on AGOA*, May 2005, 84–85.

<sup>54</sup> Proclamation No. 7970, 70 Fed. Reg. 76645 (December 27, 2005); Proclamation No. 8157, 72 Fed. Reg. 35895 (June 29, 2007); Proclamation No. 8330, 73 Fed. Reg. 78913 (December 23, 2008); Proclamation No. 8468, 74 Fed. Reg. 69229 (December 30, 2009); Proclamation No. 9834, 84 Fed. Reg. 34 (January 7, 2019).

<sup>55</sup> USTR, *2020 Biennial Report on AGOA*, June 2020, 17, 45; USTR, *2022 Biennial Report on AGOA*, June 2022, 44.

<sup>56</sup> Obama, "Message to the Congress," October 30, 2015; USTR, *2016 Biennial Report on AGOA*, June 2016, 8, 16–18, 53–54; USTR, *2020 Biennial Report on AGOA*, June 2020, 24; USTR, *2022 Biennial Report on AGOA*, June 2022, 32–33, 36–37, 43–44; Biden "Letter to the Speaker of the House of Representatives," November 2, 2022.

<sup>57</sup> Appendix E, table E.1.

<sup>58</sup> No country has lost eligibility solely for failure to meet the anticorruption criteria. In 2012, both Guinea-Bissau and Mali were found not to be AGOA eligible because of coups d'état and resulting failure to meet the AGOA benefits eligibility criteria on corruption, "political instability," and human rights. USTR, "U.S. Trade Representative Ron Kirk Comments," December 20, 2012.

rights criterion. The Poverty Reduction or Terrorism and Security categories are not listed on the table because no country has ever lost AGOA benefits eligibility because of these criteria.

**Table 1.1** AGOA benefits eligibility criteria cited as the reason to remove AGOA benefits eligibility or textile and apparel product benefits from AGOA beneficiaries, 2000–2023

Category	Criteria	Count
<b>Economic</b>	Market Economy	0
<b>Economic</b>	Economic Reform	2
<b>Economic</b>	Elimination of Barriers to U.S. Trade	1
<b>Political</b>	Rule of Law/Political Pluralism	15
<b>Political</b>	Anticorruption	2
<b>Labor and Human Rights</b>	Labor (including forced and worker rights)	3
<b>Labor and Human Rights</b>	Child Labor	0
<b>Labor and Human Rights</b>	Human Rights	11

Sources: USTR, *2001 Comprehensive Report*, May 2001, V; USTR, *Comprehensive Report*, annual reports 2002–08, Section IX; AGOA Country Reports; USTR, *Biennial Report*, biennial reports 2016–22, chapter II Country Reports; USTR, “AGOA Eligible and Ineligible Countries 2022,” accessed September 12, 2022; GAO, *AGOA: Eligibility Process*, February 2015; Reuters, “Obama Ends Benefits,” December 24, 2009; USTR, “President Obama Removes Swaziland, Reinstates Madagascar,” June 26, 2014; USDOS, “Madagascar’s AGOA Eligibility,” accessed August 29, 2022; USODS, “Reinstatement of AGOA Benefits,” October 26, 2011; USTR, “U.S. Trade Representative Ron Kirk Comments,” December 20, 2012; USTR, “Trump Administration Enforces,” December 22, 2017; Biden “Letter to the Speaker of the House of Representatives,” November 2, 2022; Proclamation No. 10509 of 87 Fed. Reg. 79977 (December 29, 2022); appendix E, table E.1.

Note: Table 1.1 is primarily based on USTR’s AGOA reports to Congress. However, other U.S. government documentation was used, as needed, including for removals in years when AGOA reports were not published. It covers the period between October 2000 and January 2023. The count does not sum to 17 because certain countries have lost AGOA benefits for multiple reasons, and in some cases, multiple times.

## AGOA Product Eligibility

### Product Coverage

Products covered under AGOA and GSP are defined in the HTS at the 8-digit subheading level. To mirror this, the term “product” or item in this chapter refers to an 8-digit HTS subheading. Product counts are based on the number of 8-digit HTS subheadings covered by AGOA (and not on the actual volume or value of products entering under those HTS subheadings). In addition, product counts in this section address products covered under AGOA or GSP, regardless of whether products falling within the 8-digit HTS subheading in fact enter under AGOA or GSP benefits. To enter under AGOA or GSP benefits, covered products must meet applicable rules of origin and their importers must claim duty-free access. Notably, the exact product count for AGOA and GSP can change as a result of adjustments to the HTS. For example, the HTS had 11,111 products in 2021 but 11,414 products in 2022.<sup>59</sup> The precise number of AGOA and GSP products changes over time with a frequency that would make any number outdated upon publication of this report. In addition, as explained below, textile and apparel products are not coded in the HTS as being covered by the AGOA program. Instead these are entered under chapter 98 provisions, presenting an additional challenge for generating precise product counts. Approximate product counts and shares based on the 2022 HTS are presented in this chapter.

Most products from AGOA beneficiaries are eligible to enter the United States duty free under the normal trade relations (NTR) rate, AGOA, or GSP. About 38 percent of all products in the HTS are NTR duty free. An additional 47 percent of products are eligible for duty-free access, not including those

<sup>59</sup> USITC, “The 2022 HTS Item Count,” accessed April 6, 2022; USITC, “The 2021 HTS Item Count,” accessed August 31, 2022.

covered by AGOA's textiles and apparel product benefits.<sup>60</sup> GSP provides duty-free access for a small (less than 0.1 percent) number of additional products not designated duty free under AGOA. Combined, about 85 percent of all products (not including those covered by AGOA's textiles and apparel product benefits) are eligible for duty-free access to the United States if imported from any AGOA beneficiary. However, about 97 percent of products are eligible to enter the United States duty free for AGOA beneficiaries with full textile and apparel product benefits, which are not available to all AGOA beneficiaries, as explained below.<sup>61</sup>

### AGOA and GSP Coverage Comparison

The vast majority of the roughly 5,100 products covered by GSP are also eligible for duty-free access under AGOA. These encompass a vast range of items, including agricultural and fisheries products, chemicals and related products, mineral and metal products, and a wide range of manufactured goods.<sup>62</sup> Certain types of products, however, are not covered by GSP or have limited access under GSP. Many of these excluded products are either NTR duty free (e.g., wood pulp and paper products or printed books) or, as explained further in the sections below, import sensitive in the context of GSP (e.g., most, but not all, textile and apparel products and watches).<sup>63</sup> AGOA provides duty-free access for about 1,700 dutiable products, including textiles and apparel, that are not eligible to be imported duty free under GSP. However, about 50 products are only eligible to receive duty-free access under GSP. Up to three-fifths of these products, including printing ink, certain weighing machinery, and certain machine parts, are available to GSP BDCs. However, duty-free access under GSP for the remaining products, including certain cotton products discussed in chapter 4 of this report, is reserved for GSP LDBDCs. As explained below, AGOA beneficiaries have duty-free access on all 50 products that are covered under GSP (but not coded as AGOA products).<sup>64</sup>

For certain SSA countries, AGOA provides eligibility for additional duty-free access that would not be available under GSP alone. Notably, not all GSP BDCs are eligible for duty-free access for every GSP product, with the major difference in access tied to designation status (i.e., BDCs vs. LDBDCs). BDCs may receive duty-free treatment for up to 70 percent of GSP products, but only imports from LDBDCs are eligible to receive duty-free access for the remaining 30 percent (roughly 1,500 items).<sup>65</sup> However, the AGOA program makes all AGOA beneficiaries eligible for duty-free access for GSP LDBDC products, including cotton. This means that several AGOA beneficiaries (e.g., Côte d'Ivoire, Kenya, and South Africa) not designated as GSP LDBDCs are eligible to receive expanded product access under AGOA not

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<sup>60</sup> Unless otherwise specified, counts and shares in this chapter are staff calculations based on USITC, "The 2022 HTS Item Count," accessed April 6, 2022.

<sup>61</sup> 19 U.S.C. § 3721(c). Subject to certain eligibility and rules of origin, textiles from HTS chapters 50–60, 63, and apparel from HTS chapters 61 and 62 are AGOA eligible products for certain lesser-developed AGOA beneficiaries. AGOA.info, "AGOA Products Database (Full)," accessed November 14, 2022.

<sup>62</sup> USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022, chapters 1–98.

<sup>63</sup> USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022, chapters 1–98; 19 U.S.C. § 2463(b); USTR, *GSP Guidebook*, November 2020, 6.

<sup>64</sup> USITC, "The 2022 HTS Item Count," accessed April 6, 2022; USITC, "The 2022 Harmonized Tariff Schedule of the United States (HTS) Item Count," March 1, 2022; USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022, General Notes 4(b and c) and 16(b).

<sup>65</sup> USITC, "The 2022 HTS Item Count," accessed April 6, 2022; USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022, General Notes 4(b-d).

available to them under GSP.<sup>66</sup> AGOA also provides expanded access by eliminating for AGOA beneficiaries the quantitative limits on GSP benefits that were applicable to some GSP beneficiaries.<sup>67</sup> See box 1.2 for other differences in the AGOA and GSP benefits.

### Box 1.2 Predictability of Trade Benefits: AGOA vs. GSP

One of the initial differences between the GSP and AGOA programs was an extension of trade benefits for a longer period in AGOA as compared to that in GSP.<sup>a</sup> AGOA has offered more predictability for AGOA beneficiary countries for both GSP- and AGOA-specific benefits. In recent years, for instance, GSP authorization has lapsed several times, including twice during 2017–21.<sup>b</sup> The latest lapse started January 1, 2021; GSP remained unauthorized as of January 1, 2023.<sup>c</sup> In contrast, AGOA beneficiaries' AGOA and GSP preferences have not been subject to lapse since AGOA's enactment because AGOA beneficiaries receive GSP preferences tied to AGOA's authorization dates rather than GSP's authorization dates.<sup>d</sup> Typically, AGOA authorizations have been for time periods ranging from 8 to 11 years, but recent GSP renewals have often been for much shorter periods. This includes the last authorization, which covered April 22, 2018 to December 31, 2020.<sup>e</sup> The periods for which products from AGOA-eligible countries were eligible to receive duty-free treatment have authorization dates for GSP benefits independent from other GSP BDCs. This has meant that AGOA beneficiaries have not been subject to the same lapses in GSP, and their products have been eligible to continue to enter the United States duty free under GSP even when authorization for GSP for non-AGOA beneficiaries has lapsed.<sup>f</sup>

<sup>a</sup> AGOA I, sec. 114 (codified at 19 U.S.C. § 2466b); see also H.R. Rep. No. 106-19, pt. 2, at 27 (1999) (recognizing frequent lapses in GSP and indicating that extending GSP preferences for AGOA beneficiaries for a longer period was intended to create greater certainty for businesses and encourage long-term investment and development in the region).

<sup>b</sup> Historically, when Congress has reauthorized GSP it has also authorized a retroactive application of duty-free entry for eligible products. USTR, "GSP Expiration: Frequently Asked Questions," January 2021.

<sup>c</sup> Renewal of the Generalized System of Preferences, 83 Fed. Reg. 17561 (April 20, 2018).

<sup>d</sup> Pub. L. No. 106-200, § 114, 114 Stat. 266 (2000) (extending GSP benefits for AGOA-eligible countries until September 30, 2008); Pub. L. No. 108-274, § 7(a)(1), 118 Stat. 823 (2004) (extending GSP benefits for AGOA-eligible countries until September 30, 2015); Pub. L. No. 114-27, § 103(a), 129 Stat. 365 (2015) (extending GSP benefits for AGOA-eligible countries until September 30, 2025) (codified at 19 U.S.C. § 2466b).

<sup>e</sup> Pub. L. No. 115-141, § 501, 132 Stat. 348, 1050 (2018).

<sup>f</sup> Pub. L. No. 106-200, § 114, 114 Stat. 266 (2000) (codified at 19 U.S.C. § 2466b) (establishing separate termination date of GSP benefits for beneficiary SSA countries under the Trade Act of 1974).

## AGOA Duty-Free Products Not Covered by GSP

AGOA provides eligibility for duty-free access for up to about 1,700 dutiable products, including textiles and apparel, that are not eligible to be imported duty free under GSP.<sup>68</sup> In the context of GSP, most, if not all, of these 1,700 products have been designated as "import sensitive" and are therefore ineligible

<sup>66</sup> 19 U.S.C. § 2466a(b)(1); USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022, General Note 4 (a–b).

<sup>67</sup> Under GSP, products imported from BDCs (but not LDBDCS) are subject to quantitative ceilings on GSP benefits called competitive need limitations (CNLs) and may lose duty-free access for imports that exceed a CNL. These CNLs do not apply to imports from AGOA beneficiaries. 19 U.S.C. § 2463(c)(2)(D); Pub. L. No. 106-200, § 111(b), 114 Stat. 251, 258 (2000); USTR, *GSP Guidebook*, November 2020, 9–10; Proclamation No. 9955, 84 Fed. Reg. 58567 (October 31, 2019).

<sup>68</sup> USITC, "The 2022 HTS Item Count," accessed April 6, 2022; USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022.

for GSP benefits.<sup>69</sup> AGOA authorizes the President to designate “import-sensitive” products, as defined under GSP, for duty-free treatment under AGOA. The President may only do so, however, after receiving advice from the U.S. International Trade Commission and determining that a product is not import sensitive when imported from AGOA beneficiaries.<sup>70</sup> Following receipt of this advice, the President issued a proclamation in December 2000 identifying certain articles imported from AGOA beneficiaries as not being import sensitive and therefore eligible for duty-free treatment.<sup>71</sup> These AGOA-exclusive products can be divided into two groups: (1) benefits available to all AGOA beneficiaries and (2) textile and apparel benefits available to subsets of AGOA beneficiaries meeting certain additional provision-specific product or country-level eligibility criteria.

The first group contains fewer than 275 non-textile and apparel products for which all AGOA beneficiaries are eligible for duty-free treatment. More than two-thirds of these products fall into two HTS chapters: chapter 64, which covers footwear, and chapter 91, which covers clocks, watches, and their parts.<sup>72</sup>

The second, larger group is composed of textile and apparel benefits available to subsets of AGOA beneficiaries (see appendix E and apparel case study). This group contains most textile and apparel products and represents a significant expansion of benefits offered under AGOA, as compared to those offered under GSP. In 2022, 24 of the 36 AGOA beneficiaries qualified for some of or all these textile and apparel benefits and 23 countries qualified for the 3CF provision described below.<sup>73</sup> AGOA beneficiaries eligible for these benefits had access to duty-free treatment for up to about 1,450 textiles and apparel products covered by HTS chapters 50 through 63.<sup>74</sup> For textile and apparel-eligible AGOA beneficiaries, all garments classified in HTS chapter 61 (knit apparel) or 62 (not knit apparel) fall into one of 11 apparel provisions.<sup>75</sup> One additional textile provision covers chapters 50–60 and 63. Each of these 12 textile and apparel provisions corresponds to a line in HTS chapter 98. All textile and apparel benefits are subject to requirements that the country has legal and administrative procedures to prevent transshipment.<sup>76</sup> In addition, some textile and apparel benefits have specific eligibility requirements that an AGOA beneficiary country must meet in addition to specific ROO requirements.<sup>77</sup> The AGOA textile and apparel products covered by AGOA and their corresponding HTS subheading, along with an indication of whether they are subject to any cap on benefits or specific eligibility requirements that the AGOA

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<sup>69</sup> For example, the Trade Act of 1974, as amended, specifies GSP import-sensitive articles include most textiles and apparel articles, watches, footwear, flat goods, work gloves, leather apparel, steel, glass, and electronic articles as well as any product that the President determines to be import-sensitive in the context of the program. 19 U.S.C. § 2463(b). See also USTR, *GSP Guidebook*, November 2020, 6.

<sup>70</sup> AGOA does prohibit providing duty-free access for products deemed import sensitive “in the context of imports from beneficiary SSA countries.” 19 U.S.C. § 2466a(b)(1). AGOA uses the definition of “import sensitive” articles under GSP at 19 U.S.C. § 2463(b)(1)(B)–(G).

<sup>71</sup> Proclamation No. 7388, 65 Fed. Reg. 80723 (December 21, 2000); see also USITC, *Advice on Providing Additional GSP Benefits for Sub-Saharan Africa*, USITC Pub. 3359 (October 2000).

<sup>72</sup> USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022, chapters 64 and 91.

<sup>73</sup> See chapter 3, Apparel, for information on AGOA beneficiaries receiving additional apparel benefits.

<sup>74</sup> See chapter 3, Apparel, for information on textiles and apparel product coverage, including duty-free treatment.

<sup>75</sup> For customs reporting purposes on the AGOA certificate of origin form, these 11 provisions are organized into 9 groupings. The AGOA certificate of origin has one additional grouping for the textile provision. 19 C.F.R. § 10.214.

<sup>76</sup> For a detailed discussion, see chapter 3.

<sup>77</sup> 19 U.S.C. § 3721(b).



beneficiary countries must meet, are listed below. These are, collectively, commonly referred to as the AGOA textile and apparel provisions:

1. Apparel of U.S. fabric, U.S. yarn, U.S. cut, not further processed (HTS 9802.00.8042).
2. Apparel of U.S. fabric, U.S. yarn, U.S. cut, further processed (HTS 9819.11.03).
3. Apparel of U.S. fabric, U.S. yarn, AGOA cut, U.S. thread (HTS 9819.11.06).
4. Apparel of regional fabric, U.S. or SSA yarn (HTS 9819.11.09). This provision is subject to a quantitative limit, or cap. U.S. imports made in AGOA beneficiary countries from regional fabric or third-country fabric (see the following provision for apparel of third-country fabric) combined cannot exceed 7 percent of U.S. apparel imports from all sources in the preceding 12-month period.<sup>78</sup>
5. Apparel of third-country fabric (also referred to as 3CF; HTS 9819.11.12). This allows AGOA manufacturers to use fabric of any origin and still qualify for duty free treatment under AGOA. It is the most widely used apparel provision (see chapter 3). However, duty-free access for this group is reserved for AGOA beneficiaries designated as lesser-developed SSA countries under AGOA (see box 1.3).<sup>79</sup> Imports under the 3CF provision cannot exceed 3.5 percent of apparel imported into the United States from all sources in the preceding 12-month period.<sup>80</sup>
6. Cashmere sweaters (HTS 9819.11.15).
7. Merino wool sweaters (HTS 9819.11.18).
8. Apparel made from yarn or fabric of any source as long as such yarn or fabric is identified in Annex 4-B of the U.S.-Mexico-Canada Agreement (USMCA) as fabrics being in short supply (HTS 9819.11.21).<sup>81</sup>
9. Apparel of yarns and fabrics determined to be in short supply under AGOA (HTS 9819.11.24), as determined by the Committee for the Implementation of Textile Agreements.<sup>82</sup>
10. Ethnic and folklore articles (HTS 9819.11.27). Since 2004, this provision has covered products, including handloomed fabrics and handmade articles made from them, textile folklore articles,

<sup>78</sup> 19 U.S.C. §§ 3721(b)(3)(A) & 3721 note; DOC, ITA, OTEXA, “The Textile and Apparel Provisions of AGOA,” April 4, 2019.

<sup>79</sup> 19 U.S.C. § 3721(c)(1)(A).

<sup>80</sup> 19 U.S.C. § 3721(c)(1)(B).

<sup>81</sup> Before USMCA went into effect, this provision covered short supply under the North American Free Trade Agreement (NAFTA). USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022, general notes 11 and 12.

<sup>82</sup> 19 U.S.C. § 3721(b)(5)(B). AGOA provides for duty-free treatment for certain apparel articles assembled in one or more AGOA beneficiary countries from fabric or yarn of any origin if the President, as designated to the U.S. Department of Commerce’s Office of Textiles and Apparel (OTEXA), determines that such fabric or yarns cannot be supplied in commercial quantities in a timely manner by the domestic industry. See, e.g., 67 Fed. Reg. 17,412 (April 10, 2002) (OTEXA determination of short supply under AGOA); Exec. Order No. 13191, 66 Fed. Reg. 7271 (January 17, 2001) (delegating authority for provision to OTEXA). The Committee for the Implementation of Textile Agreements is a U.S. government interagency committee chaired by the U.S. Department of Commerce’s Deputy Assistant Secretary for Textiles and Apparel and supported by OTEXA staff. USDOC, ITA, The Committee for the Implementation of Textile Agreements (CITA), accessed February 14, 2023.

and ethnic printed fabric without features such as elastic or zippers.<sup>83</sup> Manufacturers are required to have a folklore agreement with USTR to receive the export visa required to use this provision. As of December 2022, 18 AGOA beneficiaries met the requirements for certain products to qualify for duty-free access under this provision.<sup>84</sup>

11. Apparel of U.S. fabric, U.S. yarn, U.S. thread, mixed cutting (HTS 9819.11.30).
12. Textiles and made-ups from lesser-developed beneficiary countries (HTS 9819.11.33).

### Box 1.3 AGOA Lesser-Developed Beneficiaries

Similar to GSP, AGOA authorized the President to designate AGOA beneficiaries as lesser-developed beneficiary countries. Congress has also given this designation to certain AGOA beneficiaries. Countries designated as lesser-developed beneficiaries are eligible for the third-country fabric provision and textiles and made-ups from lesser-developed beneficiary countries. To qualify for designation, the beneficiary must have a per capita gross national product of less than \$1,500 in 1998, as measured by the International Bank for Reconstruction and Development.<sup>a</sup> In 2000, the President used this criterion to designate 28 countries as AGOA lesser-developed beneficiaries.<sup>b</sup> Subsequent amendments to AGOA also named Botswana and Namibia (both in 2002) and, permanently, Mauritius (in 2008) as AGOA lesser-developed beneficiary SSA countries.<sup>c</sup> As of December 2022, 31 countries are designated lesser-developed beneficiaries.<sup>d</sup>

<sup>a</sup> 19 U.S.C. § 3721(c)(3). In 2002, this provision was amended to clarify data from the International Bank for Reconstruction and Development, the World Bank's official name. Pub. L. No. 107-210, § 3108(a)(3)(B), 116 Stat. 933 (2002).

<sup>b</sup> Proclamation No. 7350, 65 Fed. Reg. 59321 (October 4, 2000).

<sup>c</sup> Pub. L. No. 107-210, § 3108a(3)(B), 116 Stat. 933 (2002); Pub L. No. 110-436, § 3(a)(2)(D), 122 Stat. 4976 (2008).

<sup>d</sup> See appendix E for information on country designations.

## Products Not Eligible for Duty-Free Treatment for AGOA Beneficiaries

The number of products for which AGOA does not afford beneficiaries duty-free treatment varies depending on the extent to which the country is eligible for textile and apparel benefits. For AGOA beneficiaries without textile and apparel benefits, about 15 percent of products in the HTS are dutiable —i.e., not eligible for duty-free treatment under AGOA or GSP or NTR duty free. For AGOA beneficiaries with full textile and apparel benefits, about 3 percent of products in the HTS are dutiable. For reference, 62 percent of products in the HTS are dutiable under the general NTR rate of duty.<sup>85</sup>

Fewer than 325 products are dutiable for AGOA beneficiaries with full textile and apparel benefits. Of these, more than 70 percent are agricultural products, including meat, dairy, sugar, or products containing dairy or sugar.<sup>86</sup> Approximately 85 percent of these agricultural products are entered under out-of-quota product tariff-rate lines. For AGOA beneficiaries, nearly every out-of-quota product line is

<sup>83</sup> 19 U.S.C. § 3721(b)(6). 2004 amendments added further requirements for articles to qualify as ethnic printed fabric. Pub L. No. 108-274, § 7(c), 118 Stat. 825 (2004) (codified at 19 U.S.C. § 3721(b)(6)(B)).

<sup>84</sup> 19 U.S.C. § 3721(b)(6); DOC, ITC, OTEXA, "Trade Preference Programs: AGOA," Category 9, accessed January 3, 2023.

<sup>85</sup> USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022; USITC, "The 2022 HTS Item Count," accessed April 6, 2022.

<sup>86</sup> USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022.

dutiable at the NTR duty rate, although AGOA beneficiaries are eligible to receive in-quota duty-free access for many products, including certain products containing chocolate.<sup>87</sup> Although small in absolute terms, these “other” dutiable products cover a wide range of items, including certain glass and glassware, headgear (e.g., hats), manufactured items, leather goods, plastics, and chemical products.<sup>88</sup>

## Rules of Origin

### General

Imports from AGOA beneficiaries must comply with AGOA ROOs to receive duty-free treatment under the program. ROOs in trade preference programs help ensure that benefits under them accrue to the intended beneficiaries of a program.<sup>89</sup> AGOA requires direct shipment from a beneficiary to the United States.<sup>90</sup> AGOA ROOs also have a local content requirement for non-textile and apparel provision products. These ROOs state that not less than 35 percent of the appraised value of a product must be grown, produced, or manufactured in the supplying AGOA beneficiary country.<sup>91</sup> However, AGOA ROOs do allow for cumulation toward this local content. Specifically, the cost or value of inputs and the direct costs of processing from other AGOA beneficiaries can count toward the 35 percent requirement.<sup>92</sup> In addition, AGOA ROOs allow for countries to use U.S. parts or materials as part of the local content. However, the use of U.S.-origin inputs is capped at 15 percentage points of the (not less than) 35 percent local content.<sup>93</sup>

### Textile and Apparel Provisions

Unlike the general ROOs, AGOA ROOs for the textile and apparel provisions govern the origin of apparel inputs and the location of the processing, regardless of the value the input adds to the overall garment.<sup>94</sup> All 12 AGOA textile and apparel provisions require that the products be sewn or assembled

<sup>87</sup> For example, another out-of-quota product for which AGOA beneficiaries and GSP LDBDCs can receive duty-free access are satsumas mandarins, in airtight containers (HTS 2008.30.46). USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022, Chapter 20.

<sup>88</sup> USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022.

<sup>89</sup> AGOA.info, “AGOA’s General Rules of Origin,” accessed September 23, 2022; S. Rep. No. 93-1298 at 225 (1974) (discussing ROO requirements in creation of GSP).

<sup>90</sup> 19 U.S.C. § 2466a(b)(2) (applying GSP rules under 19 U.S.C. § 2463(a)(2)); 19 C.F.R. § 10.175 (defining direct shipment). In general, articles may transit through other countries so long as they do not enter into the commerce of another country when en route to the United States.

<sup>91</sup> Appraised value at the time a product enters the United States. The AGOA ROOs are similar to the GSP ROOs except for the textile and apparel provisions. Compare 19 U.S.C. § 2463(a)(2) (GSP ROOs) with 19 U.S.C. § 2466a(b)(2) (AGOA general ROOs); USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022, General Note 16 (b).

<sup>92</sup> 19 U.S.C. § 2466a(b)(2)(B). The ROO allowing for direct costs of processing operations to count in cumulation, which was introduced in AGOA VI, also allows this processing to occur in former AGOA beneficiaries. Pub L. No. 114-27, § 104, 129 Stat. 366 (2015) (codified at 19 U.S.C. § 2466a(b)(2)(C)).

<sup>93</sup> 19 U.S.C. § 2466a(b)(2)(A); USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022, General Note 16 (b). This allowance for a portion U.S.-origin inputs to be applied toward the value-added requirement distinguishes AGOA ROOs from that of GSP, which is otherwise similar. Compare 19 U.S.C. § 2466a(b)(2)(B) with § 2463(a)(2).

<sup>94</sup> 19 U.S.C. § 3721(b).

in an AGOA beneficiary country. The details of these textile and apparel ROOs are discussed in chapter 3 (Apparel).

## Technical Assistance and Other AGOA Benefits

Beyond trade preferences, AGOA beneficiaries may receive other benefits that support the overarching goals of AGOA. For example, they can participate in the U.S.-SSA Trade and Economic Cooperation Forum (commonly called the AGOA Forum), which seeks to foster closer economic ties between the United States and participating countries.<sup>95</sup> In addition, AGOA and subsequent amendments frequently provided for technical assistance to SSA countries. For instance, AGOA I included provisions concerning the activities of the Overseas Private Investment Corporation, the Export-Import Bank of the United States, and the Foreign Commercial Service (under the International Trade Administration in the U.S. Department of Commerce) to support trade capacity building.<sup>96</sup> Subsequent amendments to AGOA have included additional assistance for trade capacity building in areas such as agricultural exports or ecotourism.<sup>97</sup>

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<sup>95</sup> 19 U.S.C. § 3704.

<sup>96</sup> Pub. L. No. 106-200, §§ 123–125, 114 Stat. 251 (2000)(codified at 19 U.S.C. §§ 3733-3735). Since the passage of AGOA I, the Overseas Private Investment Corporation was merged with the Development Credit Authority to form a new agency, the U.S. International Development Finance Corporation. See Pub L. No 115-254, § 1412, 132 Stat. 3186 (2018).

<sup>97</sup> See, e.g., Pub. L. No. 108-274, § 13, 118 Stat. 820 (2004)(codified at 19 U.S.C. § 3701 note) (directing the President to provide agricultural technical assistance); Pub. L. No. 115-167, § 104, 132 Stat. 1276 (2018)(codified at 19 U.S.C. § 3701 note) (directing the President to provide technical assistance for building trade capacity and ecotourism). The U.S. Agency for International Development maintains a Trade Capacity Building database that collates data across U.S. agencies to provide country-by-country summaries of these activities. USAID, Trade Capacity Building Database, accessed November 18, 2022; USTR, *2006 Comprehensive Report on AGOA*, May 2006.

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# Chapter 2

## Overview of AGOA Program Trade and Impacts

This chapter is an empirical overview of U.S. imports from AGOA beneficiaries (including of imports that claimed the AGOA and Generalized System of Preferences (GSP) programs), accompanied by a qualitative examination of AGOA’s impact on regional integration, workers, underserved communities, and economic development, including job growth and poverty reduction.<sup>98</sup> It provides an account of the magnitude, duration, and source of U.S. imports from AGOA beneficiaries, as well as AGOA utilization rates and explanations for high and low rates across countries and sectors.<sup>99</sup>

### Key Findings

During 2001 to 2021, U.S. imports that claimed AGOA preferences (referred to “U.S. imports under AGOA”) were relatively small in magnitude, mostly from a few countries, and concentrated in a few product sectors such as energy, apparel, and transportation equipment.<sup>100</sup> In 2021, U.S. imports under AGOA and GSP totaled \$6.8 billion and were valued at \$5.0 billion excluding crude petroleum.<sup>101</sup> During 2001 to 2021, U.S. imports from AGOA beneficiaries under AGOA and GSP were 1.3 percent of U.S. total annual imports by value on average, and earlier peaks in this share in 2008 and later 2011 were not maintained. During this period, imports other than crude petroleum increased in value, while imports of crude petroleum peaked and then fell below their 2001 value. In 2021, five of 39 AGOA beneficiaries—South Africa, Kenya, Lesotho, Madagascar, and Ethiopia—accounted for about 82 percent of U.S. non-crude petroleum imports under AGOA and GSP.<sup>102</sup> Crude petroleum has historically been and still is the top product by value imported under AGOA and GSP but accounted for a smaller share of total AGOA

<sup>98</sup> AGOA is provided for in 19 U.S.C. § 3701 et seq.; see also USTR, “Preference Programs,” accessed August 10, 2022; USITC, U.S. Trade and Investment with Sub-Saharan Africa: Recent Trends and New Developments, March 2020; USITC, “AGOA: Trade and Investment Performance Overview,” April 2014.

<sup>99</sup> Unless otherwise noted, detailed country and product data in this chapter focus on 2014–21. For information before 2014 see USITC, “AGOA: Trade and Investment Performance Overview,” April 2014.

<sup>100</sup> All U.S. import data in this chapter are imports for consumption, and are from USITC DataWeb/U.S. Census, accessed November 10, 2022, unless otherwise specified.

<sup>101</sup> Crude petroleum is classified under Harmonized System (HS) 4-digit heading 2709. WCO, “Chapter 27: Mineral Fuels, Mineral Oils and Products of Their Distillation; Bituminous Substances; Mineral Waxes,” accessed January 20, 2023.

<sup>102</sup> In 2021, the following 39 sub-Saharan Africa (SSA) countries were designated as AGOA beneficiary countries: Angola, Benin, Botswana, Burkina Faso, Cabo Verde, Central African Republic, Chad, Comoros, Côte d’Ivoire, Democratic Republic of the Congo, Djibouti, Ethiopia, Eswatini (formerly Swaziland), Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Republic of the Congo, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Uganda, and Zambia. In 2020, 38 SSA countries were designated as AGOA beneficiary countries. As a result of the 2020 annual AGOA eligibility review, Democratic Republic of Congo’s AGOA eligibility was reinstated, effective January 1, 2021. USTR, *2021 Trade Policy Agenda and 2020 Annual Report*, March 2021, 33. See appendix E, table E.1 for AGOA beneficiary status by year.

imports in 2021 compared to both 2001 and 2014. This was partially due to decreased demand for U.S. imports of crude petroleum over the past two decades from most global sources, not only from AGOA beneficiaries.<sup>103</sup> U.S. imports of crude petroleum from AGOA beneficiary countries have generally trended downward since 2017; although they ticked upward from 2020 in 2021, they did not return to past levels of value.<sup>104</sup> Crude petroleum imports are widely understood to have limited contribution to transformative, job-creating growth.<sup>105</sup> Therefore, non-crude petroleum imports are isolated to examine the AGOA program's performance and impacts.<sup>106</sup> In 2021, textiles and apparel imports comprised the largest share of U.S. non-crude petroleum imports under AGOA and GSP, representing 27.8 percent.<sup>107</sup> The top 10 non-crude petroleum products made up 48.8 percent of all U.S. non-crude petroleum imports under AGOA and GSP. U.S. non-crude petroleum imports under AGOA and GSP are composed mostly of goods with medium-low- to low-technological intensity, a proxy for the level of value added.<sup>108</sup>

AGOA utilization rates, which indicate effective use of the AGOA program, vary widely across AGOA beneficiaries and sectors. AGOA utilization across all AGOA beneficiaries for non-crude petroleum products was 85 percent in 2021, but high regional utilization masks variation in utilization rates among AGOA beneficiaries. Broadly, sectors with products subject to higher average U.S. tariffs used the program more effectively, that is, a higher share of eligible imports claimed preferences. In 2021, in terms of non-crude petroleum imports, 20 of 39 AGOA beneficiaries had utilization rates above 80 percent.<sup>109</sup> Generally, AGOA beneficiaries had higher AGOA utilization rates when they supplied more

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<sup>103</sup> EIA, "U.S. Crude Oil Imports," accessed November 1, 2022.

<sup>104</sup> EIA, "Horizontally Drilled Wells Dominate U.S. Tight Formation Production," June 6, 2019; EIA, "Crude Oil Production," October 31, 2022; EIA, "U.S. Crude Oil Imports," accessed November 1, 2022; EIA, "Country Analysis Brief: Nigeria," May 6, 2016; EIA, "Country Analysis Executive Summary: Angola," January 25, 2021.

<sup>105</sup> Kimenyi, "AGOA Utilization 101," March 23, 2015; Bourguignon (ed.), *Economic Integration and Social Responsibility*, 2007.

<sup>106</sup> This is consistent with past Commission reports, which also isolate non-crude petroleum imports. USITC, "AGOA: Trade and Investment Performance Overview," April 2014, 393; USITC, *U.S. Trade and Investment with Sub-Saharan Africa: Recent Trends and New Developments*, March 2020, USITC DataWeb/Census, accessed November 10, 2022. For further reference, utilization rates for AGOA excluding crude petroleum are provided in appendix G, table G.1.

<sup>107</sup> U.S. imports of textiles and apparel under AGOA comprise mostly apparel. For example, 99.9 percent of textile and apparel imports claiming AGOA preferences in 2021 consisted of apparel; this share was consistent over the course of the AGOA program. USITC, "Sectors and Digests Interactive Table," 2021; USITC DataWeb/Census, accessed November 10, 2022.

<sup>108</sup> Technology intensity classification is an approach to categorize manufacturing industries based on their research and development (R&D) intensity. By matching U.S. merchandise trade data at the HS 6-digit heading level it can serve as a proxy for value added. For more information refer to the "Top Products under AGOA" section below.

<sup>109</sup> In 2021, the following AGOA beneficiaries had utilization rates above 80 percent (in descending order): Zambia, Lesotho, the Democratic Republic of the Congo, Benin, Kenya, Senegal, Guinea-Bissau, Malawi, Uganda, Cabo Verde, Madagascar, Tanzania, Namibia, South Africa, Ethiopia, Côte d'Ivoire, Ghana, Eswatini, Mozambique, and Togo. The following countries were between 80 percent and 50 percent (in descending order): Gambia, Rwanda, Djibouti, and Mauritius. While the following 15 countries had utilization rates below 50 percent (in descending order): Nigeria, Gabon, São Tomé and Príncipe, Mali, Guinea, Burkina Faso, Niger, Liberia, Sierra Leone, Chad, Central African Republic, the Republic of the Congo, Angola, Botswana, and Comoros. For an alphabetical list of AGOA beneficiaries and utilization rates please refer to table G.1 in appendix G. USITC DataWeb/Census, accessed November 10, 2022.

than \$1 million of AGOA-eligible imports, produced products for export that aligned with the list of products covered under AGOA and GSP, and employed national AGOA strategies.

Qualitative examination of AGOA’s impact on regional integration, workers, underserved communities, and economic development, including job growth and poverty reduction, reveals mixed results. AGOA’s positive impact on beneficiaries’ exports to the United States is widely supported by the literature, but literature connecting AGOA to the targeted outcomes of regional integration, job growth, and poverty reduction is very limited. Interviews and research by Commission staff found positive and negative examples of AGOA’s impact on regional value chains at the industry level, an indicator of regional integration. AGOA has been important for some workers and underserved communities, for example, women working in the apparel industry. However, conclusive support for the impact of AGOA on most other communities is lacking. AGOA also positively affected SSA jobs, especially in the apparel industry. The effect was sometimes muted, however, by the uncertainty of the program’s renewal. In addition, losing eligibility has been shown to negatively impact a country’s economic development.

## An Overview of U.S. Imports from AGOA Beneficiaries

U.S. imports from AGOA beneficiaries were a relatively small percentage of U.S. imports from the world, and these imports did not grow consistently in value or share of U.S. imports over the length of the program.<sup>110</sup> In 2001, total U.S. imports of goods from AGOA beneficiaries—whether or not they claimed the AGOA or GSP preferences—accounted for about 1.5 percent of all U.S. imports from the world and were valued at \$17.3 billion (figure 2.1).<sup>111</sup> Total U.S. imports from AGOA beneficiaries were highest during 2005 to 2012, and they notably reached a record of \$81.4 billion and a share of 3.9 percent of all U.S. imports in 2008. The 2008 peak corresponds to a peak in the global price of crude petroleum.<sup>112</sup> In 2021, imports from AGOA beneficiaries were 1.0 percent of all U.S. imports and were valued at \$27.3 billion.<sup>113</sup>

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<sup>110</sup> As noted in chapter 1 (“AGOA Program”), some of the AGOA provisions are subject to quantitative limits, or caps. For apparel of regional fabric, U.S. or SSA yarn (classified under the Harmonized Tariff Schedule (HTS) 8-digit subheading 9819.11.09), U.S. imports made in AGOA beneficiary countries from regional fabric, or third-country fabric (see the following provision) combined cannot exceed 7 percent of U.S. apparel imports from all sources in the preceding 12-month period. Also, for apparel of third-country fabric (also referred to as 3CF; classified under HTS 9819.11.12), imports under the 3CF provision cannot exceed 3.5 percent of apparel imported into the United States from all sources in the preceding 12-month period.

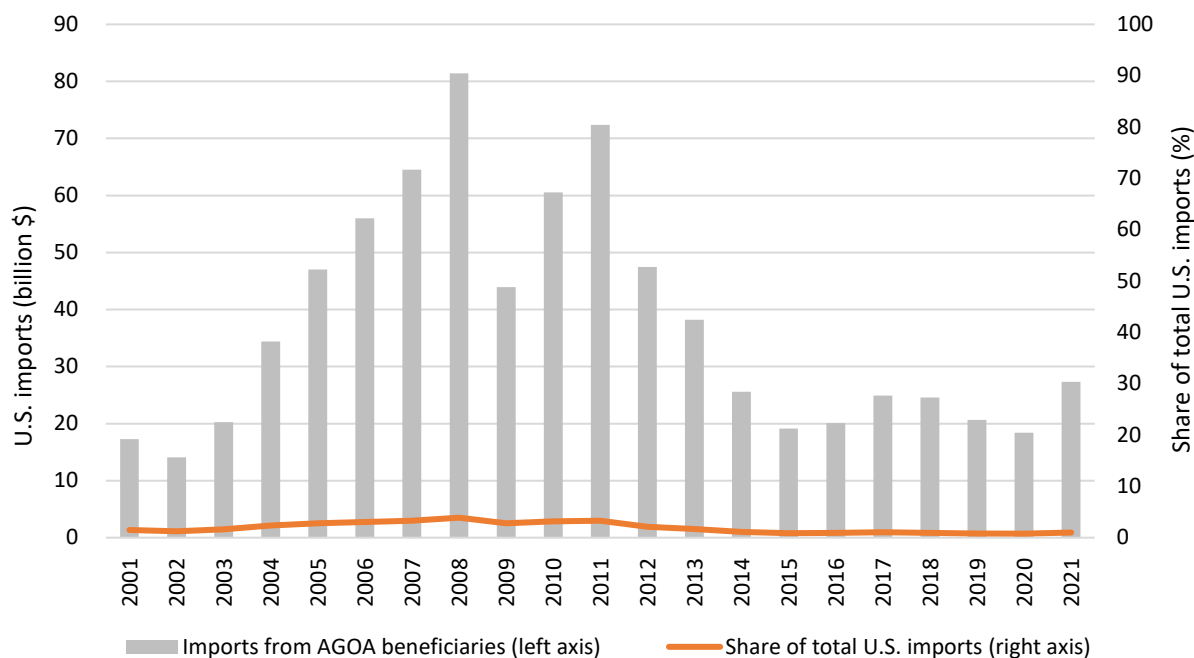
<sup>111</sup> These data include U.S. imports claiming AGOA and other trade preferences and imports entering under normal trade relations (NTR) to show pre-program import values and maximum U.S. imports from AGOA beneficiaries.

<sup>112</sup> Hamilton, “Causes and Consequences of the Oil Shock of 2007–08,” 2009, 215, 225–31.

<sup>113</sup> From 2014 to 2021, U.S. imports under AGOA accounted for an average of 0.9 percent of all U.S. imports from the world. USITC DataWeb/Census, accessed November 10, 2022.

**Figure 2.** U.S. imports for consumption of goods from AGOA beneficiary countries and their share of total U.S. imports, 2001–21

In billions of dollars (\$); share in percentages (%); HS=harmonized system; underlying data for can be found in appendix F, table F.2.



Source: USITC DataWeb/Census, accessed November 10, 2022.

Notes: The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1. This figure includes crude petroleum classified under HS 4-digit heading 2709.

Since the beginning of the AGOA program, some of the underlying trade conditions between the United States and SSA have changed markedly, and these conditions have partially contributed to changes in U.S. imports from AGOA beneficiaries.<sup>114</sup> First, SSA countries have diversified their export destinations. In 2000, the United States was the destination for 20.8 percent of SSA exports, but by 2020 it was the destination for only 5.1 percent.<sup>115</sup> As SSA countries have expanded into new export markets, the United States has fallen in rank from the leading export destination of SSA exports to the fourth, after China, India, and South Africa.<sup>116</sup> Next, U.S. demand for crude petroleum has changed. Since 2001, swings in the value of U.S. imports from AGOA beneficiaries were largely due to changes in the price of crude petroleum.<sup>117</sup> However, since the early 2010s demand for U.S. imports of crude petroleum decreased

<sup>114</sup> UNCTAD, *The African Growth and Opportunity Act*, October 27, 2022.; USITC, *U.S. Trade and Investment with Sub-Saharan Africa: Recent Trends and New Developments*, March 2020.

<sup>115</sup> World Bank, “Sub-Saharan Africa Trade | WITS Data,” accessed November 28, 2022.

<sup>116</sup> World Bank, “Sub-Saharan Africa Trade | WITS Data,” accessed November 28, 2022.

<sup>117</sup> For example, growth in crude petroleum imports from AGOA-eligible countries from 2004 to 2008 was primarily driven by rising prices (resulting from rising global demand and stagnating production) rather than increases in quantity. Volatility from 2007 to 2010 was similarly driven by prices. USITC DataWeb/Census, HS heading 2709, accessed September 15, 2022; Hamilton, “Causes and Consequences of the Oil Shock of 2007–08,” 2009, 215, 225–31.

from previous levels of demand.<sup>118</sup> Thus, key SSA oil-producing countries such as Angola and Nigeria supplied less crude petroleum to the United States than in previous years.<sup>119</sup> Finally, the applied tariff rate in the United States has decreased over the course of the AGOA program.<sup>120</sup> In 2000, the year preceding trade under AGOA, the U.S. applied tariff rate for all products was 2.1 percent, and by 2021 the applied rate was 1.5 percent. Lower tariffs erode the preference margin for countries that have access to tariff preference programs as compared to those that do not have preferential market access.<sup>121</sup>

## Long-Term Trends for U.S. Imports that Claim the AGOA or GSP Preference

The value of U.S. imports from AGOA beneficiaries claiming AGOA or GSP preferences fluctuated and ultimately declined over the span of the program, but the value of U.S. imports of non-crude petroleum products increased. U.S. imports under AGOA and GSP started at about \$8.2 billion in 2001, peaked in 2008 at \$66.3 billion, and were about \$6.8 billion in 2021 (figure 2.2). Crude petroleum prices ultimately drove changes in value of imports under AGOA during certain peaks and steep declines over the period; however, demand for U.S. imports of crude petroleum has declined sharply in most recent years (2018 to 2020).<sup>122</sup> U.S. imports under AGOA, excluding petroleum, started at about \$1.6 billion in 2001, peaked in 2008 at \$6.9 billion, and then remained somewhat lower, ranging from \$3.5 to \$6.2 billion through 2021, when it was \$4.2 billion. Non-crude imports under AGOA and GSP maintained a steady upward trend until the global financial crisis, and then they followed another upward trend until 2012. From 2013 to 2020, they averaged \$4.6 billion each year until the latest uptick to \$5.0 billion in 2021. The most recent increases in non-crude petroleum imports under AGOA and GSP can be attributed to increased imports of minerals and metals, transportation equipment, and apparel products from AGOA beneficiaries.<sup>123</sup>

<sup>118</sup> A brief uptick in the quantity of U.S. imports from Nigeria in 2016 and 2017, and from Angola and Nigeria in 2021 mirrored the uptick in the quantity of U.S. imports of crude from all countries. EIA, “Horizontally Drilled Wells Dominate U.S. Tight Formation Production,” June 6, 2019; EIA, “Crude Oil Production,” October 31, 2022; EIA, “U.S. Crude Oil Imports,” accessed November 1, 2022; EIA, “Country Analysis Brief: Nigeria,” May 6, 2016.

<sup>119</sup> Angola and Nigeria also faced supply side events that limited available supply. EIA, “Country Analysis Brief: Nigeria,” May 6, 2016. EIA, “U.S. Crude Oil Imports,” accessed November 1, 2022; U.S. Energy Information Administration (EIA), “Country Analysis Executive Summary: Angola,” January 25, 2021.

<sup>120</sup> The weighted mean applied tariff is the average of effectively applied rates weighted by the product import shares corresponding to each partner country. Data are classified using the Harmonized System of trade at the 6- or 8-digit level. World Bank, World Integrated Trade System, accessed February 14, 2023.

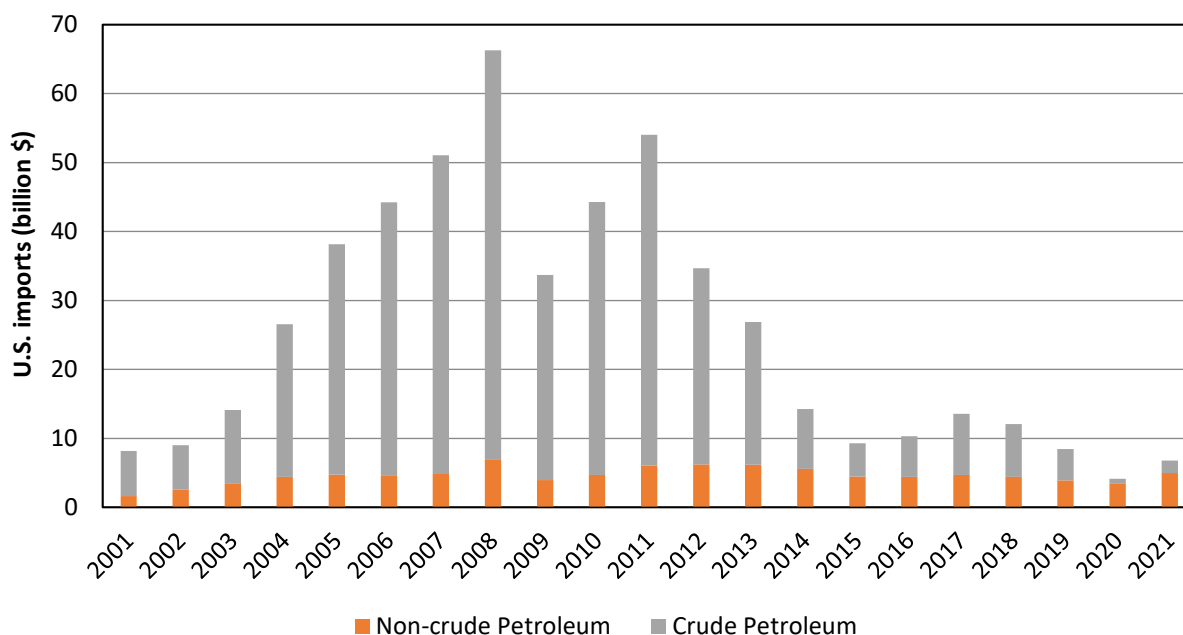
<sup>121</sup> Industry expert, USITC interview, July 8, 2022; UNCTAD, *The African Growth and Opportunity Act*, October 27, 2022, 12–14.

<sup>122</sup> The quantity of U.S. imports from Angola and Nigeria ticked upward from 2020 to 2021, in line with an increase in U.S. imports from other global sources. USITC DataWeb/Census, HS heading 2709, accessed September 15, 2022; Hamilton, “Causes and Consequences of the Oil Shock of 2007–08,” 2009, 215, 225–31; EIA, “U.S. Crude Oil Imports,” accessed November 1, 2022.

<sup>123</sup> In 2021, U.S. imports of minerals and metals saw a sharp increase largely in refined copper cathodes and sections of cathodes from Democratic Republic of the Congo classified under HTS 8-digit subheading 7403.11.00, as well as large increases in the value of imports in the apparel and transportation equipment sectors. USITC DataWeb/Census, accessed November 10, 2022.

**Figure 2.1** U.S. imports for consumption of goods claiming AGOA and GSP preferences, by product type, 2001–21

In billions of dollars (\$); underlying data for this figure can be found in appendix F, table F.3.



Source: USITC DataWeb/Census, accessed November 10, 2022.

Notes: The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1. The “non-crude petroleum” category excludes crude petroleum classified under Harmonized System (HS) 4-digit heading 2709.

## U.S. Imports from AGOA Beneficiaries by Preference Program and Duty-Rate Status

In 2021, most U.S. imports from AGOA beneficiaries continued to enter duty free, but the share of imports claiming trade preferences under AGOA or GSP declined from 2014 to 2021, as a greater share of imports entered under normal trade relations and because more importers of crude did not claim AGOA or GSP preferences. In 2021, 59.9 percent of U.S. imports from AGOA beneficiaries entered duty-free under NTR, 22.0 percent claimed the AGOA preference, and 2.7 percent claimed the GSP preference (table 2.1).<sup>124</sup> Nearly all the remainder of imports from AGOA beneficiaries entered as dutiable goods (15.3 percent, or \$4.2 billion in 2021, which was up from 8.8 percent in 2014).<sup>125</sup> Of the dutiable imports from AGOA beneficiaries, 96 percent were products covered by AGOA or GSP (AGOA-

<sup>124</sup> GSP authorization lapsed several times during 2017 to 2021. USTR, “GSP Expiration: Frequently Asked Questions,” January 2021; 83 Fed. Reg. 17561, (April 20, 2018). AGOA has a separate authorization from GSP and the AGOA program has not lapsed during the entire length of the program from 2001 to 2021.

<sup>125</sup> In 2014 and 2021, other programs, such as the Civil Aircraft Agreement, accounted for 0.1 percent of U.S. imports from AGOA beneficiary countries. Dutiable goods are articles that have an ad valorem or specific duty rate listed in column 1 of the HTS and/or do not have exemptions under special programs. USITC DataWeb/Census, accessed November 10, 2022.

covered products) that did not claim these preferences.<sup>126</sup> Most of these imports are crude petroleum that face low NTR duty rates.<sup>127</sup> The remainder of dutiable imports were products not covered by AGOA (not AGOA products), which accounted for \$174 million of dutiable goods from AGOA beneficiaries in 2021. In that year, 4 percent of the imported products not covered under AGOA were categorized in the minerals and metals sector.

**Table 2.1** U.S. imports for consumption of goods from AGOA beneficiary countries, by program or duty-rate status and year, 2001 and 2014–21

In millions of dollars (\$); n.d. = no data; NTR = normal trade relations; GSP = U.S. Generalized System of Preferences; HS=Harmonized System.

Program or duty status	2001	2014	2015	2016	2017	2018	2019	2020	2021
Non-crude AGOA claimed	1,031	3,956	3,170	3,228	3,356	3,255	2,936	2,587	4,232
Crude AGOA claimed	6,549	7,919	4,814	5,912	8,879	7,562	4,417	652	1,782
AGOA claimed	7,579	11,874	7,984	9,140	12,236	10,817	7,353	3,239	6,014
GSP claimed	587	2,390	1,283	1,176	1,315	1,277	1,080	904	746
Other claimed	7	20	22	24	14	62	93	45	40
Program Total	8,173	14,284	9,290	10,340	13,565	12,155	8,526	4,188	6,800
NTR: Duty free	5,823	9,047	8,096	8,122	9,571	10,385	9,068	12,188	16,371
NTR: Dutiable, AGOA- or GSP-covered products, not claimed	n.d.	2,044	1,589	1,559	1,716	1,807	2,826	1,905	4,002
NTR: Dutiable, Not AGOA- or GSP-covered products	n.d.	198	174	57	64	241	256	120	174
NTR: Dutiable	3,258	2,242	1,762	1,616	1,780	2,048	3,082	2,025	4,176
NTR: Total	9,081	11,289	9,858	9,739	11,351	12,433	12,150	14,213	20,547
All preference programs and duty statuses	17,254	25,573	19,148	20,078	24,916	24,588	20,676	18,402	27,348

Source: USITC DataWeb/Census, accessed November 10, 2022.

Notes: Non-crude petroleum AGOA excludes crude petroleum classified under HS 4-digit heading 2709. The “All preference programs and duty statuses” row of the table is the sum of all imports from AGOA beneficiary countries. “Other” includes imports classified under other programs, such as the Civil Aircraft Agreement. The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1. Although AGOA was signed into law in May 2000, the first U.S. imports to enter under AGOA were recorded in 2001.

## Top Countries under AGOA and GSP (Excluding Crude Petroleum)

U.S. imports under AGOA and GSP are concentrated in just a few source countries and provide limited representation of the 39 AGOA beneficiaries. In 2021, South Africa, Kenya, Lesotho, Madagascar, and Ethiopia represented 81.7 percent of U.S. non-crude petroleum imports under AGOA and GSP.<sup>128</sup> South Africa alone accounted for 54.2 percent (\$2.7 billion) of imports under AGOA and GSP in 2021. Top U.S. imports from South Africa included passenger vehicles and minerals and metals (e.g., ferrochromium

<sup>126</sup> AGOA- or GSP-eligible products are those eligible to be imported under AGOA or GSP as defined in the Harmonized Tariff Schedule of the United States (HTS) at the 8-digit subheading level. For reasons the AGOA- or GSP-eligible product benefits may have gone unclaimed, please see the Broad Factors that Explain AGOA Utilization section in this chapter.

<sup>127</sup> U.S. imports of crude petroleum that are designated as AGOA products but did not claim the preference totaled \$3.1 billion in 2021. USITC DataWeb/Census, accessed November 10, 2022.

<sup>128</sup> USITC DataWeb/Census, accessed November 10, 2022.

and refined copper cathodes).<sup>129</sup> Imports from Kenya accounted for 10.5 percent (\$523 million) of imports under AGOA and GSP. The top products from Kenya included apparel and macadamia nuts. The next three largest source countries for imports under AGOA and GSP—Lesotho (5.9 percent, \$292 million), Madagascar (5.6 percent, \$279 million), and Ethiopia (5.6 percent, \$277 million)—supplied mostly apparel products to the United States.<sup>130</sup>

Some recent changes in the top five source countries of imports entering under AGOA and GSP have occurred as a result of changes in country eligibility for benefits and large increases in imports under AGOA from these countries. From 2014 to 2021, South Africa continued to dominate as the largest supplier country for imports under AGOA and GSP, as it has for the life of the preference program (table 2.2). In 2014 and the years following, reinstatement of Madagascar’s AGOA beneficiary status and eligibility for apparel benefits meant apparel imports from Madagascar saw an increase from a very small base as exporters reestablished the United States as a market for apparel.<sup>131</sup> Imports under AGOA and GSP from Ethiopia also greatly expanded in magnitude over the period, bringing it into the top-five source countries of imports entering under AGOA and GSP.<sup>132</sup> However, Ethiopia lost its status as an AGOA beneficiary as of January 2022; thus, total U.S. imports from Ethiopia are expected to taper off in the future.<sup>133</sup> A case in point may be the year-to-date exports from Kenya for apparel, which show that the country absorbed some of Ethiopia’s share of the U.S. market.<sup>134</sup> After losing its AGOA beneficiary status in 2010, the Democratic Republic of the Congo (DRC) regained its status in January 2021, thus only one year of data exist for the period 2014–21.<sup>135</sup> On average for 2014 to 2021, Nigeria was a top five supplier under the AGOA and GSP program, but as imports of further refined petroleum products have declined, so has Nigeria’s share of non-crude petroleum imports under these preference programs.

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<sup>129</sup> Passenger vehicles are classified under HTS 8-digit subheading 8703.23.01, refined copper cathodes and sections of cathodes under 7403.11.00, and ferrochromium greater than 4 percent carbon under HTS 7202.41.00. USITC DataWeb/Census, accessed November 10, 2022.

<sup>130</sup> Only 12 AGOA beneficiary countries each supplied more than 1 percent of total non-crude petroleum imports under AGOA and GSP. Together, Tanzania, Malawi, Eswatini, Uganda, Namibia, Mozambique, Gabon, Cabo Verde, Rwanda, Benin, Togo, the Republic of the Congo, Guinea, Djibouti, Mali, Gambia, Burkina Faso, Sierra Leone, Guinea-Bissau, São Tomé and Príncipe, Niger, Liberia, Chad, and Central African Republic accounted for 3 percent of non-crude petroleum imports under AGOA or GSP. In 2021, no U.S. imports from Burundi, Eritrea, Botswana, Mauritania, Angola, and Comoros entered under AGOA or GSP. USITC DataWeb/Census, accessed November 10, 2022.

<sup>131</sup> USTR, “President Obama Removes Swaziland, Reinstates Madagascar for AGOA Benefits,” accessed November 4, 2022; 79 Fed. Reg. 37613, (July 1, 2014); 79 Fed. Reg. 74156 (December 15, 2014).

<sup>132</sup> U.S. imports from Ethiopia under AGOA and GSP are mostly composed of apparel products. USITC DataWeb/Census, accessed November 10, 2022.

<sup>133</sup> USTR, “U.S. Terminates AGOA Trade Preference Program for Ethiopia, Mali and Guinea,” accessed November 4, 2022.

<sup>134</sup> S&P Global, Global Trade Atlas, accessed November 4, 2022. U.S. government representatives, interview by USITC staff, Kenya, October 3, 2022.

<sup>135</sup> These imports are composed primarily of minerals and metals (refined copper cathodes and sections of cathodes), classified under HTS 8-digit subheading 7403.11.00. USITC DataWeb/Census, accessed November 10, 2022.



**Table 2.2** U.S. imports for consumption of goods excluding crude petroleum claiming AGOA or GSP preferences, by source and year, 2001 and 2014–21

In millions of dollars (million \$); — = not applicable; DRC = Democratic Republic of the Congo.

Source	2001	2014	2015	2016	2017	2018	2019	2020	2021
South Africa	923	3,116	2,859	2,844	2,939	2,390	1,981	1,892	2,697
Kenya	59	423	434	396	408	470	518	438	523
Lesotho	130	289	299	295	290	320	302	257	292
Madagascar	97	4	44	97	156	194	240	197	279
Ethiopia	1	41	48	69	93	159	248	246	277
DRC	—	—	—	—	—	—	—	—	217
Nigeria	192	561	275	212	310	172	68	47	165
All other sources	216	1,142	495	490	476	709	554	414	529
All sources	1,617	5,576	4,454	4,404	4,671	4,415	3,911	3,491	4,979

Source: USITC DataWeb/Census, November 10, 2022.

Notes: Countries are sorted by their U.S. import values in 2021. Madagascar regained AGOA beneficiary status June 2014 and was reinstated as eligible for apparel benefits December 2014. In 2001, the Democratic Republic of the Congo (DRC) had not yet gained beneficiary status and subsequently lost its AGOA beneficiary status in 2010, regaining it in January 2021. For comprehensive information on AGOA beneficiary status by year, see appendix E, table E.1.

## Top Sectors under AGOA and GSP (Excluding Crude Petroleum)

Seven product sectors accounted for 99.0 percent of non-crude petroleum imports that claimed the AGOA or GSP preferences in 2021.<sup>136</sup> These sectors are, in order of share of value in 2021, textiles and apparel (27.8 percent), transportation equipment (19.0 percent), minerals and metals (18.0 percent), agricultural products (14.4 percent), miscellaneous manufactures (9.0 percent), chemicals and related products (8.0 percent), and energy-related products (2.7 percent). Electronic products, footwear, forest products, and machinery made up the remaining 1.0 percent of U.S. imports under AGOA and GSP in 2021.

The textiles and apparel sector has consistently held a leading position in terms of sector share of imports under AGOA. Within this industry commodity grouping, U.S. imports from AGOA beneficiary countries claiming AGOA and GSP preference are mostly apparel products (e.g., 99.9 percent in 2021).<sup>137</sup> Apparel imports peaked in 2004 and then showed a downward trend until 2010 (figure 2.3).<sup>138</sup> From 2011 onward, apparel imports under AGOA made modest but steady gains until the COVID-19 pandemic-related dip in 2020. Transportation equipment was the leading AGOA import sector from 2008 to 2017, when the production of certain luxury passenger vehicles shifted out of South Africa to

<sup>136</sup> USITC DataWeb/Census, accessed November 10, 2022.

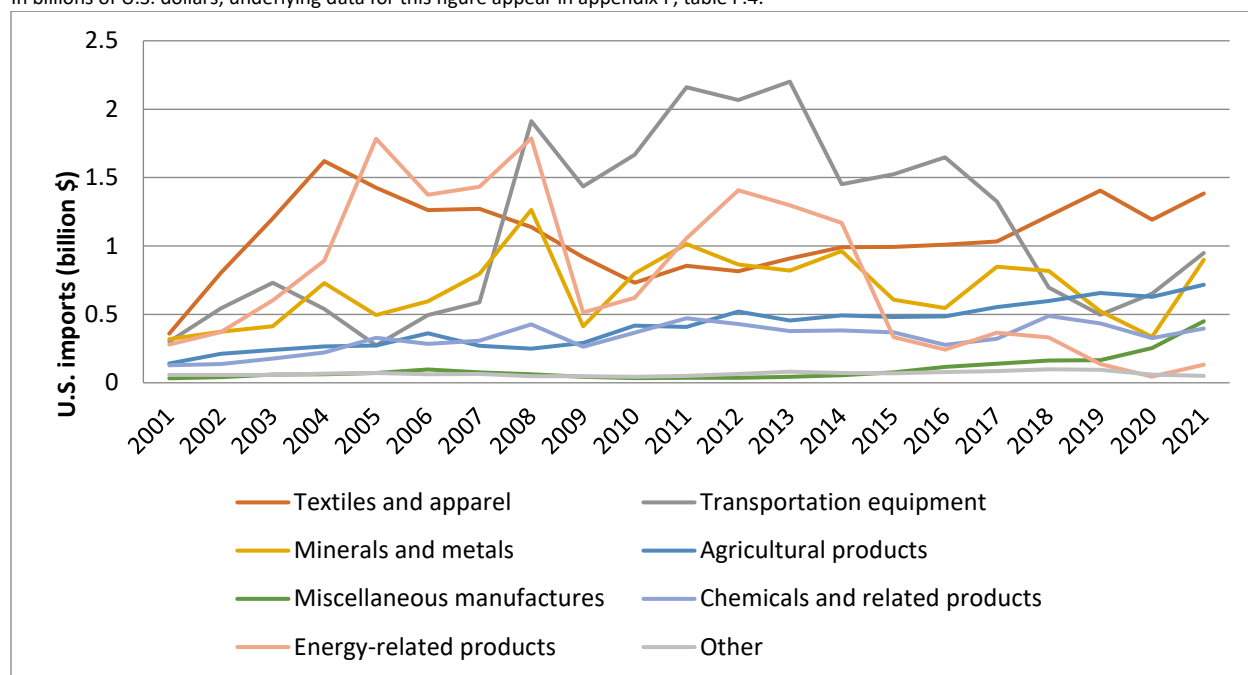
<sup>137</sup> The textiles and apparel sector refers to 1 of 12 USITC industry/commodity groups associated with HTS 8-digit product subheadings. Apparel refers to the industry/commodity subgroup (i.e., digest). USITC, “Sectors and Digests Interactive Table,” 2021.

<sup>138</sup> U.S. imports of textiles and apparel under AGOA totaled \$1.38 billion in 2021. A total of \$9.22 billion from 2014–21 and were sourced mostly from Kenya, Lesotho, Madagascar, Mauritius, and Ethiopia. Refer to chapter 3 (“Apparel”) for detailed information on the textile and apparel sector. USITC DataWeb/Census, accessed November 10, 2022.

Tuscaloosa, Alabama.<sup>139</sup> The share of minerals and metals imports has fluctuated over the span of the AGOA program but recently returned to a top sector position as U.S. imports of refined copper cathodes from the DRC increased.<sup>140</sup> The agricultural products, miscellaneous manufactures, and chemicals and related products sectors have historically accounted for smaller shares of non-crude petroleum imports, but each sector rapidly increased in terms of value and share of imports under AGOA or GSP in recent years.<sup>141</sup> In the earlier years of the program, energy-related products made up a larger share of non-crude petroleum imports under AGOA and GSP (e.g., 25.9 percent at their latest peak in 2008) but composed only 2.7 percent in 2021.<sup>142</sup>

**Figure 2.2** U.S. imports for consumption of goods excluding crude petroleum claiming AGOA and GSP preferences, by sector, 2001–21

In billions of U.S. dollars; underlying data for this figure appear in appendix F, table F.4.



Source: USITC DataWeb/Census, accessed November 10, 2022.

Notes: The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1. The other category includes electronic products, footwear, forest products, and machinery, which made up 3.1 percent of U.S. imports claiming the AGOA preference in 2021.

<sup>139</sup> In 2021, U.S. imports of transportation equipment under AGOA totaled \$895 million, these imports were composed of mostly passenger vehicles from South Africa classified under HTS 8-digit subheading 8703.23.01. USITC DataWeb/Census, accessed November 10, 2022. Itano, “U.S. Pact Lifts South Africa Car Exports,” July 9, 2003; Daimler, “Tuscaloosa Plant Extends Production Program with C-Class Sedan,” accessed November 4, 2022.

<sup>140</sup> Refined copper cathodes and sections of cathodes are classified under HTS 8-digit subheading 7403.11.00. USITC DataWeb/Census, accessed November 10, 2022.

<sup>141</sup> U.S. imports of agricultural products under AGOA doubled in share and more than doubled in value from 7 percent, \$289 million, in 2014 to 14 percent, \$603 million, in 2021. Miscellaneous manufactures increased in share and value from 1 percent, \$56 million in 2014, to 9 percent, \$450 million in 2021. Chemicals and related products increased fivefold by value from a small base of 1 percent, \$48 million, in 2014 to 7 percent, \$298 million, in 2021. USITC DataWeb/Census, accessed November 10, 2022.

<sup>142</sup> Non-crude petroleum energy-related products include further-refined petroleum products and coal, coke, and other related chemical products. USITC DataWeb/Census, November 10, 2022.

## Top Products under AGOA (Including GSP, Excluding Crude Petroleum)

U.S. imports under AGOA and GSP were concentrated in medium-low and low-technological intensity manufactured goods, such as base metals, other mineral products, and apparel. An understanding of the level of value addition of U.S. imports under AGOA provides an estimate of how much value, in terms of net output, AGOA beneficiary countries are capturing by exporting to the United States. One way to look at U.S. imports under AGOA by level of value added is to sort and rank products by the level of technological intensity.<sup>143</sup> In 2021, all the top 10 products, except passenger vehicles, entered under AGOA were classified as medium-low and low-technological intensity manufactured goods. In 2021, these top 10 products accounted for 48.2 percent of non-crude petroleum imports under AGOA and GSP (table 2.3). Trade in Value Added data, which support another approach to understanding value added that considers what production tasks are taking place in a country, feature limited coverage for SSA and are highly aggregated and do not allow for a product-level analysis.<sup>144</sup>

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<sup>143</sup> Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. World Bank, “Metadata Glossary: Value Addition,” accessed November 10, 2022; USITC, Staff matching of U.S. merchandise trade data and Technological Intensity, 2022; OECD, “ISIC REV. 3 Technological Intensity Definition,” July 7, 2011; UNIDO, “Industrial Statistics: Guidelines and Methodology,” 2010; OECD, *OECD Taxonomy of Economic Activities Based on R&D Intensity*, July 16, 2016.

<sup>144</sup> OECD, “Trade in Value Added—OECD,” accessed January 10, 2023; OECD, WTO, “Trade in Value-Added: Concepts, Methodologies, and Challenges (Joint OECD-WTO Note),” accessed January 10, 2023.

**Table 2.3** Top ten products by HTS 8-digit subheading excluding crude petroleum claiming AGOA and GSP preferences, by product, 2021

In million U.S. dollars (\$); NTR rate of duty AVE and share of non-crude total (%); AVE = ad valorem equivalent; GSP = U.S. Generalized System of Preferences; NTR = normal trade relations; n.c. = not able to calculate.

Product	HTS 8	NTR rate of duty, AVE (%)	Tech Intensity level	U.S. non-petroleum imports under AGOA and GSP (million \$)	Share of non-crude petroleum imports under AGOA and GSP (%)
Passenger vehicles	8703.23.01	2.50	Med-High	753.5	15.1
Gold necklaces and chains	7113.19.29	5.50	Med-Low	333.9	6.7
Refined copper cathodes and cathode sections	7403.11.00	1.00	Med-Low	327.9	6.6
Boys' and Men's cotton trousers	6203.42.45	16.60	Low	245.8	4.9
Ferrochromium over 4 percent carbon	7202.41.00	1.90	Med-Low	229.3	4.6
Sweaters etc. of manmade fibers	6110.30.30	32.00	Low	132.3	2.7
Women's or girls' trousers, breeches etc., synthetic fibers	6104.63.20	28.20	Low	113.4	2.3
Macadamia nuts shelled, fresh or dried	0802.62.00	0.34	Not ranked	98.4	2.0
Ferrosilicon manganese	7202.30.00	3.90	Med-Low	85.0	1.7
Men's or boys' trousers, breeches, etc. synthetic fibers	6203.43.90	27.90	Low	81.0	1.6
All other products	Various	n.c.	n.c.	2,576	51.8
All products	Various	n.c.	n.c.	4,976	100

Source: USITC DataWeb/Census, accessed November 10, 2022.

Notes: NTR is the rate of duty available to the AGOA beneficiary countries absent the AGOA preferences. AVE refers to ad valorem equivalent, in which specific duty rates are converted into a percentage of value based on the value of trade.

Technology intensity classification is an approach to categorize manufacturing industries based on their research and development (R&D) intensity, measured by the ratio of R&D expenditure to gross value added.<sup>145</sup> Matching U.S. merchandise trade data at the HS 6-digit level with the corresponding technology intensity for their respective manufacturing industries provides a proxy for value addition at the product level.<sup>146</sup> As noted by the United Nations Industrial Development Organization (UNIDO) and the Organization for Economic Co-operation and Development (OECD), manufacturing industries with a higher R&D intensity are considered high- or medium-high technology industries with higher value added. High and medium-high technology intensity manufacturing industries include pharmaceuticals; computer, electronic and optical products; electrical equipment; machinery; and motor vehicles. Medium-low and low technology intensity industries include rubber and plastic products; basic metals;

<sup>145</sup> OECD, "ISIC REV. 3 Technological Intensity Definition," July 7, 2011; OECD, *OECD Taxonomy of Economic Activities Based on R&D Intensity*, July 16, 2016.

<sup>146</sup> USITC, Staff matching of U.S. merchandise trade data and Technological Intensity, 2022; OECD, "ISIC REV. 3 Technological Intensity Definition," July 7, 2011; UNIDO, "Industrial Statistics: Guidelines and Methodology," 2010; OECD, *OECD Taxonomy of Economic Activities Based on R&D Intensity*, July 16, 2016.

ships and boats; food and beverage; apparel; and furniture.<sup>147</sup> However, the actual amount of value added depends on the task performed (e.g., assembly, R&D).<sup>148</sup>

In 2021, non-crude petroleum products under AGOA (including GSP) were composed of 40.6 percent low-technology products. The top products in the low-technological-intensity category were (listed by HS 6-digit subheading in order of value in 2021): 6203.42 men's or boy's cotton trousers (\$246 million); 6110.30 sweaters, pullovers, sweatshirts (\$135 million); 6104.63 women's or girls' trousers of synthetic fibers (\$113 million); and 1803.20 cocoa paste wholly or partly defatted (\$77 million). Products under these four subheadings accounted for 65 percent of the low-technological-intensity category total. Meanwhile, 26.5 percent of non-crude imports under AGOA (including GSP) were medium-low technology products. The top products in the medium-low technological intensity category were (in order of value in 2021): HS 7113.19 jewelry and parts of precious metal other than silver (\$416 million); 7403.11 refined copper cathodes and sections of cathodes (\$328 million); 7202.41 ferrochromium containing more than 4 percent carbon by weight (\$229 million); 7202.30 ferrosilicon manganese (\$85 million); and 7202.19 ferromanganese containing less than 2 percent carbon by weight (\$48 million). Products under these five HS subheadings were 84 percent of the medium-low category total. Next, 26.7 percent of non-crude petroleum products imported under AGOA (including GSP) were medium-high technology products. The top medium-high products were (listed in order of value in 2021): HS 8703.23 passenger motor vehicles (\$754 million); 3823.70 industrial fatty alcohols (\$71 million); 8409.99 parts for use with compression-ignition internal combustion engines, not elsewhere specified or indicated (\$68 million); 8903.92 motorboat, other than outboard motorboats (\$56 million); 2849.90 carbides, not elsewhere specified or indicated (\$45 million). Passenger vehicles were 57 percent of the medium-high category total. Finally, 6.2 percent were not manufactured goods, thus unclassified in terms of technology intensity (e.g., agricultural, mining, quarrying, water supply, and waste management products). Raw agricultural materials and products resulting from mining and quarrying are often referred to as primary products. The term primary does not speak to the level of value added, and products include within this category vary in the level of contribution to value added.<sup>149</sup> The top products in the unclassified category were (by value in 2021): HS 0802.62 macadamia nuts, shelled (\$98 million); 0805.10 fresh oranges (\$46 million); 0805.21 mandarins (including tangerines and satsumas) (\$36 million); 2401.20 tobacco, partly or wholly stemmed or stripped (\$17 million); and 0802.90 fresh or dried nuts that are shelled or unshelled, not elsewhere specified or indicated (\$17 million). Products under these five subheadings were 70 percent of the unclassified primary products category.

From 2014 to 2021, the composition of U.S. imports under AGOA and GSP by technology level shifted into medium-low technology products. The share of medium-low technology imports from AGOA beneficiaries increased from 5.6 percent in 2014 to 28.3 percent in 2021. This increase can be attributed to increased imports of manufactured rubber and plastic products, nonmetallic mineral products, and other manufactured goods in 2021. However, the share of medium-high technology imports decreased

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<sup>147</sup> UNIDO, "Industrial Statistics: Guidelines and Methodology," 2010; OECD, *OECD Taxonomy of Economic Activities Based on R&D Intensity*, July 16, 2016.

<sup>148</sup> See the iPhone example in OECD, WTO, "Trade in Value-Added: Concepts, Methodologies, and Challenges (Joint OECD-WTO Note)," 2, accessed January 10, 2023. Trade in Value Added data, another approach to understanding value added, are highly aggregated, do not allow for a product-level analysis, and usually feature limited SSA coverage. OECD, "Trade in Value Added - OECD," accessed January 10, 2023.

<sup>149</sup> OECD, "Trade in Value Added," accessed January 10, 2023.

from 35.2 percent in 2014 to 28.5 percent in 2021. This downward shift is attributed to decreased imports of passenger vehicles.

## AGOA Utilization

AGOA utilization measures the rate at which U.S. imports of AGOA- or GSP-covered products from an AGOA beneficiary claim the AGOA preference.<sup>150</sup> The AGOA utilization rate is defined as the value of all imports from an AGOA beneficiary country to the United States that claim the AGOA (or GSP) preferences divided by the value of all imports of AGOA-eligible (or GSP-designated) products from that country. Past Commission reports used this measure to analyze AGOA performance and efficacy.<sup>151</sup> Because many products are designated for preferential access under both AGOA and GSP (and are sometimes designated under GSP for least developed countries), a program's preference utilization rate must be calculated by including all programs that offer the best available tariff rate. Calculating preference utilization in this way is done under the assumption that in the absence of one overlapping program, all imports would enter under the other (i.e., if AGOA beneficiaries could not also utilize GSP, then all imports would enter under AGOA instead of some under AGOA and some under GSP). Program utilization for all AGOA beneficiaries combined for non-crude petroleum imports under AGOA was 84.6 percent in 2021.

## Broad Factors that Explain AGOA Preference Use

AGOA utilization is ultimately influenced by the rate at which U.S. importers claim AGOA product benefits, and a few reasons explain why benefits may go unclaimed. First, the preference may have gone unclaimed when the costs of AGOA compliance are more than the cost of the NTR duty rate.<sup>152</sup> For example, the U.S. NTR duty rates for crude petroleum imports are already very low, ranging from \$0.05 to \$0.11 cents per barrel, which might explain why \$3.1 billion of U.S. imports of crude petroleum from AGOA beneficiaries did not claim the preference in 2021.<sup>153</sup> An export-oriented manufacturer in South Africa whose product faced a moderate NTR duty rate noted that the United States was a low-volume market for them, which dissuaded the manufacturer from efforts to comply with the requirements of AGOA.<sup>154</sup> Parts of the South African wine industry faced similar cost challenges with AGOA because they had low export volumes to the United States.<sup>155</sup> Second, the product may not meet the ROOs or certify they meet the ROOs. SSA exporters and U.S. importers experienced difficulty in certifying that 35

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<sup>150</sup> As explained above, AGOA-eligible (or GSP-designated) products is used to refer to products eligible to be imported under AGOA and GSP as defined in the Harmonized Tariff Schedule of the United States (HTS) at the 8-digit subheading level, whether or not importers claim AGOA preferences or those products meet the ROOs.

<sup>151</sup> The utilization rates were most recently used in USITC, *Year in Trade 2021*, August 2021; USITC, *U.S. Trade and Investment with Sub-Saharan Africa: Recent Trends and New Developments*, March 2020.

<sup>152</sup> UNCTAD, *The African Growth and Opportunity Act*, October 27, 2022, 28–29.

<sup>153</sup> For crude petroleum, the NTR rate for U.S. imports from SSA averaged less than 0.2 percent ad valorem between 2016 and 2018. USITC DataWeb/Census, HTS heading 2709, accessed September 23, 2019.

<sup>154</sup> The industry representatives mentioned that the possibility of audits to verify content requirements also dissuaded the firm from using the AGOA preference. Industry representatives, interviews by USITC staff, South Africa, September 16, 2019, and October 26, 2022. A separate source in West Africa mentioned that physical stamps created a bureaucratic hurdle to meeting content requirements. Industry representatives, interview by USITC staff, West Africa, October 13, 2022.

<sup>155</sup> Industry representatives, interviews by USITC staff, South Africa, October 31, 2022.

percent of the content is sourced from AGOA beneficiary countries.<sup>156</sup> For example, processed tuna and skipjack in bulk from Mauritius is one of the top five AGOA-designated products for which no preference was claimed in 2021, valued at \$35.7 million; specific tariffs were 1.1 cents per kg (an ad valorem equivalent of 0.19 percent in 2021).<sup>157</sup> To qualify for AGOA, the contents of these products must be certified as caught on an AGOA beneficiary flag-carrying ship; however, industry representatives stated a low supply of tuna is caught on such ships.<sup>158</sup> Finally, in general, a lack of knowledge or awareness by firms of the AGOA program benefits was also reported in Côte d'Ivoire, Kenya, and South Africa.<sup>159</sup>

The AGOA utilization rate, which is the rate at which U.S. imports of AGOA- or GSP-covered products from an AGOA beneficiary claim the AGOA or GSP preference, does not measure each country's potential for program use; however, the level of imports claiming AGOA preferences, program and duty status of top exports, and use of a national AGOA strategy provide more insight in this regard.<sup>160</sup> First, the level of U.S. imports of AGOA-covered products by value correlates with country participation in the program. Most countries that have low AGOA utilization rates (less than 40 percent in 2021) shipped less than \$1 million worth of AGOA-covered products (see appendix G, table G.1). Meanwhile, the average value of AGOA-covered products from the countries with the top five highest utilization rates was \$235 million in 2021, with total values that ranged from \$1.08 million (Benin) to \$538 million (Kenya). Second, the alignment or misalignment of a country's top exports with AGOA-covered products can further explain a country's potential for AGOA program use. Among the countries with the five lowest utilization rates supplying top U.S. non-crude petroleum imports that enter mostly duty-free under NTR, examples include Botswana and Angola (diamonds), Comoros (vanilla and cloves), and Central African Republic and the Republic of the Congo (tropical woods). In addition, AGOA national strategies have the potential to guide government resources to increase and diversify exports and increase the amount of eligible imports that claim the preference. More of the beneficiary countries with the highest utilization rates have national AGOA strategies than those with the lowest utilization rates. Further, the countries that have national strategies increased U.S. non-crude petroleum imports by value from 2014 to 2021, with these increases ranging from 2 percent in Lesotho to more than 230,000 percent in Zambia.<sup>161</sup>

In practice, exporters and firms in SSA reported various successes and challenges in using the AGOA program. Apparel manufacturing firms in Ethiopia, Kenya, and Tanzania had strong knowledge of the program and reported relying on the AGOA preference to maintain their current contracts with U.S. brands, as well as to attract future investment for capital improvements and vertical integration.<sup>162</sup> In Kenya, women business owners were knowledgeable about AGOA benefits, but reported challenges

<sup>156</sup> For examples of SSA exporters and U.S. importers that had trouble in certifying 35 percent content, see this chapter's section on "AGOA Utilization by Sector."

<sup>157</sup> Tuna and skipjacks prepared or preserved in bulk containers are classified under HTS 8-digit subheading 1604.14.40. Most of the imports from AGOA beneficiary countries originate from Mauritius. USITC DataWeb/Census, accessed November 10, 2022.

<sup>158</sup> Customs ruling HQ 562708; *Koru North America v. United States*, 12 CIIT 1120; industry representative, interview by USITC staff, January 8, 2014.

<sup>159</sup> Industry representatives, interview by USITC staff, August 15, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022; industry representatives, emails to USITC staff; December 13, 2022.

<sup>160</sup> Kimenyi, "AGOA Utilization 101," March 23, 2015.

<sup>161</sup> Dicharry, "How the Biden Administration Can Make AGOA More Effective," November 15, 2021. See appendix G, table G.2 for underlying data. USITC DataWeb/Census, accessed November 10, 2022.

<sup>162</sup> Industry representatives, interview by USITC staff, Kenya, October 4, 2022.

scaling their production (e.g., supplying enough home décor articles to fill a container) and becoming export ready (e.g., they encountered barriers in access to finance and experienced technical issues related to product standards).<sup>163</sup> In South Africa, citrus exporters are aware of AGOA and consider it important because the duty savings helps them remain competitive in the U.S. market despite shipping costs.<sup>164</sup> Also in South Africa, AGOA preferences reportedly enable wine exporters to compete with global competitors, although as mentioned above, some are not using the preference because the United States is a minor destination market for some exporters.<sup>165</sup>

Recent economic literature has attempted to further explain export performance (and therefore program use) under AGOA. Researchers at the World Bank, using a synthetic control method to identify the weights of fundamental characteristics of AGOA beneficiary countries that have the potential to explain export performance under AGOA,<sup>166</sup> found that the country characteristics most associated with improved export performance included: (1) infrastructure; (2) rule of law and legal frameworks, such as property rights protection and contract enforcement; (3) macroeconomic environment (low inflation and exchange rate stability); and (4) ease of labor regulations measured by the ease of regulations on minimum wages, flexibility of working hours, ease of hiring and firing, and other associated costs of managing labor transactions.<sup>167</sup>

## **AGOA Utilization Rates by Sector (Including GSP, Excluding Crude Petroleum)**

Sectors with higher average NTR duty rates used the AGOA program more efficiently. For example, the textiles and apparel sector had an average NTR rate of 13.2 percent, and 94.7 percent of AGOA-covered products claimed the AGOA preference in 2021 (table 2.5). Energy-related products, which had an average NTR duty rate of 0.9 percent, only claimed the preference for 26.7 percent of AGOA-designated products in 2021. Other factors, such as certain U.S. petroleum refineries using the duty drawback program to receive refunds rather than claiming preferential treatment and trade data anomalies resulting from petroleum refinery use of the foreign trade zone program, likely also contribute to low utilization rates in the sector.<sup>168</sup> Other sectors, such as agriculture, have more moderate AGOA utilization rates (e.g., 86 percent) and more moderate average NTR rates (e.g., 4 percent in 2021).

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<sup>163</sup> Industry representatives, interview by USITC staff, October 7, 2022.

<sup>164</sup> Industry representative, interview by USITC staff, South Africa October 31, 2022.

<sup>165</sup> Industry representatives, interview by USITC staff, South Africa, October 31, 2022.

<sup>166</sup> The synthetic control method is a statistical method used to evaluate treatment effects in comparative case studies. For more information on the synthetic control method please see “Annex 1A Synthetic Control Method” in the following source, Coulibaly, Kassa, and Zeufack, “Africa in the New Trade Environment,” 2022, 55–65.

<sup>167</sup> Coulibaly, Kassa, and Zeufack, “Africa in the New Trade Environment,” 2022, 55–63.

<sup>168</sup> Industry representative, interview by USITC staff, December 21, 2022; UNCTAD, *The African Growth and Opportunities Act - A Review of Its Benefits, Limitations, Utilization and Results*, October 27, 2022, 49–52.



**Table 2.4** U.S. imports for consumption of AGOA- or GSP-covered products excluding crude petroleum and associated AGOA utilization rates, by sector, 2021

In millions of dollars; NTR rate of duty AVE and utilization rate (%); AVE = ad valorem equivalent; NTR = normal trade relations.

Sector	Average NTR rate of duty, AVE (%)	Imports, AGOA products, no preference claimed	Imports, AGOA products, preference claimed	Imports, AGOA products	Utilization rate (%)
Energy-related products	0.9	364.8	133.2	498.0	26.7
Machinery	3.0	20.8	9.6	30.4	31.6
Electronic products	3.1	13.0	12.8	25.8	49.5
Footwear	4.3	1.8	4.8	6.5	72.9
Forest products	4.3	4.7	22.9	27.6	82.9
Minerals and metals	5.0	163.4	898.6	1062.0	84.6
Agricultural products	4.0	116.3	716.5	832.8	86.0
Chemicals and related products	4.3	34.9	395.9	430.9	91.9
Transportation equipment	3.3	62.7	948.4	1011.1	93.8
Textiles and apparel	13.2	78.0	1383.8	1461.8	94.7
Miscellaneous manufactures	5.0	11.6	449.7	461.4	97.5
All sectors	8.6	872.2	4976.2	5848.4	85.1

Source: USITC DataWeb/Census, accessed November 10, 2022.

Note: NTR is the rate of duty available to the AGOA beneficiary countries absent the AGOA or GSP preferences. AVE refers to ad valorem equivalent, in which specific duty rates are converted into a percentage of value based on the value of trade. AGOA utilization rates are calculated by dividing the value of U.S. imports for consumption that claimed AGOA or GSP excluding crude petroleum (HS 2709) by the value of U.S. imports for consumption of AGOA-designated products excluding crude petroleum.

## AGOA Beneficiaries with the Highest and Lowest Utilization Rates (Including GSP, Excluding Crude Petroleum)

When considering all AGOA beneficiaries, AGOA utilization for non-crude petroleum products is relatively high, but high regional utilization masks wide variation in utilization at the country level. In 2021, AGOA utilization (including crude petroleum) was 62.6 percent, which was comparable to the 63.8 percent utilization rate under the entire GSP program (not just GSP for SSA countries).<sup>169</sup> Program utilization for non-crude petroleum imports under AGOA was 84.6 percent. However, AGOA utilization across AGOA beneficiaries is uneven, ranging from zero percent for non-crude petroleum AGOA-eligible imports from Comoros, Botswana, and Angola to 99.7 percent in Zambia. In 2021, in terms of non-crude petroleum imports, 20 of 39 countries had utilization rates above 80 percent, 4 had rates between 80 and 50 percent, and 15 countries had utilization rates below 50 percent (see appendix G, table G.1 for full country list of utilization rates).

In 2021, countries with the highest AGOA utilization rates were Zambia, Lesotho, the Democratic Republic of the Congo (DRC), Benin, and Kenya (table 2.6). U.S. imports designated for AGOA from Lesotho, Kenya, and Benin comprised more than 50 percent apparel products, which without the AGOA

<sup>169</sup> USITC, *Year in Trade 2021*, August 2021.

preference faced high average NTR tariff rates of 13.2 percent.<sup>170</sup> With respect to these countries, a very small share of or no AGOA designated apparel products left AGOA preferences unclaimed. U.S. imports from Zambia and the DRC were mostly refined copper cathodes, which had an NTR duty rate of 1 percent in 2021.<sup>171</sup> In 2021, 98 percent of AGOA-designated imports of copper cathodes claimed the AGOA preference.

**Table 2.5** AGOA beneficiary countries with the highest AGOA (including GSP) utilization rates in 2021, by country, 2014–21

Utilization rates (%) and change in utilization rates (percentage points—ppt); — = not applicable; n.c. = not calculable; DRC = Democratic Republic of the Congo; GSP = U.S. Generalized System of Preferences.

Country	2014	2015	2016	2017	2018	2019	2020	2021	Change 2014–21, ppt
Zambia	71.8	84.9	86.0	97.9	92.0	96.3	75.1	99.7	27.8
Lesotho	99.5	99.9	99.6	99.5	99.1	98.8	99.1	98.5	-0.9
DRC	—	—	—	—	—	—	—	97.9	n.c.
Benin	n.c.	0.0	64.9	98.3	99.4	52.2	81.7	97.8	97.8.
Kenya	97.8	98.8	98.1	97.9	98.0	98.4	97.5	97.1	-0.7

Source: USITC DataWeb/Census, accessed November 10, 2022.

Notes: AGOA utilization rates are calculated by dividing the value of U.S. imports for consumption that claim the AGOA and GSP preference excluding crude petroleum (HS 2709) by the value of U.S. imports for consumption of AGOA-covered products excluding crude petroleum. The DRC lost its AGOA beneficiary status in 2010, regaining it in January 2021. For comprehensive information on AGOA beneficiary status by year, see appendix E, table E.1. In 2014, Benin did not supply any U.S. imports of AGOA-covered products and in 2015 supplied a small amount of U.S. imports of AGOA or GSP-covered products but did not claim the AGOA preference. For comprehensive information on AGOA beneficiary status by year, please refer to appendix E, table E.1.

In 2021, Comoros, Botswana, Angola, the Republic of the Congo, and Central African Republic had the lowest AGOA utilization rates (table 2.7).<sup>172</sup> Despite having beneficiary status since 2008, no U.S. imports from Comoros claimed the AGOA preference from 2014 to 2021.<sup>173</sup> From 2014 to 2017, Botswana had a high non-crude petroleum AGOA utilization rate (99.5 to 100 percent), but then dropped to zero or near zero starting in 2018. While imports from Botswana of AGOA- or GSP-covered products entered the United States in 2018, 2020, and 2021, none entered under AGOA or GSP preferences; in 2019, its utilization rate was only 0.9 percent (table 2.7).<sup>174</sup> Botswana previously did not supply a high volume of AGOA-designated products, but from 2002 to 2017, most AGOA- or GSP-covered products imported from Botswana were apparel products. In 2019, Botswana was reportedly down to only one apparel exporter, Carapparel Botswana.<sup>175</sup> Angola’s variable and often quite low utilization rates were driven by

<sup>170</sup> Apparel refers to the U.S. International Trade Commission (USITC) industry/commodity subgroup (i.e., digest). The share of AGOA-designated apparel imports to total AGOA-designated imports was 99.1 percent for Lesotho, 83.4 percent for Kenya, and 54.4 percent for Benin in 2021. USITC DataWeb/Census, accessed November 10, 2022.

<sup>171</sup> In 2021, 97.8 percent of U.S. imports from Zambia covered by AGOA or GSP were refined copper cathodes classified under HTS statistical reporting number 7403.11.0000; while 99.5 percent of U.S. imports from the DRC covered by AGOA or GSP were refined cathodes classified under HTS 7403.11.0000. USITC DataWeb/Census, accessed November 10, 2022.

<sup>172</sup> For the most part, the countries with the lowest AGOA utilization rates also had the largest decreases in AGOA utilization rates in 2021; however, Djibouti and Mauritius had percentage point decreases of 36.2 and 29.4, respectively. USITC DataWeb/Census, accessed November 10, 2022.

<sup>173</sup> A small level of U.S. imports from Comoros were eligible under AGOA or GSP, an average of about \$24,000 each year from 2014 to 2021. USITC DataWeb/Census, accessed November 10, 2022.

<sup>174</sup> U.S. imports from Botswana were eligible under AGOA or GSP for 2018, 2020, and 2021 and averaged \$205,000 over these years. USITC DataWeb/Census, accessed November 10, 2022.

<sup>175</sup> Mguni, “Botswana: Textile Sector Upbeat, despite AGOA Export Collapse,” March 22, 2019.

U.S. imports of refined petroleum products, such as heavy fuel oil and naphtha. As described above, energy-related products face relatively low tariff rates and have some of the lowest utilization rates. Refined petroleum product imports from Angola also declined substantially in volume since 2014, further reducing the incentive for importers to claim the preference.<sup>176</sup>

**Table 2.6** AGOA beneficiary countries with the lowest AGOA (including GSP) utilization rates in 2021, by country, 2014–21

Utilization rates (%) and change in utilization rates (in percentage points--ppt); — = not applicable; n.c. = unable to calculate the percentage point changes for 2014–21; GSP = U.S. Generalized System of Preferences.

Country	2014	2015	2016	2017	2018	2019	2020	2021	Change 2014–21, ppt
Comoros	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Botswana	100.0	98.4	98.5	99.5	0.0	0.9	0.0	0.0	-100.0
Angola	62.1	3.5	1.0	16.7	53.6	59.5	0.1	0.0	-62.1
Republic of the Congo	95.8	52.2	10.2	2.2	18.0	19.9	2.2	2.2	-93.6
Central African Republic	—	—	—	0.0	0.0	86.2	42.9	3.2	n.c.

Source: USITC DataWeb/Census, accessed November 10, 2022.

Note: AGOA utilization rates are calculated by dividing the value of U.S. imports for consumption that claim AGOA and GSP excluding crude petroleum (HS 2709) by the value of U.S. imports for consumption of AGOA- or GSP-covered products excluding crude petroleum. In some years Angola, Botswana, Central African Republic, and Comoros supplied AGOA- or GSP-covered products but did not claim the preference. Central African Republic was not an AGOA beneficiary from 2014 to 2016. For comprehensive information on AGOA beneficiary status by year, please refer to appendix E, table E.1.

From 2014 to 2021, the five countries with the largest increases in AGOA utilization rates were Madagascar, Namibia, Senegal, Côte d'Ivoire, and Togo (table 2.8). These countries have expanded their product mix of AGOA- or GSP-covered products since 2014. As noted above, Madagascar's eligibility for apparel provisions were reinstated December 15, 2014. Afterward, U.S. imports of AGOA- or GSP-covered apparel from Madagascar increased from \$20 million in 2014 to \$286.7 million in 2021, of which \$286.4 million, or 99.9 percent, claimed AGOA or GSP preferences.<sup>177</sup> U.S. imports of AGOA- or GSP-covered cocoa paste from Côte d'Ivoire increased from zero in 2014 to \$68.8 million in 2021.<sup>178</sup> Of \$68.8 million worth of cocoa paste, 60.5 million, or 87.9 percent, claimed AGOA preferences. Another example of a U.S. import of an AGOA-designated or GSP-covered product is bulk chocolate from Côte d'Ivoire, which increased from zero in 2014 to \$11 million, of which 100 percent claimed the AGOA preferences.<sup>179</sup>

<sup>176</sup> U.S. imports of non-crude petroleum products from Angola eligible for AGOA and designated for GSP were \$552 million in 2014 and decreased to \$54 million in 2021; no non-crude petroleum products from Angola claimed AGOA or GSP preferences in 2021.

<sup>177</sup> Apparel refers to the USITC industry/commodity subgroup (i.e., digest). USITC, "Sectors and Digests Interactive Table," 2021. For more information on the apparel industry in Madagascar refer to chapter 3 (Apparel).

<sup>178</sup> Cocoa paste, wholly or partly defatted, is classified under HTS 10-digit statistical reporting number 1803.20.0000. USITC DataWeb/Census, accessed November 10, 2022. Peltier and Caballero-Reynolds, "Ivory Coast Supplies the World with Cocoa. Now It Wants Some for Itself.," August 13, 2022.

<sup>179</sup> Bulk chocolate forms not elsewhere specified or indicated, containing butter fat or other milk solids, not elsewhere specified or indicated, is classified under HTS 10-digit statistical reporting number 1806.20.5000. USITC DataWeb/Census, accessed November 10, 2022.

**Table 2.7** AGOA beneficiary countries with the largest increases in AGOA (including GSP) utilization rates between 2014 and 2021, by country, 2014–21

Utilization rates (%) and change in utilization rates (in percentage points--ppt); GSP = U.S. Generalized System of Preferences.

Country	2014	2015	2016	2017	2018	2019	2020	2021	Change 2014– 21, ppt
Madagascar	1.0	75.9	88.0	92.4	94.0	93.3	92.2	92.3	91.2
Namibia	0.0	0.0	66.8	52.5	64.9	70.6	77.5	90.9	90.9
Senegal	10.4	67.3	85.8	91.3	96.9	82.8	97.2	97.1	86.7
Côte d'Ivoire	0.5	44.7	81.9	49.7	44.8	31.5	95.9	86.5	86.0
Togo	1.6	1.1	26.6	44.7	2.5	36.8	46.4	80.7	79.1

Source: USITC DataWeb/Census, accessed November 10, 2022.

Note: AGOA utilization rates are calculated by dividing the value of U.S. imports for consumption that claimed AGOA and GSP, excluding crude petroleum (HS 2709) by the value of U.S. imports for consumption of AGOA- and GSP-covered products excluding crude petroleum. Namibia supplied U.S. imports of AGOA- or GSP-covered products in 2014 and 2015 but did not claim AGOA preferences.

## Impact of AGOA on Regional Integration, Workers, Economic Development, and Poverty Reduction

The following sections provide an assessment of the impact of AGOA on regional integration, workers, economic development, and poverty reduction. This assessment is challenging, given that so many factors can influence these outcomes. As described above, AGOA had a positive but limited impact on SSA exports to the United States. According to an UNCTAD report, the impact of AGOA on exports is small but consistent with low preference margins and structural disadvantages faced by SSA countries.<sup>180</sup> UNCTAD also states that exports from SSA to the United States likely would have been lower without AGOA. Anecdotes and case studies also provide evidence that AGOA has had a positive impact for certain industries and sectors within the region, strengthening regional integration, benefiting workers, and improving economic development.

AGOA, like other nonreciprocal preferential trade agreements, can impact regional integration, workers, and economic development. Two of the main pathways that lead to potential impacts are: (1) increased access to the U.S. market from preferential tariff rates and more flexible rule of origin (ROO) provisions (e.g., third-country fabric provisions) and (2) actions a country takes to meet eligibility requirements to receive the preferences.<sup>181</sup> Both pathways have the potential to impact desired outcomes mentioned in AGOA legislation, especially with the support of AGOA-related programs and technical assistance. The outcomes focused on in this section are improved regional integration (e.g., regional value chains), benefits to workers in terms of jobs and working conditions, economic development, and poverty reduction, as well as the impact of AGOA on underserved communities within SSA.<sup>182</sup>

The first pathway for the impact of AGOA—preferential tariffs and more flexible ROOs—leads to reduced trade costs, thus increasing the competitiveness of AGOA products in the U.S. market and to

<sup>180</sup> UNCTAD, *The African Growth and Opportunity Act*, October 27, 2022, 59.

<sup>181</sup> Third-country fabric provisions allow lesser-developed AGOA beneficiaries to use imported fabric for apparel manufacturing, potentially increasing competitiveness through lower input costs.

<sup>182</sup> The outcomes pinpointed in this section are consistent with outcomes identified in AGOA eligibility criteria. See 19 U.S.C. § 3703(1)(A)–(F) and Pub. L. No. 114-27, § 102, 129 Stat. 365 (2015) (codified at 19 U.S.C. § 3701 note).

higher exports.<sup>183</sup> Greater exports support economic growth and create jobs in the exporting firms and industries, as well as other sectors providing services and inputs along the supply chain.<sup>184</sup> Higher employment can in turn improve household welfare and contribute to poverty reduction, as well as increase government tax revenues from the operations and profits of exporting firms.<sup>185</sup> When export-oriented industries benefiting from AGOA expand, the value and distribution chains for these industries may also expand. This can lead to increased regional integration because exporting firms seek to widen the source inputs and services for production and distribution within the region.<sup>186</sup> Spillover effects allow the impact of AGOA to extend beyond the exporting sector. For example, jobs in foodservice can be created in response to demand from factory workers producing goods for AGOA trade.<sup>187</sup>

The second pathway for the impact of AGOA is when countries implement new regulations or policies required to meet AGOA eligibility criteria (e.g., labor, investment, and environment requirements; see eligibility requirements in chapter 1 for more details). AGOA eligibility requirements include several aspects that improve the business environment and competitiveness in the country and are directly related to regional integration, workers, and economic development. For example, AGOA requires that countries establish, or make continual progress toward, a market-based economy, rule of law, elimination of barriers to U.S. trade and investment, economic policies to reduce poverty, a system to combat corruption and bribery, and protection of worker rights, among other requirements.<sup>188</sup> Meeting these requirements has direct benefits (e.g., protecting worker rights) and it can enhance competitiveness. For example, better worker protections and environments can lead to increased productivity and lower costs of production and allow for greater product differentiation for goods produced in countries.<sup>189</sup> On the other hand, meeting labor standard requirements may also increase labor and production costs vis-à-vis competitors that are not required to meet those standards.<sup>190</sup>

When firms become more competitive, they may expand production volume or types of products produced, potentially increasing employment, impacting workers, economic development, and poverty levels. Meeting AGOA-eligibility requirements may also attract foreign direct investment (FDI) from the United States or the SSA region itself. This may increase regional integration, leading to positive outcomes for workers in sectors that are not exporting under AGOA (see cotton and cocoa case studies in chapters 4 and 5). UNCTAD states that, in some instances, FDI may have a greater contribution to a beneficiary's economic development than trade, as a result of associated technology and skill transfers.<sup>191</sup>

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<sup>183</sup> Some AGOA beneficiaries receive a third-party fabric provision benefit that enables them to source fabric from other countries and still receive AGOA preferential duty rates for apparel. This is a comparative advantage to GSP beneficiary countries. See chapter 3 for more details on third-party fabric provisions.

<sup>184</sup> Charles Tiebout, although not the sole originator of the economic and geographic theory, summarizes the concept of the regional export base. Tiebout, "Exports and Regional Economic Growth," 1956, 160–64.

<sup>185</sup> Were, Sichei, and Milner, "Trade Policy in Kenya," 2010.

<sup>186</sup> Industry representatives, interview by USITC staff, Kenya, October 4, 2022.

<sup>187</sup> Industry representatives, interview by USITC staff, Kenya, October 3, 2022; Lekunya and Oranje, "The Sub-National Economic and Spatial Development Impacts of AGOA in Lesotho," 2017, 18–19.

<sup>188</sup> 19 U.S.C. § 3703.

<sup>189</sup> Raes, Chapter 12, *Handbook on Globalisation and Labour Standards*, March 18, 2022, 237.

<sup>190</sup> Raes, Chapter 12, *Handbook on Globalisation and Labour Standards*, March 18, 2022, 237.

<sup>191</sup> UNCTAD, *The African Growth and Opportunity Act*, October 27, 2022, 11.

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Both pathways for the impact of AGOA can be enhanced by technical assistance and through ongoing initiatives such as USAID trade and investment hubs for AGOA beneficiary countries.<sup>192</sup> Technical assistance has been provided to firms seeking to become export ready and meet quality standards and product requirements for the U.S. market (e.g., USAID-Regional Trade Hub activities). Assistance has also been provided to governments seeking to meet labor requirements (e.g., the U.S. Department of Labor’s Child Labor Cocoa Coordinating Group).<sup>193</sup> The USAID trade and investment hubs supported AGOA beneficiaries by focusing on creating inclusive and sustainable economic growth among other priorities. The East Africa Trade and Investment Hub (EATIH) facilitated \$600 million in exports and \$171 million in new investments from 2014 to 2019.<sup>194</sup> The ongoing Southern Africa Trade and Investment Hub (SATIH) had facilitated \$90 million in exports and investment of \$177 million, as of September 2021.<sup>195</sup>

Measuring the impact of AGOA is complex for two main reasons. First, it is difficult to attribute regional or country-level developments in regional integration, worker impacts, and economic development directly to AGOA. Many overlapping and interacting economic and regulatory factors, stakeholders, and programs shape a country’s progress in achieving desired outcomes. For example, when trying to assess the impact of AGOA on workers and working conditions in SSA, trade preference programs are just one influencing factor among many, including employer organizations, national governments, buyers, and the employers and workers themselves.<sup>196</sup> It is even difficult to distinguish the effects of individual trade preference programs, given their often-overlapping nature (e.g., the EU’s Everything but Arms and the United States’ AGOA trade preference programs both have requirements associated with the protection of workers’ rights).<sup>197</sup>

Second, measuring the impact of AGOA is challenging because countries with higher levels of regional integration and favorable business environments tend to have better export performance and therefore higher rates of AGOA utilization.<sup>198</sup> That is, high rates of AGOA utilization may be the result of existing country characteristics that enhance export competitiveness, rather than vice versa, where the AGOA program is a means to improving export competitiveness. For example, researchers note that regional integration reduces transaction costs and increases economies of scale, which builds export capacity and attracts FDI, and could lead to higher exports and AGOA utilization.<sup>199</sup>

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<sup>192</sup> In 2021, USAID Trade Hubs were located in East, West, and Southern Africa. These hubs provide technical support to partner SSA firms and U.S. investors to promote trade under AGOA, attract investment to SSA, and deepen regional integration in Africa. USAID, “Trade and Investment Hubs,” archived USAID web content, accessed February 22, 2023.

<sup>193</sup> Raes, Chapter 12, *Handbook on Globalisation and Labour Standards*, March 18, 2022, 237–39.

<sup>194</sup> Runde and Ramanujam, “The Future of the African Growth and Opportunity Act,” March 2022, 5.

<sup>195</sup> Runde and Ramanujam, “The Future of the African Growth and Opportunity Act,” March 2022, 5.

<sup>196</sup> Robertson et al., “Working Conditions, Work Outcomes, and Policy in Asian Developing Countries,” 2016, 14.

<sup>197</sup> Raes, Chapter 12, *Handbook on Globalisation and Labour Standards*, March 18, 2022, 234; GSP Platform, “Everything but Arms,” accessed September 8, 2022; GSP Platform, “The Standard GSP,” accessed September 8, 2022; EU 978/2012 (applying a scheme of generalized tariff preferences), *Annex VII(a)(Listing Applicable International Conventions)*, October 25, 2012. The African Growth and Opportunity Act is outlined in 19 U.S.C. § 3701 et seq.; see also USTR, “Preference Programs,” accessed August 10, 2022.

<sup>198</sup> Coulibaly, Kassa, and Zeufack, “Africa in the New Trade Environment,” 2022, 55–63.

<sup>199</sup> Economic Commission for Latin America and the Caribbean, *Regional Integration: Towards an Inclusive Value Chain Strategy*, May 2014, 10.

Another important consideration is how the impact of AGOA is measured. As described in the “Import Overview” section, AGOA trade is relatively small compared to overall SSA trade and is concentrated in just a few countries, sectors, and products. Therefore, when AGOA impact is measured in terms of how the level of AGOA trade affects aggregate indicators of AGOA beneficiaries in a given year as a whole—such as GDP, total exports, and employment—the impacts of the program are smaller than when AGOA impact is measured at a more disaggregated level, such as by impact on employment in a specific sector or a particular country. Throughout this investigation, stakeholders provided many examples and strong anecdotal evidence of pockets of success attributable to AGOA in terms of employment, economic development, and poverty reduction.

## Impact of AGOA on Regional Integration

Regional integration is important to SSA economic development. It supports development by expanding markets and trade, lowering risks, and encouraging cooperation and regional stability.<sup>200</sup> Two forms of regional integration most directly tied to AGOA are trade integration (i.e., intra-SSA trade) and investment integration (i.e., intra-SSA investment).<sup>201</sup> In 2021, AGOA beneficiary trade with SSA countries (both AGOA beneficiaries and non-beneficiaries) was 15 percent of AGOA beneficiary total trade with the world, seemingly unchanged from the 15 percent share in 2001. However, the average share of AGOA beneficiary trade with SSA countries to total trade with the world was 18 percent from 2016 to 2020, compared with 16 percent in 2001 to 2005.<sup>202</sup> By some accounts, it is even greater than official trade statistics suggest, yet remains below the levels in other regions.<sup>203</sup> Likewise, the number of intra-SSA greenfield investment projects has increased in recent decades—from a total of 8 projects in 2003 to 90 projects in 2013.<sup>204</sup> The number of intra-SSA projects has been volatile since 2013; from 2014 to 2021, the number of projects averaged about 44 per year, with half of them in the financial services industry.<sup>205</sup> By 2021, the top project source countries were all AGOA beneficiaries: South Africa, Nigeria, and Kenya. Similarly, the top destinations for intra-SSA projects were AGOA beneficiaries countries: Ghana (11.2 percent), Uganda (10.5 percent), and Kenya (9.0 percent).<sup>206</sup> Although changes in intra-

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<sup>200</sup> African Union, African Development Bank Group, and United Nations Economic Commission for Africa, *Africa Regional Integration Report*, May 22, 2020, 9.

<sup>201</sup> This report focuses on the trade and investment integration components of regional integration, although regional integration includes other areas such as productive integration, the free movement of people, financial integration, and convergence of macroeconomic policies, all of which are considered in the African Regional Integration Index. African Union, African Development Bank Group, and United Nations Economic Commission for Africa, *Africa Regional Integration Report*, May 22, 2020, 9.

<sup>202</sup> UNCTAD, UNCTADStat database: Merchandise Trade Matrix in Thousands of U.S. dollars, 2001–05 and 2016–21.

<sup>203</sup> Estimates suggest that in 2019 less than 17 percent of Africa’s commercial value was from intra-African trade compared to 40 percent in East Asia. However, unofficial cross-border trade is substantial and not included in many estimates. Runde and Ramanujam, “The Future of the African Growth and Opportunity Act,” March 2022, 9; Cramer et al., *African Economic Development*, June 11, 2020, 65; Keane, Kennan, and Cali, *Impediments to Intra-Regional Trade in Sub-Saharan Africa*, September 2010, 4–5; Chowdhury, “Why the Extent of Intra-African Trade Is Much Higher,” May 19, 2021.

<sup>204</sup> *Financial Times*, fDi Markets database (accessed August 31, 2022).

<sup>205</sup> *Financial Times*, fDi Markets database (accessed August 31, 2022).

<sup>206</sup> *Financial Times*, fDi Markets database (accessed August 31, 2022).

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trade and intra-SSA FDI cannot be attributed solely to AGOA, these indicators point to increasing regional integration among AGOA beneficiary countries.

As mentioned above, by receiving preferential tariff rates under AGOA, AGOA beneficiary countries may expand exports to the United States and source inputs for these exports from within SSA, thereby increasing regional trade integration. Similarly, greater exports and market access under AGOA can in turn encourage more intra-regional investment. Researchers largely attribute rising SSA regional integration to the higher rate of economic growth in the region relative to the world, tariff reductions, strengthening of policies and institutions, and regional trading blocks.<sup>207</sup> SSA is characterized by relatively small, fragmented economies.<sup>208</sup> Its many landlocked countries and productive and infrastructural weaknesses translate to increased transport and logistics costs, but regional integration has the potential to help overcome these challenges.<sup>209</sup> To address these challenges, the African Union has focused on building the African Continental Free Trade Area, which endeavors to create a continent-wide economic and trade bloc to enable the free flow of goods and services.<sup>210</sup> Currently, 54 of 55 members of the African Union are signatories to the African Continental Free Trade Area.<sup>211</sup> African countries have shown political will toward the AfCFTA. For example, the number of states that had deposited their instruments of ratification to the African Union Commission increased from only 8 in 2018, to 46 member states as of February 20, 2023.<sup>212</sup>

Academic literature and qualitative analysis through stakeholder interviews provide some insight into how AGOA may have impacted regional integration. Except for apparel, AGOA is not widely identified in the literature as a leading contributor to regional integration in SSA. Some research and qualitative examples, however, suggest that AGOA encourages regional integration through value chains, distribution networks, and intra-SSA investment.<sup>213</sup> One paper examining the effects of AGOA and membership in Regional Economic Communities (RECs) on trade, using a gravity model found that AGOA eligibility, when combined with membership in a REC, was associated with increased trade.<sup>214</sup> Other research provides broader evidence of positive AGOA impact on SSA exports to the United States.<sup>215</sup> Much of the literature found AGOA impacts to be primarily focused in the apparel sector, where AGOA benefits and third-country fabric provisions were instrumental to apparel export growth and resulting

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<sup>207</sup> Arizala, Bellon, and MacDonald, "Africa Comes Together," September 2018, 48–51; Arizala, Bellon, and MacDonald, "Regional Growth Spillovers in Sub-Saharan Africa," July 2019, 6.

<sup>208</sup> John Page compares Nairobi, Kenya, which now has a population of about 8 million people to India, which has multiple cities with populations greater than 20 million. Coulibaly, Kassa, and Zeufack note that SSA countries have a median population of 12 million compared to 50 million for emerging Asia (not including India and China). Page, "Debilitating Borders: Why Africa Cannot Compete without Regional Integration," 2011, 25–26; AU, *African Regional Integration Index Report 2019*, 2019, 23; Coulibaly, Kassa, and Zeufack, *Africa in the New Trade Environment*, 2022, 23.

<sup>209</sup> Page, "Debilitating Borders: Why Africa Cannot Compete without Regional Integration," 2011, 25–26.

<sup>210</sup> AU-AfCFTA, "About the AfCFTA," accessed February 28, 2023.

<sup>211</sup> AU-AfCFTA, "Quick Facts," accessed February 28, 2023.

<sup>212</sup> AU, "List of Countries which have Signed, Ratified/Acceded," February 20, 2023.

<sup>213</sup> Condon and Stern, Matthew, *The Effectiveness of African Growth and Opportunity Act*, March 2011, 5; Coulibaly, Kassa, and Zeufack, "Africa in the New Trade Environment," 2022, 71.

<sup>214</sup> Musah, Yeboah, and Shaik, "Regional Trade Enhancement by AGOA," February 1, 2020, 2.

<sup>215</sup> Condon and Stern, Matthew, *The Effectiveness of African Growth and Opportunity Act*, March 2011, 5; Coulibaly, Kassa, and Zeufack, "Africa in the New Trade Environment," 2022, 71.



regional value chain development.<sup>216</sup> According to one academic source, AGOA revitalized a once-declining African apparel industry, creating jobs and a starting point to extend apparel regional value chains.<sup>217</sup> Several regional experts, including scholars and government officials, have stated that, if AGOA were to work in tandem with the African Continental Free Trade Area, then AGOA would better foster regional integration and the development of more regional value chains.<sup>218</sup>

Staff fieldwork also found several examples of regional integration within the apparel industry in East Africa. For example, firms based in Kenya have invested in ginning operations in Uganda.<sup>219</sup> Similarly, cut-and-sew operations based in Kenya are working to vertically integrate and are sourcing fabrics, zippers, and other components from Tanzania and Eswatini.<sup>220</sup> Also, the investment of seven Mauritian firms into the apparel industry in Madagascar, accounting for approximately 50 percent of total apparel exports from Madagascar, has been attributed to AGOA.<sup>221</sup> Evidence shows regional sourcing of inputs in other sectors too. For example, a South African food manufacturer with more than \$500 million in sales and exports to the United States under AGOA sourced inputs from suppliers in Lesotho and Mozambique.<sup>222</sup> Several South African AGOA-exporting firms and industries each source at least 40 percent of their inputs from within Africa; most of the firms and industries in this group source between 80 and 100 percent of inputs.<sup>223</sup> This group spans multiple sectors, including food and beverages, clothing, apparel, and others.

The inability of SSA countries to comply with AGOA eligibility requirements (e.g., for labor, human rights, etc.; also see the next section on AGOA impact on workers) has also reportedly affected regional integration in some sectors because firms shifted their focus to supplying regional markets. For example, in a qualitative analysis on the development of regional apparel value chains in South Africa, Lesotho, and Eswatini, researchers pointed out that Eswatini's expansion into providing inputs into the southern African regional value chain was prompted by Eswatini's lack of compliance with AGOA labor criteria from 2015 to 2018.<sup>224</sup> At this time, Eswatini manufacturers sought regional buyers, in lieu of former U.S.

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<sup>216</sup> Fernandes et al., "Are Trade Preferences a Panacea? The Export Impact of the African Growth and Opportunity Act," September 2021; Cook and Jones, "AGOA and Growth in Sub-Saharan Africa," January 2021, 234–61; Frazer and Van Biesebeck, "Trade Growth Under the African Growth and Opportunity Act," 2010, 128–44; Collier and Venables, "Rethinking Trade Preferences," 2007, 1326–45; Condon and Stern, Matthew, *The Effectiveness of African Growth and Opportunity Act*, March 2011.

<sup>217</sup> Academic expert, interview by USITC staff, October 31, 2022.

<sup>218</sup> Written submission from Landry Signé, the Brookings Institution, June 16, 2022, 17; government official, interview by USITC staff, Ghana, October 20, 2022; USITC hearing transcript, June 9, 2022, 205 (testimony of Mosa Mkhize, Covington & Burling); USITC hearing transcript, June 9, 2022, 190–91 (testimony of Katrin Kuhlmann).

<sup>219</sup> Industry representative, interview by USITC staff, Kenya, October 4, 2022.

<sup>220</sup> Industry representative, interview by USITC staff, Kenya, October 3, 2022; Industry representative, interview by USITC staff, Kenya, October 4, 2022; Industry representative, interview by USITC staff, Kenya, October 6, 2022.

<sup>221</sup> USITC hearing transcript, June 9, 2022, 53, (testimony of Arif Currimjee, Mauritius Export Association).

<sup>222</sup> U.S. government representative, interview by USITC staff, Pretoria, South Africa, October 25, 2022.

<sup>223</sup> Industry representatives, email correspondence with USITC staff, December 13, 2022.

<sup>224</sup> Researchers conducted a qualitative analysis of southern Africa's apparel regional value chains and found that Eswatini's loss of AGOA benefits (as a result of its inability to adhere to eligibility criteria) from 2015 to 2018 contributed to lower wages and weaker trade unions in Eswatini compared to South Africa. Pasquali, Godfrey, and Nadvi, "Understanding Regional Value Chains through the Interaction of Public and Private Governance," September 2021, 382.

ones, and South African investors sought lower labor costs and reduced union pressures in both Eswatini and Lesotho.<sup>225</sup>

Uncertainty about AGOA beneficiary status or program renewal may result in reduced intra-regional investment or continuity of business. For firms integrated across intra-SSA borders, AGOA's positive regional integration effects can be suddenly lost when a country loses AGOA benefits if it is deemed to be out of compliance with eligibility criteria or graduates from GSP and loses AGOA benefits. When this happens, cross-country value chains can be broken. Such was the case when Madagascar lost its beneficiary status.<sup>226</sup> The possibility of out-of-cycle reviews also increases uncertainty for investors.<sup>227</sup> Separately, uncertainty about AGOA renewal can inhibit investment and additional regional integration if companies delay investment as AGOA nears its end date. Investments dip when AGOA is near the end of an authorization time frame and renewal is uncertain.<sup>228</sup> AGOA-related technical support and exporter assistance programs can further impact regional integration. The reorganization of the region-specific Trade and Investment Hubs into the new USAID Africa Trade Initiative (ATI) that covers all SSA countries makes it easier for regionally integrated firms to collaborate across SSA.<sup>229</sup> For example, a business operating in both South Africa and Kenya can work with one group instead of through multiple trade hubs, as was the case before.<sup>230</sup> The Trade Hubs/ATI also encourage regional integration by encouraging firms not ready to export to the United States to export regionally as a stepping stone.<sup>231</sup>

## Impact of AGOA on Workers and Underserved Communities

As noted above, AGOA tariff preferences have resulted in export growth for some sectors and countries. USAID reports and USITC fieldwork showed the creation of formal jobs and other worker benefits. Depending on the labor demographics of a sector, AGOA-related job growth can improve labor market opportunities for underserved communities. Congress specifically mentioned three underserved groups in its statement of policy for AGOA and subsequent laws: women, rural populations (e.g., farmers and

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<sup>225</sup> Pasquali, Godfrey, and Nadvi, "Understanding Regional Value Chains through the Interaction of Public and Private Governance," September 2021, 383, 384–86.

<sup>226</sup> USITC hearing transcript, June 9, 2022, 23 (testimony of Bineshwaree Napual, Embassy of Mauritius); USITC hearing transcript, June 9, 2022, 173–74 (testimony of Paul Ryberg, Africa Coalition for Trade, Inc.).

<sup>227</sup> Government representative, interview by USITC staff, October 25, 2022.

<sup>228</sup> Government representative, interview by USITC staff, October 25, 2022.

<sup>229</sup> U.S. government representative, interview by USITC staff, South Africa, October 25, 2022.

<sup>230</sup> An example out-of-cycle review is the June 2017 review for Rwanda, Tanzania, and Uganda that USTR launched in response to the petition by the Second Materials and Recycled Textiles Association (SMART), which referenced a 2016 decision by the East African Community, which includes Rwanda, Tanzania, and Uganda, to phase in a ban on imports of used clothing and footwear. USTR, "USTR Announces AGOA Out-of-Cycle Review," June 20, 2017. U.S. government representative, interview by USITC staff, South Africa, October 25, 2022.

<sup>231</sup> U.S. government representative, interview by USITC staff, South Africa, October 25, 2022.

ranchers), and small businesses.<sup>232</sup> Some SSA governments add youth and ethnic minorities to this list of underserved communities.<sup>233</sup>

One measure of the impact of AGOA on workers is the ratio between U.S. non-crude petroleum imports claiming AGOA preferences and the number of workers in each country (i.e., the dollar value of U.S. imports under AGOA per capita labor force) aggregated across all sectors by country. For most countries in Africa, this value was less than a dollar per worker in 2021 (see appendix G, table G.3, for country list of value per worker from 2014 to 2021). However, for certain countries, the value was much higher and for 10 countries the value was more than \$11.<sup>234</sup> Lesotho, for example, had the highest value of AGOA imports per worker at \$313 and had the second-highest AGOA non-crude petroleum utilization rate in 2021. Two examples of countries with lower values per worker are the Republic of the Congo and Mozambique. The Republic of the Congo had a value of AGOA imports per worker of only \$0.21 in 2021 and a low non-petroleum AGOA utilization rate (2.2 percent), Mozambique had a value of AGOA imports per worker of \$0.64 in 2021 and a non-petroleum AGOA utilization rate of 84 percent.

Literature examining AGOA-related job creation with quantitative analyses found mostly weak, but positive, impacts. Although official statistics are sparse, one study estimated that 350,000 direct jobs were attributable to AGOA from 2001 to 2011.<sup>235</sup> On a more specific regional level, USAID reported that AGOA created more than 46,700 jobs in eastern Africa from 2014 to 2019 and more than 1,400 jobs in southern Africa from 2016 to 2022.<sup>236</sup> In academic literature, Baskaran noted that AGOA positively contributed to export-led job creation in South Africa and in Lesotho's textile and apparel industry.<sup>237</sup> Mulangu used an econometric analysis that found AGOA had a weak impact on job creation and effects were limited to large firms.<sup>238</sup> In research by Yeshiwas, a positive impact was found on overall employment in SSA, particularly in Ethiopia, but AGOA-related FDI had a negative impact in terms of job creation because it possibly focused on labor-saving capital improvements.<sup>239</sup>

Three papers simulating the effects of losing AGOA preferences found negative impacts on jobs, suggesting that AGOA played a role in job creation.<sup>240</sup> Mbatha noted that one of the implications for the

<sup>232</sup> Academic expert, interview by USITC staff, August 16, 2022. 19 U.S.C. § 3703(1)(A) & (D); Pub. L. No. 114-27, § 102, 129 Stat. 365 (2015) (codified at 19 U.S.C. § 3701 note).

<sup>233</sup> Academic expert, interview by USITC staff, August 16, 2022; Government representatives, interviews by USITC staff, Kenya, October 5, 2022.

<sup>234</sup> These countries include Namibia, Senegal, Zambia, Cabo Verde, Madagascar, Kenya, Eswatini, Mauritius, South Africa, and Lesotho. USITC DataWeb/Census, accessed, November 10, 2022.

<sup>235</sup> Whitaker, "Africa's Future in the Global Economy," 12.

<sup>236</sup> The United States has provided financial and technical assistance to shape SSA's economic growth and export prospects through USAID supported regional trade and investment hubs, which focus on creating "inclusive and sustainable economic growth" and job creation, "increased investment in key economic sectors," and increased SSA regional integration. Runde and Ramanujam, "The Future of the African Growth and Opportunity Act," March 2022, 5; USAID, "East Africa Trade and Investment Hub," July 2019; USAID, "Southern Africa Trade and Investment Hub," September 2021.

<sup>237</sup> Baskaran, "US-Africa Trade Relations," September 24, 2020.

<sup>238</sup> Mulangu, "Preferential Trade Agreements, Employment and Productivity," December 2015, 4–27.

<sup>239</sup> Yeshiwas, "The Impact of AGOA Related Foreign Direct Investment Inflows on Employment in Sub-Saharan Africa," July 2016.

<sup>240</sup> Mbatha, "South Africa and USA Trade," 2019; Maliszewska et al., *Small African Economies in a More Uncertain Global Trade Environment*, May 2019; Mevel et al., *The Africa Growth and Opportunity Act: An Empirical Analysis of the Possibilities Post-2015*, July 2013.

hypothetical loss of AGOA beneficiary status for South Africa would be job losses in wine production and associated wine tourism industries.<sup>241</sup> Maliszewska et al. simulated a hypothetical loss of preference for Lesotho, which resulted in a 16 percent drop in apparel exports, relative to the baseline of the study.<sup>242</sup> According to Maliszewska et al., the apparel sector employs 10.5 percent of Lesotho's female workforce and 4.4 percent of total work force; thus, the impact could be substantial. Mevel et al. simulated AGOA expiration with a return to GSP and GSP for LDCs.<sup>243</sup> In this scenario, the authors find that a return to the GSP would cause marginal losses in real wages, but the effects vary substantially by different regions and sectors.<sup>244</sup>

Evidence of negative worker benefits from loss of a beneficiary country's AGOA status was also provided in USITC hearing testimony. For example, witnesses noted that, when Madagascar lost eligibility in 2009, an estimated 50,000–100,000 jobs were lost.<sup>245</sup> Similarly, an estimated 100,000 workers in Ethiopia lost jobs when that country lost AGOA eligibility in 2022, because of its inability to adhere to eligibility criteria.<sup>246</sup> Furthermore, roughly half the people who lost jobs in Ethiopia were women.<sup>247</sup>

Stakeholders in several SSA countries reported that meeting the requirements for AGOA eligibility that strengthen national institutions and laws benefited workers, including those in underserved communities. An expert at the Commission hearing noted that broadly over the course of the AGOA program, most countries eligible for AGOA have tried as much as possible to meet criteria to maintain their beneficiary status.<sup>248</sup> In Uganda, for example, government representatives reported that initiatives geared toward human rights and democracy are directly tied to a desire to adhere to AGOA eligibility requirements.<sup>249</sup> In Kenya, reportedly in connection with AGOA eligibility criteria regarding labor rights, ILO core conventions have been codified into the Kenyan constitution's Bill of Rights and laws, such as the Employment and Labor Relations Act of 2007 and the Occupational Safety and Health Acts of 2007.<sup>250</sup> However, the Central Organization of Trade Unions in Kenya noted that, although AGOA has positively impacted employment, enforcement of the labor laws attributed to AGOA appears to be lacking.<sup>251</sup> In 2019 in Lesotho, three global apparel brands along with five trade unions signed a binding agreement to combat gender-based violence and harassment reported in garment factories, according to a Workers Rights Consortium press release.<sup>252</sup> Another source based in Lesotho noted that the private sector efforts to adhere to criteria are not consistently supported by the government. Additionally, this

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<sup>241</sup> Mbatha, "South Africa and USA Trade," 2019, 16.

<sup>242</sup> Maliszewska et al., *Small African Economies in a More Uncertain Global Trade Environment*, May 2019, 15.

<sup>243</sup> Mevel et al., *The Africa Growth and Opportunity Act: An Empirical Analysis*, July 2013,

<sup>244</sup> Mevel et al., *The Africa Growth and Opportunity Act: An Empirical Analysis*, July 2013, 8.

<sup>245</sup> Hearing transcript, June 9, 2022, 72 (testimony of JC Mezingue, SOCOTA Garments); Hearing transcript, June 9, 2022, 203 (testimony of Mosa Mkhize, Covington & Burling).

<sup>246</sup> Hearing transcript, June 9, 2022, 216 (testimony of Landry Signé, The Brookings Institution).

<sup>247</sup> Written submission from Landry Signé, the Brookings Institution, June 16, 2022, 20–21.

<sup>248</sup> Hearing transcript, June 9, 2022, 261–62 (testimony of Fred Oladeinde, The Foundation for Democracy in Africa and AGOA Civil Society Organization Network).

<sup>249</sup> Hearing transcript, June 9, 2022, 18–19 (testimony of Suzan Muhwezi, Government of Uganda).

<sup>250</sup> Labor representatives, interview by USITC staff, Kenya, October 7, 2022.

<sup>251</sup> Written submission from the Central Organization of Trade Unions (Kenya), May 26, 2022, 4–5, 7–8.

<sup>252</sup> WRC, "Agreements to Combat Gender-Based Violence and Harassment in Lesotho," August 15, 2019.

stakeholder noted that sometimes governments in SSA have not considered AGOA criteria, especially during transitions of power, as evidenced by lapses in AGOA beneficiary status.<sup>253</sup>

Evidence from USITC fieldwork also suggests positive AGOA impacts on employment concentrated in countries and sectors with larger AGOA exports. As with regional integration, the apparel sector provides the most direct connection between AGOA and job creation. In Ghana, the apparel sector reportedly employs about 10,000 people, primarily women, with individual factories employing about 500 people each.<sup>254</sup> In Kenya, the development of export processing zones (EPZs), many anchored by established apparel companies that supply U.S. importers under AGOA, has created major hubs of employment. Some industry representatives report that anywhere from 500,000 to 1 million jobs have been created, with 50,000–75,000 jobs created in the apparel sector alone.<sup>255</sup> In terms of a firm-level example, one citrus company added about 5,000 jobs with its new plantings during the past 4–5 years.<sup>256</sup>

Many of the jobs created by AGOA are formal jobs, which tend to have higher wages and provide benefits to workers and their families. In developed and emerging economies, workers are almost 50 percent more likely to have formal jobs if they work in sectors more integrated into global value chains or trade.<sup>257</sup> The World Bank report on *Women and Trade* noted that export-oriented firms also tend to have better working conditions, pay higher wages, and can provide year-round employment.<sup>258</sup> USITC field work is consistent with the World Bank finding. AGOA-exporting firms have been found to provide jobs that offer significant non-wage benefits to workers and their families, including education and training, housing, and healthcare. For example, some South African citrus companies have programs to support the education of workers' children, who in some cases were later employed by the company as accountants or senior managers, as well as skills development programs to support and train adult workers.<sup>259</sup> Firms in the South African wine industry reported funding initiatives focused on upgrading the skills of low-skilled workers.<sup>260</sup> Such training programs allow these workers to acquire transferable job skills.<sup>261</sup> In addition, numerous projects provide housing for agricultural workers, with much of the labor based on farms and adhering to South African labor laws.<sup>262</sup>

Kenyan firms based in EPZs provide training, access to education for workers' children, at least one meal during each worker's shift, job opportunities for ex-convicts and disabled workers, and support for new

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<sup>253</sup> Industry representative, interview by USITC staff, Lesotho, October 27, 2022. For more detailed information on working conditions in the apparel sector, see chapter 3.

<sup>254</sup> Industry representatives, interviews by USITC staff, Ghana, October 19, 2022.

<sup>255</sup> Industry representative, interview by USITC staff, Kenya, October 6, 2022; Industry representative, interview by USITC staff, Kenya, October 3, 2022.

<sup>256</sup> Industry representative, interview by USITC staff, South Africa, October 26, 2022.

<sup>257</sup> World Bank and World Trade Organization, *Women and Trade*, July 30, 2020, ix.

<sup>258</sup> World Bank and World Trade Organization, *Women and Trade*, July 30, 2020, ix.

<sup>259</sup> Industry representative, interview by USITC staff, South Africa, October 26, 2022.

<sup>260</sup> Industry representative, interview by USITC staff, South Africa, October 31, 2022.

<sup>261</sup> Industry representative, interview by USITC staff, South Africa, October 26, 2022.

<sup>262</sup> Industry representative, interview by USITC staff, South Africa, October 31, 2022.

mothers.<sup>263</sup> In Ghana and Côte d'Ivoire, workers in manufacturing jobs similarly have access to meals and health care provided by employers along with advanced training and education opportunities.<sup>264</sup>

Job creation through AGOA has benefits that stretch beyond those employees of an AGOA-exporting firm to employees' dependents. For example, an industry representative estimates that in the South African boat-building sector, each worker has 10 total (six direct and four indirect via extended family) dependents.<sup>265</sup> Therefore, a multiplier effect can exist when considering job impact. For example, reportedly each worker in the South African mining industry also supports 10 dependents per worker, which similarly creates effects.<sup>266</sup> The size of the effects and level of poverty reduction impact can vary with the type of job created. A worker who gets a higher-level position can bring their family out of poverty. However, a worker representative stated that a manual laborer with a lower wage is likely to have more dependents, therefore lessening the impact of the job on this worker and their dependents' poverty level.<sup>267</sup>

Underserved communities have benefited from AGOA-related job creation. Formal jobs with benefits are important for bringing women and other underserved communities into the workplace. The need for flexible working hours to accommodate childcare responsibilities pushes many women into the informal sector.<sup>268</sup> The apparel industry in SSA relies heavily on AGOA benefits and is an industry where women and youth account for a high proportion of employees. For example, the apparel sectors in Kenya and Ghana are reported to employ women at rates up to 75 and 70 percent, respectively.<sup>269</sup> Apparel manufacturing firms in Ethiopia, Kenya, and Tanzania reported providing lactation support, maternity leave, paid leave, and childcare to their female employees. Apparel firms in Ghana actively employed individuals with disabilities.<sup>270</sup> Additionally, the apparel sectors in both Kenya and Ghana reportedly emphasize providing opportunities for disabled workers.<sup>271</sup> Other SSA sectors that rely on AGOA preferences also have workforces with high concentrations of underserved workers. Most of the workers in South Africa's citrus industry are non-white, considered an underserved population in parts of rural South Africa.<sup>272</sup> South African produce exporters report seasonal workers on farms and in packing houses tend to be female migrant workers from within South Africa. Women account for about 40 percent of farm workers and 65–70 percent of packinghouse workers.

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<sup>263</sup> Industry representative, interview by USITC staff, Kenya, October 6, 2022; Industry representatives, interviews by USITC staff, Kenya, October 3, 2022.

<sup>264</sup> Industry representative, interview by USITC staff, Côte d'Ivoire, October 12, 2022; Industry representative, interview by USITC staff, Ghana, October 17, 2022; Industry representative, interview by USITC staff, Ghana, October 18, 2022.

<sup>265</sup> Industry representative, interview by USITC staff, South Africa, October 28, 2022.

<sup>266</sup> Industry representative, interview by USITC staff, South Africa, October 26, 2022.

<sup>267</sup> Industry representative, interview by USITC staff, South Africa, October 26, 2022.

<sup>268</sup> Fox and Gandhi, *Youth Employment in Sub-Saharan Africa*, March 2021, 9.

<sup>269</sup> Industry representatives, interviews by USITC staff, Kenya, October 3, 2022.

<sup>270</sup> Industry representative, interview by USITC staff, Ghana, October 19, 2022; Industry representative, interview by USITC staff, Kenya, October 6, 2022; Industry representatives, interviews by USITC staff, Kenya, October 3, 2022; industry representatives, interviews by USITC staff, Kenya, October 4, 2022.

<sup>271</sup> Industry representatives, interviews by USITC staff, Ghana, October 19, 2022.

<sup>272</sup> Incidences of minority rule in SSA countries sometimes created situations where majority racial and ethnic groups became underserved populations. Academic expert, interview by USITC staff, August 17, 2022; industry representative, interview by USITC staff, South Africa, October 26, 2022.

Small businesses, considered an underserved community in this analysis, benefitted from AGOA or AGOA-related programs, often through demand for inputs or services by an exporting firm. For example, artisans in Kenya were hired by a women-owned exporting firm to fill an order for a home décor company. These artisans were ultimately successful filling the order, although they faced challenges meeting the large volume requested.<sup>273</sup> Small businesses were also supported by AGOA-related U.S. government programs, USAID-funded Trade Hubs, and private trade associations. For example, the African Women Entrepreneurship Program (AWEP) under the U.S. Department of State’s International Visitors Leadership Program was launched in conjunction with the 2010 AGOA Forum.<sup>274</sup> AWEP operates in multiple SSA countries and supported AGOA by assisting women businesses (mostly small to medium-sized enterprises) with business growth and networking.

The USAID-funded West Africa Trade and Investment Hub lent matchmaking services between U.S. importers of goods and small and medium-sized AGOA beneficiary supplier firms.<sup>275</sup> A non-U.S. government trade association, the Organization for Women in Trade (OWIT), also supported export-oriented, women-owned businesses of all sizes and has chapters in Kenya, Nigeria, South Africa, and Zimbabwe.<sup>276</sup> The association is not specifically focused on AGOA-related technical assistance, but many of the goods exported by OWIT members are designated AGOA products. OWIT’s small and medium-sized members also sought information on how to qualify for the program.<sup>277</sup>

## Impact of AGOA on Economic Development and Poverty Reduction

Economic development and poverty reduction both can be impacted by trade preference programs such as AGOA. AGOA market access can prompt investment and growth in production, resulting in economic growth. Jobs generated by SSA exports to the United States under AGOA benefits can result in higher incomes and poverty reduction. Higher wages are important not only for reducing poverty for the workers themselves, but also for their dependents, as discussed above.<sup>278</sup> The population share of people in SSA living below \$2.15 per day (poverty headcount in 2017 Purchasing Power Parity) fell from 56 percent in 2000 to 35 percent in 2019, although this trend is due to several factors and it is difficult to tease out the impact of AGOA alone.<sup>279</sup>

The literature on AGOA’s impact on economic development and poverty reduction finds varying impacts depending on the country or sector. Gnanon pointed out that export diversification is important for economic growth, poverty reduction, and the promotion of economic development but found inconclusive evidence that nonreciprocal trade agreements impact export diversification.<sup>280</sup> The

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<sup>273</sup> Industry representative, interview by USITC staff, Kenya, October 7, 2022.

<sup>274</sup> Meridian International Center, “African Women’s Entrepreneurship Program,” accessed January 23, 2023.

<sup>275</sup> Industry representative, interview by USITC staff, April 28, 2022.

<sup>276</sup> OWIT, “Africa Chapters,” accessed January 23, 2023.

<sup>277</sup> Industry representatives, interview by USITC staff, August 15, 2018.

<sup>278</sup> United Nations, *Patterns and Trends in Household Size and Composition: Evidence from a United Nations Dataset*, 2019.

<sup>279</sup> World Bank, WDI Database: Poverty Headcount, % at 2.15 per day (2017 PPP), accessed February 1, 2022.

<sup>280</sup> Gnanon, “Effect of the Utilization of Non-Reciprocal Trade Preferences Offered by the QUAD Countries on Beneficiary Countries’ Economic Complexity,” September 1, 2022, 3.

relevance of manufacturing exports to overall economic growth is supported broadly in the literature.<sup>281</sup> Researchers found positive economic growth outcomes in the countries where manufactured exports were promoted.<sup>282</sup> However, countries where exports were mainly natural resources and commodities (e.g., petroleum, natural gas, and minerals) did not benefit as much from AGOA.<sup>283</sup>

In the example of Lesotho, another study found that, outside of job creation and poverty reduction, AGOA had some negative spatial and economic impacts. For example, Lesotho gave international apparel companies a tax advantage without requiring them to transfer cost savings into improvements in local communities (e.g., infrastructure improvement or skills transfer).<sup>284</sup> Another study found economic growth and poverty reduction through AGOA may not be permanent, because growth in apparel exports was not always maintained over time.<sup>285</sup> A study by Fernandes et al. determined that some SSA countries experienced a boom-and-bust pattern or in other cases stagnation of apparel exports to the United States under the AGOA program.<sup>286</sup> However, this study also identified sustained growth in apparel exports early in the program and later in some countries in East Africa.

Evidence points to positive effects from AGOA on economic development and poverty alleviation from USITC fieldwork. Greater employment can also lead to higher household incomes, more physical assets, improved diet, the ability to send children to school, and other positive impacts related to economic development.<sup>287</sup> Positive worker outcomes, such as additional training and access to health care and other benefits discussed in the previous section, can also have positive impacts on economic development. In Kenya, several stakeholders discussed positive spillover effects for local economic development in terms of the development of cities near EPZs, which focus on exports of AGOA designated products.<sup>288</sup> One source went so far as to call these cities, “AGOA cities.”<sup>289</sup>

Despite evidence of economic gains, USITC field work revealed industry concern about backtracking in economic growth upon AGOA beneficiary status changes or because of uncertainty about renewal, which are viewed by industry representatives as having similar effects. According to an industry representative, if South Africa were to graduate from AGOA, it would put about 33 percent of one region’s citrus production and a higher share of revenues at risk.<sup>290</sup> Some East African apparel value chain stakeholders echoed this concern of economic backtracking because AGOA is headed toward

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<sup>281</sup> Collier and Venables, “Rethinking Trade Preferences,” 2007, 1328.

<sup>282</sup> Kassa and Coulibaly, August 20, 2019, 33, 39–40; Owusu and Otiso, “Twenty Years of the U.S. African Growth and Opportunity Act (AGOA): Policy Lessons from Kenya’s Experience,” no date, 30–33.

<sup>283</sup> Kassa and Coulibaly, August 20, 2019, 33, 39–40; Owusu and Otiso, “Twenty Years of the U.S. African Growth and Opportunity Act (AGOA): Policy Lessons from Kenya’s Experience,” no date, 30–33.

<sup>284</sup> Lekunya and Oranje, “The Sub-National Economic and Spatial Development Impacts of AGOA in Lesotho,” 2017, 14–25.

<sup>285</sup> Kassa and Coulibaly, August 20, 2019, 11; Fernandes et al., “Chapter 2: Preferential Access to the United States,” 2022, 70.

<sup>286</sup> Fernandes et al., “Chapter 2: Preferential Access to the United States,” 2022, 70.

<sup>287</sup> Industry representative, interview by USITC staff, South Africa, October 26, 2022; industry representative, interview by USITC staff, Kenya, October 6, 2022; industry representatives, interviews by USITC staff, Kenya, October 3, 2022; Christiaensen, Demery, and Kuhl, “The (Evolving) Role of Agriculture in Poverty Reduction—An Empirical Perspective,” November 1, 2011, 14.

<sup>288</sup> Industry and government representatives, interviews by USITC staff, Kenya, October 5–7, 2022.

<sup>289</sup> Industry representative, interview by USITC staff, Kenya, October 7, 2022.

<sup>290</sup> Industry representative, interview by USITC staff, South Africa, October 31, 2022.



expiration.<sup>291</sup> Other stakeholders in the East Africa apparel value chain were concerned that export growth would stagnate and that there would be a pause in investment in regional supply chains and vertical integration until AGOA's renewal.<sup>292</sup>

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<sup>291</sup> Industry representatives, interviews by USITC staff, Kenya, October 4, 2022.

<sup>292</sup> Industry representatives, interviews by USITC staff, Kenya, October 4, 2022.

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# Chapter 3

## Apparel

### Introduction

This case study provides an overview of the apparel industry in AGOA beneficiaries and identifies key players in U.S.-sub-Saharan Africa (SSA) apparel trade, trade trends over the life of AGOA, and major events and policy changes that impacted apparel trade.<sup>293</sup> These major events include the expiration of the Multifiber Arrangement (MFA), global shocks such as the global financial crisis and the COVID-19 pandemic, the AGOA program and third-country fabric (3CF) provision renewals, and the loss of AGOA benefits. The case study also examines the degree of regional integration in the apparel value chain in AGOA beneficiaries, which was a primary objective of the original AGOA legislation in 2000,<sup>294</sup> and describes the AGOA rules of origin (ROOs) and the relationship between ROOs and imports from AGOA beneficiaries. Finally, the chapter concludes with a qualitative analysis of the competitive strengths and weaknesses of the apparel industry in AGOA-eligible countries and the sector's contributions to employment, economic development, and poverty reduction.

As reviewed in chapter 1, for a country to be eligible for the textile and apparel provisions, it must first be eligible for the AGOA benefits. In addition, in order for an AGOA beneficiary to qualify for AGOA textile and apparel provisions, it must comply with additional apparel-specific criteria set forth in the Act.<sup>295</sup> Specifically, AGOA beneficiaries must adopt an effective visa system, domestic laws, and enforcement procedures applicable to the covered articles and enact legislation or promulgate regulations that would permit U.S. Customs and Border Protection verification teams to have the access necessary to investigate thoroughly allegations of transshipment. In addition, a country must agree to best practices in terms of reporting data and documentation, if requested by the United States, and cooperating with the United States to address and prevent transshipment.<sup>296</sup> Once a country satisfies the criteria, the U.S. Trade Representative determines that eligible products from that country qualify for the textile and apparel benefits provided under AGOA.<sup>297</sup>

In 2022, 24 of the 36 countries that were AGOA beneficiaries qualified for apparel benefits (see figure 3.1). The most widely used apparel provision among AGOA-eligible countries is 3CF, which allows certain AGOA beneficiaries to export apparel made from fabric of any origin to the United States duty free. The textile and apparel provisions have specific ROOs, which are discussed below. The 3CF provision is available only to AGOA-eligible countries that have both satisfied the eligibility criteria for the textile and apparel provisions and were designated as AGOA lesser-developed beneficiary countries (see box 1.3 in chapter 1). In 2022, South Africa was the only country eligible for textile and apparel benefits that was not eligible for the 3CF provision. In addition, only AGOA lesser-developed beneficiaries have access for the textiles and made-ups provision (HTS 9819.11.33).<sup>298</sup>

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<sup>293</sup> For the purposes of the apparel chapter, the term "AGOA beneficiaries" refers to all SSA countries that have met the AGOA benefits eligibility criteria, but not necessarily apparel benefits eligibility, at any point over the life of the program. These countries are defined as "AGOA beneficiary" in chapter 1. The report notes when data are presented for an AGOA beneficiary during a period of ineligibility. See appendix E for the complete list of country eligibility.

<sup>294</sup> Pub L. No. 106-200 § 112(b)(3)(B)(i), 114 Stat. 264 (2000).

<sup>295</sup> Pub L. No. 106-200 § 112(b)(3)(B)(i), 114 Stat. 264 (2000).

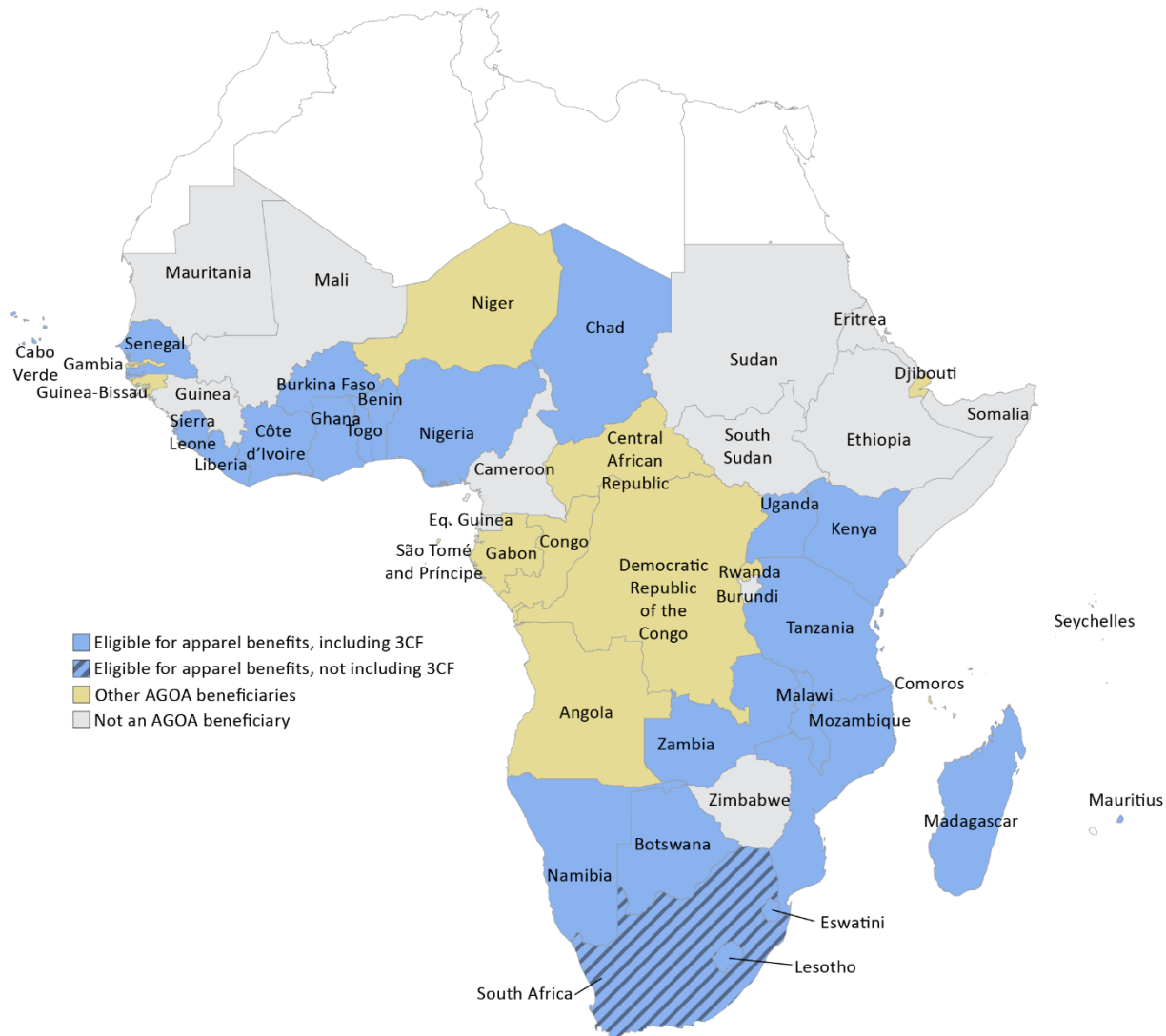
<sup>296</sup> Pub L. No. 106-200 § 112(b)(3)(B)(i), 114 Stat. 264 (2000).

<sup>297</sup> This determination is published in the *Federal Register* with an effective date.

<sup>298</sup> In addition to the discussion in this chapter, chapter 1, "AGOA Duty-Free Products Not Covered by GSP," summarizes AGOA's textile and apparel provision.

**Figure 3.1** AGOA apparel provision beneficiary status, 2022

3CF = third-country fabric provision. Underlying data for this figure can be found in appendix F, table F.5.



Source: Compiled by USITC staff.

Notes: Additional information on eligibility status is available in appendix E, table E.1. This map does not reflect the status of AGOA beneficiaries' apparel benefits with regard to the AGOA folklore provision. For purposes of this report, countries are referred to by their names in current usage, even where different from those names in the AGOA legislation (e.g., Eswatini instead of Swaziland).

AGOA has been the primary competitive advantage for the apparel industry in SSA exporting to the United States since the program's inception in 2000. The duty benefits and liberal rules of origin, in particular for beneficiaries eligible for the 3CF provision, are particularly advantageous in an industry with small profit margins and high duty rates relative to other products. Despite poor infrastructure, political instability, and manufacturing inefficiencies plaguing some SSA countries, the apparel industry has remained an important sector for AGOA beneficiaries. U.S. imports of apparel from AGOA beneficiaries have risen from \$939 million in 2001 to \$1.4 billion in 2021. Apparel exports from AGOA beneficiaries have accounted for 1–2 percent of all U.S. apparel imports from the world during that period.<sup>299</sup> The sector's impact on economic development and quality of life through steady and high employment levels is significant,

<sup>299</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

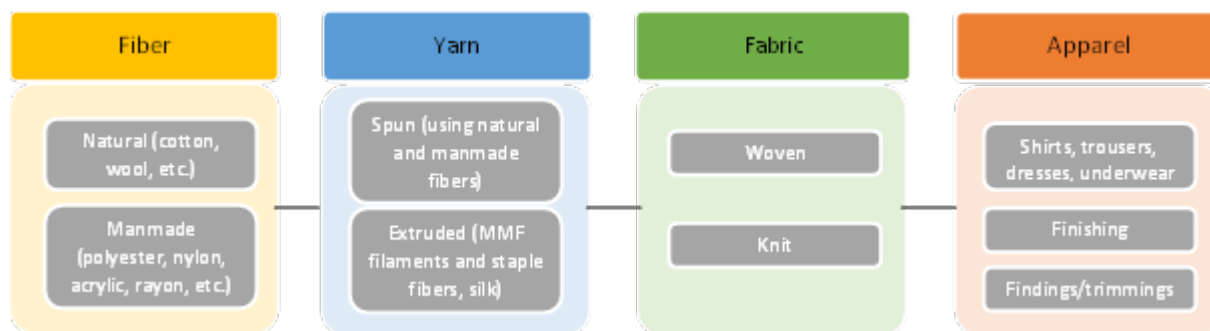
despite isolated reports of unfair labor practices.<sup>300</sup> The eight largest apparel industries employed an estimated 240,000–290,000 direct workers in 2021. In addition, the workforce is largely made up of women (70–90 percent), an underserved community in AGOA beneficiaries. Additionally, the benefits provided by employers to their workers through childcare, meals, education, and healthcare positively impact the communities where firms are located. Although instances of vertical integration in the apparel sector are limited, representatives suggest that the renewal of AGOA’s apparel provisions would help give confidence to investors interested in pursuing vertical integration. It takes years to recoup investments in upstream apparel sectors.

## The Apparel Industry

The apparel sector encompasses garments, such as shirts, trousers, dresses, and underwear, with the full value chain spanning from production of the inputs to the finishing processes (figure 3.1). The first sector of the apparel supply chain covers fibers. Natural fibers, such as cotton, wool, and silk, are obtained from plants, animals, or other natural sources, whereas manmade fibers (MMF) are produced through chemical processes. Fibers are subsequently spun into yarns, often using blends of different fibers, which are either woven or knit into fabrics. The fabrics are then cut and sewn into garments. This final step is the most labor-intensive segment of the supply chain. Apparel manufacturing requires a large labor pool along with relatively low capital investments, which allows lesser-developed countries to be globally competitive.<sup>301</sup> Historically, the labor-intensive apparel industry has been a stepping stone for many countries on the path to industrialization.<sup>302</sup> Firms can be vertically integrated between any two or more sectors. A fully vertically integrated value chain requires local or regional capacities in fiber processing, yarn spinning, fabric manufacturing, and garment manufacturing.<sup>303</sup>

**Figure 3.2** Apparel value chain

MMF = manmade fiber



Source: Compiled by USITC. Cottonworks, Textile Encyclopedia: Finishing, accessed December 1, 2022; HTS, Revision 11 (2022), Subchapter XIX, Textile and Apparel Goods Eligible for Special Tariff Benefits under the Africa Growth and Opportunity Act, U.S. Note 3(b); Centexbel, “Extrusion (Textile Fibre Formation),” accessed February 2, 2023.

Note: Finishing is any dyehouse process, except for bleaching or dyeing, that imparts useful characteristics to a material. For example, stonewashing is a finishing process. Findings and trimmings include hooks and eyes, snaps, buttons, “bow buds,” decorative lace trim, zippers, collars and cuffs, drawstrings, shoulder pads,

<sup>300</sup> See the section in this chapter on Apparel Sector Contributions to Economic Development, Poverty Reduction, and Employment for discussion on unfair labor practices.

<sup>301</sup> Pigott, “Cut and Sew Manufacturers in the US,” 2022, 10, 29, 34; USITC, hearing transcript, June 9, 2022, 92 (testimony of Urban Geiwald, Winds Group).

<sup>302</sup> Whitfield, Staritz, and Morris, “Global Value Chains, Industrial Policy,” July 2020, 1019.

<sup>303</sup> The apparel supply chain described in this chapter does not include made-up textile articles, which may incorporate additional fabric inputs such as nonwoven fabrics (materials created by entangling fibers or filaments together) and industrial fabrics. *Nonwovens Industry*, “What Are the Types of Nonwovens?” September 8, 2021.

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waistbands, attached belts, straps containing elastics, and elbow patches. Extruded yarns are created by forcing a thick, viscous liquid through a spinneret, a device with any number of small holes, to form continuous filaments.

The apparel industry is buyer-driven, meaning that large global brands and retailers (lead firms) that engage in design, branding, and marketing make purchasing decisions according to perceived consumer demand. The global market for apparel is seasonal and constantly changing in response to styles and consumer preferences, requiring flexibility from producers.<sup>304</sup> In many cases, lead firms outsource the manufacturing process to suppliers within their global networks. Lead firms may work directly with the suppliers in their global networks or outsource the decision making to middlemen, often referred to as agents.<sup>305</sup> Apparel producers in SSA are less established in global apparel value chains than manufacturers in other parts of the world. Therefore, some lead firms work more directly with SSA apparel manufacturers to ensure product quality, particularly for new or expanding product lines.<sup>306</sup>

Global consumption trends of apparel, including in the United States, indicate a continued shift toward low-cost suppliers, typically apparel suppliers with low labor costs.<sup>307</sup> Some consumers have increased apparel purchases from environmentally friendly companies with transparent supply chains because of greater awareness of the effect of apparel manufacturing on the environment.<sup>308</sup> However, fast fashion—inexpensive clothing produced rapidly by mass-market retailers in response to the latest trends—continues to grow worldwide as a consumer trend.<sup>309</sup> Similar to global trends, apparel consumption in the United States favors fast fashion and cheap imports.<sup>310</sup>

## The Apparel Industry in AGOA Beneficiaries

The apparel industry in AGOA beneficiaries produces a wide range of knit and woven garments of natural and manmade fibers, including shirts (tops), pants (bottoms), suits, underwear, dresses, outerwear, and swimwear. Most apparel production in the region operates on a cut, make, and trim (CMT) system. Under this system, the apparel purchaser supplies the manufacturer with the necessary inputs and the manufacturer cuts the fabric and sews the garment together, adding any trims or accessories. The apparel factory does not provide input on the design or stylistic elements of the garment,<sup>311</sup> although some firms may perform additional finishing processes.<sup>312</sup>

Data on consumption of apparel in AGOA beneficiaries are not available so consumption trends are not covered in this report. Available information, however, indicates that in most AGOA beneficiaries, domestic apparel consumption is small compared to the United States or Europe. Demand is generally met by low-cost imports from Asia (primarily China)

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<sup>304</sup> The U.S. apparel market has diversified considerably during the life of AGOA, particularly in the product requirements that dictate the fiber content and cut of the garment. Whether a manufacturer has access to inputs and the skills/training to create the garments can determine if a lead firm places an order with a manufacturer. USITC, hearing transcript, June 9, 2022, 90–92, 120–22 (testimony of Urban Geiwald, Winds Group); USITC, hearing transcript, June 9, 2022, 134 (testimony of Pankaj Bedi, United Aryan EPZ).

<sup>305</sup> Gereffi and Frederick, *The Global Apparel Value Chain, Trade and the Crisis*, June 2, 2010, 16, 18.

<sup>306</sup> For example, San Mar Corporation, the largest U.S.-based apparel wholesaler, worked closely with a long-term sourcing partner to transition some production from China to Tanzania beginning in 2010. USITC, hearing transcript, June 9, 2022, 280–81 (testimony of Melissa Nelson, San Mar Corporation). Another lead firm provides a full spectrum of business services to manufacturers, including technical advice, business license procurement, business protocol streamlining, and immigration support, among other services. Industry representative, interview by USITC staff, September 21, 2022.

<sup>307</sup> Pigott, “Cut and Sew Manufacturers in the US,” 2022, 10.

<sup>308</sup> Pigott, “Cut and Sew Manufacturers in the US,” 2022, 13.

<sup>309</sup> Pigott, “Cut and Sew Manufacturers in the US,” 2022, 14; DellaCamera, *Global Apparel Manufacturing*, August 2021, 14.

<sup>310</sup> Pigott, “Cut and Sew Manufacturers in the US,” 2022, 17.

<sup>311</sup> Gereffi and Frederick, *The Global Apparel Value Chain, Trade and the Crisis*, June 2, 2010, 12.

<sup>312</sup> For example, in Lesotho’s denim industry, the garments go through extensive finishing operations before being sold in the consumer market. Industry representatives, interviews by USITC staff, Lesotho, October 27, 2022.

or through the secondhand clothing market.<sup>313</sup> Of SSA demand that is met by SSA production, Eswatini is the largest supplier to the South African Market. In many countries, locally produced garments are largely sold to schools, the military, and other government agencies that buy uniforms.<sup>314</sup> Given the competitiveness of imports of secondhand clothing and new apparel from global suppliers, most producers focus on export markets for a large share of their apparel production.<sup>315</sup> However, even with this focus on exports, most SSA countries are net importers of apparel.<sup>316</sup>

## Major AGOA Beneficiary Apparel Producers

Apparel production data for SSA is not available. However, most large apparel industries in AGOA beneficiaries are export oriented.<sup>317</sup> Using apparel exports as a proxy, apparel production in AGOA beneficiary countries increased between 2014 and 2021, with a drop in 2020 due to the COVID-19 pandemic-related slowdown and supply chain disruptions (see figure 3.4 in SSA Apparel Exports).<sup>318</sup> In 2021, the largest SSA producers of apparel and the largest AGOA beneficiary suppliers to the United States were Kenya, Lesotho, Madagascar, Ethiopia, Mauritius, Tanzania, Ghana, and South Africa.<sup>319</sup>

The largest AGOA apparel beneficiary suppliers to the United States were among the first to be eligible for apparel benefits under AGOA (see table 3.1). Except for Madagascar and Ethiopia, these countries have maintained AGOA benefits continuously.<sup>320</sup> All these countries, except South Africa, are eligible to export apparel under AGOA's liberal 3CF provision.<sup>321</sup> The 3CF provision allows exporters to source apparel inputs from anywhere in the world and still export the finished garments to the United States duty-free under AGOA. AGOA beneficiaries must be designated by the President to be a lesser-developed beneficiary country to be eligible for the 3CF provision. Figure 3.1 shows which SSA countries are eligible for AGOA textile and apparel provisions, including the 3CF provision. Eswatini is a notable SSA apparel producer and one of the largest exporters but primarily supplies the South African apparel market and exported very

<sup>313</sup> Brooks and Simon, "Used-Clothing Imports and the Decline of African Clothing Industries," November 2012, 1265–66. S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed October 18, 2022.

<sup>314</sup> USAID, Dalberg, and Tanzania Agricultural Development Bank, "Investment Opportunities in Tanzania," slide 49; ITC, *Tanzania Cotton-to-Clothing Strategy*, 2016, 37; "Cotton Crop Part of Kenya's 'Big Four,'" January 2, 2019; industry representative, interview by USITC staff, Kenya, September 30, 2022.

<sup>315</sup> Morris, Plank, and Staritz, "Regionalism, End Markets and Ownership Matter," July 2016, 1245; Brooks and Simon, "Used-Clothing Imports and the Decline of African Clothing Industries," November 2012, 1279–81.

<sup>316</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed November 18, 2022.

<sup>317</sup> Mastamet and Ogembo, "Development of Competitive Advantage in Apparel Industry in Kenya," May 2012, 339; Brooks and Simon, "Used-Clothing Imports and the Decline of African Clothing Industries," November 2012, 1265–66.

<sup>318</sup> Industry representatives, interview by USITC staff, Kenya, October 3, 2022.

<sup>319</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed November 18, 2022.

<sup>320</sup> Proclamation No. 8468, 74 Fed. Reg. 69229 (December 23, 2009) (Madagascar loss of benefits Proclamation No. 8468, 74 Fed. Reg. 69229 (December 23, 2009) (Madagascar loss of benefits); Proclamation No. 10326, 86 Fed. Reg. 73593 (December 28, 2021) (Ethiopia loss of benefits). See appendix E for complete list of country eligibility.

<sup>321</sup> All AGOA beneficiaries eligible for textile and apparel benefits must comply with additional product-specific criteria described in the introduction to this chapter (Pub. L. No. 106-200 § 112(b)(3)(B)(i), 114 Stat. 264 (2000)). South Africa does not qualify as a least-developed country (LDC) and therefore is ineligible for the 3CF fabric provision. Mauritius was not initially designated as an LDC, although it was temporarily designated an LDC in 2004 through February 2005. Pub. L. No. 108-429, § 2004, 118 Stat. 2595 (2004). In 2008, Congress designated Mauritius a lesser developed beneficiary country for the purposes of AGOA, and it has been eligible for the 3CF provision since that time. Pub. L. No. 110-436, § 3(a)(2)(D), 122 Stat. 4976 (2008).

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little to the United States in 2021.<sup>322</sup> Other SSA producers, such as Namibia, Botswana, and Malawi, grew to be top U.S. apparel suppliers at one time during the AGOA program, but were not large suppliers in 2021.<sup>323</sup>

**Table 3.1** Imports from the top eight AGOA beneficiary suppliers of apparel to the United States in 2021, by country and various AGOA-related apparel eligibility information

Country	Effective date of apparel benefits	Continuity of apparel benefits	Eligibility for third-country fabric provision in 2021	U.S. imports
Kenya	January 18, 2001	yes	yes	448,781
Lesotho	April 23, 2001	yes	yes	293,628
Madagascar	March 6, 2001	revoked 1/1/2010 reinstated 12/15/2014	yes	283,376
Ethiopia	August 2, 2001	revoked 1/1/2022	yes	258,732
Mauritius	January 19, 2001	yes	yes	72,636
Tanzania	February 4, 2002	yes	yes	32,191
Ghana	March 20, 2002	yes	yes	20,004
South Africa	March 7, 2001	yes	no	10,520

Source: 66 Fed. Reg. 7836 (January 25, 2001) (Kenya); 66 Fed. Reg. 21192 (April 27, 2001) (Lesotho); 66 Fed. Reg. 14242 (March 9, 2001) (Madagascar), Proclamation No. 8468, 74 Fed. Reg. 69229 (December 30, 2009) (Madagascar loss of benefits), 79 Fed. Reg. 74156 (December 15, 2014) (Madagascar); 66 Fed. Reg. 41648 (August 8, 2001) (Ethiopia), Proclamation No. 10326, 86 Fed. Reg. 73593 (December 28, 2021) (Ethiopia loss of benefits); 66 Fed. Reg. 8440 (January 31, 2001) (Mauritius); 67 Fed. Reg. 6313 (February 11, 2002) (Tanzania); 67 Fed. Reg. 14761 (March 27, 2002) (Ghana); 66 Fed. Reg. 14425 (March 12, 2001) (South Africa); S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed January 9, 2023.

As described in the following sections, some AGOA beneficiary countries already had established apparel industries at the time AGOA was implemented in 2000, but others received significant investments from foreign-owned firms after AGOA was enacted, jumpstarting their sectors. Some of these investments took place about the time of AGOA implementation, but others occurred much later in the life of the program.<sup>324</sup> A few countries were large suppliers earlier in the program but have either lost AGOA benefits or are challenged with rising labor and logistics costs, resulting in a decline in apparel production. Top AGOA beneficiaries supplying the U.S. market share other defining characteristics including coordinated support from the public sector; prioritization of the apparel sector, in particular the sector orientation for exports to the U.S. market; and willingness to collaborate with the private sector.

### Pre-Existing Apparel Industries Expanded Since AGOA

Kenya's apparel sector, which has been one of the largest apparel suppliers to the United States under AGOA, was well positioned to expand under AGOA.<sup>325</sup> By the time AGOA was implemented, a small exporting apparel industry had developed, primarily in export processing zones (EPZs). This created a base of trained, low-cost labor and adequate infrastructure to support production for export.<sup>326</sup> Kenya's apparel industry evolved around its ability to meet the

<sup>322</sup> The United States was a large destination market for Eswatini until the country lost its AGOA eligibility in 2015. Despite regaining eligibility for AGOA and the apparel provisions in 2018, apparel exports to the United States did not return. Eswatini continued to export most of its apparel to neighboring South Africa. Proclamation No. 9145, 79 Fed. Reg. 37615 (July 1, 2014) (Eswatini, formerly Swaziland, loses benefits); Proclamation No. 9687, 82 Fed. Reg. 61413 (December 22, 2017) (Eswatini regains AGOA eligibility); 83 Fed. Reg. 31254 (July 3, 2018) (Eswatini regains apparel benefits); USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>323</sup> U.S. imports of apparel from Namibia and Malawi peaked in 2004 with \$78.7 million and \$26.8 million, respectively. Botswana supplied over \$30 million of apparel to the United States in 2005. In 2021, none of the three countries is a significant supplier of apparel to the United States. USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>324</sup> Morris, Plank, and Staritz, "Regionalism, End Markets and Ownership Matter," July 2016, 5–11; Balchin and Calabrese, *Comparative Country Study of Textile and Garment Sectors*, May 2019, 27–28; Apparel Resources, "Chinese T&C Council to Invest in Ghana," November 10, 2016.

<sup>325</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>326</sup> Mastamet and Ogembo, "Development of Competitive Advantage in Apparel Industry in Kenya," May 2012, 339.

demands of the U.S. market. For example, the U.S. buyers tend to order relatively large runs while the EU market requests smaller batch orders. This is in addition to significant style and size differences between the two markets. Kenya has focused on specializing in high-volume bulk basics, which meet U.S. buyer demands. Because of these efforts, the United States imported more than 90 percent of Kenya's total apparel exports in 2021, making Kenya the 24th-largest source of all U.S. apparel imports that year.<sup>327</sup>

Similar to Kenya, Lesotho had an apparel industry before AGOA, exporting more than \$140 million in apparel to the United States in 2000, before the apparel provisions went into effect for Lesotho. Exports to the United States more than tripled between 2000 and 2004 in large part because of significant foreign investment. Lesotho is one of the largest apparel suppliers to the United States under AGOA and has been using the program since it gained apparel benefits in 2001.<sup>328</sup> As of 2021, the apparel industry accounts for 80 percent of the country's formal manufacturing workforce and one-third of its gross domestic product (GDP), and it supports several other ancillary industries.<sup>329</sup> Although only 18,000 of the 40,000 apparel industry workers in Lesotho are employed by companies exporting to the United States, these firms account for two-thirds, by value, of the industry's output.<sup>330</sup> Some foreign investors, in particular from Taiwan, who have established supply chains with centralized procurement hubs located in their respective countries of origin, are still active in Lesotho.<sup>331</sup>

Lesotho faces challenges with costs. Lesotho is abundant in labor, but the logistical challenges of accessing textiles for the garment manufacturing sector as a landlocked country can increase costs and decrease competitiveness. U.S. imports of apparel from Lesotho have fallen since 2018, from \$321 million to \$294 million in 2021. The decline was mostly a result of COVID-19 pandemic-related supply chain constraints, access to inputs, and increased costs of shipping.<sup>332</sup> Lesotho has worked to attract investment to take advantage of AGOA. The latest Lesotho AGOA Strategy, launched in January 2021, pinpointed textiles and apparel as key sectors to increase trade with the United States, attract investment, boost economic growth, and create more jobs.<sup>333</sup> However, industry representatives report that the logistical challenges, coupled with AGOA renewal uncertainty, continue to dissuade new investments and have not led to increased orders from buyers.<sup>334</sup>

The Malagasy apparel industry also predates AGOA, but the duty preferences offered under the program incentivized many new entrants to the market in 2001. By 2021, Madagascar was one of the largest apparel exporters under AGOA. The country benefits from low labor costs and a large population, access to neighboring Mauritius and its industry expertise, and historical trade relationships with U.S. and EU buyers.<sup>335</sup>

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<sup>327</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022; S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed September 7, 2022; Berg et al., *Sourcing in a Volatile World*, April 2015, 14.

<sup>328</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022; 66 Fed. Reg. 21192 (April 27, 2001) (Lesotho).

<sup>329</sup> Response to Country Cable, "AGOA Information Sheet Lesotho," August 24, 2022.

<sup>330</sup> As of 2021, Lesotho had 42 apparel companies, 13 of which export to the United States. At least five additional firms provide packing materials, logistics, support, and other services. USITC, hearing transcript, June 9, 2022, 59 (testimony of Mamoiloa Raphuthing, LNDC).

<sup>331</sup> Morris, Plank, and Staritz, "Regionalism, End Markets and Ownership Matter," July 2016, 11.

<sup>332</sup> Industry representative, interview by USITC staff, September 30, 2022.

<sup>333</sup> Response to Country Cable, "AGOA Information Sheet Lesotho," August 24, 2022.

<sup>334</sup> Response to Country Cable, "AGOA Information Sheet Lesotho," August 24, 2022.

<sup>335</sup> Early investors in the Malagasy apparel industry include French, Mauritian, and Hong Kong firms. Morris, Plank, and Staritz, "Regionalism, End Markets and Ownership Matter," July 2016, 10–12. Currently, most apparel firms that have factories in Madagascar are headquartered elsewhere, including Mauritius and Hong Kong. For example, Winds Group is headquartered in Mauritius and has plants in Madagascar and Tanzania. Whitfield and Staritz, "Local Supplier Firms," June 1, 2021, 763–84; response to Country Cable "Impact of AGOA on Madagascar's Economy," August 23, 2022; USITC, hearing transcript, June 9, 2022, 74–75 (testimony of Urban Geiwald, Winds Group).

## Pre-Existing Industries without Sustained Growth since AGOA

Two of SSA's more mature and developed industries, in South Africa and Mauritius, face issues with cost competitiveness. Mauritius, for example, was the largest AGOA beneficiary apparel supplier to the United States in 2000 but has since fallen to fifth-largest supplier in 2021, with exports of apparel in 2021 of \$73 million.<sup>336</sup> The decline in exports was largely due to the increase in costs of labor—domestic policy has increased the minimum wage across sectors—and shipping—COVID-19-pandemic-related price increases, which have disproportionately impacted Mauritius as an island with longer and more complex shipping routes.<sup>337</sup> High wages and a shrinking workforce have led some apparel manufacturers to bring in cheaper labor from other countries, but many apparel manufacturers have moved operations to other countries in the region, leaving higher-value specialized production in Mauritius. Mauritius has industry technical expertise, an attractive business climate, and adheres to international conventions, such as those addressing labor. These advantages have allowed the country to transition to upstream apparel industries, like fabrics. Mauritian representatives have underlined the importance of AGOA and the 3CF provision because the ROOs support the regional apparel industries.<sup>338</sup> Even though Mauritian fabric producers compete with 3CF producers, they need down-stream apparel buyers in order to maintain their fabric production. In addition, the variety of fabric required by apparel manufacturers allows Mauritian fabric producers to compete in the market (see Regional Integration section).

The South African apparel industry predated AGOA, and in the early years of AGOA it was one of the largest AGOA beneficiary suppliers to the U.S. market. South Africa does not meet the definition of a lesser-developed beneficiary country for purposes of AGOA and therefore cannot use the 3CF provision.<sup>339</sup> As a result, South African apparel exports are less competitive vis-à-vis apparel produced in lesser-developed AGOA beneficiaries or some other global suppliers. The value of South African exports claiming AGOA preferences has fallen steadily over the life of the program.

The apparel industry in South Africa is made up of large and medium-sized production facilities and many microbusinesses, some of which operate informally. Many factories have downsized, and others have moved into higher value-added products and designer products.<sup>340</sup> The firms moving into designer products have contributed to the development of Cape Town as a regional and global fashion hub. The traditional apparel sector that remains in South Africa consists largely of low-skilled labor jobs, although some factories have invested in automated technology such as cutting equipment.<sup>341</sup>

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<sup>336</sup> Mauritius was designated an AGOA beneficiary on October 2, 2000, and declared eligible for AGOA apparel benefits on January 19, 2001. 66 Fed. Reg. 8440 (January 31, 2001). As a result, existing bilateral quotas on certain knit apparel were eliminated. Mauritius was not initially designated a lesser-developed AGOA beneficiary country, and as a result, was not eligible to use the 3CF provision. In 2004, however, Congress designated it a lesser-developed beneficiary SSA country for a one-year period ending September 30, 2005. Pub. L. No. 108-429 § 2004, 118 Stat. 2434, 2595 (2004). In 2008, Congress made Mauritius's designation as a lesser developed beneficiary country for the purposes of AGOA permanent. Pub. L. No. 110-436 § 3(a)(2)(D), 122 Stat. 4976 (2008); USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>337</sup> Labor and shipping costs were partially driven by the currency fluctuations. *Just Style*, "Mauritius Clothing Sector at a Crossroads," November 1, 2017; IMF, "Mauritius: Staff Report," July 2022; Donaldson, "Minimum Wages more than Double," December 15, 2017.

<sup>338</sup> USITC, hearing transcript, June 9, 2022, 90–92, (testimony of Urban Geiwald, Winds Group).

<sup>339</sup> 19 U.S.C. § 3721(c)(3)(defining LDC for purposes of AGOA); 66 Fed. Reg. 14425 (March 12, 2001) (Trade Representative finding that South Africa qualified for AGOA apparel benefits).

<sup>340</sup> In 2018, South Africa's major clothing retailers sourced 44 percent of their apparel from local manufacturers, and this share is expected to increase to 65 percent by 2030. In 2019, major retailers in South Africa committed to increase local sourcing in the Retail-Clothing, Textile, Footwear and Leather Value Chain Master Plan. Veitch, "The Clothing Industry in South Africa," December 2021, 5.

<sup>341</sup> Veitch, "The Clothing Industry in South Africa," December 2021, 2–4; USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.



## Apparel Industries Largely Initiated since AGOA

Although Ethiopia was the fourth-largest SSA apparel supplier to the United States in 2021, the apparel sector in Ethiopia grew slowly until the government took additional steps to attract FDI. Between 2001 and 2014, U.S. imports of apparel from Ethiopia rose slowly, from \$399,745 to \$12.0 million, despite the country's eligibility for AGOA and the apparel preferences. Between 2014 and 2021, however, imports grew by more than 2,000 percent, reaching \$259 million in 2021.<sup>342</sup> This surge was largely due to targeted, collaborative efforts between the public and private sectors to support and promote the export-oriented apparel sector.<sup>343</sup> The Ethiopian government took critical steps to attract foreign direct investment to the sector, beginning in 2008 and followed by an updated focus on industrial park investment about 2010.<sup>344</sup> Investors from Turkey, India, and China were among the first arrivals, followed by major manufacturers from around the world, including Sri Lanka, Taiwan, and the United Arab Emirates.<sup>345</sup>

Similar to Ethiopia, Tanzania did not export significant volumes of apparel to the United States until later in the AGOA program. U.S. apparel imports from Tanzania remained low between 2001 and 2010, ranging from \$6,851 in 2001 to a high of \$3.2 million in 2005. However, between 2011 and 2021, U.S. apparel imports rose from \$5.3 million to \$32.2 million, growing by more than 500 percent.<sup>346</sup> At least one firm moved production to Tanzania when Madagascar lost its AGOA eligibility,<sup>347</sup> contributing to the sector's growth. Tanzania still lacks the level of developed infrastructure and factory-trained workers present in other AGOA apparel-producing countries, partially because of its largely agrarian economy. Tanzania's preferential access to the U.S. market under AGOA has incentivized its government to take advantage of Tanzania's domestic cotton supply for a vertically integrated textile and apparel industry (see Regional Integration discussion below).<sup>348</sup> Because most local demand for clothing is met by low-cost apparel imported from China and imports of secondhand clothing, Tanzanian government support is focused on production for export.<sup>349</sup>

Since about 2008, Ghana's apparel industry has grown as a result of significant foreign investment—particularly from Chinese investors—and its access to cotton inputs.<sup>350</sup> In addition, various partnerships have been established among U.S. government agencies to support the Ghanaian apparel sector through equity investments.<sup>351</sup> The industry benefits from vocational training and capacity building offered by the Association of Ghanaian Apparel Manufacturers. It is additionally augmented by its English-speaking population, large labor force, and shorter lead times to the United States than from Asian suppliers.<sup>352</sup>

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<sup>342</sup> USITC DataWeb/Census, HS chapters 61 and 6, accessed July 7, 2022, Ethiopia lost AGOA eligibility effective January 1, 2022. Proclamation No. 10326, 86 Fed. Reg. 73593 (December 28, 2021) (Ethiopia loss of benefits).

<sup>343</sup> See Economic Zones and Industrial Parks section below for more information.

<sup>344</sup> Balchin and Calabrese, *Comparative Country Study of Textile and Garment Sectors*, May 2019, 23.

<sup>345</sup> Apparel Resources, "Ethiopia: A Magnet for Investment and Sourcing," July 21, 2016.

<sup>346</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>347</sup> USITC, hearing transcript, June 9, 2022, 76 (testimony of Urban Geiwald, Winds Group).

<sup>348</sup> ITC, *Tanzania Cotton-to-Clothing Strategy*, 2016, 2.

<sup>349</sup> USAID East Africa Trade and Investment Hub, *Overview of Cotton, Textile and Apparel Sectors*, February 2018, 19; ITC, *Tanzania Cotton-to-Clothing Strategy*, 2016, 18–19.

<sup>350</sup> In 2016, the China National Textile and Apparel Council invested \$300 million in one of Ghana's development zones. Apparel Resources, "Chinese T&C Council to Invest in Ghana," November 10, 2016.

<sup>351</sup> Manufacturers such as DTRT and Maagrace Industries received support from the U.S. Agency for International Development (USAID) and 80 percent of its exports are targeted for US markets through AGOA. Dobrosielski, "US Grants \$1.35M for Garment Jobs in Ghana," February 4, 2021.

<sup>352</sup> Industry representative, interview by USITC staff, Ghana, October 19, 2022.

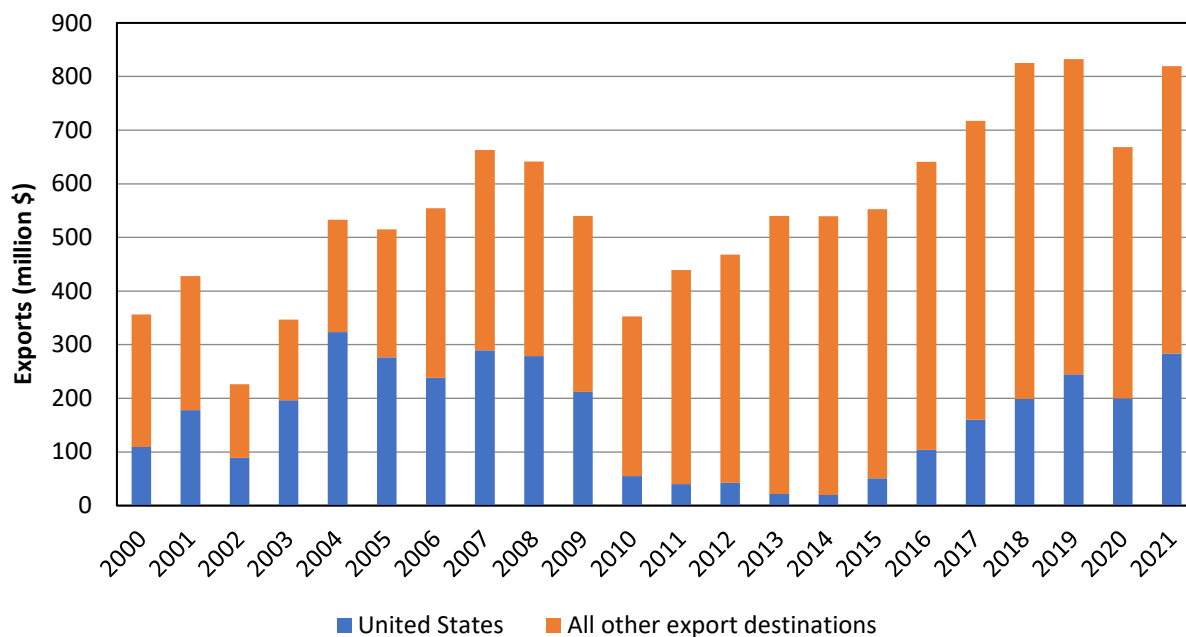
## Industries Impacted by the Loss of Benefits

With respect to AGOA beneficiaries that have gained and then lost AGOA benefits, evidence indicates that AGOA benefits are essential for SSA countries to maintain their apparel exports to the United States. Every instance from 2000 to 2021 of a country losing its AGOA benefits by failing to meet the eligibility criteria resulted in a significant decline in U.S. imports of apparel from that country. For those countries that have lost benefits, depending on their existing trade relations with other regions, exports to alternative destination markets increased. Therefore, the loss of benefits directly impacts U.S. apparel imports and can indirectly strengthen the country’s exports to other destination markets. Examples below concerning Madagascar, Rwanda, and Eswatini illustrate this.

U.S. imports from Madagascar have fluctuated since the country became eligible for apparel benefits in 2001, primarily as a result of its loss of AGOA eligibility in 2010 after an undemocratic transition of power.<sup>353</sup> After successful democratic elections, Madagascar was reinstated as an AGOA beneficiary on July 1, 2014, and subsequently regained apparel benefits on December 15, 2014.<sup>354</sup> From 2009 to 2014, U.S. imports of apparel from Madagascar fell from \$212 million to \$20 million, a decline of 91 percent (figure 3.3).<sup>355</sup>

**Figure 3.3** Apparel exports from Madagascar by destination market, 2000–2021

In millions of U.S. dollars. Underlying data for this figure can be found in appendix F, table F.6.



Source: S&P Global,

Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed January 7, 2023.

Note: Many sub-Saharan African (SSA) countries do not reliably report export data in the GTA database. Therefore, the data shown for SSA exports in this figure have been constructed using all reporting countries imports from SSA countries in the GTA database (mirror constructed export statistics data).

<sup>353</sup> 66 Fed. Reg. 14242 (March 9, 2001) (Trade Representative determination of Madagascar apparel provision eligibility); Proclamation No. 8468, 74 Fed. Reg. 69229 (December 30, 2009) (Madagascar loss of beneficiary status). See appendix E for the complete country eligibility list.

<sup>354</sup> USTR, “President Obama Removes Swaziland, Reinstates Madagascar,” June 26, 2014; Proclamation No. 9145, 79 Fed. Reg. 37615 (July 1, 2014) (restoration of Madagascar AGOA eligibility); 79 Fed. Reg. 74156 (December 15, 2014) (Trade Representative determination of Madagascar apparel provision eligibility).

<sup>355</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed January 6, 2023.

After the 2010 termination of AGOA benefits, some manufacturing firms in Madagascar were able to mitigate the impact by finding new markets and expanding into other established markets.<sup>356</sup> Malagasy exports to the world grew during the 2010–14 period when the country lost AGOA eligibility.<sup>357</sup> However, industry reports indicate that many companies had to close Malagasy factories as U.S. orders fell.<sup>358</sup> Upon regaining AGOA apparel benefits in late 2014, Madagascar did not experience an immediate return of U.S. orders, despite the industry’s idle apparel production capacity. In fact, about one-third of U.S. apparel companies waited at least three years to restart orders from Malagasy factories after Madagascar regained AGOA eligibility.<sup>359</sup>

Eswatini, a small landlocked country that shares borders with South Africa and Mozambique, lost AGOA benefits in 2014.<sup>360</sup> The loss of benefits, including eligibility for the apparel provisions, resulted in U.S. imports falling from \$55 million in 2014 to \$2.4 million in 2015. Despite regaining benefits in 2018, U.S. imports from Eswatini did not grow significantly between 2018 and 2021.<sup>361</sup> Conversely, South African apparel imports from Eswatini had been growing quickly since 2010. Eswatini exports of apparel to South Africa grew from \$57.6 million in 2010 to \$209 million in 2022, and it was South Africa’s largest SSA supplier of apparel in that year.<sup>362</sup>

Similarly, Rwanda’s loss of apparel benefits under AGOA relating to new barriers the country imposed on U.S. trade and investment resulted in an increase in exports to third-party countries.<sup>363</sup> Rwanda had a growing apparel sector with global exports rising from \$29,000 in 2013 to \$5.0 million in 2018. U.S. imports from Rwanda similarly grew, from \$2,080 in 2013 to \$3.0 million in 2018. Following the suspension of Rwanda’s AGOA apparel benefits on July 31, 2018, U.S. imports of apparel from Rwanda fell sharply from a high of \$3.0 million in 2018 to \$1,400 in 2019.<sup>364</sup> By comparison, U.S. apparel imports from AGOA beneficiaries grew from \$1.2 billion to \$1.4 billion over the same time span.<sup>365</sup> Rwandan exports of apparel to the world also fell from 2018 to 2019, from \$4.8 million to \$5.2 million, but by 2022, global exports of apparel from Rwanda grew to \$14.6 million, with the United Kingdom (UK), Belgium, and Turkey as the largest destination markets.<sup>366</sup> In contrast, U.S. imports from Rwanda totaled \$102,192 in 2021.<sup>367</sup>

Ethiopia retained AGOA and apparel eligibility until January 1, 2022, when all benefits were revoked because of what the U.S. government considered “gross violations of internationally recognized human rights” in the conflict in the Tigray

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<sup>356</sup> For example, France was consistently a large destination market for Malagasy apparel. Over the life of the program, either the United States or France has been the largest destination export market. S&P Global, Global Trade Analytic Suite (GTAS) database, Malagasy exports, HS chapters 61 and 62, accessed June 22, 2022.

<sup>357</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed January 7, 2023.

<sup>358</sup> One firm transitioned its production from Madagascar to Tanzania as a direct result of the political instability in Madagascar that led to its loss of AGOA benefits. USITC, hearing transcript, June 9, 2022, 76–77, (testimony of Urban Geiwald, Winds Group). The manufacturing that remained in Madagascar identified alternative destination markets including Japan, Europe, Australia, and Canada, but the Malagasy apparel industry was designed to supply the U.S. market, which demanded efficient production through mass production. Winds Group, written submission to the USITC, June 26, 2022, 2; Cottonline, written submission to the USITC, May 31, 2022, 2.

<sup>359</sup> Response to Country Cable, “Impact of AGOA on Madagascar’s Economy,” August 23, 2022.

<sup>360</sup> Proclamation No. 9145, 79 Fed. Reg. 37613 (July 1, 2014).

<sup>361</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed December 5, 2022.

<sup>362</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, global imports from Eswatini, HS chapters 61 and 61, accessed January 6, 2023.

<sup>363</sup> USTR, “Trump Upholds AGOA Trade Preference Eligibility Criteria with Rwanda,” July 30, 2018.

<sup>364</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed December 5, 2022.

<sup>365</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed December 5, 2022.

<sup>366</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, global imports from Rwanda, HS chapters 61 and 61, accessed January 6, 2023.

<sup>367</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed December 5, 2022.

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region.<sup>368</sup> The termination of AGOA benefits is expected to have a significant negative impact on the Ethiopian apparel industry; as of November 2022, a reduction of orders has led to the elimination of an estimated 5,600 jobs.<sup>369</sup> Exports to the United States had been growing as a share of total Ethiopian apparel exports. In 2015, the United States accounted for 30 percent of all apparel exports from Ethiopia; by 2021, 77 percent of apparel exports from Ethiopia were to the United States. During the same period (from 2015 to 2021), Germany and the UK became smaller export markets for Ethiopia.<sup>370</sup> Given the United States' large share of Ethiopian exports, the loss of benefits may have a larger impact on total production in Ethiopia than in other countries that have lost benefits, such as Madagascar, for which the United States made up a smaller share of the country's exports. Reportedly, some Ethiopian producers absorb the cost of the duties so that they can stay competitive in the U.S. market. However, these producers have indicated that duty absorption by producers is not a sustainable strategy and, if Ethiopia's suspension persists, they will need to relocate outside of SSA.<sup>371</sup>

## Regional Integration

AGOA demonstrated U.S. congressional support for Africa's regional integration. In the apparel sector, this support was reflected in part in AGOA rules of origin (ROOs) that require regionally sourced inputs from other AGOA beneficiaries (or inputs from the United States).<sup>372</sup> Currently, most of the apparel value chain processing occurs outside the region, and AGOA beneficiaries primarily participate in the cut-and-sew operations of apparel. Regional integration in the apparel value chain would have some or all the upstream sector processes take place within the region, including fiber farming or extrusion, yarn spinning, and fabric knitting or weaving. Shifting toward regional integration can be beneficial because it generally reduces lead times and the cost of transportation, including storage costs, border delays, and tariffs.<sup>373</sup> Regional integration can also have positive impacts on traceability of the supply chain, improving supply chain transparency and compliance.<sup>374</sup> The apparel industry across AGOA beneficiaries has also advocated for regional integration in efforts to increase reliable access to apparel inputs. Despite industry efforts, integrating sectors of the apparel value chain among AGOA beneficiaries has seen only limited success.

## Challenges Facing Regional Integration in the AGOA Apparel Supply Chain

Regional integration in the AGOA apparel supply chain is challenging and has had only limited success, some of which is discussed below (e.g., the case of Mauritius and Madagascar integrating fabric and apparel production). Greater regional integration is challenging for multiple reasons.<sup>375</sup> First, in contrast to apparel manufacturing, production of inputs (yarns

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<sup>368</sup> USTR, "U.S. Terminates AGOA Trade Preference Program for Ethiopia," January 1, 2022; Proclamation No. 10326, 86 Fed. Reg. 73593 (December 28, 2021). See appendix E for the complete country eligibility list.

<sup>369</sup> Mamo, "Ethiopia Apparel Experts Call for AGOA Return," November 10, 2022.

<sup>370</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, global imports of apparel from Ethiopia, HS chapters 61 and 62, accessed January 6, 2023.

<sup>371</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed December 5, 2022; response to Country Cable "Ethiopia: AGOA Loss Hits," July 18, 2022.

<sup>372</sup> 19 U.S.C. §§ 3702(3)(Congressional support for regional integration in SSA) & 3721(b)(AGOA apparel rules of origin).

<sup>373</sup> World Bank, *Vertical and Regional Integration*, July 2007, 22.

<sup>374</sup> Industry representative, interview by USITC staff, September 20, 2022.

<sup>375</sup> According to the Africa Regional Integration Index, in 2019 the two weakest dimensions for regional integration in Africa were productive integration (i.e., complementary trade with the region due to countries specializing in production in which they have a competitive advantage) and infrastructural integration (i.e., the state of electricity, transport, information and communication technologies, and water and sanitation in an area). Inefficiencies in these two dimensions of regional integration affect transaction costs. AU, *African Regional Integration Index 2019*, 2019, 20–23 and 27.

and fabrics) is highly capital intensive.<sup>376</sup> In addition, building a textile mill takes two to three years, but establishing an apparel factory takes much less time.<sup>377</sup> Despite the difference in the time it takes to invest, both the apparel and textile industries have low profit margins, so it takes longer for textile investors to recuperate their costs than it takes for apparel investors.<sup>378</sup> In general, AGOA beneficiary countries have promoted apparel manufacturing, which creates many low-skilled jobs, over textiles manufacturing, which requires significant investment and employs fewer employees, who are more highly skilled.<sup>379</sup>

Further integration into the apparel supply chain presents certain challenges for AGOA beneficiary apparel manufacturers. In addition to capital costs, yarn spinning requires stable power to run the machines. A micro-outage in spinning slows down efficiencies significantly. A power outage introduces a break in the yarn that must be fixed with a splice, meaning two yarn ends are connected using various methods to entangle the yarn fibers, often by hand.<sup>380</sup> Tanzania, for example, has limited textile investment despite the country's supply of cotton, because the industry lacks the modern equipment and reliable electricity required to supply large orders.<sup>381</sup> In addition to unreliable power creating lower efficiencies, the higher cost of spinning and fabric mills requires firms to have access to finance, given the large capital investments described above. Mauritius has a more developed upstream apparel sector, including fabric production, marketing and promotion, and design, which are more capital-intensive industries than apparel.<sup>382</sup> Industry representatives report that Mauritius has a more conducive banking system for this type of investment than many other AGOA producers. The limitations surrounding reliable energy and the investment environment are cited as reasons for the lack of yarn spinning in Madagascar.<sup>383</sup>

Furthermore, for upstream sectors such as yarn and fabric production to be competitive, sufficient demand from the regional apparel sector must exist.<sup>384</sup> Economies of scale are critical for manufacturers of apparel inputs because the industry generally is highly competitive with very low profit margins. With these cost constraints, apparel manufacturers and brands source fabrics at the most competitive prices.<sup>385</sup> AGOA beneficiaries' demand for fabric is relatively low compared to other large apparel producing countries, such as Bangladesh and Vietnam. One industry representative highlighted a situation in which an AGOA beneficiary pushed to attract investment in local fabric production. However, apparel demand was not enough for the fabric to be produced.<sup>386</sup> Until regional fabric can be produced at a price and scale that is competitive, the apparel sector is not incentivized to source from regional producers.<sup>387</sup>

Moreover, the region is not able to produce the variety of yarns, fabrics, and accessories required of a more self-reliant regional supply chain. For example, SSA fabric manufacturers must import 100 percent of polyester yarns because SSA

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<sup>376</sup> One industry representative reported that the cost of establishing a textile operation in SSA could range from \$200–300 million, but an apparel factory would cost much less, about \$25 million. Industry representative, interview by USITC staff, October 3, 2022.

<sup>377</sup> Industry representative, interview by USITC staff, September 14, 2022.

<sup>378</sup> Industry representative, interview by USITC staff, September 14, 2022.

<sup>379</sup> USITC, hearing transcript, June 9, 2022, 91–92, 130 (testimonies of Urban Geiwald, Winds Group, and Pankaj Bedi, United Aryan EPZ).

<sup>380</sup> Industry representative, interview by USITC staff, September 29, 2022.

<sup>381</sup> About 70 percent of Tanzania's cotton is exported, mostly to India and Pakistan, who are top global suppliers of cotton fabrics. USAID, Dalberg, and Tanzania Agricultural Development Bank, "Investment Opportunities in Tanzania," 4, 27, 29; S&P Global, Global Trade Analytic Suite (GTAS) database, HS headings 5208, 5209, 5210, 5211, and 5212, accessed October 6, 2022.

<sup>382</sup> *Just Style*, "Mauritius Clothing Sector at a Crossroads," November 1, 2017.

<sup>383</sup> Industry representative, interview by USITC staff, September 29, 2022.

<sup>384</sup> USITC, hearing transcript, June 9, 2022, 113–114 (testimony of JC Mazingue, Cottonline).

<sup>385</sup> USITC, hearing transcript, June 9, 2022, 93 (testimony of Mamoiloa Raphuthing, LNDC).

<sup>386</sup> USITC, hearing transcript, June 9, 2022, 94 (testimony of Pankaj Bedi, United Aryan EPZ).

<sup>387</sup> USITC, hearing transcript, June 9, 2022, 113–114 (testimony of JC Mazingue, Cottonline).

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has no production of synthetic fibers or yarns.<sup>388</sup> Additionally, many texturing processes for yarns and fabrics require unique machinery and most SSA manufacturers do not have the capacity to make the various types of yarns and fabrics in demand from U.S. buyers. As such, access to apparel inputs from sources outside SSA is paramount to SSA manufacturers' ability to meet buyer specifications.<sup>389</sup> Until the apparel industry reaches a threshold when regional textile investments are lucrative and of sufficient scale, the 3CF provision helps provide AGOA beneficiary apparel producers access to all necessary fabrics.<sup>390</sup>

## Examples of Regional Integration in the SSA Industry

### Madagascar and Mauritius

Despite the challenges outlined above, regional integration in the SSA apparel value chain has been successful in certain instances. Madagascar and Mauritius are an example of effective integration across the textile and apparel sectors. The two countries have a close relationship and often collaborate to strengthen and grow their subregional apparel value chain. Many customers view the subregion as a singular stop, allowing firms to attract more customers.<sup>391</sup> At least seven Mauritian apparel companies have invested in the apparel facilities in Madagascar, and the Mauritian-owned facilities contribute about half the apparel products exported from Madagascar to the United States under AGOA.<sup>392</sup> Mauritius exports textiles, totaling more than \$127 million in yarns and fabrics to the world in 2021. Of those textile exports, more than half were cotton fabrics destined for the Malagasy apparel market in 2021.<sup>393</sup> Mauritius and Madagascar are establishing a new shipping line that will connect the two countries via a three-day voyage.<sup>394</sup> Additionally, the two countries reportedly plan to collaborate on sourcing promotion by sharing a booth at future trade shows to market a subregional sourcing approach to potential buyers.<sup>395</sup>

Malagasy firm Groupe Socota (Socota) and Mauritian firm CIEL merged their weaving facilities on the Malagasy Socota site to form the largest weaving mill in SSA in 2021. By the end of 2022, Cotona, the resulting company, had the capacity to produce 1.5 million meters of fabric per month. The strategic move accomplished multiple goals. First, CIEL already had three apparel factories in Madagascar. The move allowed their weaving operation to be closer to the garment production. Next, the merger allowed CIEL to take further advantage of Madagascar's lower costs. Socota was able to access key resources in the Mauritian textile industry, including technical expertise with capital intensive operations and specialty training. By merging fabric capacity, the two companies can benefit from economies of scale and provide a

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<sup>388</sup> Industry representative, interview by USITC staff, September 21, 2022. One industry representative noted a potential investment for the first synthetic yarn extrusion facility, but this project has not been realized. In addition, Mauritius is working to attract investment in a synthetic yarn operation. USITC, hearing transcript, June 9, 2022, 22–23 (testimony of Binesharee Napaul, Embassy of the Republic of Mauritius).

<sup>389</sup> USITC, hearing transcript, June 9, 2022, 90–92 (testimony of Urban Geiwald, Winds Group).

<sup>390</sup> Third-country fabric does not incentivize local sourcing for apparel inputs. However, regional integration increases supply chain transparency and speed-to-market, making local sourcing more attractive despite firms having access to inputs from anywhere. Chichester and Davis Pluess, *Women's Economic Empowerment in Sub-Saharan Africa*, March 2017, 8; World Bank, *Vertical and Regional Integration*, July 2007, 2.

<sup>391</sup> USITC, hearing transcript, June 9, 2022, 73–74 (testimony of JC Mazingue, Cottonline).

<sup>392</sup> MEXA, written submission to the USITC, 5, June 2022; USITC, hearing transcript, June 9, 2022, 53 (testimony of Arif Currimjee, Mauritius Export Association).

<sup>393</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, Mauritius exports, HS chapters 50–60, accessed September 22, 2022.

<sup>394</sup> Industry representative, interview by USITC staff, September 29, 2022.

<sup>395</sup> Industry representative, interview by USITC staff, September 29, 2022.

wider range of products and services to their customers, including dyeing, printing, and finishing the fabrics.<sup>396</sup> Finally, they were able to align their social and environmental compliance objectives with global standards.<sup>397</sup>

## East Africa

Examples of integration across the apparel value chain can be found within East Africa. Tanzania and Uganda, the largest cotton producers in the East African Community (EAC),<sup>398</sup> supply cotton lint to Kenya's textile manufacturers when local cotton production is insufficient to meet demand.<sup>399</sup> Tanzania has one large, vertically integrated textile company, Red Earth, that supplies fabric, thread, and elastic to clothing manufacturers in the region, including at least one major supplier to U.S. brands.<sup>400</sup> A vertically integrated facility in Uganda, Fine Spinners, supplies cotton yarns and fabrics to a Kenyan textile and apparel facility that is owned by the same parent company.<sup>401</sup> Kenya, which has one of the region's most developed apparel sectors, serves as a source of trimmings, such as zippers and buttons, for apparel producers in the region.<sup>402</sup> Kenyan investors are also found in the textile and apparel industries of Tanzania and Uganda, where labor costs are lower than in Kenya.<sup>403</sup>

## Southern Africa

Eswatini and South Africa have some integrated sectors of the apparel supply chain. The Swazi apparel industry has historical ties to South Africa, particularly because of the geographic proximity of the two countries. In the early years of AGOA, quota-constrained Taiwanese investors established apparel manufacturing in Eswatini to take advantage of duty-free and quota-free access under the program.<sup>404</sup> After 2005, when MFA quotas ended, an increasing number of South Africans invested in the industry and they have focused on apparel production for that market.<sup>405</sup> The closeness of the Swazi and South African industries provided stability to Eswatini when the country lost AGOA eligibility in 2015.<sup>406</sup> In addition to its relationship with Eswatini, South Africa sources from and supplies textiles to neighboring Lesotho.

## West Africa

Regional integration initiatives are underway in Benin and Togo, where the apparel industry was identified as a key sector, in large part due to Benin's large cotton sector. Much of Benin's cotton is exported unprocessed to other countries such as Vietnam and Bangladesh, to be used by value added industries.<sup>407</sup> Togo and Benin are located in West

<sup>396</sup> Industry representative, interview by USITC staff, September 29, 2022; pre-hearing submission, Jean-Claude Mazingue, Cottonline, 4.

<sup>397</sup> USITC, hearing transcript, June 9, 2022, 73 (testimony of JC Mazingue, Cottonline).

<sup>398</sup> The EAC partner states are the Democratic Republic of the Congo (DRC), Burundi, Kenya, Rwanda, South Sudan, Uganda, and Tanzania. EAC, "Overview of EAC," accessed August 11, 2022.

<sup>399</sup> Kenya's textile sector is small and mostly supplies production of made-up textiles and apparel for the local and regional markets. Industry representative, email to USITC staff, September 22, 2022; Government of Kenya, Ministry of Industry, Trade, and Cooperatives, *Kenya National AGOA Strategy*, 2018, 17; Bii, "Rivatex Benefits EAC Cotton Farmers on Kenya Shortage," June 21, 2022.

<sup>400</sup> Industry representatives, interviews by USITC staff, October 3–4, 2022.

<sup>401</sup> Industry representatives, interviews by USITC staff, October 3–4, 2022.

<sup>402</sup> Rift Valley Textiles (Rivatex) is a vertically integrated textile facility in Kenya that supplies local and regional apparel companies. However, none of these apparel producers export to the United States. USITC, hearing transcript, June 9, 2022, 166 (testimony of Urban Geiwald, Winds Group); industry representative, email to USITC staff, September 22, 2022.

<sup>403</sup> Msingi, *Sector Mapping - Textile and Apparel Industry*, 2020, 10.

<sup>404</sup> Pasquali and Godfrey, "Governance of Eswatini Apparel Regional Value Chains," 2022, 447–48.

<sup>405</sup> Mhlanga and Rankin, "Fixed Costs, Markups," 2021, 391–416.

<sup>406</sup> Proclamation No. 9145, 79 Fed. Reg. 37615 (July 1, 2014) (Eswatini, formerly Swaziland, loses benefits). See appendix E, AGOA Eligible Countries, for the complete list of countries' AGOA and apparel benefits eligibility.

<sup>407</sup> Industry representative, interview by USITC staff, September 28, 2022.

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Africa, giving them a geographical advantage over Asian and other African suppliers of apparel to the U.S. market. A shipment takes about 15–18 days to travel from the port in Lomé to the East Coast of the United States. From China or Bangladesh, lead times range from 40–50 days. In addition, Togo and Benin have competitive energy and labor costs, as well as new industries that allow for investments in new green processes and services.<sup>408</sup> Many brands have expressed interest in sourcing from greenfield<sup>409</sup> factories that have fewer legacy challenges posed by compliance and environmental impacts.<sup>410</sup>

Arise Integrated Industrial Platforms (Arise IIP) is an organization based in New Delhi, India, that designs, finances, builds, and operates industrial zones in Africa. The company identifies industrial gaps and uses economic zones to industrialize key sectors. Arise IIP has initiatives in Togo and Benin to fully integrate the apparel supply chain, from cotton fiber to finished garment. Some SSA countries have been successful integrating some sectors of the supply chain, but this would be the first fully integrated apparel supply chain in one economic zone.<sup>411</sup> Historically, Arise IIP works solely as zone manager. However, for the textiles and apparel sectors, Arise IIP created a wholly owned subsidiary, Africa Textile Manufacturing Services, which will operate five vertically integrated apparel lines between the zones in Togo and Benin.

Arise IIP's industrial park in Togo, Adétikopé Industrial Platform (PIA) has a planned capacity to transform all Togolese cotton (56,000 tons in 2021) into garments. In 2022, about 150 hectares of the industrial park's expected 400 hectares were completed. Togo is a nascent apparel industry with few apparel exports. It became an AGOA beneficiary in 2008 but did not receive apparel benefits until 2017.<sup>412</sup> The country's largest asset is its production of cotton. Africa Textile Manufacturing Services expects to have fully vertical operations in the zone. Investors, however, have the option to move in production of any part of the supply chain, including spinning, weaving, knitting, fabric processing, and apparel manufacturing. Arise IIP provides infrastructure and services, including factory sheds, land leases for manufacturers, solar energy, technical support, and trade facilitation through a single window clearance process. Arise IIP also offers dormitories for workers near the zone, a training institute (which trains workers 8–10 months in advance of factory production), and an on-site hospital. At full capacity, PIA expects to employ about 35,000 workers.

Another Arise IIP industrial park, Glo-Djigbé Industrial Zone (GDIZ) in Benin, is under construction. GDIZ will be more than four times larger than PIA, at 1,700 hectares. Construction is expected to take five–seven years until it is fully developed, when it is expected to reach significant employment levels and contribute to Benin's GDP.<sup>413</sup>

## Trade

### SSA Apparel Exports

In 2021, the top five SSA exporters of apparel were Madagascar, Kenya, Lesotho, Mauritius, and Ethiopia, accounting for about 91.8 percent of all SSA apparel exports (table 3.2). All five exporters were AGOA beneficiaries in 2021, though Madagascar and Ethiopia have not maintained beneficiary status through the entire duration of AGOA. Treated as if it

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<sup>408</sup> USFIA and Arise IIP, "Apparel Sourcing and Investment Opportunities," January 20, 2022.

<sup>409</sup> Greenfield projects indicate new construction, whereas brownfield projects involve existing facilities.

<sup>410</sup> One legacy challenge for apparel manufacturing is potential water pollution when wastewater flowing out from factories may carry toxic chemicals. Lu, "Understand West Africa as an Emerging Apparel Sourcing Hub," May 17, 2022; Warren, *Fashion Is Dyeing Africa's Water Blue*, August 19, 2021.

<sup>411</sup> Arise IIP, "About Arise IIP," accessed October 3, 2022; industry representative, interview by USITC staff, September 28, 2022.

<sup>412</sup> 82 Fed. Reg. 39940 (August 22, 2017) (Trade Representative finding Togo eligible for AGOA apparel benefits). See appendix E, AGOA Eligible Countries, for the complete list of countries' AGOA and apparel benefits eligibility.

<sup>413</sup> Industry representative, interview by USITC staff, September 28, 2022; GDIZ Benin, "Discover GDIZ," accessed January 9, 2023.



were a single country, the SSA region was the 33rd-largest global supplier of apparel in 2021.<sup>414</sup> Overall, both SSA and AGOA beneficiary exports of apparel to the world rose slightly between 2014 and 2021. However, exports by country rose and fell dramatically during the period. Between 2014 and 2021, apparel exports from Madagascar increased the most by value compared to other top exporters, rising from \$540 million to \$819 million (an increase of more than 50 percent). Ethiopia showed significant growth as well, with apparel exports increasing from \$59 million to \$335 million during 2014–21, an increase of approximately 470 percent. Apparel exports from Kenya and Lesotho also increased during the period, by 18 percent and 15 percent, respectively. Exports from Mauritius decreased during the same period, falling from \$818 million to \$423 million, which reflects the Mauritian industry’s shift to textiles and design.<sup>415</sup>

**Table 3.2** Exports of apparel from top sub-Saharan African exporters of apparel, by exporter, 2014–21

In millions of U.S. dollars; SSA=sub-Saharan Africa.

Exporter	2014	2015	2016	2017	2018	2019	2020	2021
Madagascar	540	553	641	718	825	833	669	819
Kenya	412	389	366	367	422	485	418	488
Lesotho	396	410	423	436	476	462	379	454
Mauritius	818	747	650	599	633	566	396	423
Ethiopia	59	59	77	107	166	293	324	335
South Africa	439	414	370	366	341	174	225	109
Tanzania	30	40	49	55	62	71	51	45
Ghana	6	10	9	11	16	19	12	21
All other AGOA beneficiaries	49	50	46	42	51	42	31	35
Subtotal, AGOA beneficiaries	2,399	2,809	2,787	2,893	3,194	3,145	2,669	2,954
All other SSA exporters	550	12	10	14	21	20	19	55
All SSA exporters	2,949	2,821	2,798	2,907	3,214	3,165	2,688	3,009

Source: S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed January 9, 2023.

Note: All listed countries were AGOA beneficiaries during the period shown, except for Madagascar, which regained beneficiary status in July 2014. The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1. Many SSA countries do not reliably report export data in the Global Trade Atlas (GTA) database. Therefore, the data shown for SSA exports in this table have been constructed using all reporting countries’ imports from SSA countries in the GTA database (mirror constructed export statistics data).

The largest destination markets for SSA apparel are the United States, the European Union (EU), and other SSA countries (figure 3.4). Some countries produce primarily apparel for export to the United States. For example, Kenya exports almost all its apparel to the United States, supported by the AGOA program and the close bilateral trade relationship during the past few years, particularly during the Trump and Biden Administrations.<sup>416</sup> The country is the second-largest SSA apparel exporter but is the largest SSA apparel supplier to the United States. In terms of quality and order size, Kenyan apparel companies are better aligned with the U.S. market than with those in Europe.<sup>417</sup> In contrast, Madagascar and Mauritius have strong trade relationships with European trading partners, including France, Germany, and the United Kingdom (UK).

<sup>414</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed December 1, 2022.

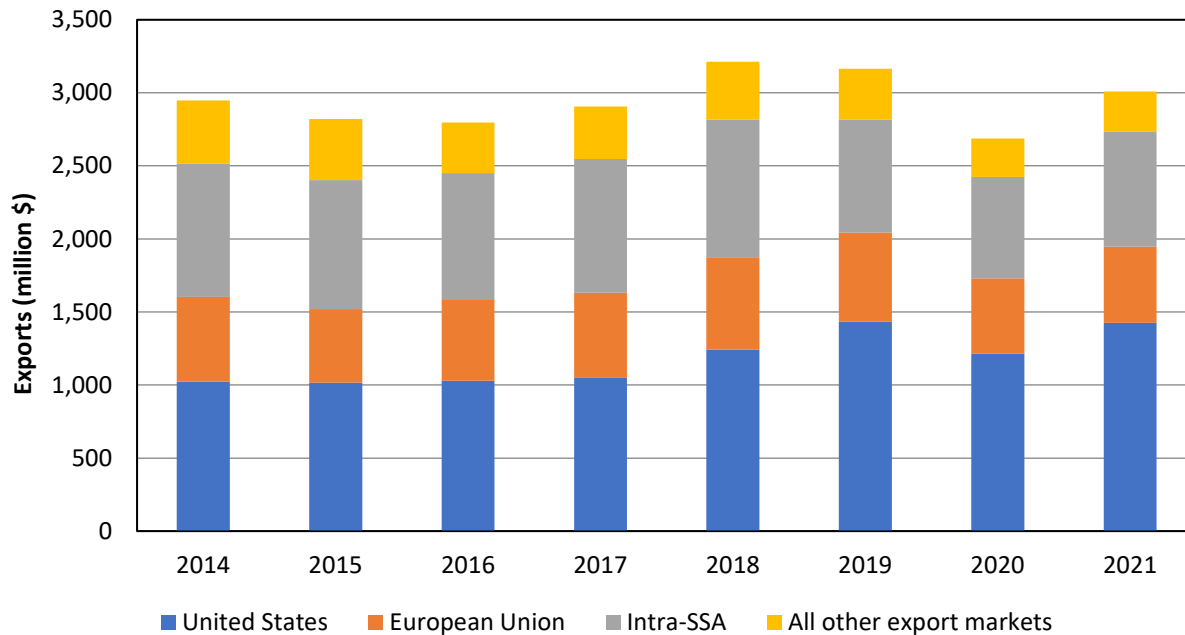
<sup>415</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed October 6, 2022.

<sup>416</sup> Williams and Blanchard, “U.S.-Kenya FTA Negotiations,” May 27, 2022.

<sup>417</sup> In general, fashion tastes across Europe vary more than tastes across the United States; the effect is multiple small markets, with associated logistical challenges, as opposed to the larger, more homogenous U.S. market. Berg et al., *Sourcing in a Volatile World*, April 2015, 14.

**Figure 3.4** Sub-Saharan African exports of apparel, by destination, 2014–21

In millions of U.S. dollars; SSA=sub-Saharan Africa. Underlying data for this figure can be found in appendix F, table F.7.



Source: S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed January 7, 2023.

Note: Many SSA countries do not reliably report export data. Therefore, SSA exports are represented by global imports from SSA countries (mirror data). The following countries comprise the European Union: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.

Among SSA countries, South Africa is the largest destination market for SSA apparel-producing countries. In 2021, nearly 40 percent of Mauritian apparel was exported to South Africa. SSA countries grew as a share of total apparel supplied to South Africa during the period. Eswatini, Mauritius, Lesotho, and Madagascar—four of the five largest suppliers of apparel to the South African market—rose from supplying 25 percent of South African apparel in 2014 to 34 percent in 2021.<sup>418</sup> In addition, South Africa’s largest export destinations for apparel are all regional trading partners. Namibia, Botswana, Lesotho, Eswatini, and Zambia are the largest markets, together accounting for 80 percent of total South African apparel exports.<sup>419</sup>

Global political and economic shocks and trade policies have had impacts on the flow of apparel from AGOA beneficiaries to the world, including the United States. The following section covers U.S. and global policies and events that directly and indirectly impacted U.S. imports of apparel from AGOA beneficiaries.

## U.S. Imports of Apparel from AGOA Beneficiaries

### Background

On May 18, 2000, when AGOA was signed into law, the U.S. market for imported apparel was regulated by the World Trade Organization’s (WTO’s) Agreement on Textiles and Clothing (ATC), which allowed quotas negotiated under the

<sup>418</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed September 18, 2022.

<sup>419</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed September 18, 2022.

Multifiber Arrangement (MFA) to remain in place through 2004.<sup>420</sup> Therefore, importing countries could use absolute quotas<sup>421</sup> to restrict imports of most cotton, manmade fiber, wool, and non-cotton vegetable fiber textile and apparel goods.<sup>422</sup> One of AGOA's immediate apparel benefits upon implementation was the elimination of any of these existing quota limits for AGOA beneficiaries, at a time when many global suppliers remained subject to them.<sup>423</sup> Because AGOA gave beneficiaries quota-free access to the U.S. apparel market starting in 2001, the region had a distinct advantage over countries subject to quotas until January 1, 2005, when apparel trade among WTO members also became quota free.<sup>424</sup> Quota-constrained apparel manufacturers could increase their production for export to the United States, without quantity limitations, by establishing factories in AGOA apparel beneficiaries. The surge in investment into AGOA beneficiary countries may not have been as great if the program had not offered the quota-free benefits. Many currently active apparel firms in SSA countries established production in SSA in direct response to the quota-free advantages offered under AGOA.<sup>425</sup>

AGOA's duty-free advantage was a tangible competitive advantage for AGOA suppliers and an incentive to support nascent or developing apparel industries in those countries. Normal tariff relations (NTR) tariffs on items imported under Harmonized Tariff Schedule (HTS) chapters 61 and 62 (apparel) are as high as 32 percent. Since 2000, the United States has implemented numerous free trade agreements (FTAs) and trade preference programs that offer duty-free

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<sup>420</sup> The MFA was a framework for bilateral agreements or unilateral actions that established quotas on imports of textiles, limiting such imports into countries whose domestic industries were facing serious damage from rapidly increasing imports. The MFA existed from 1974 to 1994. The Uruguay Round's ATC was the WTO's transition mechanism for integrating textiles and apparel into normal trade rules. In addition to a four-stage phaseout of existing bilateral quotas (1994, 1998, 2001, and 2004), the ATC included provisions for accelerated growth-on-growth for remaining quotas and established a Textiles Monitoring Body (TMB) dispute settlement mechanism specific to textile and apparel safeguard actions (i.e., the re-imposition of quota limits if imports surged). WTO, "Understanding the WTO - Textiles," accessed September 22, 2022.

<sup>421</sup> Absolute quotas limit the quantity of imports of a specific good for a designated period. Once a quota closed, additional goods could be re-exported or warehoused until the new quota period began (usually January 1). Bilateral textile agreements generally lasted three years and set calendar year limits on specific categories of textile and apparel goods. CBP, "Quota Administration," accessed January 4, 2023; WTO, "Understanding the WTO - Textiles," accessed September 22, 2022.

<sup>422</sup> WTO, "Trade Topics - Textiles Monitoring Body (TMB)," accessed December 3, 2022.

<sup>423</sup> At the time AGOA was implemented, Kenya and Mauritius were the only SSA countries subject to quota limits pursuant to quotas imposed under the WTO ATC and AGOA directed that their quotas be eliminated once they had established a visa system to prevent transshipment. 19 U.S.C. § 3721(d); 66 Fed. Reg. 7836 (January 25, 2001) (announcing establishment of visa system in Kenya and elimination of quota); 66 Fed. Reg. 8440 (January 31, 2001) (announcing establishment of visa system in Mauritius and elimination of quota). Lesotho was not subject to quota limits but had a pre-existing textile visa arrangement with the United States, and the governments of Lesotho and the United States agreed to replace this visa arrangement with a new visa system developed under AGOA. 66 Fed. Reg. 21192 (April 27, 2001) (announcing creation of new visa system in Lesotho and eligibility for AGOA apparel benefits); 66 Fed. Reg. 34914 (July 2, 2001) (canceling pre-existing visa system).

<sup>424</sup> After 2004, bilateral textile agreements and absolute quota limits could continue to regulate U.S. apparel imports from non-WTO members such as Vietnam until those countries formally joined the WTO. WTO, "Trade Topics - Textiles Monitoring Body (TMB)," accessed December 3, 2022; Knappe, *Before and After the Quota Phase-Out*, 2004, 3.

<sup>425</sup> For example, one of the largest apparel manufacturers in Lesotho began production in 2001 to take advantage of the quota-free benefits. Industry representatives, interviews by USITC staff, Lesotho, October 27, 2022; Morris, Plank, and Staritz, "Regionalism, End Markets and Ownership Matter," July 2016, 10–11.

access for apparel.<sup>426</sup> AGOA apparel beneficiaries are competitive with other apparel-producing countries largely because of duty-free access to the U.S. market and the liberal ROOs under the program (see chapter 1).<sup>427</sup>

## Trade Shocks and Trends

AGOA has led to an increase in U.S. apparel imports from the region. U.S. apparel imports from AGOA beneficiaries have fluctuated but increased overall by 51.8 percent from \$939 million in 2001 to \$1.4 billion in 2021. Initially, imports from AGOA beneficiaries increased from \$939 million in 2001 to \$1.8 billion in 2004, before decreasing between 2004 and 2010, primarily because of the ending of the MFA (2005) and subsequent removal of China safeguard quotas (2008) (figure 3.5).<sup>428</sup>

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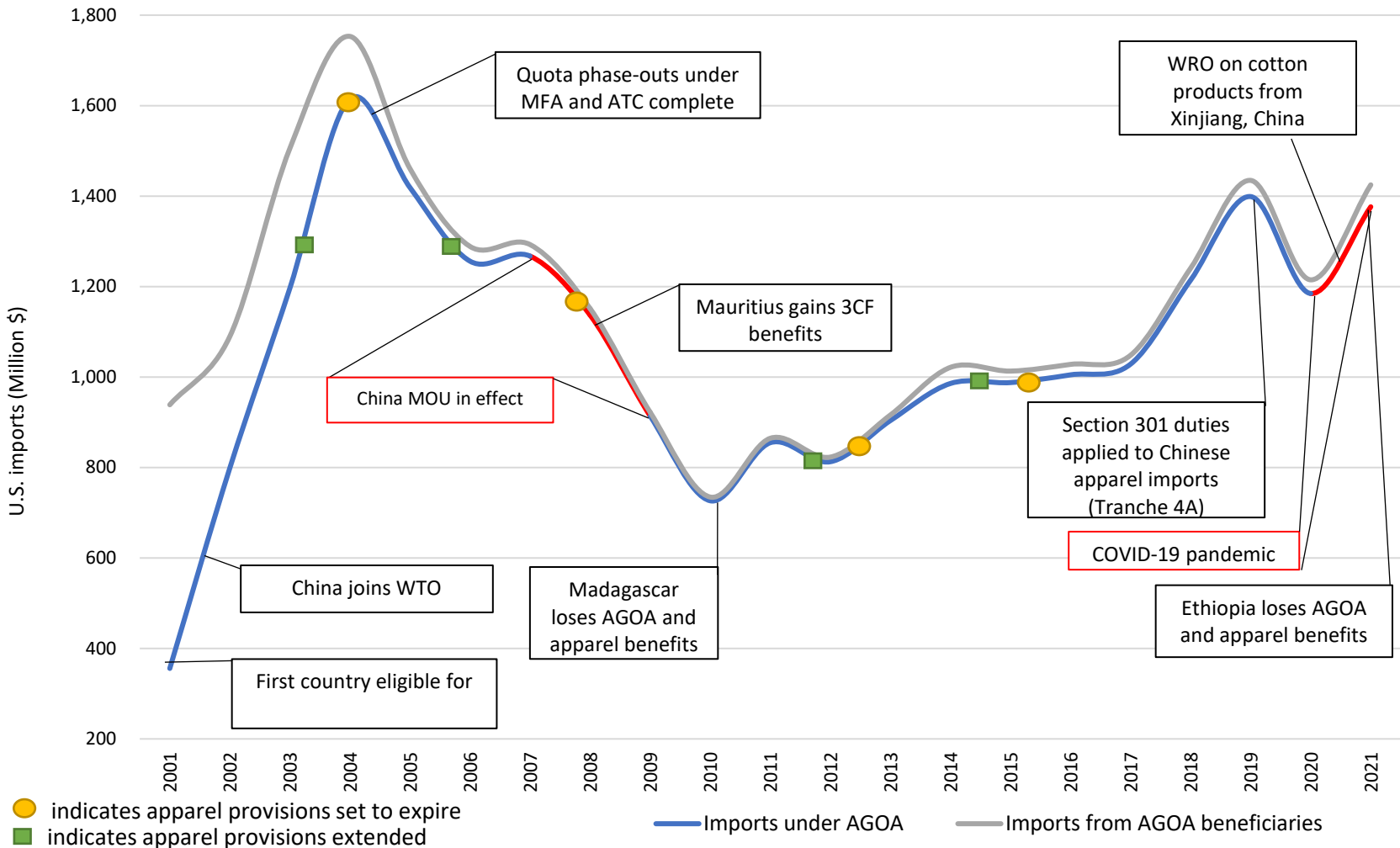
<sup>426</sup> At the time AGOA was implemented, the only trading partner other than the Caribbean Basin Trade Partnership Act (CBTPA) countries with duty-free access to the U.S. market for apparel was Israel under the U.S.-Israel FTA. Although CBTPA and the U.S.-Israel FTA offer duty-free access, neither contains a third-country fabric rule similar to AGOA. The Haiti Hemispheric Opportunity Through Partnership Encouragement Act (HOPE II) of 2008 provided certain benefits for Haiti, which include permitting imports of certain knit apparel using yarns and fabrics of any country; these imports are subject to a quantitative limits. The North American Free Trade Agreement (NAFTA) with Mexico and Canada was implemented in 1994, but nearly all apparel would not be duty free until January 1, 2005 (duty-free treatment continued with USMCA). 19 U.S.C. § 2703(b) (CBTPA apparel benefits); Food, Conservation and Energy Act of 2008, Pub. L. No. 110–246, § 15402 (HOPE II benefits); 19 U.S.C. § 2112 (U.S.-Israel FTA apparel benefits); Pub. L. No. 103-182, 107 Stat. 2057 (1993) (codified at 19 U.S.C. § 3311(a)(1)–(2)); DOC, ITA, “North American Free Trade Agreement (NAFTA),” accessed February 3, 2023; USDOC, ITA, “Summary of USMCA FTA Textiles,” July 1, 2020.

<sup>427</sup> USITC, hearing transcript, 37–38 (testimony of Robert Ng’ong’a, Embassy of the Republic of Kenya); industry representative, interview by USITC staff, September 8, 2022; industry representative, interview by USITC staff, Kenya, October 3, 2022; industry representatives, interviews by USITC staff, October 3–4, 2022.

<sup>428</sup> At the time of AGOA’s implementation, neither China nor Vietnam, currently the two largest U.S. suppliers of apparel, were members of the WTO. Although China joined the WTO on December 11, 2001, its accession agreement included a textile safeguard mechanism. This mechanism permitted an importing WTO member country to re-establish an absolute quota limit on specific textile or apparel goods from China in the event of a surge in imports when the MFA quota was eliminated. In 2005, after the elimination of China’s quotas under the MFA, the United States took a handful of separate safeguard actions against specific garment categories from China, resulting in the voluntary negotiation of a more comprehensive safeguard memorandum of understanding (MOU) between the United States and China (referred to as the “China MOU”). The China MOU re-established bilateral absolute quotas on a handful of Chinese apparel products for three years, from 2006 to 2008. These safeguard quotas on China expired on December 31, 2008. Jones, *Safeguards on Textile and Apparel*, June 30, 2006; WTO News, “WTO Successfully Concludes Negotiations,” September 17, 2001.

**Figure 3.5 U.S. imports for consumption of apparel claiming AGOA preferences, 2001–21**

MFA = Multifiber Arrangement; ATC = Agreement on Textiles and Clothing; 3CF = third-country fabric; WRO = withhold release order; WTO = World Trade Organization; MOU = memorandum of understanding. Underlying data for this figure can be found in appendix F, table F.8.



Source: Compiled by USITC using USITC DataWeb/Census, HS chapter 61 and 62, accessed October 4, 2022; 66 Fed. Reg. 7836 (January 5, 2001) (Kenya); WTO News, “WTO Successfully Concludes,” September 17, 2001; Pub. L. No. 106-200, § 112(b)(3)(B)(i), 114 Stat. 259 (2000) (3CF set to expire September 30, 2004); Pub. L. No. 108-274, § 7(b), 118 Stat. 824 (2004) (3CF extended to September 30, 2007); Pub. L. No. 109-432, § 6002, 120 Stat. 3190 (2006) (3CF extended to September 30, 2012); Pub. L. No. 112-163, § 1, 126 Stat. 1274 (2012) (3CF extended to September 30, 2015); Pub. L. No. 114-27, § 103, 129 Stat. 364 (2015) (3CF extended to September 30, 2025); Jones, Safeguards on Textile and Apparel, June 30, 2006; Proclamation No. 8468, 74 Fed. Reg. 69229 (December 30, 2009) (Madagascar loss of benefits); Proclamation No. 8323, 73 Fed. Reg. 72679 (November 28, 2008) (Mauritius gains 3CF provision); CBP, “CBP Issues Withhold Release Order,” January 13, 2022; Pub. L. No. 117-78, § 3, 135 Stat. 1529 (2021); CDC, “CDC COVID-19 Museum Timeline,” August 16, 2022; Proclamation No. 10326, 86 Fed. Reg. 73593 (December 28, 2021) (Ethiopia loss of benefits). The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1.

From 2011 through 2021, import levels fluctuated in response to multiple factors, including global market shocks and uncertainty about the renewal of AGOA and 3CF provisions.<sup>429</sup> Despite the challenges faced by AGOA apparel exporters, AGOA beneficiaries' share of the U.S. apparel market consistently ranged from 1 to 2 percent during the past two decades.<sup>430</sup> Compared to the top U.S. apparel suppliers in 2021—China, Vietnam, and Bangladesh—AGOA beneficiaries accounted for a small share; as a region, it was the 21st-largest supplier of U.S. apparel imports.<sup>431</sup>

### MFA

The impact of MFA quotas being eliminated for AGOA beneficiaries as of 2001 but then subsequently being eliminated in 2005 for other apparel-producing countries caused a steep rise followed by a sharp decline of U.S. apparel imports from AGOA beneficiaries during 2001 to 2009. Imports from AGOA beneficiaries grew rapidly from \$696 million to \$1.8 billion between 2000 and 2004. This was due in large part to significant investment in the African apparel manufacturing sector from Asian investors that were subject to quota limits on U.S. imports of apparel produced in their own countries.<sup>432</sup> Many U.S. brands and retailers began placing orders from manufacturers in the AGOA region.<sup>433</sup> U.S. imports from the region peaked in 2004, leading up to the end of the quota system. Despite the duty-free benefits available under AGOA, once quotas were eliminated, many companies returned to sourcing from other apparel-producing countries. U.S. imports from AGOA beneficiaries declined between 2004 and 2010, falling from an all-time high of \$1.8 billion in 2004 to near pre-AGOA levels of \$735 million in 2010. This represented a decline of more than 50 percent. This decline was accelerated by the global financial crisis of 2008, which impacted global trade in apparel throughout 2008–10. During this time, China continued to grow as the leading supplier of U.S. apparel, despite U.S. efforts through safeguard mechanisms to limit China's impact on the U.S. apparel market.<sup>434</sup>

### Global Shocks

Certain global market shocks impacted U.S. apparel imports from AGOA beneficiaries after 2010. Apparel exports from AGOA beneficiaries to the United States began to rebound in 2011, as the U.S. market recovered from the global financial crisis. By 2014, AGOA beneficiaries' exports of apparel to the United States had increased to \$1 billion, or 18.1 percent growth from 2011 levels.<sup>435</sup> Imports from AGOA beneficiaries continued to rise between 2015 and 2021, increasing by about 40 percent after the 2015 extension of AGOA. In addition to the extension of AGOA, a variety of factors have contributed to this growth over the last seven years. For example, additional duties on imports from China under

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<sup>429</sup> Industry representatives, interviews by USITC staff, Kenya, October 3, 2022, and October 4, 2022; Ryberg, written submission to the USITC, June 9, 2022; USITC DataWeb/Census, HS chapters 61 and 61, accessed July 7, 2022.

<sup>430</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022, and November 23, 2022.

<sup>431</sup> This ranking compares combined U.S. imports from all SSA countries to U.S. imports from individual countries. S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed December 1, 2022; USITC DataWeb/Census, HS chapters 61 and 62, accessed December 1, 2022.

<sup>432</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022, and November 23, 2022; USITC, hearing transcript, June 9, 2022, 82–83 (testimony of Paul Ryberg, ACT).

<sup>433</sup> Industry representative, interview by USITC staff, Lesotho, October 27, 2022; USITC, hearing transcript, June 9, 2022, 332 (testimony of Julia Hughes, USFIA).

<sup>434</sup> Jones, *Safeguards on Textile and Apparel Imports from China*, June 30, 2006.

<sup>435</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

section 301 began in 2018. In addition, the rebuttable presumption that articles, including apparel and textiles, from China’s Xinjiang Uyghur Autonomous Region are made with forced labor and prohibited from importation into the United States was created in 2021. Together, these make Chinese apparel less competitive relative to other suppliers in the global market.<sup>436</sup>

As brands reevaluate sourcing strategies, AGOA offers duty savings that play a role in AGOA-eligible countries’ ability to compete in the market. Recent growth in U.S. imports from AGOA beneficiaries is attributable to firms prioritizing a diverse sourcing portfolio to avoid risk exposure.<sup>437</sup> Overall U.S. imports of apparel from AGOA beneficiaries rose from 2015 to 2021; imports dipped in 2020 because of COVID-19 pandemic-related supply chain issues.<sup>438</sup> In line with global apparel trade, U.S. imports from AGOA beneficiaries fell from \$1.4 billion to \$1.2 billion between 2019 and 2020. However, in 2021, imports approached pre-pandemic levels, with imports from some countries reaching 20-year highs.<sup>439</sup>

## Uncertainty of Renewals

Despite the growth in U.S. imports between 2010 and 2014, the uncertainty about AGOA and apparel provision renewals slowed growth in apparel trade from AGOA beneficiaries, most notably in 2012. For example, the 3CF provision was set to expire four times, annually on September 30, 2004, 2007, 2012, and 2015 (see figure 3.5). In each case, the extension was granted within two to nine months of the expiration date. Apparel companies typically make sourcing decisions 12–18 months in advance, which indicates a long period of uncertainty about whether orders using third-country fabrics would be eligible for duty-free entry to the United States.<sup>440</sup>

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<sup>436</sup> In 2018, the Trade Representative found that China’s practices concerning forced transfers of technology and intellectual property constituted discriminatory trade practices in violation of section 301 of the Trade Act of 1974, and duties were subsequently levied on imports from China in several tranches. USTR, “Findings of the Investigation into China’s Acts,” March 22, 2018. In 2021, the Uyghur Forced Labor Prevention Act created a rebuttable presumption that imports from the Xinjiang Uyghur Autonomous Region in China were made with forced labor and prohibited importation into the United States under Section 307 of the Tariff Act of 1930. Pub. L. No. 117-78, § 3, 135 Stat. 1529 (2021).

<sup>437</sup> Lu, *2022 Fashion Industry Benchmarking Study*, July 2022, 22-24; industry representatives, interviews by USITC staff, Kenya, October 3–4, 2022; CBP, “CBP Issues Withhold Release Order,” January 13, 2021; The Children’s Place, written submission to the USITC, June 9, 2022, 10; Winds Group, written submission to the USITC, May 24, 2022; USITC, hearing transcript, June 9, 2022, 77 (testimony of Urban Geiwald, Winds Group).

<sup>438</sup> USITC DataWeb/Census, HTS chapters 61 and 62, accessed July 7, 2022; industry representatives, interviews by USITC staff, Kenya, October 3, 2022.

<sup>439</sup> USITC DataWeb/Census, HTS chapters 61 and 62, accessed July 7, 2022.

<sup>440</sup> The 3CF provision has frequently operated with a separate expiration from the rest of the AGOA program, and the provision’s extension has often occurred just weeks before expiration. At its outset in 2000, the 3CF provision was set to expire on September 30, 2004, although AGOA did not expire until 2008. Pub. L. No. 106-200 § 112(b)(3)(B)(i), 114 Stat. 259 (2000). An amendment extended the 3CF provision to September 30, 2007, and went into effect on July 13, 2004, about 10 weeks before the original provision was set to expire. Pub. L. No. 108-274, § 7(b)(2)(B), 118 Stat. 824 (2004). The next amendment extended the 3CF provision until September 30, 2012 and went into effect on December 20, 2006. Pub. L. No. 109-432 § 6002(a)(3), 120 Stat. 3190 (2006). Finally, 6 weeks before the 2012 expiration, the 3CF provision was extended again until September 30, 2015, but this time the expiration was aligned with the rest of AGOA program. Pub. L. No. 112-163 § 1(a)(1), 126 Stat. 1274 (2012). Similarly in 2015, the 3CF provision was extended to the same date as the rest of AGOA, September 30, 2025. Pub. L. No. 114-27, § 103(b), 129 Stat. 364 (2015); USITC, hearing transcript, 82–83 (testimony of Paul Ryberg, ACT).

Without the assurance of the 3CF provision, many U.S. apparel companies that sourced from AGOA beneficiaries reported that they held back orders from the region.<sup>441</sup> The impact of this uncertainty appears most direct in 2012, when imports from AGOA beneficiaries fell by 4.8 percent between 2011 and 2012. Then, following the three-year extension of the 3CF provision, imports from AGOA beneficiaries from 2012 to 2013 rose by 11.3 percent.<sup>442</sup> The current 3CF provision will expire on September 30, 2025. The apparel industries in AGOA beneficiary countries and the United States have advocated for longer expiration dates and earlier renewals to minimize disruption due to uncertainty.<sup>443</sup>

## Imports from Top AGOA Beneficiary Suppliers

Tables 3.3 and 3.4 below show U.S. apparel imports from the top AGOA beneficiary apparel suppliers. In 2000, before AGOA was implemented, Mauritius was the leading SSA supplier, followed by South Africa and Lesotho. In 2021, the top SSA supplier was Kenya, followed by Lesotho and Madagascar.

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<sup>441</sup> Ryberg, written submission to the USITC, June 9, 2022.

<sup>442</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>443</sup> Industry representatives, interviews by USITC staff, Kenya, October 3, 2022.



**Table 3.3** U.S. imports for consumption of apparel from top AGOA beneficiary suppliers, by source, 2000–10

In millions of U.S. dollars; \*\* = rounds to zero; SSA=sub-Saharan Africa; ^ = not an AGOA beneficiary in specified years.

Source	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Kenya	44	64	126	188	277	270	263	249	247	195	202
Lesotho	140	217	321	392	456	391	387	383	340	278	281
Madagascar	110	178	89	196	323	277	238	290	279	212	55^
Ethiopia	**	**	1	2	3	4	5	5	10	7	7
Mauritius	245	238	254	269	226	167	119	115	101	101	119
Tanzania	**	**	**	1	3	3	3	3	2	1	2
Ghana	**	**	**	4	7	5	10	8	1	**	1
South Africa	141	173	181	232	141	67	47	24	18	11	6
Eswatini	32^	48	89	140	179	161	135	135	125	94	93
All other AGOA beneficiaries	17	19	27	81	137	117	83	82	30	23	23
All AGOA beneficiary sources	696	939	1,090	1,506	1,753	1,461	1,289	1,293	1,151	922	735
All other SSA sources	19	15	8	5	4	3	2	1	**	**	1
All SSA sources	747	953	1,098	1,510	1,757	1,464	1,291	1,294	1,151	922	790
All other sources	58,345	57,519	57,529	61,317	65,000	69,254	72,022	74,193	71,858	63,301	71,501
All sources	59,092	58,472	58,627	62,828	66,757	70,718	73,313	75,487	73,010	64,224	72,291

Source: USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7 and November 23, 2022.

Note: The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1.

**Table 3.4** U.S. imports for consumption of apparel from top AGOA beneficiary suppliers, by source, 2011–21

In millions of U.S. dollars; \*\* = rounds to zero; SSA=sub-Saharan Africa. ^=not an AGOA beneficiary in specified years.

Source	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Kenya	261	254	309	379	368	341	339	392	454	385	449
Lesotho	315	301	321	290	300	296	290	321	303	258	294
Madagascar	40^	43^	21^	20	51	104	160	199	245	200	283
Ethiopia	10	10	10	12	18	33	53	112	210	222	259
Mauritius	157	163	191	223	215	196	146	147	140	88	73
Tanzania	5	8	10	17	27	37	41	42	52	40	32
Ghana	2	3	3	4	9	6	8	14	17	10	20
South Africa	7	6	6	6	8	7	6	8	10	8	11
Eswatini	77	60	50	55	3^	1^	**^	1^	**	2	3
All other AGOA beneficiaries	31	18	16	15	16	8	5	7	4	3	2
All AGOA beneficiary sources	865	823	916	1,021	1,013	1,028	1,048	1,241	1,435	1,215	1,425
All other SSA sources	**	**	**	**	**	**	**	**	**	**	**
All SSA sources	905	866	938	1,022	1,016	1,029	1,049	1,241	1,435	1,215	1,425
All other sources	77,762	76,807	79,477	81,641	84,491	79,529	79,501	83,710	84,524	68,036	82,191
All sources	78,667	77,672	80,415	82,663	85,507	80,558	80,550	84,951	85,959	69,251	83,616

Source: USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7 and November 23, 2022.

Note: Madagascar regained beneficiary status in July 2014. The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1.

## African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights

U.S. imports from six of the top nine AGOA beneficiary apparel suppliers to the United States have increased over the life of AGOA. In the years leading up to AGOA, Ethiopia, Tanzania, and Ghana did not export significant amounts of apparel to the United States, but U.S. imports from these three countries increased between 2001 and 2021. Ethiopia, in particular, has demonstrated significant growth during the period, largely as a result of targeted, collaborative efforts between the public and private sectors to support and promote the export-oriented apparel sector.<sup>444</sup> Its recent loss of benefits is expected to negatively impact exports to the United States in 2023.<sup>445</sup> Kenya and Lesotho were exporting apparel to the United States in 2000, and both countries have increased their exports under the program. Madagascar also had an apparel industry that exported to the United States before AGOA, but its progress was interrupted by a loss of AGOA benefits in 2010. U.S. imports of apparel from Madagascar rose steadily after the country regained eligibility but have not yet exceeded past peaks reached in 2004 and 2007.<sup>446</sup> For these six countries, the United States is the largest destination market for their apparel exports.<sup>447</sup>

U.S. imports of apparel from Mauritius and South Africa, the top two AGOA beneficiary suppliers of apparel to the U.S. market in 2000, have decreased since implementation of AGOA.<sup>448</sup> As discussed above, for Mauritius, the decline is largely due to the increases in the costs of production and shipping apparel.<sup>449</sup> Mauritian exports to the United States were declining leading up to 2010, but imports rose again when neighboring Madagascar lost AGOA eligibility in 2010, shifting production from Madagascar to Mauritius. Once Madagascar regained eligibility at the end of 2014, production shifted back and U.S. imports from Mauritius began to fall again.<sup>450</sup> In addition, Mauritius struggles with the costs of trade promotion, marketing, and gaining information about the U.S. market.<sup>451</sup> South Africa's shift away from the United States market was primarily due to its relative competitive disadvantage compared to other AGOA beneficiaries that were eligible for the 3CF provision, for which South Africa is not eligible.<sup>452</sup>

U.S. apparel imports from Eswatini also fell between 2000 and 2021, after quickly reaching a peak in 2004.<sup>453</sup> Eswatini started as a smaller supplier to the United States than Mauritius and South Africa, and its apparel industry grew quickly under AGOA. U.S. imports from Eswatini began to decline after MFA

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<sup>444</sup> The Embassy of Ethiopia in Brussels, "Ethiopia: The Next Hub for Apparel," January 29, 2018, 2–3.

<sup>445</sup> 66 Fed. Reg. 41648 (August 8, 2021) (Ethiopia gains apparel benefits); Proclamation No. 10326, 86 Fed. Reg. 73593 (December 28, 2021) (Ethiopia loss of benefits). The latest trade data do not reflect Ethiopia's loss of benefits because apparel orders are placed 12–18 months in advance. Husband, "'Massive Job Losses' for Garment Workers at Hawassa," July 22, 2022.

<sup>446</sup> 74 Fed. Reg. 69229 (December 23, 2009) (Madagascar loss of benefits); USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>447</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed various dates.

<sup>448</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>449</sup> Just Style, "Mauritius Clothing Sector at a Crossroads," November 1, 2017; USITC, hearing transcript, June 9, 2022, 22 (testimony of Bineshwaree Napaul, Embassy of the Republic of Mauritius).

<sup>450</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>451</sup> Just Style, "Mauritius Clothing Sector at a Crossroads," November 1, 2017; USITC, hearing transcript, June 9, 2022, 22 (testimony of Bineshwaree Napaul, Embassy of the Republic of Mauritius).

<sup>452</sup> See appendix E for complete list of country eligibility.

<sup>453</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

quotas were lifted, and they never returned to 2004 levels.<sup>454</sup> Nonetheless, the United States continued to be a large destination market for Eswatini apparel until the country lost AGOA eligibility in 2015.<sup>455</sup> Although benefits were reinstated in 2018, exports to the United States have remained low.<sup>456</sup>

## Apparel Provision Usage

**Table 3.5** U.S. imports for consumption of apparel from AGOA beneficiary countries, by import preference program and duty rate status, 2014–21

In millions of U.S. dollars; NTR = normal trade relations; GSP = U.S. Generalized System of Preferences; \*\* = rounds to zero.

Program and duty status	2014	2015	2016	2017	2018	2019	2020	2021
AGOA	986	988	1,005	1,029	1,214	1,399	1,185	1,376
GSP	**	**	**	**	**	**	**	**
All preference programs	986	988	1,005	1,029	1,214	1,399	1,185	1,376
NTR: Dutiable	36	25	23	20	26	36	30	48
NTR: Duty free	**	**	**	**	**	**	1	**
NTR	36	25	23	20	26	36	30	49
Total U.S. imports	1,021	1,013	1,028	1,048	1,241	1,435	1,215	1,425

Source: USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

Note: A small number of apparel items are eligible for GSP, but most chapter 61 and 62 products are not eligible under the program. The list of AGOA beneficiary countries is unique for each year, see Appendix E, table E.1.

Use of the apparel provisions has been high since 2004, when about 92.1 percent of U.S. apparel imports from AGOA beneficiaries entered under AGOA. Between 2014 and 2021, more than 96 percent of U.S. apparel imports from AGOA apparel beneficiaries entered under the program.<sup>457</sup> Multiple factors contribute to the high rate of use. Tariffs on U.S. imports of chapter 61 and 62 items are as much as 32 percent, giving AGOA beneficiaries incentive to use the program. Use is feasible in part because of the fabric-sourcing flexibility of AGOA's liberal apparel provisions, in particular the third-country fabric provision for which most apparel-producing AGOA beneficiaries are eligible. Moreover, no other preference program is available to SSA apparel producers exporting to the United States.<sup>458</sup>

## Relationship between ROOs and Imports from AGOA Beneficiaries

AGOA ROOs for the textile and apparel provisions govern the origin of apparel inputs and the location of the processing, regardless of the value the input adds to the overall garment.<sup>459</sup> All 12 AGOA textile and apparel provisions (discussed in AGOA Duty-free Products Not Eligible for GSP section of chapter 1 and listed in table 3.6) require that the products be sewn or assembled in an AGOA beneficiary country. All the AGOA textile and apparel provisions also have additional ROOs. For the folklore provision (HTS 9819.11.27), the ROOs are country specific and require an AGOA beneficiary be approved to export

<sup>454</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022; Morris, Plank, and Staritz, "Regionalism, End Markets and Ownership Matter," July 2016, 5–8.

<sup>455</sup> Proclamation No. 9145, 79 Fed. Reg. 37615 (July 1, 2014) (Eswatini, formerly Swaziland, loses benefits); Proclamation No. 9687, 82 Fed. Reg. 61413 (December 27, 2017) (Eswatini regains AGOA eligibility); USITC, hearing transcript, June 9, 2022, 83–84 (testimony of Stephen Lande, Center on Inclusive Trade and Development).

<sup>456</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed December 5, 2022; Ryberg, written submission to the USITC, June 9, 2022.

<sup>457</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>458</sup> *Harmonized Tariff Schedule of the United States, 2022*, chapters 61, 62, and 98.

<sup>459</sup> 19 U.S.C. § 3721(b).

under this provision.<sup>460</sup> For five textile and apparel provisions, the AGOA ROOs do not restrict the origin of either the fabric or yarns used to make the apparel: third-country fabric (HTS 9819.11.12) (available only for lesser developed beneficiaries), cashmere sweaters (HTS 9819.11.15), merino wool sweaters (HTS 9819.11.18), USMCA short supply (HTS 9819.11.21), and AGOA short supply (HTS 9819.11.24). For the short supply ROOs, the President, as designated to the U.S. Department of Commerce's Office of Textiles and Apparel (OTEXA), determines that such fabric or yarns cannot be supplied in commercial quantities in a timely manner by the domestic industry.<sup>461</sup> The Committee for the Implementation of Textile Agreements, an interagency group led by OTEXA, approved 11 of 20 petitions submitted requesting certain apparel products be eligible under AGOA because the inputs were not available regionally in commercial quantities in a timely manner to apparel manufacturers.<sup>462</sup>

However, ROOs for the remaining six textile and apparel provisions restrict the origin of the yarns and fabric used for the cut components of the garments. For the textile and made-ups provision (HTS 9819.11.33), all fibers, yarns, fabrics, fabric components, or components knit to shape must be from one or more lesser-developed AGOA beneficiary(s).<sup>463</sup> The ROOs for one apparel provision (HTS 9819.11.09) allow the use of regional fabric but require it to be made from U.S. or AGOA yarns.<sup>464</sup> Finally, the ROOs for the four other textile and apparel provisions (HTS 9802.00.8042, 9819.11.03, 9819.11.06, and 9819.11.30) require the use of U.S. fabric that is made from U.S. yarns.<sup>465</sup> In addition to these ROOs, all apparel products must satisfy the findings and trimmings clause and the de minimis clause of the rules for apparel.<sup>466</sup>

The third-country fabric provision (3CF) from which most AGOA beneficiaries benefit creates flexible ROOs, giving exporters multiple options to source apparel inputs and still qualify for AGOA benefits, and contributes to the AGOA countries' competitiveness and high usage of the apparel provisions. Of total apparel imports entering from AGOA beneficiaries in 2021, more than 95 percent entered under the 3CF provision. Nearly 99 percent entering under AGOA in that year used the 3CF provision (see table 3.6).

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<sup>460</sup> See e.g., 68 Fed. Reg. 53967 (September 10, 2003) (for Ghana).

<sup>461</sup> See, e.g., 67 Fed. Reg. 17,412 (April 10, 2002) (OTEXA determination of short supply under AGOA); Exec. Order No. 13191, 66 Fed. Reg. 7271 (January 17, 2001) (delegating authority for provision to OTEXA); For USMCA short supply (and NAFTA before it), USTR makes such determinations with the assistance of OTEXA. See, e.g., Proclamation No. 8405, 74 Fed. Reg. 45529 (September 2, 2009) (determination of NAFTA short supply).

<sup>462</sup> USDOC, OTEXA, "Commercial Availability Under Trade Preference Programs," accessed September 22, 2022.

<sup>463</sup> 19 U.S.C. § 3721(b)(8).

<sup>464</sup> Yarn can be from the United States and one or more beneficiary countries or former beneficiary countries.

<sup>465</sup> The ROOs for HTS 9802.00.8042 and 9819.11.03 both require that all fabric must be cut in the United States. The ROOs for HTS 9819.11.06 say that U.S. fabrics may be cut in beneficiary countries or in the United States and beneficiary countries.

<sup>466</sup> Apparel articles may contain foreign-origin findings or trimmings that account for up to 25 percent of the cost of the components of the article. AGOA and subsequent amendments stipulate findings and trimmings including sewing thread, hooks and eyes, snaps, buttons, "bow buds," decorative lace trim, zippers, collars and cuffs, drawstrings, shoulder pads, waistbands, attached belts, straps containing elastics, and elbow patches. In addition, up to 25 percent of interlinings (such as chest plates, a "hymo" piece, or "sleeve header," or woven or weft-inserted knit construction and of coarse animal hair or of manmade filaments) can be of any origin and qualify for duty-free treatment under AGOA. Up to 10 percent by weight of the finished article may contain fibers or yarns of foreign origin and still qualify for preferential treatment. USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022. Subchapter XIX, Textile and Apparel Goods Eligible for Special Tariff Benefits under the Africa Growth and Opportunity Act, U.S. Note 3(b).

Imports entering under provisions other than the 3CF provision are almost entirely from AGOA beneficiaries that do not benefit from the 3CF provision, in particular from South Africa. Exporting apparel manufacturers in SSA import fabrics from a variety of sources, including China, Pakistan, India, Bangladesh, Indonesia, Taiwan, and Vietnam.<sup>467</sup>

The second most-used apparel provision under which imports enter under AGOA in 2021 is the regional fabric provision, though it comprises a much lower share of imports under AGOA (only about 0.7 percent in 2021) compared to the 3CF provision. The regional fabric provision requires apparel to be made from regional fabric that has been made from yarns originating in either the United States or an AGOA beneficiary country. In other years, the short supply provisions (AGOA and USMCA/NAFTA) ranked second. Similar to the 3CF provision, these provisions allow the use of fabric from any origin, if the requisite short supply determinations have been made. Thus, for the apparel provisions with the more flexible ROOs, imports under AGOA have been greater than provisions with less flexible ROOs. Low levels of imports have also used the wool sweater provision, the NAFTA/USMCA short supply provision, the folklore provision,<sup>468</sup> the ethnic print fabrics provision, and the textiles and made-ups provision.<sup>469</sup>

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<sup>467</sup> USITC, hearing transcript, June 9, 2022, 85 (testimony of Pankaj Bedi, United Aryan EPZ).

<sup>468</sup> Madagascar was approved for an export visa on July 12, 2006, which allows certain handloomed fabrics, handloomed articles (e.g., handloomed rugs, scarves, place mats, and tablecloths) and handmade articles from handloomed fabrics to qualify for preferential treatment under the folklore provision of AGOA. 71 Fed. Reg. 40701 (July 18, 2006). In 2021, 11 countries had preferential treatment for certain folklore articles, handloomed/handmade articles, or ethnic printed fabrics produced in their respective countries and exported directly to the United States. USDOC, OTEXA, *Trade Preference Programs*, accessed January 9, 2023.

<sup>469</sup> These provisions are listed in table 3.6. OTEXA data shows a little more than \$6 million in U.S. imports under the ethnic fabrics and made-ups provision (which covers HS chapters 50–60 and 63).

**Table 3.6** U.S. apparel imports under AGOA by apparel provision, select years

In millions of U.S. dollars; 3CF = third-country fabric; NAFTA = North American Free Trade Agreement; USMCA = United States-Mexico-Canada Free Trade Agreement; — = not applicable.

Provision	Description	2001	2005	2010	2015	2020	2021
9802.00.8042	U.S. fabric, U.S. yarn, U.S. cut, not further processed	0.2	0	0	0	0	0
9819.11.03	U.S. fabric, U.S. yarn, U.S. cut, further processed	0	4.2	0	0	0	1.7
9819.11.06	U.S. fabric, U.S. yarn, AGOA cut, U.S. thread	2.0	0.1	0	0.3	0.2	0.05
9819.11.09	Regional fabric, U.S. or SSA yarn	62.6	109.2	26.1	10.1	7.7	9.2
9819.11.12	Third-country fabric 3CF	264.4	1,235.1	667.1	941.0	1,154.1	1,355.3
9819.11.15	Cashmere sweaters	19.1	3.8	0	0	2.8	1.6
9819.11.18	Merino wool sweaters	0.1	0.1	0	0	0.1	0.2
9819.11.21	USMCA/NAFTA short supply	3.6	39.4	17.9	5.8	8.4	2.4
9819.11.24	AGOA short supply	3.6	26.4	15.7	29.5	0	0
9819.11.27	Folklore articles	0	0	0.3	1.0	0.4	0.1
9819.11.30	U.S. fabric, U.S. yarn, U.S. thread, mixed cutting	—	0	0	0	0	0
9819.11.33	Ethnic fabrics, made-ups	—	—	0.01	0.01	6.5	1.0
Subtotal		355.3	1,418.4	727.2	987.6	1,180.2	1,371.7
Dutiable imports		577.9	42.2	61.6	24.6	35.7	53.3
Total apparel and textile imports		933.2	1,460.6	788.8	1,012.3	1,215.9	1,425.0

Source: USDOC, OTEXA, U.S. Imports Under Trade Preference Programs, accessed February 25, 2022.

Note: The Harmonized Tariff System (HTS) provisions in this table are secondary provisions associated with the primary HTS subheading and statistical reporting numbers used in import statistics (e.g., the chapter 61 or 62 number). Data for these secondary HTS provisions are not available publicly through any source except OTEXA. NAFTA was replaced by the U.S.-Mexico-Canada Agreement (USMCA) in July 2020. Only countries designated AGOA lesser-developed beneficiary countries are eligible to use the 3CF provision (19 U.S.C. § 3721(c)(1)(A)). Both the 3CF and regional fabric provisions have caps on use, but these caps have never been reached.

## Provision Usage by Major Suppliers

The major AGOA beneficiary apparel suppliers to the United States have high usage of the apparel provisions. In 2021, more than 99 percent of U.S. apparel imports from Kenya, Lesotho, and Tanzania entered under AGOA. Ethiopia and Ghana also had high usage in 2021, at 98.5 percent and 93.7 percent, respectively.<sup>470</sup> However, use of the program for major suppliers that are ineligible for the 3CF provision or that have been impacted by loss of benefits is lower. For South Africa, which does not qualify for the 3CF provision, 88.1 percent of U.S. apparel imports entered under AGOA. Madagascar's use has slowly returned following the reinstatement of its apparel benefits, rising from 77.6 percent in 2015, when it first regained its benefits, to 97 percent in 2021. When U.S. apparel imports from Mauritius decreased from \$215 million in 2015 to \$73 million in 2021, its use of AGOA also dropped from 96.1 percent to 72.6 percent.<sup>471</sup> This trend may be related to the Mauritian industry's production of cotton garments.

<sup>470</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>471</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

The NTR rate for cotton garments is lower than the NTR rate for garments of manmade fiber. Therefore, the incentive to use the program for cotton garments is less than the incentive to use the program for garments of manmade fibers.<sup>472</sup>

Major 3CF-eligible SSA suppliers have tended to use this provision almost exclusively, particularly as their exports to the United States increased.<sup>473</sup> Since Kenya and Ethiopia gained eligibility in 2001 and 2002, respectively, 99 percent of their apparel exports under AGOA entered under the 3CF provision.<sup>474</sup> Between 2002 and 2009, Tanzania primarily used the “Apparel of Regional Fabric, U.S. or SSA Yarn” provision for its small volume of apparel exported to the United States. By 2010, however, imports under the 3CF provision made up the largest share of AGOA imports. In the early years of the program, Ghana used the “Apparel of U.S. fabric, U.S. yarn, U.S. cut, further processed in SSA” provision to export cotton and synthetic fiber socks, using U.S. yarns and fabrics.<sup>475</sup> However, after investment from one Chinese company in 2006, more garments used inputs from third-party countries, including China, with the company likely using its established global textile suppliers. Since 2015, an average of 97 percent of apparel from Ghana was imported in the United States under the 3CF provision. Similarly, U.S. imports from Madagascar have primarily entered under the 3CF provision.

By comparison, Mauritius has used a number of provisions to export apparel to the United States under AGOA. The short supply and regional fabric provisions were heavily used until the country became eligible for the 3CF provision in 2005 and then again in 2008, at which point imports under the 3CF provision increased relative to other provisions.<sup>476</sup> Mauritius used the AGOA and NAFTA/USMCA short supply provisions between 2001 and 2006. Most U.S. imports from South Africa have used the regional fabric provision because the country is not eligible for the 3CF provision. In 2021, nearly all U.S. imports under AGOA of apparel from South Africa were socks made from U.S. yarn.<sup>477</sup>

## Product Mix

Typically, apparel of manmade fibers carries higher NTR duty rates than apparel made of natural fibers, such as cotton. AGOA beneficiary manufacturers report that their orders from U.S. companies are increasingly for garments of MMF. This development takes advantage of the greater duty savings under AGOA for apparel of manmade fibers relative to other garments and relative to other countries that do not have duty-free access to the U.S. market.<sup>478</sup> According to one manufacturing representative from an

<sup>472</sup> For example, cotton T-shirts (HTS subheading 6109.10.00) have an NTR tariff rate of 16.5 percent, compared to 32 percent for T-shirts of MMF (HTS subheading 6109.90.10). USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022. *Harmonized Tariff Schedule of the United States*, various editions.

<sup>473</sup> See appendix E for complete country eligibility list.

<sup>474</sup> USDOC, OTEXA, *U.S. Imports Under Trade Preference Programs*, accessed February 25, 2022.

<sup>475</sup> USITC DataWeb/Census, HTS subheadings 6115.93.90 and 6115.92.90, accessed September 19, 2022.

<sup>476</sup> 19 U.S.C. §§ 3721(b)(3) & (5). USDOC, OTEXA, *U.S. Imports Under Trade Preference Programs*, accessed February 25, 2022. The short supply provisions enter under 9819.11.21 (known as the NAFTA short supply until 2020 at which point USMCA replaced NAFTA on July 1, 2020) and 9819.11.24 (New AGOA short supply). The regional fabric provision covers imports under 9819.11.09 (19 U.S.C. §§ 3721(b)(3)(A) & 3721 note).

<sup>477</sup> A sock manufacturer in South Africa reported that it used yarns imported from the United States in the production of some socks destined for export to the U.S. market. However, the U.S. yarn firm closed, and the South African sock manufacturer’s products no longer qualified for duty-free treatment under AGOA. Industry representative, interview by USITC staff, November 1, 2022.

<sup>478</sup> Industry representatives, interviews by USITC staff, September 20, 2022, and Kenya, October 3, 2022.

## African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights

AGOA beneficiary, when AGOA was initiated, nearly 90 percent of apparel garments were composed of cotton; that share has fallen to only 20 percent. Most garments produced in SSA are made with synthetic yarns and fabrics, regardless of their destination market.<sup>479</sup>

The change in product mix over the life of the program indicates that buyers are taking advantage of the higher duty savings for apparel of MMF and that SSA manufacturers' production has diversified accordingly. In 2000, the top 10 products accounted for 86 percent of all U.S. imports from AGOA beneficiaries and carried an average NTR duty rate of 18.5 percent. By 2021, the share of the top 20 products dropped to 69 percent and the top 10 products carried an average NTR duty rate of 25.8 percent.<sup>480</sup>

Many major AGOA beneficiary producers have shifted to incorporate into their production higher duty MMF items.<sup>481</sup> For example, the product mix of Kenya's apparel exports to the United States changed between 2000 and 2021. In 2000, three woven cotton products, including men's and women's pants and men's shirts, accounted for about 94 percent of U.S. apparel imports from Kenya. U.S. imports from Kenya of higher NTR duty items have gradually increased. Of Kenya's top 10 products in 2021 exported to the United States, more than 50 percent (by value) were of MMF, which if not exported under AGOA would face NTR duties ranging from 27.9 to 32 percent.<sup>482</sup> Similarly, Lesotho and Madagascar have shifted to exports of products with higher NTR duty rates.<sup>483</sup> The composition of U.S. imports from South Africa, which does not benefit from the 3CF provision as do Kenya, Lesotho, and Madagascar—as consolidated over the time of AGOA and only one product, socks of synthetic fibers—accounts for almost 90 percent of apparel trade to the United States. Like other AGOA suppliers, however, the industry in South Africa has shifted to producing largely synthetic garments for export to the United States. In 2000, the top 10 apparel products imported by the United States from South Africa were cotton apparel. By 2021, the largest product group was socks of synthetic fibers, accounting for almost 90 percent of all U.S. apparel imports.

Ethiopia is notable for incorporating more complex garments into its product mix. In 2000, Ethiopia's exports to the U.S. included low volumes of three simple woven cotton items—women's dresses, tops, and track suits. By 2005, the industry had begun exporting a wider range of products, including knits and sweaters. Ethiopia's product mix of exports to the United States expanded even further by 2021 to include brassieres, one of the most complex garments, requiring more than a dozen parts for manufacture and assembly.<sup>484</sup> The country did shift from cotton products to MMF apparel between 2000 and 2005, but by 2021 its apparel industry produced largely cotton garments.

Tanzania has not demonstrated the same overall shift from cotton to apparel made of MMF. Buyers of apparel from Tanzania continue to order basic cotton garments, looking to more established industries

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<sup>479</sup> USITC, hearing transcript, June 9, 2022, 86 (testimony of Pankaj Bedi, United Aryan EPZ).

<sup>480</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022. *Harmonized Tariff Schedule of the United States*, 2000 and 2022 editions.

<sup>481</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>482</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022.

<sup>483</sup> For Madagascar, the largest exported apparel products to the United States were certain cashmere sweaters in 2000. USITC DataWeb/Census, accessed September 17, 2022. Cashmere sweaters were classified under HTS 6110.10.10 in 2000.

<sup>484</sup> Barbaro, "What Women Want," July 15, 2006; USITC DataWeb/Census, HS chapters 61 and 62, accessed September 17, 2022.



for more complex items. U.S. apparel imports from Tanzania were mostly a narrow selection of simple garments made of cotton until 2010. However, from 2010 to 2015, apparel made of MMF became more dominant, making up more than half of U.S. imports from Tanzania in 2010.<sup>485</sup> This shift was likely a result of Madagascar’s suspension of benefits between 2010 and 2014, which led one Malagasy manufacturer of apparel made of MMF to transition some production temporarily to its Tanzanian operation.<sup>486</sup> By 2021, cotton products, particularly woven cotton pants for men, women, and babies (81 percent of total), returned as greatest share of U.S. imports from Tanzania.<sup>487</sup>

## Competitive Strengths and Weaknesses of Beneficiary Countries and Their Apparel Industries

### Duty Relief and Flexible Rules of Origin under AGOA Offer SSA Apparel Producers Significant Advantage

Tariff elimination under AGOA’s apparel provisions, particularly the liberal 3CF provision, is a competitive strength for beneficiary countries. In an industry with low margins, whose products are generally subject to high NTR rates, duty-free access to the U.S. market is a significant cost savings.<sup>488</sup> By comparison, other apparel-producing countries, such as China, Bangladesh, and Vietnam, are subject to NTR tariffs as high as 32 percent.<sup>489</sup> Although the United States offers duty-free entry to apparel imports from other regions, such as under the Dominican Republic-Central America Free Trade Agreement, AGOA’s flexible 3CF provision is an advantage for AGOA apparel beneficiaries designated as LDCs when exporting to the U.S. market. This advantage is not provided to U.S. FTA countries or to countries eligible for other preference programs outside the Haiti preference programs.<sup>490</sup> The precipitous decline in U.S. apparel imports from countries that have lost AGOA benefits, such as Madagascar and Rwanda, highlights the significance of AGOA to SSA competitiveness.

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<sup>485</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed September 17, 2022.

<sup>486</sup> Winds Group, post-hearing brief, written submission to the USITC, 2, June 16, 2022.

<sup>487</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed September 17, 2022.

<sup>488</sup> Industry representative, interview by USITC staff, Kenya, October 3–4, 2022.

<sup>489</sup> USITC, hearing transcript, June 9, 219 (testimony of Kekeli Ahiable, Tony Blair Institute); USITC, *Harmonized Tariff Schedule of the United States, 2022*, chapters 61, 62, and 98. Certain textile and apparel products from China are also subject to section 301 duties, as discussed in the “Global Shocks” section above.

<sup>490</sup> Through 3CF, brands can retain their established apparel input suppliers, and manufacturers have access to high volumes of the full range of fabrics, including synthetics, to meet consumer demands. Industry representative, interview by USITC staff, Kenya, October 3, 2022. The Haiti Hemispheric Opportunity Through Partnership Encouragement Act: HOPE II, August 1, 2008; amended CBTPA to provide certain benefits for Haiti, which include permitting imports of certain knit apparel using yarns and fabrics of any country; these imports are subject to a quantitative limit.

## The SSA Apparel Industry Is Supported by an Abundant, Low-Cost Workforce

Ample, inexpensive labor is a competitive strength for the SSA apparel industry.<sup>491</sup> Apparel is a labor-intensive manufacturing sector, and the region has a large population of unskilled and low-skilled workers. The apparel industry is an accessible employment option for this labor pool.<sup>492</sup> Moreover, in some countries outside of SSA, the apparel sector competes with other manufacturing and service industries for labor.<sup>493</sup> This is not the case in many AGOA beneficiaries, which tend to have high unemployment. Labor costs are a significant consideration for the industry, which operates with narrow margins. SSA generally has lower wages than other apparel-producing regions.<sup>494</sup> For example, Ethiopia has the lowest apparel wages in the region, at an estimated \$36 per month, and Kenya has some of the highest, averaging \$116 per month. By comparison, Bangladesh and Vietnam pay their apparel workers about \$93 per month and \$170 per month, respectively.<sup>495</sup>

## Government Support Aids Apparel Operations in a Number of Ways

Government support is common in the global apparel industry, and SSA industry representatives stressed the importance of having government support in order to sustain the apparel sectors in SSA countries. Many of the largest SSA exporters of apparel to the United States outlined initiatives to improve the business environments and incentives for manufacturers to do business. Some incentives, such as tax breaks for certain purchases, are more common across apparel-producing countries. Other initiatives and incentives are unique. For example, the Kenyan government recently subsidized high energy costs for Kenyan apparel manufacturers.<sup>496</sup> Industry representatives report that Kenya has been able to support increased production, in part because of this government support, evidenced by its ability to absorb capacity from Ethiopia after the country lost AGOA eligibility in 2022.<sup>497</sup>

The government supports apparel production in Lesotho. Given the industry's size and the large number of workers it employs, the apparel sector is a priority for the country. The industry is housed primarily within five industrial estates that are developed and managed by the Lesotho National Development Corporation (LNDC), a state-owned enterprise mandated to promote and facilitate domestic and foreign

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<sup>491</sup> Various sources provide conflicting assessments of the productivity of SSA apparel workers, with reported efficiency rates ranging from 60 to 95 percent of Asian workers. This variation appears across countries as well as across manufacturers within a given country. Chichester and Davis Pluess, *Women's Economic Empowerment in Sub-Saharan Africa*, March 2017, 7–8; USITC, hearing transcript, June 9, 2022, 110 (testimony of Pankaj Bedi, United Aryan EPZ) and 143 (testimony of Urban Geiwald, Winds Group).

<sup>492</sup> Chichester and Davis Pluess, *Women's Economic Empowerment in Sub-Saharan Africa*, March 2017, 7.

<sup>493</sup> Industry representative, interview by USITC staff, September 20, 2022.

<sup>494</sup> Lu, *2022 Fashion Industry Benchmarking Study*, July 2022, 14; industry representative, interview by USITC staff, August 31, 2022.

<sup>495</sup> The Children's Place, written submission to the USITC, May 27, 2022.

<sup>496</sup> Industry representative, interview by USITC staff, September 21, 2022; Mwana Wa Njuguna, "Decision to End Fuel Subsidy," accessed January 6, 2023. Electricity subsidies and some subsidies for diesel fuel that powers generators expired on December 31. The expiration of the subsidy is expected to lead to increased electricity costs.

<sup>497</sup> Industry representative, interview by USITC staff, September 21, 2022.

trade and investment.<sup>498</sup> These estates are equipped with the infrastructure, including utilities, necessary to support manufacturing.<sup>499</sup> The LNDC works with other government agencies to understand and enforce environmental laws and regulations to provide technical support to companies housed in the estates.<sup>500</sup>

The Malagasy government also provides support to the Malagasy apparel industry exporting under AGOA. In 2014, the government created a committee consisting of the Ministry of Commerce, Malagasy Customs, the Ministry of Labor, and the Ministry of Environment to standardize infrastructure and ensure compliance with applicable environment, labor, and customs regulations.<sup>501</sup> In addition, the system by which firms process their customs documentation to receive duty-free benefits on textile imports and apparel exports is simpler than the voucher systems used by some other apparel-exporting countries.<sup>502</sup> Companies exporting under AGOA also have business incentives, such as tax and duty reductions. For example, although fabrics carry an average import duty of more than 20 percent in Madagascar, these apparel inputs enter duty free for companies planning to export apparel to the United States under AGOA.<sup>503</sup>

The Ethiopian government has instituted a number of initiatives targeting the apparel industry to pursue economic growth. It encouraged exports of apparel through financial incentives, such as access to credit, for local apparel firms that exported a certain percentage of their production.<sup>504</sup> In addition, the Growth and Transformation Plan (GTP) in 2010–15 worked to improve trade logistics.<sup>505</sup> The GTP improved the regulatory framework for trade, simplified bureaucratic processes, called for the establishment of industrial zones, and initiated infrastructure projects, including the Ethiopia-Djibouti Railway modernization project in 2011. In 2010, the government also established the Ethiopian Textile Industries Development Institute to provide services to the sector, including investment promotion, training, and technical support.<sup>506</sup>

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<sup>498</sup> Industry representative, interview by USITC staff, September 29, 2022; LNDC, written submission to the USITC, 2, June 9, 2022.

<sup>499</sup> The Lesotho apparel industry benefits from the country's access to hydropower. Even so, the country still imports some energy from South Africa and Mozambique. The industry and the LNDC are implementing a project that will install solar panels but using solar energy with some older sewing machinery and the amount of power needed to run the integrated sewing machine systems present some challenges. Industry representative, interview by USITC staff, September 29, 2022.

<sup>500</sup> Industry representative, interview by USITC staff, September 29, 2022.

<sup>501</sup> Response to Country Cable, "Impact of AGOA on Madagascar's Economy," August 23, 2022.

<sup>502</sup> Industry representative, interview by USITC staff, September 29, 2022.

<sup>503</sup> These laws and regulations are referred to as the "Free Zone" in Madagascar. An updated Free Zone law was adopted by the National Assembly and by Parliament in 2018, but the President did not promulgate the law before the new administration began. The new administration has not moved forward with the Free Zone. Response to Country Cable, "Impact of AGOA on Madagascar's Economy," August 23, 2022.

<sup>504</sup> Balchin and Calabrese, *Comparative Country Study of Textile and Garment Sectors*, May 2019, 24.

<sup>505</sup> Ministry of Finance and Economic Development, *Growth and Transformation Plan*, November 2010, 11, 24–25, 63; *Railway Technology*, "Ethiopia-Djibouti Railway," October 1, 2020.

<sup>506</sup> ITC, *Textile and Clothing Value Chain Roadmap of Ethiopia*, 2016, 23, 32.

## Relatively Slow Speed to Market Hampers Sourcing from SSA

Most countries in the region struggle with speed to market, which is a significant competitive weakness. One industry representative stated that some brands prioritize speed to market over cost.<sup>507</sup> Historically, SSA apparel products have been slow to market because of multiple factors. First, few SSA apparel firms can source fabric and other inputs regionally, and most producers rely on textiles imported from Asia.<sup>508</sup> The time to ship from Asia to Africa adds significantly to the overall time required to get SSA finished products to market.<sup>509</sup> Additionally, poor infrastructure and regulatory issues can cause delays in accessing inputs and delivering finished goods.<sup>510</sup> Depending on the location of the apparel factories, transport may require multiple means of shipping (truck, rail, ship, air freight), further complicating logistics.<sup>511</sup> Madagascar provides an example of the types of transportation issues that cause sourcing challenges for firms.<sup>512</sup> Lead times in Madagascar are typically 32–34 days, including 1 day for goods to be trucked from the factory to the port because of poor road conditions.<sup>513</sup> Because Madagascar is an island nation, the fluctuation in freight costs impact the apparel industry significantly. The average cost of a container from Shanghai to Tamatave, Madagascar’s largest port, was \$3,000 before the COVID-19 pandemic. The cost increased to more than \$10,000 during the pandemic.<sup>514</sup> However, SSA countries are working to improve infrastructure. For example, in Tanzania, the construction of a new road reduced the time between factory and port from 5 days to 1 day.<sup>515</sup>

## U.S. Buyers Demand a Broad Range of Apparel Products from SSA with Quick Turnaround Times

SSA countries have a competitive weakness in flexibility and agility compared to other global apparel suppliers.<sup>516</sup> The apparel industry is consumer-driven, and manufacturers are expected to supply products that meet specific consumer demands. Flexible and agile apparel producers can offer varying volumes of a wide selection of items, and they are able to modify orders quickly.<sup>517</sup> SSA firms’ flexibility and agility are challenged by the lack of quick access to inputs as well as by limited labor skills and insufficient workforce training. The large U.S. apparel market is often considered a better fit for SSA

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<sup>507</sup> Industry representative, interview by USITC staff, September 20, 2022.

<sup>508</sup> USITC, hearing transcript, June 9, 2022, 85–86 (testimony of Pankaj Bedi, United Aryan EPZ).

<sup>509</sup> Industry representative, interview by USITC staff, October 3–4, 2022.

<sup>510</sup> Industry representative, interview by USITC staff, September 21, 2022.

<sup>511</sup> Industry representative, interview by USITC staff, September 29, 2022.

<sup>512</sup> Madagascar struggles to attract stronger investment because of poor infrastructure, getting access to affordable credit, and accessing land and property for investors. Fenosoa Ralison, GEFP, written submission to the USITC, 3, June 4, 2022.

<sup>513</sup> USITC, hearing transcript, June 9, 2022, 48 (testimony of Fenosoa Ralison, GEFP); industry representative, interview by USITC staff, September 29, 2022.

<sup>514</sup> JC Mazingue, Cottonline, written submission to the USITC, May 31, 2022.

<sup>515</sup> Industry representative, interview by USITC staff, September 20, 2022.

<sup>516</sup> Lu, *2022 Fashion Industry Benchmarking Study*, July 2022, 14.

<sup>517</sup> Lu, *2022 Fashion Industry Benchmarking Study*, July 2022, 14.

manufacturers than Europe, in part because orders from U.S. brands tend to be higher volume bulk basics, allowing workers to focus on a narrower skill set.<sup>518</sup>

## Apparel Industries Struggle with Access to Reliable and Affordable Electricity

Most SSA countries experience unreliable and expensive power, negatively impacting product quality and manufacturing costs.<sup>519</sup> Additionally, the textile industry, an energy-intensive sector, is even more significantly constrained by inadequate access to cheap, dependable electricity. This weakness has hindered the development of an SSA textile industry to supply fabrics to regional apparel manufacturers, indirectly impacting speed to market and impeding regional integration.<sup>520</sup>

## Economic Zones and Industrial Parks Provide Conducive Business Environments for Apparel Exporters

Most large SSA apparel producers have structured their apparel sectors near economic zones or industrial parks, which has become an advantage for the region.<sup>521</sup> These zones and parks may help alleviate problems with infrastructure, ease of doing business, and government services.<sup>522</sup> The services provided vary from country to country and zone to zone. They may include access to water and electricity; consultations with potential investors; support with immigration for workers; customs support; financial services for investors and members; and facilities that are compliant with health, safety, and environmental codes. Economic zones can also help buyers identify and vet suppliers and provide an ecosystem for vertical integration within the supply chain. For example, some industrial parks have had success integrating fabric and apparel production, allowing members to purchase and sell goods to other manufacturers in the park.<sup>523</sup> Moreover, by consolidating production geographically,

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<sup>518</sup> Berg et al., *Sourcing in a Volatile World*, April 2015, 14. In general, fashion tastes across Europe vary more than tastes across the United States; the effect is multiple small markets, with associated logistical challenges, as opposed to the larger, more homogenized U.S. market.

<sup>519</sup> Mauritius is one of the largest SSA producers of apparel inputs because of its relatively consistent power supply, but its high costs of logistics can make those inputs less competitive compared to imported apparel imports when it comes to sales of those inputs to SSA apparel producers. In Ethiopia, power is heavily subsidized by the government. Electricity is not reliable throughout the country, but the industrial parks are able to supply consistent access. In Lesotho, the Lesotho Highlands Water Project diverts water from the mountains of Lesotho to South Africa, providing water for South Africa and hydroelectricity for Lesotho. USITC, hearing transcript, June 9, 2022, 134 (testimony of Pankaj Bedi, United Aryan EPZ); IEA, “Africa Energy Outlook 2022,” June 2022, 22; Water Technology, “Lesotho Highlands Water Project,” accessed February 23, 2023.

<sup>520</sup> USITC hearing transcript, June 9, 2022, 349 (testimony of Gail Strickler, Brookfield Associates) and 350 (testimony of Melissa Nelson, San Mar Corporation).

<sup>521</sup> Farole and Moberg, *Special Economic Zones in Africa*, November 2014, 3.

<sup>522</sup> Mihretu and Llobet, *Looking Beyond the Horizon*, June 2017, 28–29; Balchin and Calabrese, *Comparative Country Study of Textile and Garment Sectors*, May 2019, 7.

<sup>523</sup> Mihretu and Llobet, *Looking Beyond the Horizon*, June 2017, 27–28; Balchin and Calabrese, *Comparative Country Study of Textile and Garment Sectors*, May 2019, 25.

firms can take advantage of large labor pools and increase skills trainings that benefit the entire industry.<sup>524</sup>

## SSA Offers Brands the Opportunity to Develop New, Environmentally Compliant Ecosystems

An emerging competitive strength in SSA is the possibility of environmentally compliant greenfield projects. The global apparel industry has struggled with suppliers meeting corporate social responsibility standards, especially environmental regulations.<sup>525</sup> Many textile and apparel factories are equipped with dated machinery and processes that are not environmentally friendly, particularly for dyeing operations.<sup>526</sup> U.S. brands are increasingly looking to source from suppliers that prioritize eco-friendly processes, such as zero-liquid discharge, and renewable energy sources. Industry representatives find that it can be easier to start from scratch building industrial ecosystems to current high standards rather than to retrofit an established production system.<sup>527</sup> The Hawassa Industrial Park in Ethiopia (see box 3.1 below) and the Arise projects in Benin and Togo (see Regional Integration section above) are examples of greenfield projects.

### Box 3.1 Hawassa Industrial Park

The establishment of the Hawassa Industrial Park (“Hawassa”) played a significant role in Ethiopia’s development as an apparel supplier to the United States under AGOA. About the time that the Ethiopian government began promoting its industrial parks for the textile and apparel industry, global brands and manufacturers had begun exploring new locations for garment production. The apparel industry was facing corporate social responsibility concerns and increasing labor costs in typical garment-producing countries, such as Bangladesh and China. The U.S. company PVH Corp (PVH), the second-largest clothing company in the world, decided to organize a group that included its suppliers as well as its competitors to identify a country where it could develop a “best in class” textile and apparel ecosystem. The goal was to find a potential location to set up a complete supply chain with high standards for safety, labor, and the environment. A few SSA countries were strong contenders, but Ethiopia prevailed, owing to the government’s flexibility and responsiveness to industry concerns and expectations.<sup>a</sup>

Hawassa became the flagship Ethiopian textile and apparel industrial park. As an indication of its commitment to PVH’s vision, the Ethiopian government financed construction of the greenfield park. The facility was built to meet the highest safety and environmental standards, such as zero-liquid-discharge and hydropower. PVH not only brought in suppliers, but committed its own resources to the park: PVH invested in its own apparel factory and entered a strategic partnership with a textile mill to move toward vertical integration. In March 2017, the first garment was exported from Hawassa. Although transitioning workers from an agrarian lifestyle to a manufacturing job initially posed some

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<sup>524</sup> Mihretu and Llobet, *Looking Beyond the Horizon*, June 2017, 27–28.

<sup>525</sup> Improving worker safety standards following the building collapse of Rana Plaza in Bangladesh, which killed more than 1,100 garment factory workers, is an example of a social issue in the global apparel industry. Wright, “More Than Half of Survivors Remain Unemployed,” April 24, 2019; Chichester and Davis Pluess, *Women’s Economic Empowerment in Sub-Saharan Africa*, March 2017, 6.

<sup>526</sup> Rathore, “Effluent Treatment Process in Garment Manufacturing,” January 16, 2022; ITC, *Tanzania Cotton-to-Clothing Strategy*, 2016, 55; ITC, *Textile and Clothing Value Chain Roadmap of Ethiopia*, 2016, 49.

<sup>527</sup> Industry representative, interview by USITC staff, September 21, 2022.

challenges, employee retention and productivity improved with hard and soft skill training.<sup>b</sup> Currently, 52 factory sheds are occupied.<sup>c</sup> By 2022, 90 percent of Hawassa tenants exported to the United States; about 35,000 direct jobs in Hawassa apparel manufacturing and an additional 400,000 indirect jobs were attributed to AGOA.<sup>d</sup>

<sup>a</sup> Industry representative, interview by USITC staff, September 21, 2022.

<sup>b</sup> Mihretu and Llobet, *Looking Beyond the Horizon*, June 2017, 34–35, 37, 40; industry representative, interview by USITC staff, September 21, 2022.

<sup>c</sup> IPDC, “About Us,” accessed January 20, 2023.

<sup>d</sup> Cable response, “Response to USITC Factfinding Investigation,” August 18, 2022.

## Apparel Sector Contributions to Economic Development, Poverty Reduction, and Employment

### The Apparel Sector Provides Relatively High Wages and Spurs GDP Growth

AGOA has contributed to increased apparel exports from SSA to the United States.<sup>528</sup> One study shows that export growth is associated with higher rates of future GDP per capita growth in AGOA-eligible SSA countries.<sup>529</sup> Industry representatives from multiple SSA countries reported that the apparel sector plays a large role in terms of economic development, employment, and poverty reduction.

The apparel sector’s ability to provide employment and the wages paid to its workers impacts the economy and economic development.<sup>530</sup> Jobs in the apparel industry can be higher paying than those in other industries.<sup>531</sup> Many apparel companies throughout SSA are housed in industrial parks that generally pay higher wages than employers outside the zones.<sup>532</sup> Apparel factories also offer opportunities for training and upward movement within the company, giving many women income growth potential.<sup>533</sup> Through the large-scale industrial park structure, the apparel sector has been able

<sup>528</sup> USITC DataWeb/Census, HS chapters 61 and 62, accessed July 7, 2022; Cook and Jones, “AGOA and Growth in Sub-Saharan Africa,” January 2021, 238; Dida, Nica, and Yu, “The Gravity Model, African Growth,” November 17, 2015, 1130–51.

<sup>529</sup> Cook and Jones, “AGOA and Growth in Sub-Saharan Africa,” January 2021, 259.

<sup>530</sup> In addition to the creation of jobs, the growth of apparel exports has increased tax and export revenues, which in turn incentivize foreign direct investment. USITC, hearing transcript, June 9, 2022, 46–47 (testimony of Fenosoa Ralison, GEFP).

<sup>531</sup> The average salary for apparel manufacturing jobs in Madagascar that support exports under AGOA was \$103 per month in 2018—nearly double that of Malagasy jobs not producing exports for AGOA (\$56 per month). Wages for semiskilled apparel workers in the Basotho apparel industry are between \$147 and \$260 per month, on average. These wages are typically higher than in India, Ethiopia, and Bangladesh. Geiwald, written submission to the USITC, May 24, 2022, 1.

<sup>532</sup> Otobe, *Export-Led Development, Employment and Gender*, 2015, 11.

<sup>533</sup> Geiwald, written submission to the USITC, May 24, 2022, 14.

to employ thousands of people and ramp up production quickly, providing training, wages, and benefits to its workers, communities, and economies.<sup>534</sup>

## The Apparel Sector Supports Multiple Disadvantaged Groups, including Women and Youth

The apparel sector is a significant source of job opportunities in SSA, and the ability of this sector to support jobs is directly impacted by access to AGOA benefits. In 2021, the eight largest SSA apparel sectors directly employed an estimated 240,000–290,000 workers.<sup>535</sup> Kenya’s apparel industry employed about 23,000 workers in 2002.<sup>536</sup> By 2018, 70,000 to 80,000 workers were employed across 45 large and medium-sized companies.<sup>537</sup> Similarly, when a country loses benefits, employment can decline. An estimated 50,000–100,000 workers became unemployed during the five-year period Madagascar was without AGOA benefits.<sup>538</sup>

Women are highly impacted by the apparel industry because they account for 70–90 percent of most apparel workforces in SSA. Traditionally, women have fewer job opportunities available to them in SSA, making the sector’s impact on the group even greater. The industry employs single mothers and younger women, both underserved subgroups in SSA.<sup>539</sup>

Because the SSA apparel industry comprises almost entirely women, many of whom have dependents, wages earned by employees often support multiple family members. The LNDC estimates that each Basotho apparel industry worker is caring for about four dependents. Therefore, the apparel industry provides financial and food security to more than 160,000 Basotho people. Despite AGOA, however, concerns have been raised about gender-based violence in the apparel industry.<sup>540</sup> In Ethiopia, AGOA

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<sup>534</sup> USITC hearing transcript, June 9, 2022, 290 (testimony of Gregory Poole, The Children’s Place).

<sup>535</sup> Estimate by Commission staff based on various sources. The eight countries included are Kenya, Lesotho, Madagascar, Ethiopia, Mauritius, Tanzania, Ghana, and South Africa. Data were not available for all countries in the same year. This estimate covers employment in the entire sector, not only employment for firms exporting to the United States. USAID East Africa Trade and Investment Hub, *Overview of Cotton, Textile and Apparel Sectors*, February 2018, 23; Msingi, *Sector Mapping—Textile and Apparel Industry*, 2020, 10; KNBS, *Economic Survey 2022*, 2022, 230; Veitch, “The Clothing Industry in South Africa,” December 2021, 49; Awal, “Multimillion-Dollar Local Apparel Industry Lays Dormant,” July 21, 2021; Fenosoa Ralison, GEFP, written submission to the USITC, 5, June 1, 2022; Mahen Jhugroo, Embassy of the Republic of Mauritius, written submission to the USITC, May 24, 2022; industry representative, interview by USITC staff, September 30, 2022.

<sup>536</sup> USITC, “Textiles and Apparel: Assessment of the Competitiveness,” January 2004, K-7.

<sup>537</sup> Msingi, *Sector Mapping - Textile and Apparel Industry*, 2020, 10.

<sup>538</sup> See the Loss of Benefits section above for more information. Cottonline, written submission to the USITC, 2, May 31, 2022.

<sup>539</sup> Geiwald, Winds Group, written submission to the USITC, 11, May 24, 2022.

<sup>540</sup> Lesotho scored poorly for gender-based violence in the apparel industry according to a 2021 Joint United Nations Programme on HIV/AIDS (UNAIDS) report. In response, the country passed its first Counter Domestic Violence bill in March 2022. Collaboration with International Labor Organization (ILO) under the Better Work project is under discussion for work in Lesotho, as well. Response to Country Cable, “AGOA Information Sheet Lesotho,” August 24, 2022; USITC, hearing transcript, June 9, 2022, 101 (testimony of Mamoiloa Raphuting, LNDC); LNDC, written submission to the USITC, 2, May 31, 2022; Embassy of the Republic of Madagascar, written submission to the USITC, August 11, 2022; industry representative, interview by USITC staff, October 7, 2022.



supports an estimated 100,000 direct jobs, mainly for women in apparel and footwear manufacturing, and 1 million indirect jobs.<sup>541</sup> In Tanzania, each worker in the apparel industry supports an estimated nine people.<sup>542</sup> Similarly, about three-fourths of Malagasy apparel workers are women. These women support one child each, on average, with their income made working in the apparel industry, in addition to any other dependents benefiting from the wages earned.

Certain characteristics make the low-skill, light manufacturing industries such as apparel particularly beneficial for women in SSA. Many women entering the apparel workforce, especially in new or expanding companies, come from agrarian backgrounds with little industrial training.<sup>543</sup> These women may have moved to the urban apparel factory locations from rural communities that had fewer job opportunities. Some reports say that many women in the industry took jobs after dropping out of school and therefore do not have degrees to support their professional opportunities.<sup>544</sup> These skills learned in sewing and machinery can be used for future jobs.<sup>545</sup> Some apparel firms have surveyed their workforces and noted that many apparel workers were formerly employed in the informal employment sector. Common informal jobs included collecting recyclable waste products for sale, laundry jobs, street hawking, and water vending.<sup>546</sup> Other industry representatives in Lesotho report that many workers were unemployed before working in the apparel sector.<sup>547</sup> One SSA apparel company reported that it offered trainings and specialized sewing machine models for differently abled employees.<sup>548</sup>

Despite the industry's impact on workers, some isolated reports of labor violations within the region have appeared.<sup>549</sup> Across the global apparel industry, unfair labor practices are challenging to track, in part, because of a lack of independent monitoring as well as a lack of transparency in the sector's supply chain, which may result in underreporting of violations in AGOA beneficiaries.<sup>550</sup>

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<sup>541</sup> Embassy cable, "AGOA Withdrawal Could Spark Broad Layoffs," September 13, 2022.

<sup>542</sup> Urban Geiwald, Winds Group, prehearing submission, 4, May 24, 2022.

<sup>543</sup> Industry representative, interview by USITC staff, September 21, 2022.

<sup>544</sup> Chichester and Davis Pluess, *Women's Economic Empowerment in Sub-Saharan Africa*, March 2017.

<sup>545</sup> Skills gained in apparel manufacturing are generally highly transferrable. One industry representative reported that employee turnover is very high because domestic law provides for high severance pay and workers can easily find work at another apparel factory. If a worker needs cash soon, she can leave her job, receive severance, and find another position quickly. Industry representative, interview by USITC staff, Lesotho, October 27, 2022; Chichester and Davis Pluess, *Women's Economic Empowerment in Sub-Saharan Africa*, March 2017.

<sup>546</sup> Informal employment is defined by the ILO as all remunerative work (i.e., both self-employment and wage employment) that is not registered, regulated, or protected by existing legal or regulatory frameworks, as well as non-remunerative work undertaken in an income-producing enterprise. Informal workers do not have secure employment contracts, workers' benefits, social protection, or workers' representation. ILO, *Minimum Wage Policy Guide*, December 3, 2015; industry representative, interview by USITC staff, October 3–4, 2022; industry representative, interview by USITC staff, Lesotho, October 27, 2022.

<sup>547</sup> Industry representatives, interviews by USITC staff, Lesotho, October 27, 2022.

<sup>548</sup> Industry representative, interview by USITC staff, Kenya, October 3, 2022.

<sup>549</sup> Cousins, "The Dark Side of Ethiopia's Export Boom," September 24, 2022; *Just Style*, "Swaziland Garment Workers Protest Over Wages," September 7, 2018; AP, "Women Sewing Blue Jeans Were Abused," August 15, 2019.

<sup>550</sup> Judd and Kuruvilla, "Do Garment Workers Really Have Freedom of Association?," June 3, 2022; Judd and Kuruvilla, "Why Aren't We Making Progress on Labor Conditions?," February 19, 2021.

## Apparel Manufacturing Firms Provide Additional Support for Families and Communities

Many apparel companies report that they offer additional benefits to its workers. For example, one survey conducted by the U.S. Embassy in Madagascar found that 75 percent of apparel companies provided meals for workers by partnering with catering companies. About half of Malagasy apparel companies also provided transportation for the employees.<sup>551</sup> In addition, some factories provide schooling and clinics for the families of workers.<sup>552</sup> As noted above, the number of people directly and indirectly impacted by the apparel industry is high as a result of the number of women who work in the industry and who also support multiple dependents.

Childcare is an important benefit for apparel workers because the majority of employees are women, many of whom have dependent children. Some apparel companies have established childcare facilities near the factories, providing women access to childcare during the workday. For example, The Children’s Place, a U.S. apparel company, partnered with Plan International, an international organization that advances children’s rights and equality for girls.<sup>553</sup> Together, they established childcare centers for the children of workers in the Hawassa Industrial Park.<sup>554</sup> Another SSA apparel company, Atraco, is investing in a daycare center for children of employees. It will have the capacity to care for 200 children when completed.<sup>555</sup>

Many apparel firms in SSA also support community engagement through various means.<sup>556</sup> The level and type of community involvement are dependent on the country and the culture. For example, one zipper manufacturer, YKK, built basketball courts in the local Eswatini community and supports church and school fundraisers.<sup>557</sup> In Tanzania, where much of the population works in agriculture, one company funds livestock feed, water, and vaccinations for cattle in the area surrounding the textiles factories.<sup>558</sup> Africa Apparel, an SSA apparel company in Kenya, supports its local community through church fundraisers, building schools, and organizing social welfare gatherings.<sup>559</sup> Other services that the factories can provide for workers are access to free water, transportation to and from work, additional security in the workers’ communities, milk for mothers of young children, and meals.<sup>560</sup> Some facilities also offer healthcare to employees. Nurses and doctors either visit the factories or provide health services at a common location (such as a labor association).<sup>561</sup>

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<sup>551</sup> USITC, hearing transcript, June 9, 2022, 49 (testimony of Fenosoa Ralison, GEFP).

<sup>552</sup> USITC, hearing transcript, June 9, 2022, 153 (testimonies of Fenosoa Ralison, GEFP, and JC Mazingue, Cottonline) and 155 (testimony of Urban Geiwald, Winds Group).

<sup>553</sup> Plan International, “About Plan International,” accessed November 30, 2022.

<sup>554</sup> USITC, hearing transcript, June 9, 2022, 291 (testimony of Gregory Poole, The Children’s Place).

<sup>555</sup> Industry representative, interview by USITC staff, Kenya, October 3, 2022.

<sup>556</sup> Many SSA countries have large populations living below the poverty line, making workers’ benefits particularly incentivizing for many apparel workers in SSA. Urban Geiwald, written submission to the USITC, 6, May 24, 2022.

<sup>557</sup> Industry representative, interview by USITC staff, Kenya, October 12, 2022.

<sup>558</sup> Industry representative, interview by USITC staff, September 27, 2022.

<sup>559</sup> Industry representative, interview by USITC staff, Kenya, October 3, 2022.

<sup>560</sup> Industry representatives, interviews by USITC staff, September 27, 2022, and October 12, 2022.

<sup>561</sup> Industry representatives, interviews by USITC staff, October 3, 2022, and South Africa, November 1, 2022.

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# Chapter 4

## Cotton

### Introduction

This case study provides an overview of the cotton industry in sub-Saharan Africa (SSA) and cotton production, trade, and consumption. Research indicates that cotton is an important crop in many SSA countries and provides millions of people in the region with cash income, preventing extreme poverty and likely preventing increases in political instability. More than two dozen SSA countries produce cotton, but the largest-producing countries (Mali, Benin, Côte d’Ivoire, and Burkina Faso) are in West Africa. Because U.S. imports of cotton are limited and many of the largest-producing countries in SSA are not currently AGOA beneficiaries, this chapter notes trends and examples from across all SSA countries, as well as exceptions to the trend.<sup>562</sup>

In general, cotton is grown on smallholder, family farms, employing millions across SSA. Cotton produced in the region is generally considered to be high quality in the global market and has a reputation for being grown in a manner that is both environmentally and socially sustainable. While there is some small-scale cotton spinning in the region, nearly all SSA cotton lint is exported and purchased by international merchants. At the same time, the region struggles to increase yields and production to meet the demand for its cotton. Most producing countries report the need for increased funding and improved inputs and production practices to increase productivity and in turn raise farmers’ incomes. In addition, many subject matter experts report that the development of domestic or regional apparel supply chains to process cotton into yarn and textiles, as well as a focus on marketing cotton by-products, would be an effective means to further increase the impact that cotton production could have on the region.

### Industry Overview

#### Global Cotton Industry

Cotton is a natural fiber that grows on plants of the genus *Gossypium*. This hearty plant is native to tropical and subtropical regions around the world and is tolerant of heat and drought. The method of cotton production varies by location, but generally follows the same value chain universally (figure 4.1). Cotton can be grown either with irrigation or rainfed. Pre-harvest activities, maintenance of the plants, and harvesting can be done mechanically or by hand.<sup>563</sup> Harvested cotton (or “seed cotton”) consists of both the fiber (or “lint”) and the seeds.<sup>564</sup> Once harvested, the cotton lint is separated from the seeds

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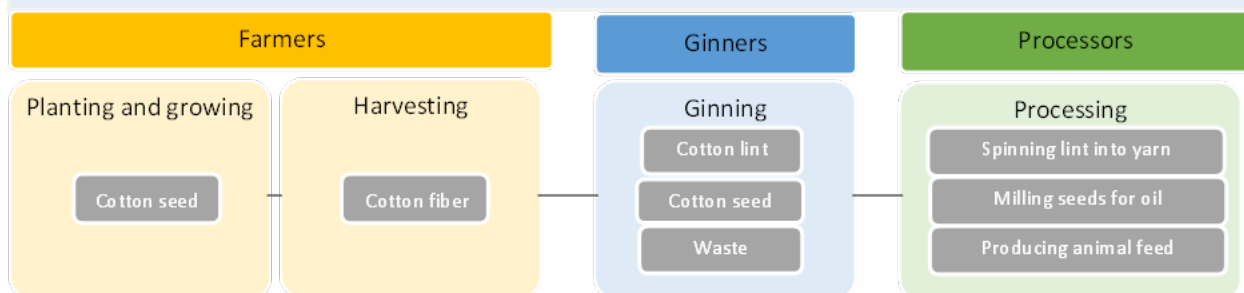
<sup>562</sup> Some SSA countries can receive duty-free access for certain cotton tariff lines under the U.S. Generalized System of Preferences (GSP), even when they are not AGOA beneficiaries. See chapter 1 and appendix E for more information.

<sup>563</sup> ICAC, “Did You Know?” accessed November 3, 2022.

<sup>564</sup> USDA, ERS, “Cotton Sector at a Glance,” accessed September 16, 2022; ICAC, “Did You Know?” accessed November 3, 2022.

and other plant matter through ginning, which takes place in facilities close to farms. The ginned cotton is then compressed into a bale and traded in that form, either exported or used domestically, generally to be processed at a spinning facility into yarn.<sup>565</sup> The seed removed during ginning has a number of end uses, including being crushed for oil and animal feed, or it can be reused for planting.

**Figure 4.1** Cotton value chain



Source: Compiled by USITC staff. USDA, ERS, “Cotton Sector at a Glance,” accessed September 16, 2022; ICAC, “Did You Know?” accessed November 3, 2022; ITC, *Cotton Exporter’s Guide*, 2007, 84–5.

## SSA Cotton Industry

Cotton is an important crop in a number of SSA countries, providing cash to millions of growers in the region and foreign exchange to governments.<sup>566</sup> More than two dozen (SSA) countries currently produce cotton (figure 4.2), but Benin, Mali, Burkina Faso, and Côte d’Ivoire are the largest cotton-producing countries and accounted for over half of SSA production in 2021. This makes Sub-Saharan Africa one of the largest cotton-growing regions worldwide, and cotton production can account for up to 10 percent of the gross domestic product of the region’s top producing countries.<sup>567</sup> Cotton grown in SSA is predominantly *Gossypium hirsutum*, which comprises about 90 percent of global cotton production, and produces a medium-length fiber.<sup>568</sup>

<sup>565</sup> ICAC, “Did You Know?” accessed November 3, 2022; ITC, *Cotton Exporter’s Guide*, 2007, 84–5.

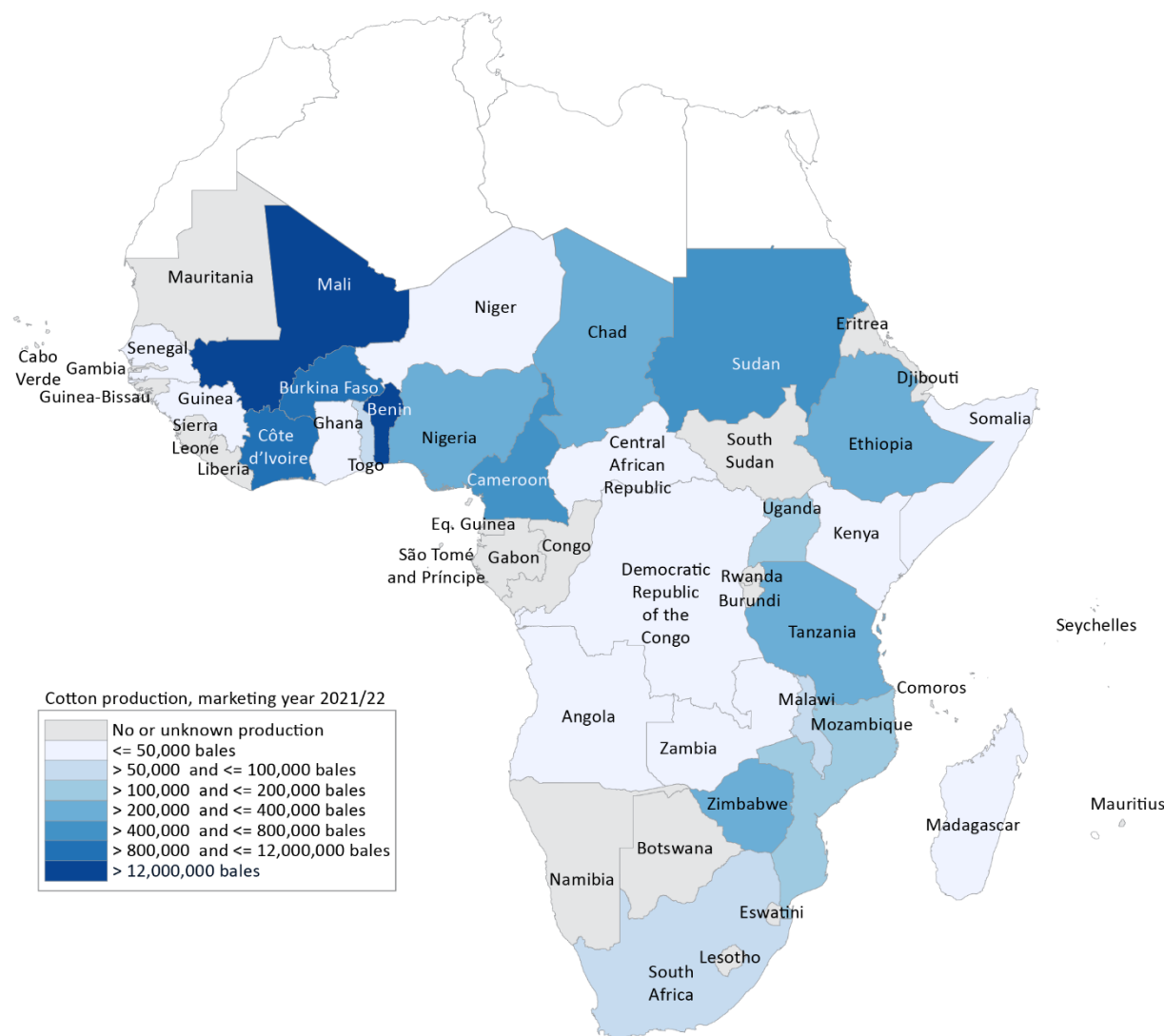
<sup>566</sup> Tschirley, Poulton, and Labaste, *Organization and Performance*, 2009, xiii; Hussein, “Cotton in West and Central Africa,” 2009, 30; WTO, SCC, *Feasibility Study: Chad*, February 19, 2021, 8; industry expert, interview by USITC staff, September 14, 2022.

<sup>567</sup> WTO, SCC, *Report of the 33rd Round*, November 6, 2020, 8; USAID, “UEMOA Cotton Competitiveness Activity,” August 2016, 8; USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

<sup>568</sup> Cotton is assessed by several measures including the length of the fiber, also called staple length. Cotton fiber length impacts its end use. Cotton Outlook, “Glossary of Terms,” accessed November 3, 2022.

**Figure 4.2** Sub-Saharan African cotton-producing countries, marketing year 2021/22

Underlying data for this figure can be found in appendix F, table F.9.



Source: Compiled by USITC staff from USDA, FAS, PSD, accessed November 3, 2022. Information on AGOA benefits eligibility status appears in appendix E, table E.1.

Note: Bales are based on a 480 pounds equivalent basis; marketing year is August–July. Somalia, Sudan, and Zimbabwe have never been AGOA beneficiaries. Cameroon lost AGOA beneficiary status in January 2020. The Democratic Republic of the Congo regained AGOA beneficiary status in January 2021. Mali, Ethiopia, and Guinea lost AGOA beneficiary status as of January 2022, and Burkina Faso lost AGOA beneficiary status in January 2023.

## Production

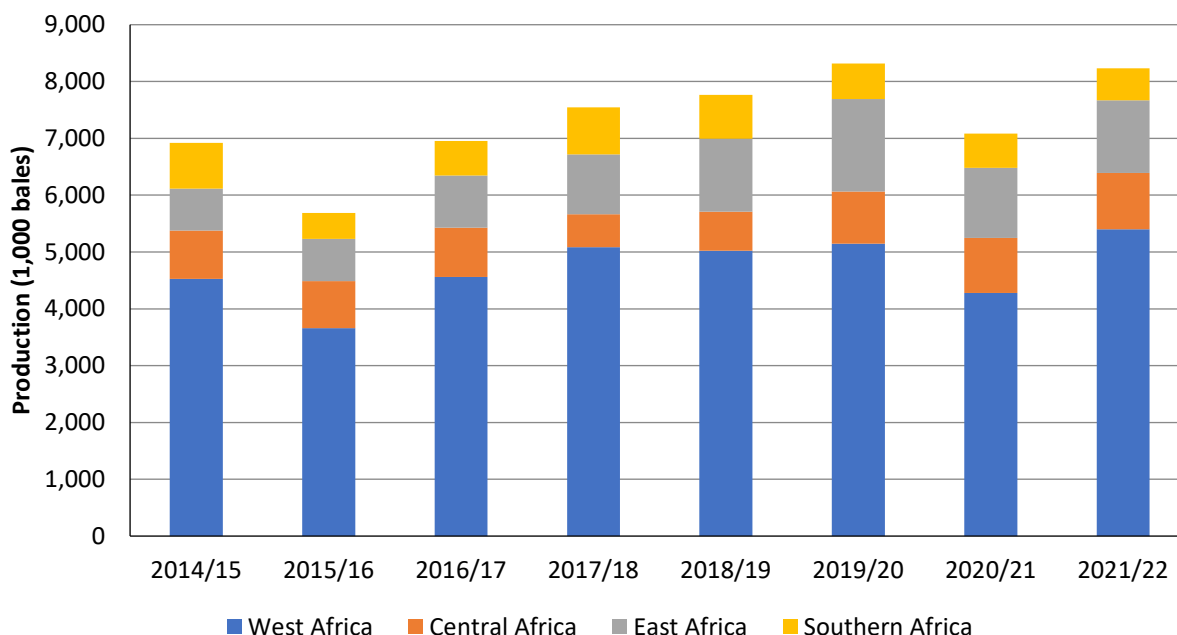
Although a number of SSA countries grow cotton, most of them individually are relatively small producers of cotton on a global scale. However, when combined, the entire region accounts for about 7 percent of global cotton production and as a region ranks as the world's fifth-largest producer—after China, India, the United States, and Brazil.<sup>569</sup> West Africa is responsible for the bulk of the region's

<sup>569</sup> USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

production, accounting for nearly two-thirds of SSA cotton production (figure 4.3).<sup>570</sup> East Africa was responsible for approximately 15–20 percent of SSA cotton production in recent years, with Sudan by far the largest producer of cotton there.<sup>571</sup>

**Figure 4.3** Production of cotton in sub-Saharan Africa, by region, marketing years 2014/15 to 2021/22

In thousands of bales. Underlying data for this figure can be found in appendix F, table F.10.



Source: USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

Note: Region groupings are as defined by the African Development Bank. West Africa includes Benin, Burkina Faso, Côte d’Ivoire, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, and Togo. East Africa includes Ethiopia, Kenya, Somalia, Sudan, Tanzania, and Uganda. Central Africa includes Cameroon, Central African Republic, Chad, and the Democratic Republic of the Congo. Southern Africa includes Angola, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, South Africa, Zambia, and Zimbabwe. Bales are based on 480 pounds-equivalent basis. African Development Bank, Countries, accessed January 9, 2023.

The top four SSA producers in 2021/22—Mali, Benin, Côte d’Ivoire, and Burkina Faso—are all located in West Africa (table 4.1) and are followed by Cameroon and Sudan.<sup>572</sup> Production in individual countries vary significantly from year to year. However, overall production in the region has increased in recent years.

<sup>570</sup> USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023. Using the African Development Bank’s grouping of West Africa: Benin, Burkina Faso, Côte d’Ivoire, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, and Togo.

<sup>571</sup> USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

<sup>572</sup> Burkina Faso, Cameroon, Mali, and Sudan are not AGOA-eligible countries. Mali lost AGOA eligibility in January 2022, and Burkina Faso lost AGOA eligibility in January 2023. See appendix E for more information. USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

**Table 4.1** Sub-Saharan Africa cotton production, by country, marketing years 2014/15 to 2021/22

In thousands of bales.

Country	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Mali	1,040	975	1,240	1,400	1,270	1,350	300	1,430
Benin	725	500	860	1,140	1,400	1,425	1,450	1,420
Côte d'Ivoire	900	615	643	805	937	990	1,010	1,050
Burkina Faso	1,350	1,100	1,310	1,200	850	880	950	960
Cameroon	530	515	470	500	600	645	680	640
Sudan	140	210	360	475	500	600	600	600
Nigeria	200	230	230	235	235	200	350	350
Chad	270	270	350	31	33	213	232	300
Tanzania	311	241	195	210	365	595	215	255
Ethiopia	184	175	207	176	243	250	240	240
All others SSA countries	1,273	858	1,091	1,371	1,333	1,171	1,057	988
Total	6,923	5,689	6,956	7,543	7,766	8,319	7,084	8,233

Source: USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

Note: Bales are based on a 480 pounds equivalent basis.

Cotton yields vary widely throughout the region and are generally lower than other global producers. Yields for the largest producers fall in a wide range, with Cameroon on the high end at approximately 658 kg/ha and Burkina Faso being the lowest at 372 kg/ha.<sup>573</sup> Yield rates in the region are impacted by a number of factors, including pest pressure, climate change, limitations in availability of quality seed or variety, poor agronomic practices, lack of access to inputs, and low soil fertility.<sup>574</sup> Yield rates can vary year to year but overall trends in yield rates generally have been stable or increased in most of the region's major producers, with the exception of Burkina Faso, which has seen falling yield rates in recent years.<sup>575</sup> Although not a large producer, South Africa has the highest yield rates in the region. At 966 kg/ha in 2021, they were roughly equivalent to that of the United States.<sup>576</sup> This is because of its larger average farm sizes, because 40 percent of its production is irrigated, and because nearly all of its production is machine-picked.<sup>577</sup>

## Production Methods

Production methods vary by country and region, but SSA cotton is generally grown on smallholder farms where the crops are rainfed, the production and harvesting of cotton is done by hand, and, as noted

<sup>573</sup> USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

<sup>574</sup> EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 10–11; industry expert, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

<sup>575</sup> USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

<sup>576</sup> U.S. cotton yields were 957 kg/ha in 2021. Yield rates vary by year, and in recent years South Africa's cotton yield rates were higher than those in the United States. However, preliminary yield rates for 2021/22 indicate a significant drop in South Africa's yield rates, down to 786 kg/ha. USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

<sup>577</sup> Almost all of China's cotton and most of Australia's production is irrigated. The majority of Brazil, India, and the United States' production is rainfed, though to varying degrees. ICAC, *Cotton Data Book 2021*, June 2021, 83–84, 93, 105–08.

above, yield rates are relatively low.<sup>578</sup> The average farm size in SSA countries is generally only a few hectares, similar to reported average farm sizes in large global cotton producers Pakistan and India.<sup>579</sup> Cotton farmers in the region typically also grow subsistence crops on a significant part of their land and rotate those crops with cotton.<sup>580</sup> These smallholder farmers are reported to have limited access to the needed inputs (such as fertilizer and pesticides) for their crops. Industry experts report that the government and private sector programs in the region provide farmers access to inputs for cotton as well as food crops. Many farmers grow cotton in order to access those inputs, which they also use on the food crops they grow.<sup>581</sup> Even with inputs provided, cotton production in the region uses significantly lower levels of fertilizer than other major producers, ranging from approximately 2–10 percent of the United States' fertilizer use per hectare. Again, South Africa is the exception.<sup>582</sup>

Mechanization levels in the production process are low in most of SSA, and where it occurs, it is generally limited to pre-harvest activities, making cotton production relatively labor intensive.<sup>583</sup> While about two-thirds of global cotton production is harvested by hand, most of the cotton grown in sub-Saharan Africa is harvested by hand and the top producing countries are entirely hand harvested.<sup>584</sup> Only South African growers harvest most of their cotton mechanically, and in Nigeria mechanized harvesting accounts for approximately one-quarter of production.<sup>585</sup>

## Industry Structure

The structures of the cotton sector can vary significantly across countries, with a general movement away from national monopolies that began in the 1990s. In many countries, however, governments often remain very involved in setting and implementing policy within the sector and may retain partial

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<sup>578</sup> WTO, *Development Assistance Aspects of Cotton*, November 15, 2021, 2; CNRST, *Programme de Renforcement*, August 2020, 1, 11; EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 10; WTO, SCC, *Report of the 34th Round*, February 6, 2021, 2; U.S. government representative, interview by USITC staff, May 27, 2022.

<sup>579</sup> The average farm size in the other major producers (Australia, Brazil, and the United States) averages between 200 and 500 hectares. ICAC, *Cotton Data Book 2021*, June 2021, 83–84; USDA, FAS, *Cotton and Products Annual: Côte d'Ivoire*, April 7, 2022, 2; Government of Kenya, *Kenya Country Report*, December 6, 2021, 4, 8; WTO, *Trade Policy Review: Uganda*, February 13, 2019, 387; Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 7–8.

<sup>580</sup> USAID, "UEMOA Cotton Competitiveness Activity," August 2016, 1; Government of Kenya, *Kenya Country Report*, December 6, 2021, 4, 8; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; industry expert, interview by USITC staff, October 7, 2022.

<sup>581</sup> Tschirley, Poulton, and Labaste, *Organization and Performance*, 2009, xxv, 5; Government of Kenya, *Kenya Country Report*, December 6, 2021, 8; industry expert, interview by USITC staff, September 14, 2022; industry representative, interview by USITC staff, July 14, 2022.

<sup>582</sup> ICAC, *Cotton Data Book 2021*, June 2021, 91.

<sup>583</sup> ICAC, *Cotton Data Book 2021*, June 2021, 93; IFC, *Creating Markets in Côte d'Ivoire*, September 2020, 46; CNRST, *Programme de Renforcement*, August 2020, 12; Government of Kenya, *Kenya Country Report*, December 6, 2021, 5; U.S. government representative, interview by USITC staff, May 27, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022.

<sup>584</sup> ICAC, "Did You Know?," accessed November 3, 2022, ICAC, *Cotton Data Book 2021*, June 2021, 93.

<sup>585</sup> ICAC, *Cotton Data Book 2021*, June 2021, 93.



ownership or indirect involvement in purchasing and ginning within the sector.<sup>586</sup> West Africa, in particular, is noted for the larger role government plays in national policy, pricing, and ownership of downstream operations than in the other SSA regions.<sup>587</sup>

The contract farming or “concession” system is common in the major West African producers. In these systems, the ginning company, which may be a private firm, has exclusive access to the farmer’s output, and in exchange provides the farmer with inputs directly or provides credit to the farmer to purchase them.<sup>588</sup> These systems are sometimes implemented through a zone system, where the country is split into zones and all growers within a zone sell exclusively to the ginning company responsible for the entire zone.<sup>589</sup> The ginning companies involved may be partly state-owned, but are often led by the private sector and are independent of each other.<sup>590</sup> In some countries with this system, the ginning company will sell seed and inputs to the farmer, often financing purchases until the end of the season. The cost of these inputs may also be subsidized by the government, but even without subsidies, they are generally lower than prices any individual farmer would have direct access to. The ginning companies may also provide growers with other support, including research, farmer education, and even some road maintenance.<sup>591</sup> Once the cotton is harvested, the ginning company will purchase it at the prevailing market price from the grower, and will deduct the cost of the inputs provided. The ginners then gin and sell the cotton lint—generally to international traders—and, in some cases, the seed for processing.<sup>592</sup>

Contract farming is not used in all producing countries and is less common outside West Africa. For example, Malawi functioned under a zone system until it was abolished in 2021.<sup>593</sup> In noncontract structures, the ginners do not have exclusive access to farmers’ production. However, farmers will sell to

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<sup>586</sup> Tschirley, Poulton, and Labaste, *Organization and Performance*, 2009, xxiv, 8; Government of Côte d’Ivoire, *Cotton Sector Reform*, June 26, 2016, 3; WTO, SCC, *Report of the 33rd Round*, November 6, 2020, 9; industry expert, interview by USITC staff, September 14, 2022; foreign government representative, interview by USITC staff, October 12, 2022; industry expert, interview by USITC staff, October 7, 2022.

<sup>587</sup> Industry expert, interview by USITC staff, September 14, 2022; U.S. government representative, interview by USITC staff, May 17, 2022; industry representative, interview by USITC staff, July 14, 2022.

<sup>588</sup> Tschirley, Poulton, and Labaste, *Organization and Performance*, 2009, 5; industry representative, interview by USITC staff, July 14, 2022.

<sup>589</sup> Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 5; EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 8; Government of Burkina Faso, *Project to Improve Infrastructure*, May 3, 2021, 1; CNRST, *Programme de Renforcement*, August 2020, 11–12; Coulibaly, “Communication de la Côte d’Ivoire,” 3; industry representative, interview by USITC staff, July 14, 2022.

<sup>590</sup> EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 8; WTO, SCC, *Report of the 36th Round*, January 26, 2022, 9; WTO, SCC, *Report of the 35th Round*, July 13, 2021, 15; industry representative, interview by USITC staff, July 14, 2022.

<sup>591</sup> Government of Côte d’Ivoire, *Cotton Sector Reform*, June 26, 2016, 4–5; CNRST, *Programme de Renforcement*, August 2020, 13; Government of Burkina Faso, *Project to Improve Infrastructure*, May 3, 2021, 1; Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 20; WTO, SCC, *Feasibility Study: Mali*, February 19, 2021, 18; USDA, FAS, *Cotton and Products Update: Senegal*, December 3, 2021, 5, 7; foreign government representative, interview by USITC staff, October 12, 2022; U.S. government representative, interview by USITC staff, May 27, 2022; industry expert, interview by USITC staff, October 7, 2022; industry representative, interview by USITC staff, July 14, 2022.

<sup>592</sup> Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 20; industry representative, interview by USITC staff, Côte d’Ivoire, October 13, 2022; industry representative, interview by USITC staff, July 14, 2022.

<sup>593</sup> WTO, SCC, *Report of the 36th Round*, January 26, 2022, 9.

the ginner or an intermediary, and the ginner will sell the ginned cotton.<sup>594</sup> According to one study's findings, in countries that are more liberalized with more market-based systems, farmers receive higher prices for their cotton, although farmer support in the form of inputs and extension services is limited.<sup>595</sup> In some parts of East Africa, some report that ginner will not enter into the type of contract farming common in West Africa because of the risks associated with price uncertainty, quality concerns, and the inability to ensure multi-year, exclusive contracts with growers.<sup>596</sup> In Uganda and Tanzania, there is reportedly no long-term relationship between the growers and the processors or international cotton merchants that could function similarly to the contract system in West Africa. Therefore, growers in these countries can lack access to important inputs for production.<sup>597</sup>

Many of the producing countries have associations that represent the farmers, but the degree to which these groups organize farmers and add value to cotton production varies and is often limited.<sup>598</sup> Cooperatives exist to varying degrees in the producing countries. For example, Mali is reported to have a strong structure of cooperatives and a producer's union that advocates on behalf of the growers.<sup>599</sup> Burkina Faso currently has more than 9,000 cotton farmer cooperatives.<sup>600</sup> In Côte d'Ivoire, farmers are reportedly joining cooperatives. These organizations are in their early stages in Malawi.<sup>601</sup> However, in general, SSA cotton cooperatives do not have the capital needed to invest in ginning facilities. Where they are owned by farmer cooperatives, the gins are reportedly poorly maintained and in need of modernization and access to power and water.<sup>602</sup>

## Consumption

Cotton lint is used in the production of yarn and fabrics primarily for the apparel industry.<sup>603</sup> However, very little SSA cotton is consumed in the producing countries or in the rest of Africa and the vast majority is exported from the region. The transformation of cotton into yarn, fabric, and apparel adds significant value. The value of yarn and thread is estimated to be at least twice that of cotton, and fabric and garments reportedly are worth up to 15 times the value of the cotton lint.<sup>604</sup> However, with little spinning, knitting, or weaving activity taking place in SSA (see Apparel case study), SSA cotton does not

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<sup>594</sup> Industry expert, interview by USITC staff, August 17, 2022.

<sup>595</sup> Tschirley, Poulton, and Labaste, *Organization and Performance*, 2009, xvi–xvii.

<sup>596</sup> Government of Kenya, *Kenya Country Report*, December 6, 2021, 8; industry representative, interview by USITC staff, July 14, 2022.

<sup>597</sup> Booth, *Striving to Transform Tanzania's Cotton Sector*, January 2019, 7, 13; industry expert, interview by USITC staff, August 17, 2022.

<sup>598</sup> Industry representative, interview by USITC staff, July 14, 2022.

<sup>599</sup> WTO, SCC, *Feasibility Study: Mali*, February 19, 2021, 17–18; U.S. government representative, interview by USITC staff, May 27, 2022.

<sup>600</sup> CNRST, *Programme de Renforcement*, August 2020, 12; Government of Burkina Faso, *Project to Improve Infrastructure*, May 3, 2021, 1.

<sup>601</sup> UNCTAD, *Feasibility Study: Malawi*, June 10, 2022, 9; foreign government representative, interview by USITC staff, October 12, 2022; industry representative, interview by USITC staff, July 14, 2022.

<sup>602</sup> EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 12; UNCTAD, *Feasibility Study: Malawi*, June 10, 2022, 9.

<sup>603</sup> Other uses include as padding for furniture or in non-woven products. ITC, *Cotton Exporter's Guide*, 2007, 23; subject matter expert, interview by USITC staff, October 3, 2022.

<sup>604</sup> EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 2; Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 17, 22.

have a direct path in the region from fiber to yarn to fabric to the garments produced by SSA apparel industries.<sup>605</sup>

In addition to the cotton lint, cotton plants are a source of valuable by-products, including the seeds, stalks, husks, and the short fibers with important uses.<sup>606</sup> Although these by-products have been marketed by growers in other cotton producing countries, including for medical and cosmetic applications and animal feed, extensive use of cotton by-products is uncommon in SSA.<sup>607</sup>

## Use of SSA Cotton in the SSA Apparel Supply Chain

As noted above, despite the availability of SSA cotton as an input into yarn spinning, the limited presence of this upstream industry in Africa leaves SSA cotton to be consumed elsewhere. Globally, large-scale spinning tends to occur close to downstream industries, which are predominantly in Asia.<sup>608</sup> Sub-Saharan Africa has some small-scale and artisanal yarn-spinning facilities, which often use outdated machinery or technology that limits production, quality, or both.<sup>609</sup> Obstacles to the establishment of large-scale yarn-spinning operations in SSA include the lack of investment in developing a sector, limited skilled labor, the need for the sector to be diversified in product offerings, and reliable and affordable electricity to run the plants (see Apparel case study).

Consumption of domestic cotton lint in the few existing yarn-spinning operations in SSA is limited. In many cases, these facilities spin cotton lint that is imported, both from the region or further abroad.<sup>610</sup>

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<sup>605</sup> See chapter 3, “Apparel” for more information on the apparel supply chain.

<sup>606</sup> Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 6, 12; ICAC, “Did You Know?” accessed November 3, 2022; Meliado et al., “Unlocking the Hidden Value of Cotton By-Products,” October 1, 2019; industry representative, interview by USITC staff, Côte d’Ivoire, October 13, 2022; industry representative, interview by USITC staff, Côte d’Ivoire, October 13, 2022.

<sup>607</sup> Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 6.

<sup>608</sup> USDA, FAS, *Cotton and Products Annual: Côte d’Ivoire*, April 7, 2022, 4; EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 4, 12; WTO, *Trade Policy Review: Uganda*, February 13, 2019, 387; Government of Kenya, *Kenya Country Report*, December 6, 2021, 3; Government of Burkina Faso, *Cotton Research Enhancement Programme*, May 3, 2021, 1; IFC, *Creating Markets in Côte d’Ivoire*, September 2020, 47; industry representative, interview by USITC staff, Côte d’Ivoire, October 13, 2022; USITC, hearing transcript, June 9, 2022, 22 (testimony of Bineshwaree Napaul, Embassy of the Republic of Mauritius).

<sup>609</sup> USDA, FAS, *Cotton and Products Update: Senegal*, December 3, 2021, 3, 5; USDA, FAS, *Cotton and Products Update: Senegal*, September 9, 2021, 6; EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 8; OECD/FAO, *OECD-FAO Agricultural Outlook 2021–2030*, July 5, 2021, 220; USITC, hearing transcript, June 9, 2022, 86, 127–29 (testimony of Pankaj Bedi, United Aryan EPZ); USITC, hearing transcript, June 9, 2022, 348 (testimony of Gregory Poole, The Children’s Place). USITC, hearing transcript, June 9, 2022, 60 (testimony of Mamoilola Raphuthing, Lesotho National Development Corporation); subject matter expert, interview by USITC staff, October 3, 2022; industry representative, interview by USITC staff, Côte d’Ivoire, October 13, 2022; industry representative, interview by USITC staff, Kenya, October 3, 2022.

<sup>610</sup> USDA, FAS, *Cotton and Products Annual: Côte d’Ivoire*, April 7, 2022, 4; Coulibaly, “Communication de la Côte d’Ivoire,” 2; Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 12; Government of Kenya, *Kenya Country Report*, December 6, 2021, 3; EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 8; USITC, hearing transcript, June 9, 2022, 131 (testimony of Paul Ryberg, Africa Coalition for Trade); USITC, hearing transcript, June 9, 2022, 165 (testimony of Mamoilola Raphuthing, LNDC); USITC, hearing transcript, June 9, 2022, 23 (testimony of Bineshwaree Napaul, Embassy of the Republic of Mauritius); USITC, hearing transcript, June 9, 2022, 53 (testimony of Arif Currimjee, Mauritius Export Association); USITC, hearing transcript, June 9, 2022, 214 (testimony of Landry Signé, Brookings).

These facilities may import cotton because spinning facilities need a year-round supply of cotton that is relatively consistent in quality.<sup>611</sup> In Madagascar, for example, the country's one spinning facility reportedly closed as a result of the decline in cotton production in the country.<sup>612</sup> Lack of a consistent supply of cotton inputs, or difficulty in obtaining them as a result of poor infrastructure, can cause yarn-spinning operations to turn to imports.<sup>613</sup> In Mozambique, for example, a local thread producer reported that, as a result of limited infrastructure connecting the north and the south of the country, it cost less to import from other countries than to source cotton from northern Mozambique.<sup>614</sup> To ensure a year-round supply, domestic ginneries would need to store cotton for long periods of time, which requires warehousing infrastructure to protect its quality.<sup>615</sup> Because of the costs and risks associated with storage, industry experts report that cotton ginneries are incentivized to immediately sell cotton to international merchants, who often pay in advance, rather than store the cotton for future sale.<sup>616</sup> In addition, subject matter experts report that this cotton is sold on the global market at prices higher than what smaller or local buyers are able to pay to spin it.<sup>617</sup> Furthermore, an industry representative suggested that because the large international buyers purchase much of the cotton in advance, what remains in the market is often the lowest quality cotton.<sup>618</sup> Uganda is one of the few countries in the region to hold additional cotton stocks for its spinning industry to ensure a year-round supply.<sup>619</sup>

In some cases, the local or regional cotton is not of the type needed for local apparel manufacturing. Reportedly, the high-quality of African cotton has end uses that differ from what is manufactured by African apparel producers.<sup>620</sup> Another industry expert reported that a company that tried to produce a vertically integrated garment within the region was not able to do so in a way that was economically sustainable and was unable to continue producing it.<sup>621</sup>

### Cotton By-Products

Increasingly, with the help of some international organizations, cotton-producing countries in SSA are focusing on greater use of the by-products of cotton production, including cotton seeds and some of the

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<sup>611</sup> ITC, *Market Entry Constraints for African Cotton*, November 15, 2018, 5; EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 23.

<sup>612</sup> USITC, hearing transcript, June 9, 2022, 116 (testimony of Jean-Claude Mazingue, SOCOTA).

<sup>613</sup> WTO, SCC, *Report of the 35th Round*, July 13, 2021, 14; USITC, hearing transcript, June 9, 2022, 166 (testimony of Urban Geiwald, Winds Group)

<sup>614</sup> Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 12.

<sup>615</sup> ITC, *Market Entry Constraints for African Cotton*, November 15, 2018, 5; EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 23.

<sup>616</sup> EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 23–24.

<sup>617</sup> Industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; industry expert, interview by USITC staff, August 17, 2022; industry expert, interview by USITC staff, October 7, 2022.

<sup>618</sup> Industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

<sup>619</sup> EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 24; industry expert, interview by USITC staff, August 17, 2022; industry representative, interview by USITC staff, Kenya, October 4, 2022.

<sup>620</sup> USITC, hearing transcript, June 9, 2022, 259 (testimony of Stephen Lande, Manchester Trade); industry representative, interview by USITC staff, South Africa, October 25, 2022.

<sup>621</sup> Industry expert, interview by USITC staff, September 14, 2022.

processing waste, including short cotton fibers and seed husks.<sup>622</sup> In 2018, at the request of the C-4 countries (Benin, Burkina Faso, Chad, and Mali), the World Trade Organization (WTO), United Nations Conference on Trade and Development (UNCTAD), and the International Trade Centre (ITC) created the Joint Initiative on Cotton By-Products.<sup>623</sup> This effort intends to increase by-product consumption by focusing on products that are used locally, including cottonseed oil, which is used in cosmetics, soap, and cooking oil; linters, the short fibers that remain after ginning which are used in medical and cosmetic supplies; and animal feed.<sup>624</sup>

Currently, the use of cotton by-products is limited throughout the region. This is often a result of the lack of infrastructure and means to transport and store the by-products for processing, as well as the absence of enabling environments and limited processing capacity.<sup>625</sup> For example, in some countries, government regulations require postharvest burning of the cotton plants for pest management, although this biomass could be used for fuel and to improve soil health.<sup>626</sup> In addition, ginneries may not be well-integrated with the sectors that process cotton by-products.<sup>627</sup> These challenges result in limited effectiveness of the processing of these by-products where facilities exist. For example, one cottonseed oil processing plant in Mozambique reports that it sources only 15 percent of its cotton seed inputs locally, while manufacturers in Uganda of absorbent cotton for medical or cosmetic uses are operating at about one-third capacity.<sup>628</sup> Increasing by-product utilization could provide more revenue for growers and provide some buffer against global fluctuations in cotton lint prices and decrease import dependence on commodities such as cooking oil.<sup>629</sup>

## Trade

Cotton is generally traded as lint, after it is ginned and pressed into bales.<sup>630</sup> More than one-third of global cotton production was exported from the country of production in 2021.<sup>631</sup> Because of the consolidation of the global spinning and weaving sectors, mainly in Asia, the top global cotton producers are not all top exporters. China and India are the world's largest producers, each producing an average

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<sup>622</sup> WTO, *Development Assistance Aspects of Cotton*, November 15, 2021, 6; foreign government representative, interview by USITC staff, October 12, 2022.

<sup>623</sup> WTO, *Development Assistance Aspects of Cotton*, November 15, 2021, 6.

<sup>624</sup> IFC, *Creating Markets in Côte d'Ivoire*, September 2020, 47; Government of Kenya, *Kenya Country Report*, December 6, 2021, 3; EAC, *The East African Community Cotton, Textiles and Apparel Strategy*, May 2019, 20; ICAC, "Did You Know," accessed November 3, 2022.

<sup>625</sup> Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 9–10; industry expert, interview by USITC staff, September 14, 2022.

<sup>626</sup> Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 9; Meliado et al., "Unlocking the Hidden Value of Cotton By-Products," October 1, 2019; Government of Kenya, *Kenya Country Report*, December 6, 2021, 3; UNCTAD, *Feasibility Study: Malawi*, June 10, 2022, 10, 13–14.

<sup>627</sup> Government of Kenya, *Kenya Country Report*, December 6, 2021, 8.

<sup>628</sup> Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 15; EAC, *The East African Community Cotton, Textiles and Apparel Strategy*, May 2019, 20.

<sup>629</sup> Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 5–7; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; interview by USITC staff, October 7, 2022.

<sup>630</sup> OECD/FAO, *OECD-FAO Agricultural Outlook 2021–2030*, July 5, 2021, 215; ICAC, "Did You Know?" accessed November 3, 2022.

<sup>631</sup> USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

of about 27 million bales in recent years.<sup>632</sup> Because of their established spinning industries, China consumes nearly all of its cotton production and India consumes most of its production. Like most remaining top cotton producers, almost all the cotton produced in SSA is exported, and by one estimate, only about 10 percent of the total exports represent intra-regional trade.<sup>633</sup> Demand for cotton grown in SSA, particularly from the major producing countries, often outstrips supply and the cotton is generally sold in advance to large, international merchants.<sup>634</sup>

## SSA Exports

SSA collectively is the world's third-largest exporter of cotton, after the United States and Brazil, and accounts for 15 percent of global cotton exports, by volume.<sup>635</sup> The region's top five exporters are Benin, Côte d'Ivoire, Mali, Burkina Faso, and Cameroon (table 4.2). Although trade data by value from this region are incomplete, in recent years, the cumulative value of SSA exports has fallen to between approximately \$850 million and \$1.5 billion, down from a peak of trade between 2011 and 2013, when SSA cotton export values ranged from \$1.5 billion to \$2.6 billion annually.<sup>636</sup>

**Table 4.2** Sub-Saharan African exports of cotton, by exporter, marketing years 2014/15 to 2021/22

In thousands of bales.

Exporters	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Benin	750	650	825	1,070	1,390	970	1,570	1,400
Côte d'Ivoire	860	780	625	620	895	643	1,176	1,350
Mali	850	1,000	1,100	1,300	1,350	1,175	600	1,300
Burkina Faso	1,340	1,077	1,154	1,218	796	950	1,067	900
Cameroon	475	550	500	400	575	500	650	600
Sudan	70	130	310	350	425	425	475	550
Chad	175	250	200	200	90	150	200	275
Zimbabwe	215	125	75	150	175	102	134	250
Uganda	60	94	121	121	127	168	150	150
Mozambique	110	90	95	105	100	95	105	125
All other SSA exporters	681	741	666	530	782	634	591	503
Total	5,586	5,487	5,671	6,064	6,705	5,812	6,718	7,403

Source: USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

<sup>632</sup> USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023. Data on cotton trade are available by quantity through USDA PSD and includes data on African production and trade. Data on trade by value are not reported by all the cotton producing countries in SSA, so these data are incomplete.

<sup>633</sup> EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, Foreword, 12; USDA FAS, PSD Online, accessed February 16, 2022

<sup>634</sup> Subject matter expert, interview by USITC staff, July 26, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; U.S. government representative, interview by USITC staff, May 27, 2022.

<sup>635</sup> USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

<sup>636</sup> USDA estimates global imports and exports of cotton by country by quantity rather than by value. Trade data in value for cotton exports from SSA countries are inconsistent, both by reporter and by year. In most years, cotton exports reported from SSA countries are lower by value than the same trade as reported by importing countries. S&P Global, Global Trade Analytic Suite (GTAS) database, accessed March 16, 2022. Exports of cotton, not carded or combed (HS heading 5201) and world imports of cotton from SSA, not carded or combed (HS heading 5201), by source country.

Note: Trade data covers cotton, not carded or combed. Bales are based on a 480 pounds equivalent basis. Top 10 exporters are individually shown according to their 2021/22 export quantities.

In many top producing countries, cotton is among the top agricultural exports by value and, therefore, plays an important role in the economy in supplying foreign currency. In Burkina Faso, government data indicates that cotton is the top agricultural export and is second only to gold in overall exports.<sup>637</sup> Similarly, in Mali, cotton is the country's top agricultural export and the country's second-largest overall export.<sup>638</sup> In Benin, cotton is also the country's top export and is estimated to account for more than a quarter and up to 61 percent of total export value.<sup>639</sup> In Côte d'Ivoire, some measures indicate cotton has accounted for up to 4.6 percent of the country's agricultural exports, by value, in recent years, although government representatives report higher figures and indicate it accounts for 1.7 percent of the country's GDP.<sup>640</sup>

The region's cotton exports tend to be directed toward markets with high levels of yarn-spinning and knitting and weaving operations.<sup>641</sup> China, Bangladesh, and Vietnam are the world's top importers of cotton and combine to import more than half the global cotton trade, by value.<sup>642</sup> The next-largest importers of cotton are Pakistan and Turkey, and together the top five importers of cotton account for more than three-quarters of global cotton imports.<sup>643</sup> These top five global cotton importers are also the top destination sources for SSA cotton, followed by Egypt and Indonesia.<sup>644</sup>

## U.S. Imports

The United States is the third-largest cotton producer and the world's largest cotton exporter. The country is not a major importer of cotton and has limited yarn-spinning and textile mill capacity.<sup>645</sup> U.S. demand from mills for cotton is sufficient to absorb only a small fraction of U.S. production.<sup>646</sup> Recent U.S. imports from all countries have not exceeded \$3.2 million per year in total (compared to nearly \$7.5 billion U.S. cotton production in 2021). The United States has imported cotton from SSA countries in

<sup>637</sup> Government of Burkina Faso, *Project to Improve Infrastructure*, May 3, 2021, 1.

<sup>638</sup> IFC, *Creating Markets in Mali*, April 2022, xii, 10.

<sup>639</sup> UNCTAD, "Tapping the Full Potential of Cotton in Developing Countries," October 7, 2022; S&P Global, Global Trade Analytic Suite (GTAS) database, accessed December 5, 2022.

<sup>640</sup> "Agricultural products" includes crops and livestock products but does not include live animals. FAOSTAT, accessed May 11, 2022; IFC, *Creating Markets in Côte d'Ivoire*, September 2020, 25; Coulibaly, "Communication de la Côte d'Ivoire," 2; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

<sup>641</sup> EAC, *The East African Community Cotton, Textiles and Apparel Strategy*, May 2019, 4.

<sup>642</sup> USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

<sup>643</sup> USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

<sup>644</sup> Trade data by value reported by SSA countries are limited, and mirror data are inconsistent. S&P Global, Global Trade Analytic Suite (GTAS) database, accessed October 27, 2022; USDA, FAS, *Cotton and Products Annual: Côte d'Ivoire*, April 7, 2022, 6; Coulibaly, "Communication de la Côte d'Ivoire," 3; USDA, FAS, *Cotton and Products Update: Senegal*, December 3, 2021, 5–7.

<sup>645</sup> USITC, hearing transcript, June 9, 2022, 326 (testimony of Gail W. Strickler, Brookfield Associates); industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

<sup>646</sup> USDA, FAS, PSD Online, Cotton Data Set, January 12, 2023.

only 7 of the last 20 years, and never of values greater than \$200,000. Of those imports, nearly all were from AGOA-eligible countries (with the exception of Togo).<sup>647</sup>

The United States maintains six tariff rate quotas (TRQs) covering cotton products: cotton, not carded or combed; cotton waste; and cotton, carded or combed. These TRQs offer a combined total 76,545 metric tons of duty-free or reduced-duty access across all trading partners under normal trade relations. During 2017–21, the average fill rate under these TRQs was 2.1 percent, ranging from a low of 0.8 percent in 2021 to a high of 3.7 percent in 2020.<sup>648</sup> The 35 SSA countries designated as AGOA-eligible beneficiaries as of January 2023 receive duty-free access beyond the TRQs for most statistical reporting numbers under cotton, not carded and combed. However, no provisions are available for duty-free treatment for these countries for cotton, not carded or combed, having a staple length of 34.925 mm (1-3/8 inches) or more.<sup>649</sup>

## Competitive Strengths and Weaknesses

The SSA cotton industry produces high-quality, “sustainable” cotton that can be used in a number of high-value end products and is traded on the global market.<sup>650</sup> Production on the continent has been growing owing to some improvement in yields, increasing growing area, and, in some major producing countries, efforts to improve agronomic practices. SSA cotton production benefits from a large availability of low-cost labor and strong global demand but struggles to increase supply to meet demand. Poor agronomic practices, lack of inputs (e.g., quality seeds and fertilizer), low use of mechanization and poor infrastructure, political instability/civil strife, and climate change all lead to this disparity.

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<sup>647</sup> All imports have been under 5201 (cotton, not carded or combed). SSA countries have had no imports under 5202 (cotton waste) and 5203 (cotton, carded or combed) during the period. USITC DataWeb/Census, accessed July 7, 2022.

<sup>648</sup> CBP, “2017 Calendar Year End Commodity Status Reports,” accessed December 5, 2022; CBP, “2018 Year-End Commodity Status Report,” February 26, 2020; CBP, “2019 Year-End Commodity Status Report,” May 22, 2022; CBP, “2020 Calendar Year End Commodity Status Report,” May 22, 2022; CBP, “2021 Calendar Year End Commodity Status Report,” October 5, 2022.

<sup>649</sup> See chapter 1 for more information. The special rates of duty for 5201.00.55, 5201.00.60, and 5201.00.80. USITC, Harmonized Tariff Schedule of the United States, Revision 11 (2022), chapter 52. Proclamation No. 10509 of 87 Fed. Reg. 79977 (December 29, 2022). Section 502(a)(2) of the Trade Act of 1974, as amended; USITC, Harmonized Tariff Schedule of the United States, Revision 11 (2022), General Notes, GNs 4(b)(i) and 16(a).

<sup>650</sup> WTO, SCC, *Report of the 35th Round*, July 13, 2021, 6; EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 21; IFC, *Creating Markets in Côte d’Ivoire*, September 2020, 46; USDA, FAS, *Cotton and Products Annual: Côte d’Ivoire*, April 7, 2022, 2; Coulibaly, “Communication de la Côte d’Ivoire,” 3; WTO, *Trade Policy Review: Uganda*, February 13, 2019, 387–88; ITC, *Cotton Exporter’s Guide*, 2007, 35, 47, 50; ICAC, “Sustainable Cotton Production,” accessed November 3, 2022; USITC, hearing transcript, June 9, 2022, 306, 326 (testimony of Gail W. Strickler, Brookfield Associates); The Children’s Place, written submission to the USITC, June 9, 2022, 8; industry representative, interview by USITC staff, July 29, 2022; U.S. government representative, interview by USITC staff, May 27, 2022; subject matter expert, interview by USITC staff, July 26, 2022; industry representative, interview by USITC staff, September 28, 2022; industry expert, interview by USITC staff, October 7, 2022.



## SSA Cotton is Known for High Quality in the Global Market but Some Factors Mitigate this Strength

SSA cotton quality is a competitive strength for the region. A number of attributes, including fiber length distribution, uniformity, color, entrained debris, knots (called neps), air permeability (called micronaire), and strength, determine cotton quality.<sup>651</sup> In general, cotton that has longer, uniform strands that are strong and free of debris and neps will lead to lower production costs throughout the textile value chain. These attributes can be impacted by the variety of cotton, weather conditions, cultural practices, harvesting and storage practices, moisture and debris content, and the ginning processes.<sup>652</sup> Handpicked cotton is generally considered to be of higher quality than machine picked. This cotton has lower levels of plant debris mixed in than machine-picked cotton and is also preferred by spinners because handpicked cotton has fewer neps and fewer short fibers.<sup>653</sup> Contamination of cotton with plastic has been associated with handpicking in the past, but industry experts report that engagement with, and training for farmers has lowered the frequency of these issues in recent years.<sup>654</sup>

The region's cotton quality is high overall, but the sector suffers from a number of factors that mitigate this strength. For example, poor infrastructure, including transportation and storage facilities, impacts cotton production during all stages of production and can lead to lower or inconsistent quality cotton. Poor quality road and rail infrastructure impacts quality because it can limit the availability of needed inputs during production.<sup>655</sup> Limited or inadequate postharvest storage facilities also lead to higher moisture content and yellowing of the cotton, which degrades the quality of the cotton.<sup>656</sup> Other factors that may limit improvements in quality are discussed below.

## SSA Cotton Has a Reputation for Sustainability, an Increasingly Important Attribute to Buyers

Cotton grown in SSA has a reputation for sustainability—both environmental and social—to a greater degree than that from other producing regions. Buyers report that sustainability has become increasingly important to consumers and that this attribute grants access to more profitable market

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<sup>651</sup> Micronaire is a measure of fineness and maturity. ITC, *Cotton Exporter's Guide*, 2007, 35, 47.

<sup>652</sup> ITC, *Cotton Exporter's Guide*, 2007, 35, 41, 42–50.

<sup>653</sup> ITC, *Cotton Exporter's Guide*, 2007, 37, 60; ICAC, "Did You Know?" accessed November 3, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; U.S. government representative, interview by USITC staff, May 27, 2022; industry representative, interview by USITC staff, July 29, 2022.

<sup>654</sup> WTO, SCC, *Report of the 35th Round*, July 13, 2021, 6; EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 21; ITC, *Cotton Exporter's Guide*, 2007, 37, 60; U.S. government representative, interview by USITC staff, May 27, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022; industry representative, interview by USITC staff, July 29, 2022.

<sup>655</sup> WTO, SCC, *Report on the 32nd Round*, April 20, 2020, 8; EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 23.

<sup>656</sup> EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 23; ITC, *Cotton Exporter's Guide*, 2007, 36, 50.

channels for their end products.<sup>657</sup> This reputation is reported to act as a competitive strength on the global market. Reliance on rain instead of irrigation, co-cropping, and low use of agrochemicals results in a lower environmental footprint.<sup>658</sup> Handpicked cotton is also considered to be more sustainable because it requires less processing and does not involve chemical defoliation.<sup>659</sup> Many government or private sector support programs discussed below for farmers growing cotton, including support for education and healthcare for farm families and creating market channels for other cash crops, are considered to be part of social efforts at sustainability. Nevertheless, no premium is currently paid for this cotton.<sup>660</sup>

## Lack of Access to Inputs Limits the Sector's Yield Growth and Quality Improvement

Cotton is an input-intensive crop, requiring fertilizer and pesticides and benefitting from improved plant varieties, seeds, and services.<sup>661</sup> Some improvements in agronomic practices in many of the producing countries have helped maintain and increase production, but lack of access to important inputs and services has limited increases in cotton yields and quality throughout the region, limiting the ability of the region's supply to meet demand.<sup>662</sup> For example, growers throughout the region have limited or no access to the best quality seeds. Instead, they often plant seeds of older varieties that are no longer ideally suited to the growing area or use seeds that have not been delinted or chemically treated, limiting yields and quality.<sup>663</sup> Many governments are involved in efforts to increase the production and availability of high-quality seed, but these programs are limited in scope. Furthermore, soil fertility and pest pressure are also a limiting factor in increasing yields because growers have limited access to

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<sup>657</sup> ICAC, "Sustainable Cotton Production," accessed November 3, 2022; National Cotton Council of America, "A Year Into Lockdown, Research Finds," accessed January 20, 2023; subject matter expert, interview by USITC staff, July 26, 2022; industry representative, interview by USITC staff, September 28, 2022; industry expert, interview by USITC staff, October 7, 2022.

<sup>658</sup> WTO, SCC, *Report of the 34th Round*, February 6, 2021, 5; Government of Kenya, *Kenya Country Report*, December 6, 2021, 4; industry expert, interview by USITC staff, September 14, 2022.

<sup>659</sup> IFC, *Creating Markets in Côte d'Ivoire*, September 2020, 46.

<sup>660</sup> Subject matter expert, interview by USITC staff, July 26, 2022.

<sup>661</sup> Tschirley, Poulton, and Labaste, *Organization and Performance*, 2009, xxv, 5; Government of Kenya, *Kenya Country Report*, December 6, 2021, 8; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

<sup>662</sup> Government of Burkina Faso, *Project to Improve Infrastructure*, May 3, 2021, 2; Government of Kenya, *Kenya Country Report*, December 6, 2021, 6; WTO, SCC, *Report on the 32nd Round*, April 20, 2020, 8; EAC, *The East African Community Cotton, Textiles and Apparel Strategy*, May 2019, 23; Tschirley, Poulton, and Labaste, *Organization and Performance*, 2009, xxv, 5; UNCTAD, *Feasibility Study: Malawi*, June 10, 2022, 17; industry expert, interview by USITC staff, September 14, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; industry representative, interview by USITC staff, July 14, 2022.

<sup>663</sup> WTO, SCC, *Report of the 36th Round*, January 26, 2022, 5; Government of Kenya, *Kenya Country Report*, December 6, 2021, 2, 6–7; WTO, SCC, *Report on the 32nd Round*, April 20, 2020, 6, 8; Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 12, 22; Government of the Republic of Burundi, *The Cotton Sector in Burundi*, December 4, 2020, 2; UNCTAD, *Feasibility Study: Malawi*, June 10, 2022, 18; ICAC, *Cotton Data Book 2021*, June 2021, 86; WTO, SCC, *Report of the 35th Round*, July 13, 2021, 5; industry expert, interview by USITC staff, September 14, 2022; subject matter expert, interview by USITC staff, October 3, 2022; U.S. government representative, interview by USITC staff, May 17, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022.

fertilizer and pesticides.<sup>664</sup> Many governments or ginning companies supply growers with these inputs, sometimes subsidized, but the region still has some of the lowest usage rates among major producers.<sup>665</sup> In cases where inputs are not supplied to growers, needed inputs are often unavailable in local markets, and when available, the high, up-front cost can limit farmers' access, especially because credit, when available, carries high interest rates.<sup>666</sup> Agronomic research has also been reported to be an important factor in expanding yields and improving quality; however, funding for research continues to be insufficient in many cases.<sup>667</sup>

## Lack of Mechanization Can Lead to Higher-Quality Cotton but Limits Expansion of Yields and Improvements in Quality

The lack of mechanization in cotton production acts as both a competitive strength and a weakness for the cotton sector. Much of the region has limited availability of machine equipment. For example, Burkina Faso has an estimated one tractor per thousand producers, so growers are dependent on hand labor.<sup>668</sup> This lack of mechanization limits yields and quality improvements.<sup>669</sup> In addition, because the region generally has limited access to hired labor, particularly during the rainy season, this lack of mechanization can result in late cotton planting and harvesting with lower quality and yields as a

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<sup>664</sup> Government of Burkina Faso, *Project to Improve Infrastructure*, May 3, 2021, 2; WTO, *Trade Policy Review: Uganda*, February 13, 2019, 387; Government of the Republic of Burundi, *The Cotton Sector in Burundi*, December 4, 2020, 2; ITC, *Cotton Exporter's Guide*, 2007, 7; Tschirley, Poulton, and Labaste, *Organization and Performance*, 2009, xxv, 5; Government of Kenya, *Kenya Country Report*, December 6, 2021, 6, 8; WTO, SCC, *Feasibility Study: Chad*, February 19, 2021, 11; subject matter expert, interview by USITC staff, October 3, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022; U.S. government representative, interview by USITC staff, May 27, 2022.

<sup>665</sup> South Africa is the exception here, with higher usage rates than the rest of SSA producers. Booth, *Striving to Transform Tanzania's Cotton Sector*, January 2019, 7; ICAC, *Cotton Data Book 2021*, June 2021, 45–47, industry expert, interview by USITC staff, September 14, 2022.

<sup>666</sup> EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 21, 23; Government of Kenya, *Kenya Country Report*, December 6, 2021, 2, 6; WTO, *Cotton-Growing Intensification Project*, October 22, 2021, 2; WTO, *Trade Policy Review: Uganda*, February 13, 2019, 387; WTO, SCC, *Report of the 36th Round*, January 26, 2022, 9–10; industry expert, interview by USITC staff, October 7, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022; industry expert, interview by USITC staff, August 17, 2022.

<sup>667</sup> Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 22; Government of Kenya, *Kenya Country Report*, December 6, 2021, 7; Government of Côte d'Ivoire, *Cotton Sector Reform*, June 26, 2016, 1; CNRST, *Programme de Renforcement*, August 2020, 15; EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 23; ITC, *Cotton Exporter's Guide*, 2007, 7; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022.

<sup>668</sup> Government of Burkina Faso, *Project to Improve Infrastructure*, May 3, 2021, 2–3; WTO, *Cotton-Growing Intensification Project*, October 22, 2021, 2; Coulibaly, "Communication de la Côte d'Ivoire," 3.

<sup>669</sup> Foreign government representative, interview by USITC staff, October 12, 2022; subject matter expert, interview by USITC staff, October 3, 2022; U.S. government representative, interview by USITC staff, May 27, 2022; industry expert, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

result.<sup>670</sup> However, as noted above, lower levels of mechanization, and particularly hand harvesting, support the region's reputation for high-quality and sustainably grown cotton.

## Climate Change and Political Instability Have Led to Inconsistent Supply and Quality and Lower Yields

Inconsistent supply or quality is a competitive weakness on the global cotton market and leads to lower profit for growers. Political instability in the region has limited the ability of farmers to access their land and work in their fields, which has resulted in inconsistent supply and quality, and limited growth in yield rates. For example, the government of Burkina Faso cited the threat of terrorism as one factor for the decline of production that led the nation to fall from being the region's top cotton producer.<sup>671</sup> That threat continues. In 2021, security concerns in Burkina Faso were cited as causing some farmers to relocate and others to be unable to tend their fields and at risk of being unable to harvest their cotton.<sup>672</sup> Côte d'Ivoire and Burundi also report that political instability was a factor in their past declines in cotton production.<sup>673</sup>

Changes in the length of the rainy and dry seasons, flooding, increased temperatures, and drought have similarly had a negative impact on cotton quality as well as yields.<sup>674</sup> Unreliable and unseasonable rains and other weather issues resulting from climate change reportedly limit available time to plant and harvest. These climate issues, combined with limited mechanization, were reported to have led to lower quality cotton output in Côte d'Ivoire in 2021/22.<sup>675</sup> Similarly, some farmers abandoned their fields in Senegal in 2021 after August rains led to increased grass cover that they were unable to respond to because of insufficient labor availability.<sup>676</sup>

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<sup>670</sup> EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 23; industry expert, interview by USITC staff, Côte d'Ivoire, October 13, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022.

<sup>671</sup> Government of Burkina Faso, *Project to Improve Infrastructure*, May 3, 2021, 2.

<sup>672</sup> USDA, FAS, *Cotton and Products Update: Senegal*, December 3, 2021, 3.

<sup>673</sup> Government of Burundi, *Cotton-Growing Intensification Project*, October 22, 2021, 2; Government of Côte d'Ivoire, *Cotton Sector Reform*, June 26, 2016, 1, 7.

<sup>674</sup> FAO, *Climate Smart Agriculture*, 2018, 1; EAC, *The East African Community Cotton, Textiles and Apparels Strategy*, May 2019, 23; Government of Burkina Faso, *Cotton Research Enhancement Programme*, May 3, 2021, 1–2; Government of Kenya, *Kenya Country Report*, December 6, 2021, 2, 6; WTO, *Trade Policy Review: Uganda*, February 13, 2019, 387; Government of the Republic of Burundi, *The Cotton Sector in Burundi*, December 4, 2020, 2; WTO, SCC, *Report of the 36th Round*, January 26, 2022, 10; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; subject matter expert, email to USITC staff, October 11, 2022; U.S. government representative, interview by USITC staff, May 17, 2022; Industry expert, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

<sup>675</sup> USDA, FAS, *Cotton and Products Annual: Côte d'Ivoire*, April 7, 2022, 3; industry expert, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

<sup>676</sup> USDA, FAS, *Cotton and Products Update: Senegal*, December 3, 2021, 5.

## Cotton Sector Contributions to Employment, Economic Development, and Poverty Reduction

Cotton-growing regions in sub-Saharan African countries tend to be poorer than the national average of those countries and are areas where the risk of political instability may be increased.<sup>677</sup> These areas tend to have limited opportunities for jobs and for growing other crops. Because cotton can grow in hotter and drier environments than many other crops, it may be the main source of revenue for many producers.<sup>678</sup> Many industry and subject matter experts hold that cotton production has helped prevent extreme poverty. However, without increasing yields per hectare and using local cotton to create a vertically integrated regional value chain, the extent to which cotton can contribute to employment, poverty reduction, and economic development will be constrained. One industry representative estimated that if African cotton yields increased to reach the global average, an additional \$3.8 billion in revenue and 6 million jobs in West Africa and 1 million jobs in South and East Africa would result. The development of a textile value chain could generate more than \$60 billion in additional value in West Africa.<sup>679</sup> In addition to increasing cotton yields, extracting value from cotton by-products can potentially be an effective means of poverty reduction, job creation, inclusiveness, and sustainability, and can have a disproportionately positive impact on women.<sup>680</sup>

### The Cotton Sector Employs Millions in the Region

Cotton production is a source of income for a substantial number of workers in SSA, both directly and indirectly.<sup>681</sup> Estimates vary somewhat by source, but more than 3.5 million cotton growers are likely in the region.<sup>682</sup> The range is broad across countries—from about 2,500 in South Africa to over 600,000 in Tanzania—and the largest producing countries do not necessarily have the most farmers (table 4.3).

<sup>677</sup> Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 22; Government of Kenya, *Kenya Country Report*, December 6, 2021, 3; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022.

<sup>678</sup> Government of Kenya, *Kenya Country Report*, December 6, 2021, 3; Hussein, "Cotton in West and Central Africa," 2009, 29; industry expert, interview by USITC staff, September 14, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; industry expert, interview by USITC staff, Côte d'Ivoire, October 13, 2022; interview by USITC staff, October 7, 2022; industry representative, interview by USITC staff, July 14, 2022.

<sup>679</sup> WTO, SCC, *Report of the 36th Round*, January 26, 2022, 5.

<sup>680</sup> WTO, SCC, *Report on the 32nd Round*, April 20, 2020, 16; Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 6–7, 21; WTO, SCC, *Feasibility Study: Mali*, February 19, 2021, 2; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

<sup>681</sup> Industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

<sup>682</sup> WTO, *Competitive African Cotton Initiative*, May 25, 2018, 1; FTAO, *Power to West African Cotton Farmers*, March 15, 2016, 4; Hussein, "Cotton in West and Central Africa," 2009, 29; Meliado et al., "Unlocking the Hidden Value of Cotton By-Products," October 1, 2019; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

**Table 4.3** Number of cotton farm families and percentage with male owners, selected countries, 2021  
Listed in order of 2021 production.

Country	Total number farm families	Percentage male owners
Mali	162,755	99
Benin	214,065	89
Côte d'Ivoire	120,036	98
Burkina Faso	325,000	97
Cameroon	250,000	88
Sudan	200,000	90
Nigeria	300,000	90
Chad	248,044	96
Tanzania	618,414	64
Ethiopia	49,377	98
Zimbabwe	357,088	61
Uganda	147,100	50
Mozambique	150,465	74
Togo	152,652	91
Malawi	35,000	60
South Africa	2,677	44
Zambia	324,575	87
Kenya	28,038	67

Source: ICAC, *Cotton Data Book 2021*, June 2021, 83–4.

Income and employment as a result of cotton production also has indirect effects from ancillary industries, beyond direct employment in cotton production.<sup>683</sup> Côte d'Ivoire reports that 3.5 million people within the country are directly or indirectly involved with growing cotton.<sup>684</sup> Mali reports that nearly 4 million people (about one-fifth of the population) make their living either directly or indirectly from cotton farming.<sup>685</sup> The cotton sector in Burkina Faso is reported to generate income for about 4 million people, with even more supported by upstream and downstream industries associated with it.<sup>686</sup>

In most countries in the region, the farm owners are predominantly male, with the exception of South Africa, where more than half the farm owners are female, and Uganda, where half are female (table 4.3). Results from one survey indicate that African women own about 25 percent of cotton-producing land.<sup>687</sup> In general, women are reported to be responsible for the food crops and men for the cash crops, but women are often used as labor on their family farms to support cotton production.<sup>688</sup> Women involved in cotton farming tend to be most involved in picking and planting, but their participation varies

<sup>683</sup> Foreign government representative, interview by USITC staff, October 12, 2022; U.S. government representative, interview by USITC staff, May 27, 2022.

<sup>684</sup> Coulibaly, "Communication de la Côte d'Ivoire," December 6, 2021, 2.

<sup>685</sup> WTO, SCC, *Report of the 35th Round*, July 13, 2021, 15; IFC, *Creating Markets in Mali*, April 2022, 10.

<sup>686</sup> Government of Burkina Faso, *Cotton Research Enhancement Programme*, May 3, 2021, 1.

<sup>687</sup> ITC, *Women in Cotton*, October 2011, 2.

<sup>688</sup> Hussein, "Cotton in West and Central Africa," 2009, 26; ITC, *Women in Cotton*, October 2011, 4; Government of the Republic of Burundi, *The Cotton Sector in Burundi*, December 4, 2020, 3; UNCTAD, *Feasibility Study: Malawi*, June 10, 2022, 9; WTO, SCC, *Feasibility Study: Mali*, February 19, 2021, 36; Brookfield Associates, written submission to USITC, June 16, 2022, 2; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022.

by country: from 10 to 100 percent in picking and from 5 to 90 percent in planting.<sup>689</sup> Women generally have very low levels of participation in trading activities (typically 5–15 percent).<sup>690</sup>

Cotton produced without mechanization requires significant manual labor, yet there is reportedly limited availability of hired labor for cotton production and difficulty in retaining workers in rural areas.<sup>691</sup> As a result, farmers' families, including their children, typically take on some of the production and much of the harvesting.<sup>692</sup> Information from industry representatives suggests much of this work appears to fall under the definition of permissible "child work" as opposed to "child labor," consistent with ILO conventions.<sup>693</sup> Industry sources acknowledge that child labor (work that does not meet these standards and therefore is prohibited as opposed to "child work" which is permitted) does occur in SSA cotton production, but data on its extent and the exact forms it takes are limited or nonexistent for many countries.<sup>694</sup> The U.S. Department of Labor (USDOL) has identified the use of child labor in cotton production (both farming and/or ginning) for four out of the more than two dozen cotton producing SSA countries.<sup>695</sup> A USDOL report indicates that in Burkina Faso 250,000 children are said to be involved in growing cotton, primarily on small family farms, and that children working in the cotton sector are exposed to many health risks.<sup>696</sup>

Industry representatives state that the private sector, local and international non-governmental agencies, and local governments have implemented programs to stop illegal labor practices, including child labor and forced labor, in cotton production, which they state have significantly reduced illegal labor practices.<sup>697</sup> Over the past decade, efforts in this area have included programs funded by USDOL,

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<sup>689</sup> ITC, *Women in Cotton*, October 2011, 1.

<sup>690</sup> ITC, *Women in Cotton*, October 2011, 2.

<sup>691</sup> U.S. government representative, interview by USITC staff, May 27, 2022; industry expert, interview by USITC staff, Côte d'Ivoire, October 13, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022; industry representative, interview by USITC staff, July 14, 2022.

<sup>692</sup> Government of Burkina Faso, *Project to Improve Infrastructure*, May 3, 2021, 3; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022.

<sup>693</sup> As noted in chapter 1, box 1.1, international standards prohibit child labor but permit child work where it adheres to a minimum age requirement, does not interfere with children's education, and is otherwise not hazardous. Minimum Age Convention, ILO No. 138, arts. 1–7, June 26, 1973.

<sup>694</sup> UTZ Certified, "UTZ Certified: Good Inside Position Paper on Child Lab," 2011; ECLT Foundation, "Child Work, Child Labour," accessed January 30, 2023.

<sup>695</sup> For cotton, USDOL identified the use of child labor in Benin, Burkina Faso, Mali, and Zambia. It also identified the use of forced labor and forced child labor in Benin and Burkina Faso. USDOL, ILAB, *2022 List of Goods Produced by Child Labor or Forced Labor*, September 2022, 23–29; USDOL, "Findings on the Worst Forms of Child Labor," Benin, Burkina Faso, Mali, and Zambia, accessed January 31, 2023.

<sup>696</sup> The child labor identified by USDOL in Burkina Faso as well as in Benin and Mali includes work that exposes children to pesticides. In its country-wide, non-sector-specific reporting, USDOL rates Benin, Burkina Faso, and Zambia as making moderate advancement in efforts to eliminate the worst forms of child labor, and it rates Mali as making minimal advancement as of 2021. USDOL, *2021 Findings on the Worst Forms of Child Labor*, September 2022, 207–16, 268–76, 794–806, 1296–1304; USDOL, "Findings on the Worst Forms of Child Labor," Benin, Burkina Faso, Mali, and Zambia, accessed January 31, 2023.

<sup>697</sup> One industry representative noted that 10 to 20 years ago the use of child labor was more widespread in the cotton industry. Industry expert, interview by USITC staff, September 14, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

the ILO, and the European Union.<sup>698</sup> However, one industry representative acknowledged reports of exploitative labor practices in regions near conflict zones, which target people escaping from these conflicts.<sup>699</sup>

## Cotton Earnings Contribute to National GDP and Provide Income for Families in Rural Areas

Cotton plays an important role in many producing country economies. In some larger producing countries—Benin, Burkina Faso, Chad, and Mali—revenue from cotton reportedly has made up 8–12 percent of the countries’ GDP and generated up to 40 percent of their export revenue.<sup>700</sup> Further, cotton exports are an important source of foreign exchange in many producing countries.<sup>701</sup> Industry experts and representatives note that although many of the farmers growing cotton are still living in poverty to some degree, cotton is widely held to be an important source of income for many growers.<sup>702</sup> In addition, cotton production has given them access to services, including training, healthcare, and schools, and has provided food security, preventing extreme poverty and further increases in political instability.<sup>703</sup>

Cotton serves as an important cash crop for farmers, which some note is necessary to reduce poverty.<sup>704</sup> Cotton production is reported to make up 34–72 percent of smallholder farmers’ cash income.<sup>705</sup> This income supports entire households, and with family sizes of about 6–7 people, supports millions directly, and more indirectly.<sup>706</sup> In Côte d’Ivoire, one report notes that households that produce cotton

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<sup>698</sup> From 2012-17, USDOL provided funding to a program to combat child labor in cotton production and gold mining in Burkina Faso. In 2018, the ILO and the European Union established the “CLEAR cotton” project to eliminate the use of both child labor and forced labor in the cotton, textile and garment value chains. CLEAR cotton covers four countries, Burkina Faso, Mali, Pakistan, and Peru, and it was scheduled to end in February 2023. USDOL, “Reducing Child Labor through Education and Service (R-CLES),” accessed February 1, 2023; ILO, “CLEAR Cotton,” accessed February 1, 2023.

<sup>699</sup> Industry expert, interview by USITC staff, September 14, 2022.

<sup>700</sup> WTO, SCC, *Report of the 33rd Round*, November 6, 2020, 3; Government of Burkina Faso, *Cotton Research Enhancement Programme*, May 3, 2021, 1.

<sup>701</sup> Kone et al., “Why Could the COVID-19 Cotton Crisis,” July 6, 2020; OFID, “Burkina Faso,” October 1, 2013; WTO, SCC, *Feasibility Study: Mali*, February 19, 2021, 2; industry expert, interview by USITC staff, September 14, 2022.

<sup>702</sup> WTO, SCC, *Feasibility Study: Chad*, February 19, 2021, 8; foreign government representative, interview by USITC staff, October 12, 2022; industry expert, interview by USITC staff, Côte d’Ivoire, October 13, 2022; interview by USITC staff, October 7, 2022.

<sup>703</sup> WTO, SCC, *Feasibility Study: Mali*, February 19, 2021, 10, 35; industry expert, interview by USITC staff, September 14, 2022; foreign government representative, interview by USITC staff, October 12, 2022; industry expert, interview by USITC staff, October 7, 2022; industry representative, interview by USITC staff, Côte d’Ivoire, October 13, 2022.

<sup>704</sup> WTO, SCC, *Feasibility Study: Mali*, February 19, 2021, 10, 52; industry expert, interview by USITC staff, September 14, 2022; subject matter expert, interview by USITC staff, July 26, 2022; subject matter expert, email to USITC staff, October 11, 2022.

<sup>705</sup> WTO, *Competitive African Cotton Initiative*, May 25, 2018, 1; Government of Kenya, *Kenya Country Report*, December 6, 2021, 4.

<sup>706</sup> WTO, *Competitive African Cotton Initiative*, May 25, 2018, 1; FTAO, *Power to West African Cotton Farmers*, March 15, 2016, 4; Hussein, “Cotton in West and Central Africa,” 2009, 29; industry representative, interview by USITC staff, Côte d’Ivoire, October 13, 2022.



have higher per capita consumption rates than those producing cocoa and non-export crops.<sup>707</sup> While the impacts on poverty reduction may not be clear at the national level, there are marked impacts on women and the rural population in the cotton-producing regions.<sup>708</sup>

In some producing countries, cotton farmers get access to fertilizer and pesticides. These inputs can be supplied by a number of sources, including the ginning companies or the government. Farmer access to these necessary inputs not only improves the cotton crop but can also increase food production through the subsistence crops that farmers grow. This reportedly increases food security and allows farmers to sell some of those crops as an additional revenue source.<sup>709</sup> In some cases, ginning companies may buy the excess food the farmers grow, or in other cases, may help connect farmers to marketing channels for their food products in order to support diversification of their incomes.<sup>710</sup> It has been suggested that the correlation found between an increase in cotton production and an increase in cereal production may be attributed to farmers growing both crops having access to these inputs.<sup>711</sup>

However, other experts suggest that other factors may limit the impact cotton production has on long term poverty reduction. Smallholder cotton farmers do not have the scale to support mechanization that can lead to large increases in yields or production.<sup>712</sup> Some note that it is the ginners and large, multinational companies, rather than the farmers, who are benefitting from the successful export industry around cotton.<sup>713</sup> Others suggest that retailers are profiting from the region's reputation for sustainably grown cotton and no premium paid for this cotton reaches growers.<sup>714</sup> Some reports find that cotton growers have less diversified incomes, as they are less involved in livestock activities, resource extraction, and off-farm nonagricultural work.<sup>715</sup>

Almost all of the cotton produced in the region is exported, and some experts note that primary commodity exports can limit job creation.<sup>716</sup> Processing cotton into value-added products would create rural jobs and has the potential to support growth in exports, at least in some producing markets.<sup>717</sup> Industry representatives and experts tend to agree that cotton production could have a larger impact on economic development, as well as employment and poverty reduction, if the cotton grown in the region

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<sup>707</sup> IFC, *Creating Markets in Côte d'Ivoire*, September 2020, 42.

<sup>708</sup> USITC, hearing testimony, June 9, 2022, 261 (testimony of Professor Landry Signé, The Brookings Institution).

<sup>709</sup> Hussein, "Cotton in West and Central Africa," 2009, 29; industry expert, interview by USITC staff, September 14, 2022; U.S. government representative, interview by USITC staff, May 27, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 14, 2022.

<sup>710</sup> Industry expert, interview by USITC staff, September 14, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022.

<sup>711</sup> Hussein, "Cotton in West and Central Africa," 2009, 29; WTO, SCC, *Feasibility Study: Mali*, February 19, 2021, 35; WTO, SCC, *Feasibility Study: Chad*, February 19, 2021, 14–15; foreign government representative, interview by USITC staff, October 12, 2022.

<sup>712</sup> USITC, hearing transcript, June 9, 2022, 242 (testimony of Professor Katrin Kuhlmann, Center on Inclusive Trade and Development).

<sup>713</sup> UNCTAD, *Feasibility Study: Malawi*, June 10, 2022, 2–3; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; industry expert, interview by USITC staff, August 17, 2022.

<sup>714</sup> Subject matter expert, interview by USITC staff, July 26, 2022.

<sup>715</sup> Government of Mozambique, *The Cotton By-Products Project*, February 19, 2021, 6.

<sup>716</sup> UN, *Making the Most of Africa's Commodities*, 2013, 74.

<sup>717</sup> IFC, *Creating Markets in Côte d'Ivoire*, September 2020, 43.

were processed within the region.<sup>718</sup> As noted above, the establishment of large-scale processing operations in SSA faces obstacles.

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<sup>718</sup> WTO, SCC, *Report of the 35<sup>th</sup> Round*, July 13, 2021, 9; Government of Kenya, *Kenya Country Report*, December 6, 2021, 4; industry expert, interview by USITC staff, September 14, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 13, 2022; industry representative, interview by USITC staff, Côte d'Ivoire, October 12, 2022; industry representative, interview by USITC staff, Ghana, October 19, 2022; USITC, hearing transcript, June 9, 2022, 23 (testimony of Bineshwaree Napaul, Embassy of the Republic of Mauritius); USITC, hearing transcript, June 9, 2022, 42 (testimony of Robert Ng'ong'a, Embassy of the Republic of Kenya); USITC, hearing transcript, June 9, 2022, 68, 98, 112–13 (testimony of Pankaj Bedi, United Aryan); USITC, hearing transcript, June 9, 2022, 115 (testimony of Jean-Claude Mazingue, SOCOTA Garments).

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- World Trade Organization (WTO), Sub-Committee on Cotton (SCC). *Report of the 35th Round of the Director-General's Consultative Framework Mechanism on Cotton Held on 27 May 2021*, Implementation of the Development Assistance Aspects of the Cotton-related Decisions in the 2004 July Package and Paragraph 12 of the Hong Kong Ministerial Declaration, TN/AG/SCC/W/38; WT/CFMC/65. Item 2C – Coherence between Trade and Development Aspects: Update on the Development Aspects of Cotton. World Trade Organization (WTO), Sub-Committee on Cotton, July 13, 2021. <https://docsonline.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/TN/AG/SCCW38.pdf&Open=True>.
- World Trade Organization (WTO), Sub-Committee on Cotton (SCC). *Report of the 36th Round of the Director-General's Consultative Framework Mechanism on Cotton Held on 3 November 2021*, Implementation of the Development Assistance Aspects of the Cotton-related Decisions in the 2004 July Package and Paragraph 12 of the Hong Kong Ministerial Declaration, TN/AG/SCC/W/41, WT/CFMC/67. Item 2C – Coherence between Trade and Development Aspects: Update on the Development Aspects of Cotton. World Trade Organization (WTO), Sub-Committee on Cotton, January 26, 2022. <https://docsonline.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/TN/AG/SCCW41.pdf&Open=True>.
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# Chapter 5

## Cocoa

### Introduction

Sub-Saharan Africa (SSA) is a major supplier of cocoa products to the world. Within SSA, Côte d'Ivoire and Ghana—both AGOA beneficiaries—make up the vast majority of cocoa production and, thus, are the main focus of this case study. This chapter provides an overview of the SSA cocoa industry, including in AGOA beneficiaries. It reviews value chain actors, production and processing trends and practices, industry structure, and trade trends—as well as a qualitative analysis of the competitive strengths and weaknesses of the SSA cocoa industry and a discussion of how the sector contributes to economic development, poverty reduction, and employment in AGOA beneficiaries and SSA more broadly. For the purposes of this case study, the cocoa industry includes producers of cocoa beans and intermediate processed cocoa products, including cocoa paste, butter, and powder. Despite being important cocoa bean and products producers, SSA countries are not significant producers of manufactured cocoa products, such as chocolate confectionary.<sup>719</sup>

As the two largest producers of cocoa beans, Côte d'Ivoire and Ghana compete on sheer volume of supply, as well as on the quality of commodity beans. Cocoa beans are an important cash crop to nearly 2 million farm families in Côte d'Ivoire and Ghana, providing access to cash in rural areas where few other opportunities exist.<sup>720</sup> However, small farm plots, low yields, and low cocoa prices—among numerous other challenges—ensure producing cocoa is not a pathway out of poverty for most cocoa farmers. Nonetheless, cocoa bean production is important to Côte d'Ivoire and Ghana's national economic development in terms of gross domestic product (GDP), export revenues, and foreign exchange earnings. The governments of both countries have emphasized moving up the value chain into processed cocoa products. To capture more added value, the governments have been providing tax incentives to attract investment into the processing sector, including cocoa grinding. The output of cocoa grinding activity (i.e., cocoa paste) has increased sizably over the last 30 years, but it is unclear whether the economic activity generated has made up for the foregone tax revenues because of government incentives offered to investors. Furthermore, cocoa grinding in general is highly automated and, thus, not a major job creator, particularly in comparison to the millions of farmers engaged at the farming level.

U.S. imports of cocoa from the region—mostly from AGOA beneficiary countries—represented approximately 50 percent of total U.S. cocoa imports by value between 2014 and 2021. Cocoa imports from SSA—which are dominated by cocoa beans—are mostly duty free under normal trade relations (NTR). As a result, AGOA gives tariff preference to only a small subset (about 8 percent) of U.S. cocoa

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<sup>719</sup> Chocolate confectionary products accounted for less than 2 percent of SSA cocoa export volumes in 2020/21. ICCO Cocoa Statistics, accessed July 15, 2022; Honan, "African Cocoa a Golden Ticket for Tanzania Chocolate Factory," April 17, 2015.

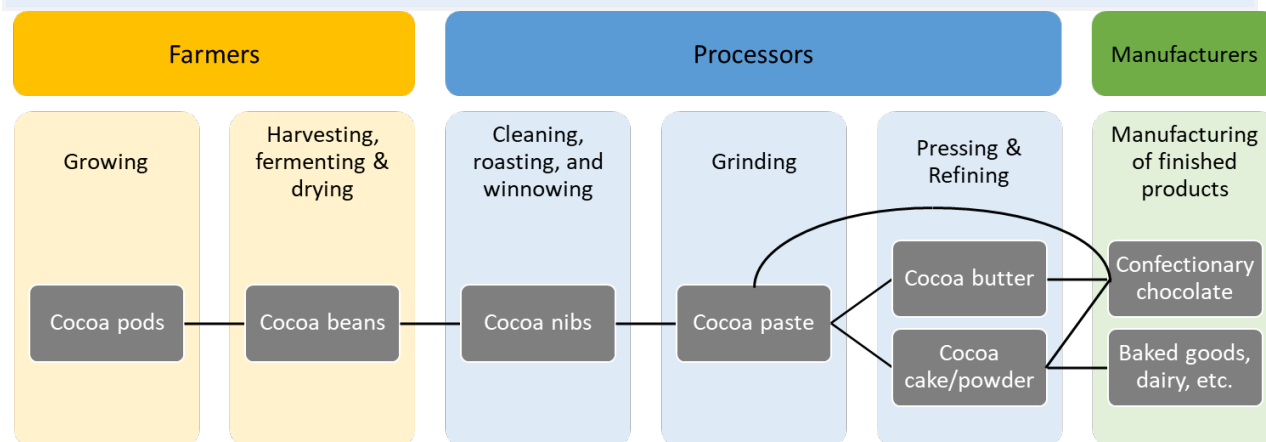
<sup>720</sup> Between 800,000 and 1,200,000 cocoa farming households are in Côte d'Ivoire and 800,000 are in Ghana. ILO, "Labour Demand and Supply of Cocoa Farming Households," September 2019, 6; ICI, "Cocoa Farmers in Ghana Experience Poverty and Economic Vulnerability," December 1, 2017.

imports from SSA.<sup>721</sup> Nonetheless, AGOA beneficiaries have gained market share for U.S. imports of AGOA-eligible cocoa products since AGOA’s enactment.

## SSA Cocoa Industry

The cocoa value chain starts at the farm, where farmers cultivate the cocoa tree, *Theobroma cacao*, to produce cocoa pods.<sup>722</sup> During harvest, the pods are removed from the trees and split open to extract the seeds, which are more commonly known as cocoa beans. The cocoa beans are then fermented and dried on-farm.<sup>723</sup> After the cocoa beans are sold by the farmer, they pass through a series of intermediaries, including local traders, storage facilities, government commodity boards (e.g., Ghana Cocoa Board (Cocobod) or Conseil du Café-Cacao (CCC) in Côte d’Ivoire), and exporters who provide aggregation, storage, quality control, marketing, price-setting, and transportation services (figure 5.1).<sup>724</sup>

**Figure 5.1** Cocoa value chain



Source: USITC produced.

Note: Farmers are also known as producers; processors as grinders; manufacturers as brands.

The cocoa beans are then sold to processors—or grinders—who transform them into processed products. Cocoa paste is produced by grinding cocoa nibs (i.e., shelled cocoa beans).<sup>725</sup> Cocoa butter is the fat obtained from pressing cocoa paste. Cocoa powder is produced by milling the remaining solids (i.e., cocoa cake) after the cocoa butter has been pressed from the cocoa paste. Processing primarily takes place close to destination markets in Europe and North America, though processing operations in Asia and West Africa are increasing.<sup>726</sup> Thus, the majority of West African beans are exported outside

<sup>721</sup> AGOA-eligible cocoa products include cocoa paste, wholly or partly defatted, classified under HTS 6-digit subheading 1803.20; and cocoa powder, not containing added sugar or other sweetening matter, under 1805.00. USITC DataWeb/Census, accessed July 7, 2022.

<sup>722</sup> Gayi and Tsowou, “Cocoa Industry,” 2016, 10.

<sup>723</sup> ICCO, “Harvesting & Post-Harvest,” accessed June 22, 2022.

<sup>724</sup> Gayi and Tsowou, “Cocoa Industry,” 2016, 11; Asoko Insight, “Ghana’s Cocoa Value Chain,” October 8, 2022; FCC, “Cocoa Production,” accessed June 22, 2022.

<sup>725</sup> Cocoa paste is also known as cocoa liquor or cocoa mass. Cocoa paste is typically further processed to produce cocoa butter and cocoa cake, but it can also be used directly as an ingredient for confectionary chocolate. Dand, “Cocoa Bean Processing,” *Int. Cocoa Trade*, 3rd ed., 2011, 6–9.

<sup>726</sup> WCF, “The Cocoa Supply Chain,” accessed January 3, 2023.

the region. Depending on the processor’s business model or customer needs, these processed products may transfer ownership at any stage—either directly or through intermediaries—to other processors or manufacturers of finished goods.

Processed products are then sold—either directly or through wholesalers—to manufacturers of finished goods and, to a lesser extent, specialty retailers (i.e., bakeries, specialty chocolate stores, etc.).<sup>727</sup> Cocoa paste, butter, and powder are key inputs in the manufacture of confectionary chocolate products, which is the largest segment of the market.<sup>728</sup> Processed cocoa products—namely cocoa butter and cocoa powder—are also used in the pharmaceutical (e.g., medicinal suppositories) and cosmetics (e.g., skin and hair products) industries.

## Production and Processing

Cocoa beans are grown in tropical climates, particularly West and Central Africa. According to the International Cocoa Organization (ICCO), 16 countries in Africa produce cocoa beans and 6 countries grind cocoa (figure 5.2).<sup>729</sup> Only four African countries—Côte d’Ivoire, Ghana, Cameroon, and Nigeria—both produce cocoa beans and grind “at origin.”<sup>730</sup>

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<sup>727</sup> Diment, *Industrial Chocolate Production*, December 2021, 19.

<sup>728</sup> Chocolate candy bars are the largest product segment, followed by specialty chocolate products. Buchko, *Global Candy & Chocolate Manufacturing*, July 2021, 17; Diment, *Chocolate Production in the US*, August 2021, 17–18.

<sup>729</sup> ICCO Cocoa Statistics, accessed July 15, 2022; Gro Intelligence, “Cocoa Harvest Begins, Risks Emerge,” October 24, 2019. According to the Food and Agriculture Organization of the UN Statistics (FAOSTAT), Angola, Benin, Central African Republic, and Comoros also produce cocoa; however, the share of global production for each country is less than 0.01 percent.

<sup>730</sup> ICCO Cocoa Statistics, accessed July 15, 2022.

**Figure 5.2** Sub-Saharan Africa cocoa bean producing and cocoa grinding countries and AGOA-eligibility status, 2021

Underlying data for this figure can be found in appendix F, table F.11.



Source: Compiled by USITC staff. Information on cocoa processing and grinding from ICCO Cocoa Statistics, accessed July 15, 2022. Information on AGOA benefits eligibility status appears in appendix E, table E.1.

Note: FAO STAT data indicate that Angola, Benin, Central African Republic, and Comoros produce small volumes of cocoa (< 0.01 percent of global production) (accessed August 15, 2022).

## Cocoa Beans

West Africa accounts for approximately 76 percent of global cocoa bean production, compared to 18 percent in South America and Central America and 6 percent in the Asia and Oceania region.<sup>731</sup> Côte d'Ivoire, the top cocoa bean producer in the world and an AGOA beneficiary, produced 2.25 million metric tons (mt) (43 percent of global production) in the 2020/21 cocoa year (table 5.1). Côte d'Ivoire's annual production increased 25 percent between 2014/15 and 2020/21. Ghana, the second-largest global producer, also an AGOA beneficiary, produced 1.05 million mt (20 percent of global production) in 2020/21, with production increasing more than 41 percent between 2014/15 and 2020/21. Combined, these two countries produced 63 percent of global production in 2020/21. Côte d'Ivoire's increase in production has been driven by adding area under cultivation, and Ghana's increase in production was driven by yield increases (see below). Cameroon and Nigeria are also significant producers, with 290,000 mt (or nearly 6 percent) each in 2020/21, though only Nigeria was an AGOA beneficiary those years.<sup>732</sup>

**Table 5.1** Sub-Saharan Africa cocoa bean production, by country, cocoa years 2014/15 to 2020/21

In 1,000 metric tons; SSA = sub-Saharan Africa. ^ = Not an AGOA beneficiary in specified years.

Country	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Côte d'Ivoire	1,796	1,581	2,020	1,964	2,154	2,105	2,248
Ghana	740	778	969	905	812	771	1,047
Cameroon	232	211	246	250	280	280^	290^
Nigeria	195	200	245	250	270	250	290
All other SSA	111	153	147	125	129	143	174
All SSA	3,075	2,922	3,627	3,494	3,645	3,549	4,049
World	4,252	3,994	4,768	4,647	4,794	4,735	5,240

Source: ICCO Cocoa Statistics, accessed July 15, 2022.

Note: Côte d'Ivoire, Ghana, and Nigeria were AGOA beneficiaries for the entirety of 2014–21. Cameroon lost AGOA beneficiary status in 2020. All others comprises both AGOA beneficiaries and non-beneficiaries. The list of AGOA beneficiary countries is unique for each year, see figure 5.2 and appendix E, table E.1. ICCO reports "Other Africa" production. The market year is October 1 to September 30.

Between 2014 and 2020, total area under production averaged 3.94 million hectares (ha) in Côte d'Ivoire and 1.65 million ha in Ghana (table 5.2). Except for a dip in 2016, total area under production in Côte d'Ivoire steadily increased by 54.8 percent between 2014 and 2020. The increase in hectareage has been the leading driver of deforestation in the country.<sup>733</sup> Conversely, total area under production in Ghana decreased during the period by 13.9 percent. The decrease in area cultivated was driven in part

<sup>731</sup> At the beginning of the 20th century, Brazil was the top global producer of cocoa beans. As production in West Africa increased, Brazil's global share had decreased to 25 percent by the 1980s. Beginning in 1989, a fungal witches' broom disease wiped out 70 percent of the country's cocoa trees during a 10-year period. Per ICCO data, Brazil produced 4 percent of global production in 2021/22. American Society of Plant Biologists, "Scientists Seek Cure for Witches' Broom," October 31, 2014; Gro Intelligence, "Cocoa Harvest Begins, Risks Emerge," October 24, 2019; ICCO Cocoa Statistics, accessed July 15, 2017.

<sup>732</sup> Staff calculations using ICCO Cocoa Statistics, accessed July 15, 2022.

<sup>733</sup> In Côte d'Ivoire, forest land decreased by more than 80 percent between 1960 and 2010. Mighty Earth, "An 'Open Secret:' Illegal Ivorian Cocoa," July 31, 2017.

by illegal galamsey gold mining.<sup>734</sup> Depletion of arable land in both Côte d’Ivoire and Ghana limits the ability to expand production.

**Table 5.2** Cocoa hectarage and yield, top sub-Saharan African producers, average 2014–20

In hectares (ha) and kilograms per hectare (kg beans/ha); SSA = sub-Saharan Africa.

Country	Average harvest area (ha)	Average yield (kg beans/ha)
Cameroon	654,131	406
Côte d’Ivoire	3,944,930	498
Ghana	1,653,129	525
Nigeria	1,165,969	280
All SSA	7,725,633	460
World	11,357,220	453

Source: Compiled from FAOSTAT database, accessed August 15, 2022, and February 3, 2023.

Note: Côte d’Ivoire, Ghana, and Nigeria were AGOA beneficiaries for the entirety of 2014–21. Cameroon lost AGOA beneficiary status in 2020. All others comprises both AGOA beneficiaries and non-beneficiaries. The list of AGOA beneficiary countries is unique for each year, see figure 5.2 and appendix E, table E.1.

According to FAO data, annual yields in Côte d’Ivoire and Ghana averaged 498 kilograms (kg) beans/ha and 525 kg beans/ha, respectively, between 2014 and 2020.<sup>735</sup> Since 2014, Côte d’Ivoire’s yields have decreased by 13.2 percent and Ghana’s yields have increased by 8.2 percent. The main factors impacting yields include tree age, pests and diseases, less productive planting stock, poor soil fertility, planting density, and climate.<sup>736</sup> In most cases, smallholders obtain lower yields than do large estates because of marginal land, low input use, and low access to information on husbandry practices and improved cultivars.<sup>737</sup>

## Farming Practices

Cocoa farming in West Africa occurs predominately on small farms, with average farm sizes ranging from 2 to 4 ha.<sup>738</sup> Cocoa is a perennial tree crop that takes four to five years to become established before it begins producing cocoa pods.<sup>739</sup> This establishment period is a significant investment for farmers,

<sup>734</sup> Galamsey is illegal, small-scale gold mining performed independently from mining companies. Galamseyers dig small working pits and tunnels by hand. Schwartz Taylor and Taylor, “Illegal Gold Mining Threatens Cocoa Farmers,” March 6, 2018; Myers, “Drought and Illegal Mining,” August 3, 2022.

<sup>735</sup> In contrast, in 2020, Ecuador had average yields of 622 kg beans/ha. FAOSTAT database, accessed August 15, 2022. This is largely due to the adoption of a high-yield and disease resistant clone, CCN-51, as well as better soil quality. Nieburg, “CCN-51,” August 8, 2016; Chocolate Journalist, “The Good, the Bad and the Ugly of CCN-51,” February 7, 2017; Ridley, “Supporting Ecuadorian Cocoa Farmers,” October 19, 2020.

<sup>736</sup> It is estimated that 40 percent of cocoa trees in Ghana will need to be replaced in the coming years because of a loss of productivity. Asante et al., “Unravelling Drivers of Variability of Cocoa Yields,” June 29, 2021, 2; Christian Science Monitor, “Aging Cocoa Trees Provide Opportunity for Agricultural Reform in Ghana,” accessed January 11, 2023.

<sup>737</sup> Dand, *The International Cocoa Trade*, 1st ed., 1993, 74.

<sup>738</sup> Gayi and Tsowou, “Cocoa Industry,” 2016, 10. Recent figures from Cocoa Barometer using mapping data estimate the average farm size is 3.4 ha in Côte d’Ivoire and 2.1 ha in Ghana. Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 49.

<sup>739</sup> A cocoa tree’s commercial life is typically 25–30 years. Cocoa Life, “Cocoa Growing,” accessed September 19, 2022; PlantVillage, “Cocoa (Cacao),” accessed September 19, 2022; Gayi and Tsowou, “Cocoa Industry,” 2016, 10.



because income cannot be generated until cocoa pods are produced.<sup>740</sup> In West Africa, the main cocoa tree variety grown is *Forastero*, which generally produces commodity cocoa beans, which serve more mainstream uses than “fine” cocoa beans.<sup>741</sup> Cocoa trees are typically grown under shade but can also be grown in full sun. Although full sun will produce higher yields earlier, it will also deplete soil nutrients faster.<sup>742</sup> Cocoa trees produce pods continuously, but there are two defined crop seasons. In West Africa, the main crop usually occurs September through March and the mid-crop occurs May through August.<sup>743</sup> Beans from the mid-crop are typically smaller and lighter—which makes them less valuable—because rainfall is lower during the mid-crop growing season.<sup>744</sup> Cocoa farms are often diversified with both food and cash crops, such as casava, plantain, chili, okra, eggplant, and maize.<sup>745</sup> This diversification leads to competition among crops for available resources, particularly labor, as growing activities for different crops (i.e., sowing, weeding, fertilizing, harvesting, etc.) are concentrated and often overlap.<sup>746</sup>

Cocoa farming practices can vary depending on level of technology adoption. In Ghana, technologies recommended by the Cocoa Research Institute of Ghana include using insecticides for pest control, fungicides for disease management, herbicides for weed control, hybrid cocoa varieties, and fertilizer, among others.<sup>747</sup> However, the majority of cocoa farmers lack the financial or human resources to implement recommended practices, which is reflected in their lower yields (500–600 kg/ha) relative to farmers who adopt such practices.<sup>748</sup> In Ghana, the government subsidizes some inputs and provides some other support; however, the majority of farmers are not able to reliably access the materials required to increase output.<sup>749</sup>

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<sup>740</sup> Many farmers mitigate this establishment period by intercropping young cocoa trees with casava and plantain, which can serve as both a food and cash crop as well as a shade tree. Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2018, 92.

<sup>741</sup> Criollo and Trinitario varieties typically produce “fine” or “flavor” cocoa beans. Commodity beans generally serve broad, mainstream markets, while fine beans serve high-value, niche markets. Less than 5 percent of global cocoa production is “fine.” ICCO, “Growing Cocoa,” accessed June 22, 2022.

<sup>742</sup> Tondoh et al., “Ecological Changes Induced by Full-Sun Cocoa Farming,” February 2015, 576.

<sup>743</sup> Gayi and Tsowou, “Cocoa Industry,” 2016, 11.

<sup>744</sup> The mid-crop accounts for about 10 percent of the total annual crop in Ghana and about 25 percent in Côte d’Ivoire. ICCO Cocoa Statistics, accessed July 15, 2022; USDA, FAS, *Ghana - Cocoa Report Annual*, March 15, 2012, 4; Reuters, “Hot, Dry Weather Raises Concerns for Ivory Coast Cocoa Mid-Crop,” February 28, 2022.

<sup>745</sup> Many crops considered to be food crops are also frequently sold to supplement household incomes. Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2018, 92–93.

<sup>746</sup> ILO, “Labour Demand and Supply of Cocoa Farming Households,” September 2019, 12–14.

<sup>747</sup> Aneani et al., “Adoption of Cocoa Production Technologies by Cocoa Farmers,” February 2012, 103; Boye, “Cocoa Farmers Must Adopt New Technologies to Improve Yield,” October 19, 2022.

<sup>748</sup> In Ghana, these farmers are categorized as “low-class” farmers. Two other categories of farmers are: high-tech farmers, who adopt all/most recommendations and can achieve yields of 2–3 tons/ha; and medium-class farmers, who do not fully adopt recommended practices for financial reasons or lack of buy-in and may achieve yields of 800 kg–2 tons/ha. Industry representative, interview by USITC staff, October 19, 2022.

<sup>749</sup> Other support includes the development of improved hybrid varieties with higher yields and disease resistance, extension services, and seedling distribution. Industry representative, interview by USITC staff, October 17, 2022; Van Vliet et al., “A Living Income for Cocoa Producers in Côte d’Ivoire and Ghana?” 2021, 2.

Cocoa harvesting takes place over the course of several months (within each of the two growing seasons) as pods become ripe.<sup>750</sup> Pods are manually removed from the trees to prevent damage to the tree, flowers, or other ripening pods. The pods are then split in half and the wet beans are removed by hand.<sup>751</sup> Because of the importance of timing, spread out harvest, and the manual nature of the work, harvesting cocoa places considerable demand on a farm's available labor force, which must be balanced across the competing needs of other crops produced.<sup>752</sup>

After harvest, the beans are fermented and dried, typically on-farm. They are piled together and covered with banana leaves for fermentation.<sup>753</sup> The beans are then dried to reduce moisture content, which is necessary for proper cocoa storage—particularly in tropical climates. In Ghana and Côte d'Ivoire, beans are typically sun dried on raised bamboo mats or cement platforms.<sup>754</sup> Good quality beans are associated with sun drying, which provides for a slow, even, and thorough drying process.<sup>755</sup> Sun drying is labor intensive and is typical of smallholder operations, because it is difficult to sun dry excessively large volumes of cocoa beans.<sup>756</sup>

### Processed Cocoa Products

Since the inception of the AGOA program in 2000, the share of processing in AGOA beneficiaries and SSA in general has increased. In 2020/21, SSA constituted 21 percent of global grinding volumes, compared to 36 percent in Europe, 23 percent in the Asia and Oceania region, and 20 percent in the Americas. Although Europe remains the lead cocoa grinding region, the share of grinding from SSA and Asia/Oceania increased 8 and 10 percentage points, respectively, since 2000/01. During this same time, the share of grinding from Europe and the Americas decreased 9 and 8 percentage points, respectively. This shift in geographic distribution is being driven by increasing chocolate demand in Asia and an

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<sup>750</sup> Pods do not ripen all at the same time and must be checked regularly. Dand, *The International Cocoa Trade*, 1st ed., 1993, 47; ILO, "Labour Demand and Supply of Cocoa Farming Households," September 2019, 13.

<sup>751</sup> Some machinery has been developed for pod opening, but smallholders typically perform this step by hand. Dand, *The International Cocoa Trade*, 1st ed., 1993, 47; ICCO, "Harvesting & Post-Harvest," accessed June 22, 2022.

<sup>752</sup> The average number of labor days needed for harvesting (9 days) and pod breaking (6–9 days) was second only to weeding (14–15 days). Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2018, 162; ILO, "Labour Demand and Supply of Cocoa Farming Households," September 2019, 12–14.

<sup>753</sup> The fermentation process typically lasts five days for the type of beans most grown in West Africa (*Forastero*). ICCO, "Harvesting & Post-Harvest," accessed June 22, 2022; ICCO, "Processing Cocoa," accessed June 14, 2022.

<sup>754</sup> Elsewhere, beans can be dried artificially using wood and fuel dryers. From a hygiene perspective, drying on raised bamboo mats is preferred to drying on ground level cement platforms. FCC, "Cocoa Production," accessed June 22, 2022; ICCO, "Harvesting & Post-Harvest," accessed June 22, 2022; ICCO, "Processing Cocoa," accessed June 14, 2022.

<sup>755</sup> Slower drying allows chemical reactions from the fermentation stage to continue as well as the release of lingering volatile acids. Good quality cocoa can be produced through artificial drying, but it is more costly and requires careful management to not dry the beans too quickly. Dand, *The International Cocoa Trade*, 1st ed., 1993, 50.

<sup>756</sup> Beans are turned manually, which must be done regularly. In the event of rain, the beans need to be placed under cover. Dzelagha, Ngwa, and Nde Bup, "A Review of Cocoa Drying Technologies," December 4, 2020, 6.

increase in origin grinding in SSA.<sup>757</sup> According to data from ICCO, global origin grinding produced 45 percent of global grinding volumes in 2020/21, up from 32 percent in 2000/01.<sup>758</sup>

At the country level, Côte d'Ivoire is the top cocoa grinder (with 12.5 percent of global production in 2020/21), having edged out the Netherlands in 2018/19.<sup>759</sup> In 2020/21, Côte d'Ivoire ground 620,000 mt of cocoa beans (table 5.3), an increase of 11 percent since 2014/15. Ghana is the seventh-largest cocoa grinder (6.3 percent) with annual grinding volumes of 322,000 mt in 2020/21, an increase of 38 percent since 2014/15.<sup>760</sup> Both Côte d'Ivoire and Ghana grind about one-third of their national crop.<sup>761</sup> They produce mainly cocoa paste for export; however, some is retained domestically for further processing into cocoa butter and powder and then exported. The increase in grinding volumes in Côte d'Ivoire and Ghana was driven in part by efforts from the governments (see discussion below) to increase value-added processing. Furthermore, shipping cocoa paste versus cocoa beans is more economical, because cocoa beans are 20 percent shell.<sup>762</sup>

**Table 5.3** Sub-Saharan Africa grindings of cocoa beans, by country, cocoa years 2014/15–2020/21

In 1,000 metric tons; SSA = sub-Saharan Africa ^ = Not an AGOA beneficiary in specified years.

Country	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Côte d'Ivoire	558	492	577	559	605	614	620
Ghana	234	202	250	310	320	292	322
Cameroon	29	29	34	53	55	51^	60^
Nigeria	45	35	30	30	30	35	40
All other SSA	1	1	1	1	1	1	1
All SSA	867	759	892	953	1,011	992	1,043
World	4,152	4,127	4,394	4,585	4,784	4,706	4,973

Source: ICCO Cocoa Statistics, accessed July 15, 2022.

Note: Côte d'Ivoire, Ghana, and Nigeria were AGOA beneficiaries for the entirety of 2014–21. Cameroon lost AGOA beneficiary status in 2020. All others comprises both AGOA beneficiaries and non-beneficiaries. The list of AGOA beneficiary countries is unique for each year, see figure 5.2 and appendix E, table E.1. ICCO reports "Other Africa" production. The cocoa year is October 1 to September 30.

## Cocoa Processing Practices

Because flavor notes of cocoa beans vary across regions and even growing seasons, cocoa processing is key to assuring and maintaining a consistent product.<sup>763</sup> It is an industrial process, and the methods described below are not necessarily unique to SSA. Although cocoa processing requires some skilled labor, it tends to be an automated process. Côte d'Ivoire and Ghana have installed annual grinding

<sup>757</sup> Origin grinding is grinding cocoa beans in the same country in which the cocoa beans were produced/originated.

<sup>758</sup> ICCO Cocoa Statistics, accessed July 15, 2022.

<sup>759</sup> In 2020/21, the Netherlands ground 12.3 percent of global production. ICCO Cocoa Statistics, accessed July 15, 2022.

<sup>760</sup> Ghana is the seventh-largest cocoa-grinder after Côte d'Ivoire, the Netherlands, Indonesia, Germany, the United States, and Malaysia.

<sup>761</sup> ICCO Cocoa Statistics, accessed July 15, 2022.

<sup>762</sup> Industry representative, interview by USITC staff, August 19, 2022.

<sup>763</sup> Flavor notes vary across origins. In addition, variable climatic conditions can alter the flavor profile of a given origin's beans. Dyer, "Alkalized Cocoa Powders," 2003, 129.

capacity of 880,000 mt and 560,000 mt, respectively; however, it is estimated that the African region operates at 59 percent of capacity (see competitive strengths and weaknesses section below).<sup>764</sup>

The beans are first cleaned to remove adulterants. Roasting follows, which is an important step toward developing the chocolate flavor and determines the color of the cocoa liquor and powder.<sup>765</sup> The roasting process requires skilled labor to carry out. The flavor target—which is specified according to customer needs—is the key factor influencing this stage.<sup>766</sup> After roasting, in the winnowing stage, beans are lightly crushed to separate the shell from the nibs. Skilled operation of the machinery is important, as this step is essential to maintaining yields. Any nibs separated with the shell will negatively impact yields, decreasing profitability.<sup>767</sup>

The nibs are then ground to produce cocoa paste, also known as cocoa liquor or mass. During grinding, the heat generated causes the nib's fat content to melt and liquify. Grinding also determines the fineness of the particle size, which impacts the pressing stage and, therefore, the butter yield (see below) as well as the final particle size of the cocoa powder. Cocoa is almost always blended across bean varieties and regions to achieve certain flavor and physical specifications. Blending can occur at various stages, most often after grinding. The cocoa paste is further processed to produce cocoa butter and cocoa powder; however, it can also be used directly in confectionary chocolate manufacturing.<sup>768</sup>

During the pressing stage, cocoa paste is squeezed using a hydraulic ram to separate the fat (cocoa butter) from the solids (cocoa cake).<sup>769</sup> The fat is then filtered through fine sieves. Machinery can be automated, so an operator is not required.<sup>770</sup> The resulting cocoa cake can be sold into commodity cocoa markets or milled into cocoa powder.<sup>771</sup> Cocoa powder's use has evolved from being a by-product of producing valuable cocoa butter to having a variety of uses in the food industry, in addition to being increasingly recognized for its nutritional profile and health benefits, which has caused demand to increase.<sup>772</sup>

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<sup>764</sup> Processing plants in Côte d'Ivoire operate at about 72 percent of capacity, and plants in Ghana operate at about 51–53 percent of capacity. For comparison, the estimated utilization rates of other regions are as follows: North America (93 percent), EU (91 percent), South America (81 percent), ASEAN (60 percent), and Eastern Europe (55 percent). Industry representative, interview by USITC staff, July 20, 2022; industry representative, email message to USITC staff, July 20, 2022; Sulaiman and Boachie-Danquah, *Investing in Ghana's Cocoa Processing Industry*, 2017, 33.

<sup>765</sup> This description depicts whole bean roasting, but roasting can also occur at the nib stage or the liquor stage. Dand, "Cocoa Bean Processing," *Int. Cocoa Trade*, 3rd ed., 2011, 7.

<sup>766</sup> ICCO, "Processing Cocoa," accessed June 14, 2022.

<sup>767</sup> Dand, "Cocoa Bean Processing," *Int. Cocoa Trade*, 3rd ed., 2011, 8.

<sup>768</sup> Dand, "Cocoa Bean Processing," *Int. Cocoa Trade*, 3rd ed., 2011, 6–11.

<sup>769</sup> Cocoa butter is mainly used in confectionary chocolate; however, it is also used in other industries, including pharmaceuticals and cosmetics. Cocoa butter is high in antioxidants and its physical properties make it an ideal base for medicinal suppositories in the pharmaceutical industry. With respect to cosmetics, cocoa butter is an ingredient in lotions, creams, ointments, lip balms, hair oils, and bath gels. Cocoa butter is one of the highest-value natural fats. Dyer, "Alkalized Cocoa Powders," 2003, 128; Fortune Business Insights, "Cocoa Butter Market," 2021.

<sup>770</sup> Dand, "Cocoa Bean Processing," *Int. Cocoa Trade*, 3rd ed., 2011, 11.

<sup>771</sup> Gayi and Tsowou, "Cocoa Industry," 2016, 12.

<sup>772</sup> Cocoa powder is used primarily for adding flavor and color. It is mainly used in the bakery, dairy, and beverage industries. Though not necessary for confectionary or chocolate production, manufacturers have increased the use of cocoa powder as it is a rich source of nutrition, which is appealing to the growing share of health-conscious consumers.

## Cocoa Industry Structure

The global cocoa industry is often described as having an hourglass shape, where the flow of cocoa begins with millions of farmers and then passes through a smaller number of trading companies and even fewer processing companies.<sup>773</sup> The industry then expands, with product passing through a larger number of manufacturers and even more retailers. Because AGOA beneficiaries Côte d’Ivoire and Ghana represent the large share of the region’s cocoa bean production and cocoa-processing capacity, they will be the focus of this section.

In Côte d’Ivoire and Ghana, the cocoa industry is composed of cocoa farmers, intermediaries (traders, government commodity boards, and exporters), and grinders. At the farm level, the industry is fragmented, with an estimated 2 million smallholder cocoa farms (i.e., farms with less than 5 hectares) in Côte d’Ivoire and Ghana. Smallholders are responsible for 80–90 percent of cocoa production across West Africa and 70 percent of global cocoa production.<sup>774</sup> Farmer producer groups (e.g., cooperatives, associations, or informal groups) are limited but are more common in Côte d’Ivoire than in Ghana.<sup>775</sup> Though farmers cite various benefits to joining producer groups—including higher yields and incomes, access to buyers, and better payment terms, among others—it is unclear why farmer groups are not more common.<sup>776</sup> Some reasons suggested in the literature include little-to-no availability of local groups, high levels of regulation in the cocoa sector, as well as a lack of trust among farmers.<sup>777</sup> Therefore, farmer and worker organization is low, with only a small proportion being well managed. Existing producer groups are not organized or large enough to negotiate higher prices.<sup>778</sup>

The marketing/trading segment of the industry entails the transfer of the beans to the grinders. The systems in the two countries are relatively similar with the role of the government being the biggest difference. In Côte d’Ivoire, the marketing segment is composed of a large number of small local traders and a few large trading companies. In Côte d’Ivoire, the government agency Conseil Café Cacao (CCC) regulates the industry and is responsible for issuing cocoa export licenses to companies and setting farm gate prices.<sup>779</sup>

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<sup>773</sup> Industry representative, interview by USITC staff, June 24, 2022.

<sup>774</sup> Schulte et al., *Supporting Smallholder Farmers for a Sustainable Cocoa Sector*, June 2020, 8; Wessel and Quist-Wessel, “Cocoa Production in West Africa,” September 2015, 2; Gro Intelligence, “Ivorian Cocoa: A Bittersweet Disposition,” November 11, 2014; Gayi and Tsowou, “Cocoa Industry,” 2016, 10.

<sup>775</sup> It is estimated that 20–50 percent of cocoa farms in Côte d’Ivoire are part of a group or cooperative. Historically, farmer organizations in Ghana became offshoots of the ruling party, leading to mistrust; however, producer group organization has increased in recent years, reaching about 11–15 percent of farmers. Industry representative, interview by USITC staff, October 19, 2022; Nieburg, “How Effective Is Cocoa Certification?” September 28, 2021; Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2018, 178–79.

<sup>776</sup> Other benefits include better access to training, inputs, and market information, etc. Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2018, 178–79.

<sup>777</sup> The highly regulated cocoa sector may diminish benefits related to collective action, such as economies of scale or negotiating higher prices. Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2018, 179.

<sup>778</sup> Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 66; Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2018, 179.

<sup>779</sup> CCC issued 91 licenses to companies and cooperatives for the 2020/21 cocoa year. Reuters, “Ivory Coast Issues 91 Cocoa Export Licences for 2020/21 Season,” October 12, 2020; Baskett, “CCC Disappoints Farmers with New Farmgate Price,” October 6, 2021.

Because of its national economic importance, the Ghanaian cocoa sector is highly regulated, with Cocobod being involved in practically all aspects of the industry.<sup>780</sup> Trading companies, known as licensed buying companies (LBCs), buy the cocoa beans from the farmers. Ghana has approximately 46 LBCs, of which the three largest hold about 56 percent of the market.<sup>781</sup> LBCs pay farmers the farm gate price set by Cocobod for the year.<sup>782</sup> According to a 2017 study, LBCs compete among themselves by offering noneconomic benefits rather than higher prices.<sup>783</sup> LBCs also play an important role in quality control, because their sole customer—Cocobod—maintains strict quality standards.<sup>784</sup> The beans are then sold to Cocobod, which controls all sales of Ghanaian cocoa beans into the world market.<sup>785</sup>

Cocobod and the companies holding export licenses in Côte d’Ivoire sell the beans to international trading companies. These global cocoa trading companies have undergone significant horizontal concentration in recent years.<sup>786</sup> High operating costs and slim profit margins favor larger players who typically have better access to resources and economies of scale.<sup>787</sup> A small number of international trading companies dominate the market source from millions of farmers around the world, giving these companies significant market power.<sup>788</sup>

The world price for cocoa is based on the cocoa futures market. Cocobod and CCC sell 70–80 percent of the next season’s cocoa bean crop through forward sales (denominated in USD), while the remainder is sold on the spot market.<sup>789</sup> Because cocoa companies are not legally allowed to buy cocoa directly from farmers in Cote d’Ivoire and Ghana, the price paid by companies is determined by the futures market. Much like other commodity futures markets, the cocoa commodity futures market plays an important role in bringing visibility and transparency to the price-setting process. The world cocoa market is considered to be efficient because it has a high level of competition with a large number of buyers,

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<sup>780</sup> Cocobod has about 10,000 employees to carry out its mission. Asoko Insight, “Ghana’s Cocoa Value Chain,” October 8, 2022; industry representative, interview by USITC staff, October 19, 2022.

<sup>781</sup> Bigger LBCs with foreign financing put significant competitive pressure on small local LBCs. Asoko Insight, “Ghana’s Cocoa Value Chain,” October 8, 2022; Owusu Ansah, Antwi, and Siaw, “All Because of Competition,” January 1, 2017, 2.

<sup>782</sup> Asoko Insight, “Ghana’s Cocoa Value Chain,” October 8, 2022; industry representative, interview by USITC staff, October 19, 2022.

<sup>783</sup> For example, LBCs may offer prompt payments, hire purchasing clerks recommended by the community, become socially involved in the community, or offer subsidized inputs or credit, among other strategies. Owusu Ansah, Antwi, and Siaw, “All Because of Competition,” January 1, 2017, 2.

<sup>784</sup> LBCs educate and train farmers on proper fermentation, drying and agronomic practices through organized workshops. In addition, LBCs provide good storage facilities that protect from moisture. Owusu Ansah et al., “The Stake of LBCs in the Promotion of Quality Cocoa in Ghana,” January 1, 2018, 9.

<sup>785</sup> Approximately 70 percent of the national crop is traded through the futures market. Asoko Insight, “Ghana’s Cocoa Value Chain,” October 8, 2022.

<sup>786</sup> Horizontal concentration refers to the decrease in the of number of players at the trading segment, which occurred through mergers and acquisitions between large multinational trading companies (often with diversified trading activities) as well as takeovers of small specialized (often domestic) trading companies. Oomes et al., *Market Concentration and Price Formation in the Global Cocoa Value Chain*, November 15, 2016, 7; Gayi and Tsowou, “Cocoa Industry,” 2016, 13–14; UNCTAD, *Cocoa Study: Industry Structures and Competition*, 2008, v.

<sup>787</sup> Gayi and Tsowou, “Cocoa Industry,” 2016, 14. Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 30.

<sup>788</sup> The top six traders and processors are Barry Callebaut, Olam, Cargill, Ecom, Sucden, and Touton. Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 30.

<sup>789</sup> Staritz et al., “Price-Setting Power in Global Value Chains,” June 23, 2022, 15–17.

making it impossible for one buyer or seller to affect prices.<sup>790</sup> Though the two countries' systems differ slightly, in general, the forward price is based on the London cocoa futures price with adjustments for premiums and exchange rates.<sup>791</sup> Since the majority of Ghana and Côte d'Ivoire's cocoa beans are forward sold, the forward price is essentially the export price.

At the beginning of the harvesting season, Cocobod and CCC set an annual fixed farm gate price, which is typically 50–70 percent of the forward price.<sup>792</sup> If world cocoa prices increase for the remaining spot sales, excess revenues go into a stabilization fund; if prices decrease, money from the fund is used to ensure that farmers receive the price set at the beginning of the season. Because the farm gate price is fixed, producers cannot negotiate higher prices or be paid for a higher quality product.<sup>793</sup> The remaining 30–50 percent of the export price goes toward local traders' margins and government revenue. The earnings retained by the government are effectively a tax on producers. In Ghana, the revenues are reported to be re-invested in the sector, mainly through input distribution. In Côte d'Ivoire, producers do not receive the same level of support from the government as those in Ghana and the use of these funds is not transparent.<sup>794</sup>

In 2018, the governments of Côte d'Ivoire and Ghana formed the Côte d'Ivoire-Ghana Cocoa Initiative (CIGCI) to improve their organizing power to influence cocoa prices paid to their farmers.<sup>795</sup> Given its desire to affect prices, CIGCI has been dubbed COPEC (short for cocoa OPEC) after the Organization of the Petroleum Exporting Countries (OPEC).<sup>796</sup> Unlike oil, however, cocoa production is a biological process that cannot be turned on and off to move prices. In addition, if Côte d'Ivoire or Ghana were to withhold exports in favor of higher future prices, they would still likely need to buy and store the cocoa, which would take up a significant portion of their budgets.<sup>797</sup> In 2020, CIGCI introduced a living income differential (LID) of \$400 per ton (see cocoa sector contributions for further discussion).<sup>798</sup> Despite these efforts to increase cocoa prices, pressure from commodity markets can limit their impact. For example, in 2022, Côte d'Ivoire's and Ghana's origin differentials—a premium on the quality and dependability of cocoa beans—fell below zero (as a result of a decline in global cocoa prices) and essentially canceled out the LID.<sup>799</sup>

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<sup>790</sup> Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2017, 226. Oomes et al., *Market Concentration and Price Formation in the Global Cocoa Value Chain*, November 15, 2016, 31.

<sup>791</sup> The London futures price is based on the African market, while the New York futures price is based on the South American and Asian markets. Foodcircle, "Cocoa Pricing," accessed February 5, 2023.

<sup>792</sup> In contrast, farm gate prices in Cameroon and Nigeria—where cocoa markets are liberalized—are determined by market forces. Oomes et al., *Market Concentration and Price Formation in the Global Cocoa Value Chain*, November 15, 2016, 47.

<sup>793</sup> Producers can be paid a premium for certified cocoa. Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2018, 211, 213.

<sup>794</sup> Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2018, 211–14.

<sup>795</sup> In October 2022, Cameroon and Nigeria requested to join the CIGCI. Reuters, "Cameroon, Nigeria Request to Join Ivory-Ghana Cocoa Initiative," October 12, 2022.

<sup>796</sup> CIGCI has also been referred to as the African cocoa cartel. *Economist*, "Why the African Cocoa Cartel Is a Bad Idea," November 21, 2022.

<sup>797</sup> *Economist*, "Why the African Cocoa Cartel Is a Bad Idea," November 21, 2022.

<sup>798</sup> The LID is a premium aimed to increase farm gate prices paid to farmers in Ghana and Cote d'Ivoire. Asoko Insight, "Ghana's Cocoa Value Chain," October 8, 2022.

<sup>799</sup> Myers, "Cote d'Ivoire and Ghana," August 1, 2022; Asoko Insight, "Ghana's Cocoa Value Chain," October 8, 2022; Myers, "Ghana and Cote d'Ivoire Set Deadline for Cocoa Buyers," November 21, 2022.

Although most Ivorian and Ghanaian cocoa beans are exported, an increasing share is being processed domestically. The domestic processing industry in Ghana and Côte d'Ivoire is dominated by major multinational enterprises, particularly Cargill, Barry Callebaut, and Olam.<sup>800</sup> Similar to the cocoa trading sector, the cocoa processing sector has also become increasingly consolidated globally. Cocoa processors compete largely on production costs, and tightening margins drove the need for mergers and acquisitions to achieve economies of scale.<sup>801</sup> Processed cocoa products are priced as a ratio of the cocoa bean futures price.<sup>802</sup> They are sold through “price-to-be-fixed” contracts, which set out terms on the future delivery of specified volumes and prices that are a ratio of the futures price.<sup>803</sup>

The buyers of cocoa beans and processed cocoa products include chocolate manufacturers, wholesalers, bakeries, dairy/beverage companies, pharmaceutical companies, and cosmetics companies. Chocolate confectionary producers are the largest consumers of cocoa and cocoa products, and the largest of these are located in Europe and the United States. Bakeries use cocoa products as ingredients for baked goods, such as cakes, muffins, and cookies; dairy producers make chocolate-flavored beverages.<sup>804</sup> Pharmaceutical and cosmetics companies use cocoa butter to make medicinal suppositories, lotions, creams, ointments, lip balms, hair oils, and bath gels.<sup>805</sup>

## Consumption

Africans are not significant consumers of cocoa. Annual per capita chocolate consumption in Africa is estimated to be 0.5 kg.<sup>806</sup> Chocolate bars are typically sold at premium prices in Africa, and the majority of Africans do not have the disposable income to buy confectionary chocolate.<sup>807</sup> Chocolate is typically brought back as gifts by relatives traveling abroad.<sup>808</sup> Furthermore, chocolate is generally not part of the local diet.<sup>809</sup> To the extent that chocolate is consumed, consumers in Africa—much like in other

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<sup>800</sup> In Ghana, three companies—Cargill, Barry Callebaut, and Olam—hold more than 70 percent of the market. Globally, these three account for 60 percent of all traded cocoa. Asoko Insight, “Ghana’s Cocoa Value Chain,” October 8, 2022; Arhin, *Tackling Gender Inequality in the Cocoa Supply Chain*, February 2022, 9; industry representative, interview by USITC staff, August 19, 2022.

<sup>801</sup> Gayi and Tsowou, “Cocoa Industry,” 2016, 14.

<sup>802</sup> For example, the cocoa liquor ratio is the cocoa liquor price divided by the cocoa bean price. This price instrument is conducive to risk sharing between the buyer and seller. Cocoa liquor is derived directly from cocoa beans, so the ratio is typically steady and cocoa liquor prices closely follow cocoa bean prices. The cocoa butter ratio and cocoa powder ratio are impacted by their respective demand and are generally inversely correlated. Grumiller et al., *Strategies for Sustainable Upgrading in Global Value Chains*, 2018, 1; Keylink, “Understanding Chocolate Pricing,” January 22, 2019; Busch, “Understanding the Chocolate Market,” September 6, 2011.

<sup>803</sup> Staritz et al., “Price-Setting Power in Global Value Chains,” June 23, 2022, 12.

<sup>804</sup> Diment, *Industrial Chocolate Production*, December 2021, 18–19.

<sup>805</sup> Fortune Business Insights, “Cocoa Butter Market,” 2021.

<sup>806</sup> In comparison, per capita consumption in the UK, the United States, and Switzerland is estimated to be 4–12 kg. Sulaiman and Boachie-Danquah, *Investing in Ghana’s Cocoa Processing Industry*, 2017, 20; Nieburg, “Africa Steadily Finding Its Place on the World Chocolate Map,” July 20, 2017.

<sup>807</sup> Reportedly, the retail price of chocolate in Africa can cost four times as much as in Europe. Industry representative, interview by USITC staff, July 20, 2022; Honan, “African Cocoa a Golden Ticket for Tanzania Chocolate Factory,” April 17, 2015; Nieburg, “Africa Steadily Finding Its Place on the World Chocolate Map,” July 20, 2017.

<sup>808</sup> Nieburg, “Africa Steadily Finding Its Place on the World Chocolate Map,” July 20, 2017.

<sup>809</sup> Sulaiman and Boachie-Danquah, *Investing in Ghana’s Cocoa Processing Industry*, 2017, 20.



emerging markets—tend to prefer cocoa powder-based products, particularly in beverage form.<sup>810</sup> Cocoa butter-based products (such as chocolate bars) tend to be less popular in Africa, because hot and humid climates and poor cold chain infrastructure are not conducive to keeping cocoa butter-based products in good condition.<sup>811</sup> To the extent that sales can be used as a proxy for consumption, South Africa is the largest chocolate market in SSA, and Kenya and Nigeria are the fastest-growing.<sup>812</sup> With respect to nonfood uses, cocoa butter has a long tradition of being used in high-quality skincare products, particularly by African women.<sup>813</sup>

## Cocoa Trade

SSA is a major exporter of cocoa, and virtually all cocoa produced in SSA is exported—either as beans or processed products. As discussed above, very little cocoa is consumed domestically, and the majority of products produced in this sector are exported to Europe and North America, where two-thirds of global chocolate consumption is concentrated. AGOA beneficiary countries are among the top SAA exporters of cocoa to the United States.

### SSA Exports

SSA cocoa exports—including cocoa beans, paste, butter, and powder—reached 3.7 million mt in 2020/21, an increase of 28 percent since 2014/15.<sup>814</sup> Côte d’Ivoire is the largest exporter, followed by Ghana, Nigeria, and Cameroon (figure 5.3). Cocoa beans comprise the largest share of SSA exports, though that share gradually decreased at the same time SSA origin grinding output and related exports increased.

With respect to cocoa beans, SSA exports increased 26 percent since 2014/15. Côte d’Ivoire exported 1.65 million5,621 mt in 2020/21, an increase of 33 percent since 2014/15. The share of Côte d’Ivoire’s cocoa bean exports relative to its total cocoa exports has remained steady about 76 percent. Ghana’s cocoa bean exports decreased by 14 percent to 501,528 mt during the period, coinciding with a 14-percentage point decrease in the share of cocoa bean exports relative to its total cocoa exports (65 percent in 2020/21).<sup>815</sup> Nigeria’s cocoa bean exports—which comprised on average 93 percent of its total cocoa exports—saw the largest relative growth, increasing 171 percent to 306,552 mt during the period. Cameroon exported 211,364 mt of cocoa beans in 2020/21, an increase of 3 percent since 2014/15. Cameroon’s cocoa bean exports as a share of its total cocoa exports averaged 73 percent.

Overall, from 2014/15 to 2020/21 SSA exports of processed cocoa products increased 36 percent to 868,656 metric tons. The composition of these exports is roughly 48 percent cocoa paste, 30 percent cocoa powder, and 22 percent cocoa butter (in terms of volume) during the period. Exports of cocoa

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<sup>810</sup> Sulaiman and Boachie-Danquah, *Investing in Ghana’s Cocoa Processing Industry*, 2017, 16; McFarlane, “Powder to the People,” September 30, 2011.

<sup>811</sup> McFarlane, “Powder to the People,” September 30, 2011.

<sup>812</sup> Nieburg, “Africa Steadily Finding Its Place on the World Chocolate Map,” July 20, 2017; Honan, “African Cocoa a Golden Ticket for Tanzania Chocolate Factory,” April 17, 2015.

<sup>813</sup> Owusu, “Grade ‘A’ Organic Cocoa Butter,” March 24, 2021.

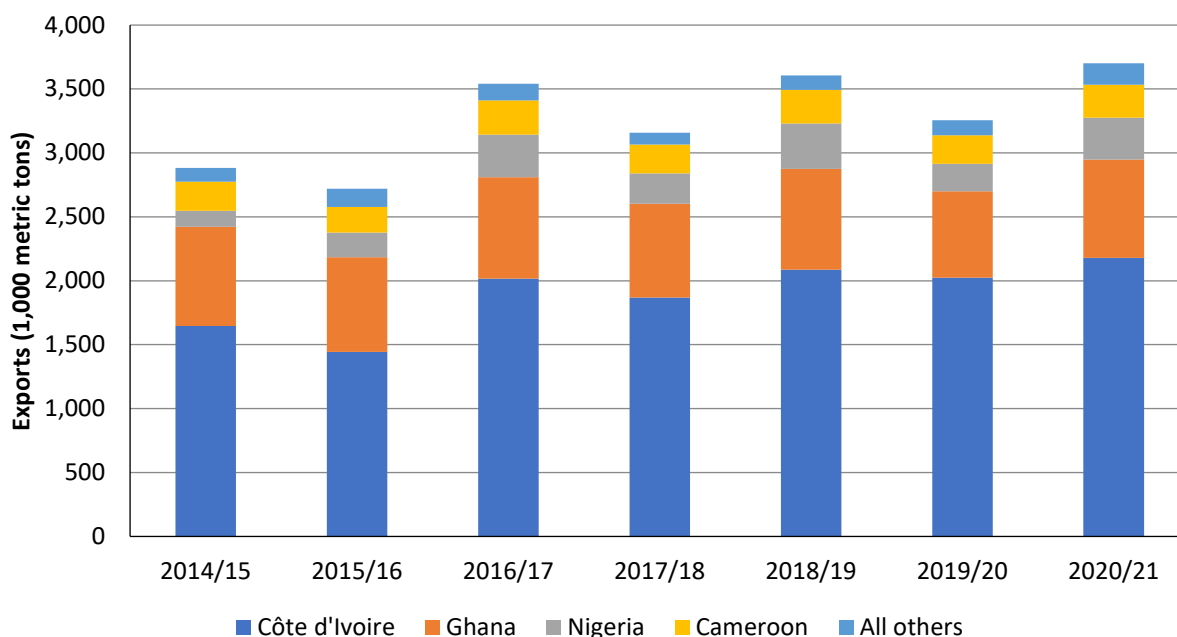
<sup>814</sup> HS headings 1801, 1803, 1804, and 1805.

<sup>815</sup> Change in percentage share estimated as difference in average shares for last two and first two years of the period.

beans and processed cocoa products from Côte d'Ivoire increased 30 percent to 534,742 mt, with cocoa paste accounting for the largest share of that growth. Ghana's exports of cocoa beans and processed cocoa products increased by 40 percent to 266,872 metric tons, with the majority of growth coming from cocoa powder exports. Cameroon's exports saw the largest relative growth, increasing by 108 percent to 47,759 mt, with cocoa butter and cocoa powder exports comprising the largest share of growth. Nigerian exports increased by 44 percent to 19,283 metric tons, with cocoa paste contributing the most growth and exports of cocoa powder decreasing during the period.

**Figure 5.3** Sub-Saharan African exports of cocoa beans and processed cocoa products, by top exporter, cocoa years 2014/15–2020/21

In 1,000 metric tons. Underlying data for this figure can be found in appendix F, table F.12.



Source: ICCO Cocoa Statistics, accessed July 15, 2022.

Note: Top sub-Saharan African (SSA) exporters are shown individually based on their ranking in 2020/21. Côte d'Ivoire, Ghana, and Nigeria were AGOA beneficiaries for the entirety of 2014–21. Cameroon lost AGOA beneficiary status in 2020. All others comprises both AGOA beneficiaries and non-beneficiaries. The list of AGOA beneficiary countries is unique for each year, see figure 5.2 and appendix E, table E.1. The cocoa market year is October 1 to September 30.

Europe, the United States, and Malaysia are SSA's largest export destinations for cocoa and cocoa products. Cocoa beans comprise the largest share of total SSA exports (77 percent in terms of volume), followed by cocoa paste (11 percent), cocoa powder (7 percent), and cocoa butter (5 percent). Exports of cocoa beans are concentrated on Europe and the United States, where processing has historically occurred. However, Malaysia is also a major market for SSA cocoa bean exports, as a result of the country's growing cocoa-processing industry. Although global demand for cocoa butter is concentrated in both Europe and North America, nearly all SSA-produced cocoa butter is exported to Europe, as the physicochemical attributes (i.e., hardness/melting point) of cocoa butter originating from SSA are preferred by European buyers.<sup>816</sup> Conversely, global demand for cocoa powder is centered in emerging

<sup>816</sup> North America imports more cocoa butter from Latin America and Asia, regions whose cocoa butter is softer than varieties in SSA. Industry representative, interview by USITC staff, October 18, 2022.

markets, namely Asia, Eastern Europe, and Latin America.<sup>817</sup> However, most of SSA-produced cocoa powder is exported to Western Europe and the United States.

## U.S. Imports

Given that the United States is not a producer of cocoa beans, imports supply U.S. demand. In addition to beans, the United States imports cocoa paste, butter, and powder but also produces paste, butter, and powder from imported beans. Imports of cocoa beans, cocoa butter, and cocoa paste, not defatted, enter the United States under an NTR rate of zero. Cocoa paste that is wholly or partly defatted (i.e., cocoa cake) is subject to a tariff rate of 0.2¢/kg, and cocoa powder is subject to a tariff rate of 0.52¢/kg.<sup>818</sup> Imports of cocoa paste, wholly or partly defatted, and cocoa powder receive duty-free treatment under AGOA as well as the Generalized System of Preferences (GSP).<sup>819</sup>

Total U.S. cocoa imports, from all sources, were valued at \$2.49 billion in 2021. A little over half these imports—or \$1.28 billion—were supplied by AGOA beneficiary countries.<sup>820</sup> Imports from AGOA beneficiaries dipped between 2017 and 2020 but recovered in 2021, for an overall increase of 6 percent since 2014. Approximately 8 percent of these imports came in under trade preference programs—namely GSP and AGOA (table 5.4). Most imports entering under a preference program entered under GSP. Because GSP pre-dates AGOA and U.S. importers were likely already importing cocoa cake and cocoa powder under GSP, it is possible that the administrative burden of claiming imports under two different though overlapping trade preference programs—GSP and AGOA—was too high. In 2021, imports entering under AGOA increased notably, coinciding with GSP lapsing at the end of 2020. Importers may have switched to claiming imports under AGOA, not knowing that AGOA beneficiary countries could still receive GSP benefits.<sup>821</sup> Between 2014 and 2021, less than 1 percent of the import value from AGOA beneficiaries was dutiable and the vast majority (92 percent) was NTR duty free.

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<sup>817</sup> Growing demand in Asia for chocolate cakes and beverages has boosted cocoa powder demand. In general, cocoa powder prices have remained robust compared to cocoa beans and cocoa butter, driven by emerging markets. McFarlane, “Powder to the People,” September 30, 2011; Rawlings, *Cocoa Outlook 2021*, April 2021.

<sup>818</sup> Cocoa paste, whole or partly defatted (HTS 1803.20) is the tariff classification of cocoa cake from Ghana. Ruling category tariff no. NY C81928 and NY H83770. USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022, chapter 18.

<sup>819</sup> USITC, *Harmonized Tariff Schedule (2022)*, Rev. 11, October 2022, chapter 18.

<sup>820</sup> Côte d’Ivoire, Ecuador, Indonesia, Ghana, the Netherlands, and Malaysia are the largest suppliers of cocoa and cocoa products to the United States. Côte d’Ivoire, Ghana, and Ecuador are the largest U.S. suppliers of cocoa beans as well as cocoa paste. With respect to cocoa cake, Côte d’Ivoire, Ghana, and Cameroon supply the largest share of U.S. imports. Indonesia and Malaysia are the top U.S. suppliers of cocoa butter, but Brazil and Peru are also important sources. The Netherlands is the top supplier for cocoa powder, followed by Malaysia.

<sup>821</sup> AGOA provides AGOA beneficiaries separate GSP authorization when GSP is expired for other countries (see box 1.2).

**Table 5.4** U.S. imports for consumption of cocoa beans and processed cocoa products from AGOA beneficiary countries, by import preference program and duty rate status, 2014–21

In thousands of dollars; NTR = normal trade relations; GSP = U.S. Generalized System of Preferences.

<b>Program and duty status</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
AGOA	0	0	0	249	9,705	0	0	42,458
GSP	96,222	81,841	108,348	94,547	66,694	88,006	81,434	52,081
All preference programs	96,222	81,841	108,348	94,796	76,398	88,006	81,434	94,539
NTR: Dutiable	7,197	1,666	4,475	1,029	2,213	664	1,036	9,489
NTR: Duty free	1,099,705	1,060,573	1,160,518	1,068,330	852,403	821,504	891,848	1,176,086
NTR	1,106,901	1,062,239	1,164,993	1,069,359	854,615	823,165	893,916	1,185,575
All preference programs and duty statuses	1,203,124	1,144,080	1,273,341	1,164,155	931,014	911,171	975,350	1,280,113

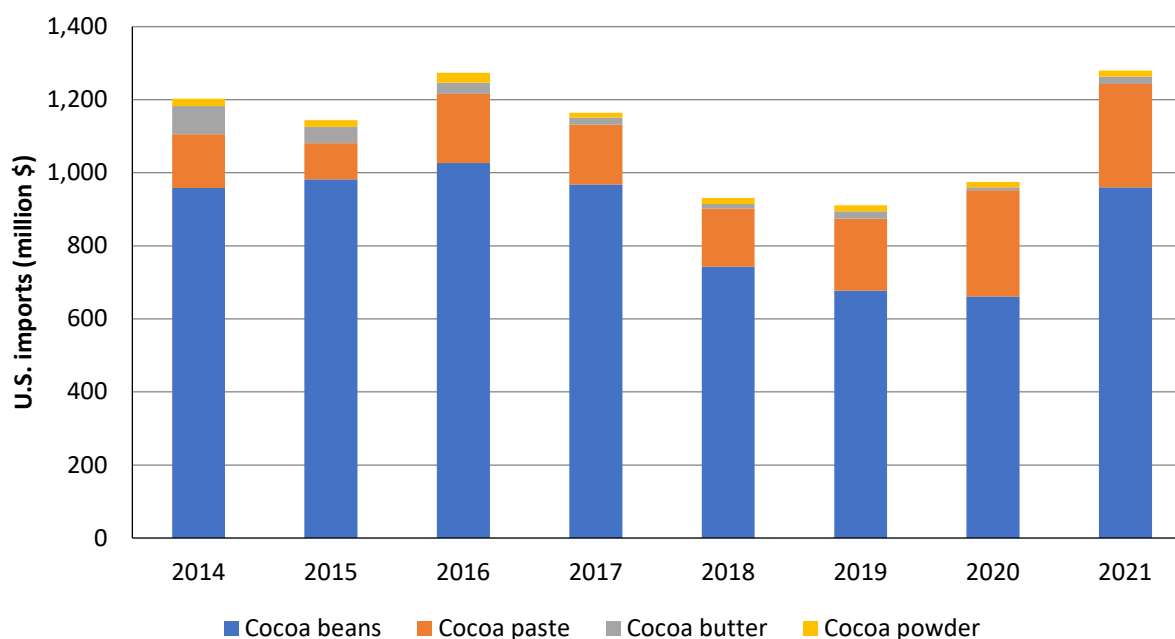
Source: USITC DataWeb/Census, HS headings 1801, 1803, 1804, and 1805, accessed July 7, 2022.

Note: The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1.

Cocoa beans have long made up the largest share of U.S. cocoa imports from AGOA beneficiaries. Between 2014 and 2017, cocoa beans comprised, on average, 82 percent of U.S. cocoa imports from AGOA beneficiaries (figure 5.4). This share decreased to approximately 74 percent between 2018 and 2021; during the same period, the share of cocoa paste imports increased from an average of 12 percent to an average of 23 percent. Imports of cocoa paste, not defatted, were the main driver of the share increase, and imports of cocoa cake—despite being AGOA eligible—increased by less than 1 percentage point. The import shares for cocoa butter decreased by 2 percentage points, and average cocoa powder shares were steady at about 2 percent between 2014 and 2021.

**Figure 5.4** U.S. imports for consumption of cocoa beans and processed cocoa products from AGOA beneficiary countries, by product, 2014–21

In millions of dollars. Underlying data for this figure can be found in appendix F, table F.13.



Source: USITC DataWeb/Census, HS headings 1801, 1803, 1804, and 1805, accessed July 7, 2022.

Note: HS heading 1801 is cocoa beans, 1803 is cocoa paste, 1804 is cocoa butter, and 1805 is cocoa powder. The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1.

There is little information pertaining to the relationship between AGOA preferences and U.S. cocoa imports from AGOA beneficiaries. Many factors influence business decisions to import cocoa products into the United States, but AGOA preferences do not appear to be an important driver. Nonetheless, there does appear to be a positive trend with respect to the two products that receive AGOA benefits: cocoa cake and cocoa powder. The share of U.S. imports of these products that was claimed under a trade preference program by AGOA beneficiaries has increased since AGOA's inception. Between 2014 and 2021, this share averaged 23 percent of total U.S. imports of cocoa cake and cocoa powder, compared to an average of 6 percent between 2001 and 2005.<sup>822</sup> During this period, AGOA beneficiaries took market share from other U.S. import source countries.<sup>823</sup>

## Competitive Strengths and Weaknesses

In addition to good quality, cocoa beans produced in West Africa have the advantage of sheer volume, making these beans versatile in blending operations and a convenient source to the biggest buyers. Competitiveness of West African processed products, however, is not straightforward, because multiple factors must be considered when evaluating a processing plant's competitiveness. Access to cheaper

<sup>822</sup> USITC DataWeb/Census, HS heading 1805 and subheading 1803.20, accessed July 7, 2022, and January 10, 2023.

<sup>823</sup> Countries whose market share decreased notably during the period: The Netherlands, the United Kingdom, and Brazil. USITC DataWeb/Census, HS heading 1805 and subheading 1803.20, accessed January 10, 2023.

raw materials, lower per unit transportation costs, and taxes are some of the factors that can give origin grinding a competitive advantage.

## Cocoa Beans

### West Africa is a reliable supplier of high-quality commodity cocoa beans

West African cocoa beans compete based on quality and supply. West Africa produces what is considered high-quality, commodity cocoa beans.<sup>824</sup> According to buyers, these beans reportedly possess good sensory attributes that are suitable for most food applications.<sup>825</sup> Cocoa beans from Ghana fetch a premium of between 4 and 6 percent because of their robust chocolate aroma, ideal brown color, and high quality stemming from good post-harvest practices.<sup>826</sup> About 75 percent of global cocoa bean production comes from West Africa, primarily Côte d'Ivoire and Ghana. These volumes are achieved through significant acreage dedicated to the crop, despite relatively low yields.<sup>827</sup> Because of their favorable quality profile and the sheer magnitude of supply, nearly all global chocolate is produced with a blend containing West African cocoa beans. Higher quality (e.g., with desirable flavor profiles and physical attributes) and more expensive commodity beans from West Africa are often blended with lower cost beans from other regions, such as Asia.<sup>828</sup> In the specialty, high-value market, "fine" flavor cocoa beans from Latin America are also blended with West African beans to achieve economical blends.

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<sup>824</sup> Sulaiman and Boachie-Danquah, *Investing in Ghana's Cocoa Processing Industry*, 2017, 19; industry representative, interview by USITC staff, August 19, 2022; USDA, FAS, *Ghana - Cocoa Report Annual*, March 15, 2012, 5.

<sup>825</sup> While an origin's flavor profile can vary by season and by farm, cocoa beans from Ghana can be generalized as having a "strong chocolate flavor" and cocoa beans from Cote d'Ivoire as having a "good cocoa impact, low bitterness, low acid, fruit, nutty." Reed, "Sensory Analysis of Chocolate Liquor," November 2010, 51; Owusu Ansah et al., "The Stake of LBCs in the Promotion of Quality Cocoa in Ghana," January 1, 2018, 4; industry representative, interview by USITC staff, August 19, 2022.

<sup>826</sup> Owusu Ansah et al., "The Stake of LBCs in the Promotion of Quality Cocoa in Ghana," January 1, 2018, 4; Cocobod, "Ghana Cocoa Specification," accessed February 5, 2023.

<sup>827</sup> Although Ghana and Cote d'Ivoire achieve higher average yields than the world average (see table 5.2), these yields are quite low compared to potential yields. The literature cites potential yields attained from experimental trials in Ghana ranging from 1,800-3,200 kg/ha. Asante et al., "The Cocoa Yield Gap in Ghana," July 28, 2022, 2.

<sup>828</sup> The Chocolate Journalist, "Single Origin VS Blend," August 18, 2016; Reuters, "Snapshot of Indonesia's Cocoa Industry," October 15, 2012; Mohamed et al., "Comparative Study between Malaysian and Ghanaian Cocoa Beans," December 2018, 590.

## Processed Cocoa Products

### Ghanaian and Ivorian grinders have access to low-cost raw material

Raw materials, or cocoa beans, account for 60–80 percent of a grinding facility’s annual operating costs.<sup>829</sup> Therefore, access to low-cost, but good quality, cocoa beans is a significant competitive advantage. Local processors (including multinational subsidiaries) in Ghana and Côte d’Ivoire typically source mid-crop beans, which are cheaper than main-crop beans.<sup>830</sup> Mid-crop beans are smaller in size than the main-crop beans but are the same quality. In Ghana, Cocobod sells mid-crop beans to local processors at discounted prices (about 20 percent lower than the international market price).<sup>831</sup> Although mid-crop beans have lower processing yields than main-crop beans, reportedly, the discounted price more than makes up for the difference in yields.<sup>832</sup> In fact, some reports indicate that it is key to offsetting high production costs—particularly high electricity costs in Ghana—and makes origin grinding—particularly in Ghana—economically feasible.<sup>833</sup> In Côte d’Ivoire, domestic grinders are guaranteed access to 60–70 percent of mid-crop beans.<sup>834</sup>

### West African grinders benefit from tax incentives

The governments of Ghana and Côte d’Ivoire have issued various tax incentives for domestic processing companies in support of achieving their goals of processing 50 percent of cocoa beans domestically.<sup>835</sup> Lower taxes reduce overall costs, increasing profitability and, thus, competitiveness. For processing companies—particularly those that are subsidiaries of large multinationals—it makes economic sense to shift more profits to locations with lower corporate income tax rates. In Ghana, processing plants located in Export Processing Zones (EPZs) pay no income taxes for the first 10 years and 8 percent thereafter—much lower than non-EPZ tax rates (25 percent) and lower than tax rates in the United

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<sup>829</sup> Misailidis and Petrides, *Cocoa Processing: Cost Analysis and Optimization*, June 2020, 18; Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 38.

<sup>830</sup> Industry representative, interview by USITC staff, July 20, 2022; Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 7; Reuters, “Power Shortages Will Cut Ivory Coast Cocoa Grinding by 40% in May - Grinders,” May 14, 2021.

<sup>831</sup> Since mid-crop beans already trade at a lower price on the international market, the effective discount is about 7.5 percent. Grumiller et al., *Strategies for Sustainable Upgrading in Global Value Chains*, 2018, 2; Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 8; USDA, FAS, *Ghana - Cocoa Report Annual*, March 15, 2012, 5; industry representative, interview by USITC staff, October 18, 2022.

<sup>832</sup> Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 17.

<sup>833</sup> Industry representative, interview by USITC staff, October 18, 2022; Aboa, “Ghana’s Cocoa Grinders Grapple with Crop Failure,” September 21, 2015.

<sup>834</sup> It does not appear that Côte d’Ivoire discounts mid-crop beans. Monnier, “Ivory Coast Grants Tax Incentives for Cocoa Processors,” June 30, 2016; Aboa, “Ivory Coast to Propose New Tax Breaks for Cocoa Grinders,” June 1, 2016.

<sup>835</sup> Grumiller et al., *Strategies for Sustainable Upgrading in Global Value Chains*, 2018, 2; Gro Intelligence, “Ivorian Cocoa: A Bittersweet Disposition,” November 11, 2014.

States and European countries as well.<sup>836</sup> When the parent company imports the processed product from Ghana to its operations in the United States or Europe, where corporate income taxes are higher, the imports are an expense on the income statement, reducing taxable income. In addition, Ghanaian processing companies operating in EPZs are exempted from paying duties and levies on all imports of capital goods (e.g., processing machinery) for production and exports from EPZs.<sup>837</sup>

In Côte d'Ivoire, domestic cocoa-processing operations benefit from a conditional tax break on the "single export tax" (droit unique de sortie, DUS) imposed on cocoa exporters.<sup>838</sup> Processors receive reduced DUS rates if they agree to increase their installed processing capacity by 7.5–15 percent within 5 years.<sup>839</sup> Under this agreement, processors receive lower export taxes on processed cocoa products, ranging from 1.4–5 percentage points.<sup>840</sup> These tax incentives, however, only apply to companies with existing factories and do not encourage new investment.<sup>841</sup> In addition, Côte d'Ivoire's 2018 investment code offers varying benefits that are tied to the phase or size of an investment project.<sup>842</sup> For example, during a project's investment phase, companies are exempt from import duties and value-added tax.<sup>843</sup> Uncertainty exists, however, regarding the duration and extent of these incentives.<sup>844</sup>

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<sup>836</sup> EPZs were created under the Ghana Free Zones Program, with the aim "to promote processing and manufacturing of goods . . . and encourage the development of commercial and service activities at sea and airport areas." Approximately 70 percent of cocoa processing plants are in EPZs. Gov't of Ghana, "Ghana Free Zones Authority," accessed January 4, 2023; Sulaiman and Boachie-Danquah, *Investing in Ghana's Cocoa Processing Industry*, 2017, 21; USITC, hearing transcript, June 9, 2022, 236 (testimony of Kekeli Ahiable, Tony Blair Institute for Global Change).

<sup>837</sup> Domestic processors located in EPZs are exempt from these duties as long as their operations produce goods for export. In general, Ghana has lower export taxes and import tariffs than Côte d'Ivoire. Sulaiman and Boachie-Danquah, *Investing in Ghana's Cocoa Processing Industry*, 2017, 21; industry representative, email message to USITC staff, July 20, 2022.

<sup>838</sup> This tax incentive was introduced in 2017, but before then, the DUS had been reformed multiple times. In general, import tariffs and domestic export taxes greatly reduce profitability in Côte d'Ivoire. Grumiller et al., *Strategies for Sustainable Upgrading in Global Value Chains*, 2018, 2; Oxford Business Group, "How Will New Incentives Benefit Ivorian Raw Cocoa Processors?" May 26, 2020; Aboa, "Cargill Boosts Ivory Coast Cocoa Grinding Capacity," November 2, 2021; industry representative, email message to USITC staff, July 20, 2022.

<sup>839</sup> Larger processors (those with processing capacity >100,000 metric tons) need to increase capacity by 7.5 percent; those with >50,000 metric tons need to increase by 10 percent; and those with <50,000 metric tons need to increase by 15 percent. Sulaiman and Boachie-Danquah, *Investing in Ghana's Cocoa Processing Industry*, 2017, 26; Reuters, "Ivory Coast to Reduce Export Taxes for Cocoa Products," July 1, 2016.

<sup>840</sup> Export taxes are lowered from 14.6 percent to 11 percent for cocoa butter, 13.2 percent for cocoa paste, and 9.6 percent for cocoa powder. Reuters, "Ivory Coast to Reduce Export Taxes for Cocoa Products," July 1, 2016.

<sup>841</sup> Only companies with existing factories may benefit from the tax break. Sulaiman and Boachie-Danquah, *Investing in Ghana's Cocoa Processing Industry*, 2017, 26.

<sup>842</sup> The new investment code was adopted in August 2018. Oxford Business Group, "How Will New Incentives Benefit Ivorian Raw Cocoa Processors?" May 26, 2020.

<sup>843</sup> During the operational phase, companies may benefit from various tax incentives, such as reduced income or property taxes. Oxford Business Group, "How Will New Incentives Benefit Ivorian Raw Cocoa Processors?" May 26, 2020.

<sup>844</sup> Oxford Business Group, "How Will New Incentives Benefit Ivorian Raw Cocoa Processors?" May 26, 2020.



## Processing at origin saves on transportation costs

Grinding at origin reduces per-unit transportation costs, because a cocoa bean is approximately 80 percent nib and 20 percent shell.<sup>845</sup> The shell, which is not used in cocoa/chocolate manufacturing, is removed before grinding during the winnowing stage (see above). By processing at origin, only the nib portion (via processed cocoa products) incurs transportation costs. This is a significant cost savings over grinders that import beans, particularly in Europe and the United States. Furthermore, the cost of sourcing and transporting beans domestically is much lower than shipping overseas. In Ghana, for example, the processing factories are in Tema, which is where Cocobod’s cocoa bean warehouse is located, lowering transportation costs of raw materials to the grinding facility. Furthermore, because Tema is a port city, Ghanaian grinders incur relatively low transportation costs in shipping their processed cocoa products for export.<sup>846</sup>

## Cocoa Sector Contributions to Economic Development, Poverty Reduction, and Employment

The cocoa sector supports overall economic development in the region in terms of its contribution to national GDP and export earnings. However, the sector contributes little to rural economic development, and poverty remains pervasive in cocoa farming communities. Although cocoa is a major source of employment for millions of farmers and workers, where few other opportunities exist, the majority of farmers earn below a living income. Despite some efforts to address the problem, child labor remains an issue. At the processing level, the automated nature of cocoa processing limits the number of jobs generated. Nonetheless, these jobs are considered to be “high-quality formal jobs.”<sup>847</sup>

## The Cocoa Sector is Important to National Economic Development, though its Impacts on the Downstream Economy are Mixed

Cocoa is important to national economic development. It generates government revenue and constitutes about 15 percent of GDP in Côte d’Ivoire and about 3.5 percent in Ghana.<sup>848</sup> Cocoa also contributes approximately 40 percent of export earnings in Côte d’Ivoire and 20–30 percent of export

<sup>845</sup> Industry representative, interview by USITC staff, August 19, 2022.

<sup>846</sup> Sulaiman and Boachie-Danquah, *Investing in Ghana’s Cocoa Processing Industry*, 2017, 23–24.

<sup>847</sup> ILO, “Highlights of Study Assessing the Impact of Increasing Domestic Processing of Cocoa,” December 11, 2018.”

<sup>848</sup> World Bank, “Côte d’Ivoire Economic Outlook,” July 2019; *Africanews*, “Cote d’Ivoire Wants to Capture Greater Share of Cocoa Value Chain,” October 3, 2022; Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 5; Hudson, “Ghana Is Cocoa, Cocoa Is Ghana,” June 2, 2022.

receipts in Ghana.<sup>849</sup> Furthermore, cocoa exports are the leading foreign exchange earner in Côte d'Ivoire and the second most important source in Ghana after gold.<sup>850</sup>

With respect to the rural economy, cocoa bean farming is a major source of cash income for millions of farm households and workers, but the industry has contributed little in the way of rural economic development.<sup>851</sup> The majority of cocoa farmers are unable to support themselves primarily through cocoa production, making it difficult to progress out of poverty. In Côte d'Ivoire, more than half of producers were living below the poverty line in 2015 (less than roughly \$1.2 a day).<sup>852</sup> Nonetheless, some cocoa companies are setting up programs that support establishment of village savings and loans associations (VSLAs).<sup>853</sup> These VSLAs are quite impactful by giving women the ability to save money. For example, a VSLA in Ghana was able to save enough money to build a preschool for its children, which eliminated the need for workers to take their small children into the fields with them while they worked.<sup>854</sup>

The governments of Côte d'Ivoire and Ghana have placed considerable emphasis on capturing more value added of cocoa beans by promoting the onshoring of cocoa processing. However, the value distributed to this segment of the value chain is limited. It is estimated that the processing segment of the cocoa supply chain comprises about 7–8 percent of the global cocoa sector's value, while the chocolate manufacturing and retailing segments hold nearly 80 percent of the sector's profit.<sup>855</sup>

With the rise of origin grinding, more multinational cocoa companies have built grinding plants in-country. This investment can be seen as a boost to local economies. Some critics argue that the benefit of this investment goes to the capital-intensive factories, but provides little in terms of job creation (the factories are highly automated) or wealth to the local economy (earnings are often returned to overseas parent companies).<sup>856</sup> Furthermore, the governments have incentivized investment in domestic processing by offering tax breaks (see Competitive Strengths and Weaknesses section above). However, it is unclear whether the economic benefits gained from onshoring cocoa processing make up for the taxes foregone.<sup>857</sup>

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<sup>849</sup> *Africanews*, "Cote d'Ivoire Wants to Capture Greater Share of Cocoa Value Chain," October 3, 2022; Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 5; Hudson, "Ghana Is Cocoa, Cocoa Is Ghana," June 2, 2022.

<sup>850</sup> Cocoa accounts for an average of 30 percent of Ghana's total export earnings. World Bank, "Côte d'Ivoire Ninth Economic Update," July 2019; Industry representative, interview by USITC staff, July 20, 2022; Hudson, "Ghana Is Cocoa, Cocoa Is Ghana," June 2, 2022.

<sup>851</sup> Industry expert, interview by USITC staff, July 21, 2022.

<sup>852</sup> World Bank, "Côte d'Ivoire Ninth Economic Update," July 2019.

<sup>853</sup> Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 47.

<sup>854</sup> Industry representative, interview by USITC staff, October 18, 2022.

<sup>855</sup> World Bank, "Côte d'Ivoire Ninth Economic Update," July 2019; Fountain and Hüetz-Adams, *Cocoa Barometer 2015*, 2015, 34–35; Nestlé Cocoa Plan, "Village Savings and Loans Associations," accessed October 18, 2022; Ayema, "'A Movement of Solidarity' for Women in Cocoa," March 31, 2022.

<sup>856</sup> Gayi and Tsowou, "Cocoa Industry," 2016, 7–8; ILO, "Highlights of Study Assessing the Impact of Increasing Domestic Processing of Cocoa," December 11, 2018.

<sup>857</sup> Staff found no literature related to cost-benefit analysis on tax incentives and subsidies to promote cocoa processing in Ghana and Côte d'Ivoire. Grumiller et al., *Strategies for Sustainable Upgrading in Global Value Chains*, 2018, 2; Industry representative, interview by USITC staff, July 20, 2022.

With respect to AGOA, little-to-no information exists on the program’s direct impact on the cocoa sector. However, during an interview, industry representatives indicated that the preference program “has underpinned an infrastructure that has allowed for investment (utilities, roads, talent, etc.).”<sup>858</sup> AGOA is often cited as being the “cornerstone of the U.S.-African commercial relationship” and the impetus for many U.S. government agencies’ work in the region aiming to support U.S. trade and investment with Africa.<sup>859</sup> For example, Millennium Challenge Corporation (MCC) grants have focused on—among other goals—building trade capacity in partner countries, which include AGOA beneficiaries.<sup>860</sup> To illustrate, MCC’s 2006 compact with the Ghanaian government supported major highway and public works projects in Ghana’s capital city, Accra, which likely contributed to improving the business-enabling environment for companies, including cocoa-processing plants.<sup>861</sup>

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<sup>858</sup> Industry representative, interview by USITC staff, August 19, 2022.

<sup>859</sup> Schneidman and Lewis, *AGOA: Looking Back, Looking Forward*, June 2012, iv, 13.

<sup>860</sup> Schneidman and Lewis, *AGOA: Looking Back, Looking Forward*, June 2012, 18.

<sup>861</sup> MCC, “Ghana Compact,” June 2017.

## Cocoa Processing Generates a Limited Number of Higher-Skilled and Higher-Paying Jobs

Most recent estimates of employment in cocoa processing range from 1,700–3,000 in Ghana and 3,300–5,800 in Côte d’Ivoire.<sup>862</sup> Although these jobs are mostly for skilled labor (e.g., managers, clerical, plant operators, etc.), although the sector also requires unskilled labor. Most skilled labor positions require a bachelor’s or professional degree.<sup>863</sup> These factories typically employ local nationals and a few expatriates for highly skilled jobs (e.g., engineering manager); however, Cargill’s facility in Ghana’s port city, Tema, is reportedly 100 percent run and managed by Ghanaians.<sup>864</sup>

According to a 2019 International Labour Organization (ILO) study on the Ghanaian cocoa processing industry, men make up most of the work force (95 percent) and women are predominately employed in quality assurance units.<sup>865</sup> The skill level of the labor force depends on the processing technology employed by the plant (i.e., partially or fully automated). In partially automated plants, more of the labor force tends to be skilled. Conversely, in fully automated plants, a higher proportion of the workforce is unskilled.<sup>866</sup> Employees tend to be locally recruited and live in nearby areas.<sup>867</sup>

The same ILO study found that most, if not all, employment of factory workers is permanent. These employees are engaged directly through the companies or outsourced through contractors.<sup>868</sup> Salaries ranged from about \$80 (cleaners) to \$4,650 (senior management) per month with a weighted average of approximately \$340 in 2017. For comparison, Ghana’s 2017 minimum wage was \$60.14 per month. The study indicated that employees received benefits, including social security contributions, health insurance, and transportation.<sup>869</sup>

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<sup>862</sup> Staff estimates based on assumptions from literature and industry interviews related to installed processing capacity, processing capacity utilization rates, and full-time employment per ton processed. A 2017 report indicated Ghana’s cocoa processing sector generated approximately 1,300 jobs. Sulaiman and Boachie-Danquah, *Investing in Ghana’s Cocoa Processing Industry*, 2017, 34; Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 1; Industry representative, interview by USITC staff, July 20, 2022; Aboa, “Ivory Coast to Propose New Tax Breaks for Cocoa Grinders,” June 1, 2016; Industry representative, email message to USITC staff, July 20, 2022.

<sup>863</sup> Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 20.

<sup>864</sup> Industry representative, interview by USITC staff, August 19, 2022.

<sup>865</sup> The ILO study used 2017 data collected from two Ghanaian processing companies. Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 20, 22.

<sup>866</sup> Compared to partially automated plants, fully automated plants tend to have a larger share of unskilled labor (e.g., cleaners, loaders, and factory hands) than skilled labor (e.g., supervisors, technicians, and skilled workers). Only a few highly skilled workers are needed to program the machines. Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 14–20.

<sup>867</sup> Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 20.

<sup>868</sup> Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 20.

<sup>869</sup> Abbadi et al., *Assessing the Employment Effects of Processing Cocoa in Ghana*, August 2019, 20.

## The Cocoa Sector has Contributed Little Toward Reducing Poverty, Despite Widespread Efforts

Poverty lies at the root of almost all the challenges facing the cocoa sector, including child labor (discussed further in the next section) and deforestation, among others. Farmers cultivate cocoa to access cash. For the majority of farmers in West Africa, however, cocoa is not a pathway out of poverty. Because compensation from cocoa farming is low, it is attractive only to the poorest of farmers.<sup>870</sup>

Cocoa is the largest source of income (about two-thirds) for cocoa farmers in both Côte d’Ivoire and Ghana.<sup>871</sup> The average cocoa farm household is estimated to earn \$2,346 per year in Côte d’Ivoire and \$2,288 in Ghana, which is below the respective estimated living incomes of \$6,517 and \$4,742.<sup>872</sup> According to the Living Income Community of Practice, a “living income is the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.”<sup>873</sup> It is estimated that 70–90 percent of cocoa farmers in Ghana and Côte d’Ivoire earn below a living income.<sup>874</sup> In Côte d’Ivoire and Ghana, at least 40 and 30 percent, respectively, of cocoa farm households fall below the World Bank extreme poverty level.<sup>875</sup>

Government, civil society, and the private sector have made numerous efforts to reduce poverty among cocoa farmers. Increasing productivity has been the main approach adopted to increase farmer incomes. Educating farmers on good agricultural practices, distributing cocoa seedlings, and issuing fertilizer and pesticide inputs have been common approaches to increasing production. However, increasing productivity requires investment both in time and money, which are already scarce resources for farmers and—given variable farm gate prices—do not always provide adequate returns on

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<sup>870</sup> Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 14.

<sup>871</sup> Other sources of income include sale of other crops (20–24 percent), sale of livestock or livestock products (2–3 percent) and owning a small business or trading (3–10 percent). Tyszler, Bymolt, and Laven, *Analysis of the Income Gap of Cocoa Producing Households in Ghana*, 2018, 14; Tyszler, Bymolt, and Laven, *Analysis of the Income Gap of Cocoa Producing Households in Côte d’Ivoire*, 2019, 16; van Vliet et al., “A Living Income for Cocoa Producers in Côte d’Ivoire and Ghana?” 2021, 14.

<sup>872</sup> Tyszler, Bymolt, and Laven, *Analysis of the Income Gap of Cocoa Producing Households in Ghana*, 2018, 3; Tyszler, Bymolt, and Laven, *Analysis of the Income Gap of Cocoa Producing Households in Côte d’Ivoire*, 2019, 3; Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 40.

<sup>873</sup> Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events. The Living Income Community of Practice is a consortium of Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) the main German development agency; the International Social & Environmental Accreditation & Labelling (ISEAL) Alliance—a global membership organization focused on sustainability standards benefiting people and the environment; and the Sustainable Food Lab—a non-profit organization focused on sustainable food systems. The Living Income Community of Practice, “Living Income Community of Practice,” accessed September 22, 2022; Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 39.

<sup>874</sup> The Living Income Community of Practice, “Living Income Community of Practice,” accessed September 22, 2022; Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 39; ILO, “Labour Demand and Supply of Cocoa Farming Households,” September 2019, 8; Rusman et al., *The True Cost of Cocoa*, 2018, 18; van Vliet et al., “A Living Income for Cocoa Producers in Côte d’Ivoire and Ghana?” 2021, 10.

<sup>875</sup> ILO, “Labour Demand and Supply of Cocoa Farming Households,” September 2019, 8; van Vliet et al., “A Living Income for Cocoa Producers in Côte d’Ivoire and Ghana?” 2021, 10–12.

investment.<sup>876</sup> Furthermore, depending on variable market characteristics, increased productivity can lead to oversupply, putting downward pressure on already low farm gate prices.<sup>877</sup>

Another approach to increasing farmer incomes has been income diversification, which is said to strengthen a farmer's resilience to poor market conditions, such as low prices, and adverse agronomic conditions, such as disease or poor weather.<sup>878</sup> The governments of Ghana and Côte d'Ivoire currently do not have programs promoting income diversification.<sup>879</sup> However, several companies are supporting income diversification through their corporate sustainability programs.<sup>880</sup> According to some industry observers, many income diversification initiatives fall short by not connecting to real markets and new value chains.<sup>881</sup> A 2018 study from Koninklijk Instituut voor de Tropen (Royal Tropical Institute in the Netherlands) finds that the impacts of income diversification are understudied and reports that cocoa households in Ghana and Côte d'Ivoire are already diversified and have selected certain crops for their own economic and noneconomic reasons.<sup>882</sup>

Efforts have also been made to provide income support to cocoa producers in Côte d'Ivoire and Ghana. For example, the Côte d'Ivoire-Ghana Cocoa Initiative (CIGCI) proposed the living income differential (LID), which as stated above adds \$400 per ton on top of the London futures price. However, the October 2020 roll out of the LID coincided with a period of lower demand stemming from the effects of the COVID-19 pandemic and increased supply due to a surplus crop in 2020/21, leading to depressed bean prices. Even with the LID, farmer incomes remained below living income levels. In addition, although cocoa and chocolate companies have publicly agreed to pay the LID, some companies have been accused of sidestepping the premium by buying beans elsewhere.<sup>883</sup> Critics of the LID argue that it creates an incentive to produce more cocoa, which increases supply, thus, putting downward pressure on cocoa bean prices.<sup>884</sup> Furthermore, in order for farmers to achieve a living income even with the LID or other living income reference prices, farmers must also increase productivity. However, it is likely that

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<sup>876</sup> Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 42–46.

<sup>877</sup> In 2016 and 2017, cocoa prices experienced annual declines of 8 percent and 30 percent, respectively, because of a surplus (estimated to be 335,000 tons in 2016/17 and 100,000 tons in 2017/18) and sluggish global demand. However, high cocoa processing margins drove higher demand for cocoa, which caused 2018 prices to regain some ground (13 percent annual increase). As of 2021, however, prices still remained below 2013 levels. Hunt, "Cocoa Prices to Regain Ground as Global Surplus Shrinks," February 6, 2018; ICCO Cocoa Statistics, accessed July 15, 2022; Terazono, "Cocoa Prices Hit 19-Month High on Strong European Demand," April 18, 2018.

<sup>878</sup> Examples of income diversification include sales of other crops and livestock, small businesses, working on other farms, salaried employment, or remittances. Tyszler, Bymolt, and Laven, *Analysis of the Income Gap of Cocoa Producing Households in Ghana*, 2018, 27; Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 47.

<sup>879</sup> Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 47.

<sup>880</sup> *The Economist*, "Why the African Cocoa Cartel Is a Bad Idea," November 21, 2022.

<sup>881</sup> Industry expert, interview by USITC staff, July 21, 2022.

<sup>882</sup> For example, cocoa farmers frequently produce casava and plantain, as these crops can serve a dual purpose as both a food and cash crop. In addition, these crops can be intercropped with young cocoa trees and provide shade. Compared to other traditional cash crops—such as oil palm, rubber, and coffee—cocoa was considered to be less arduous, has a shorter establishment period than rubber, and is more profitable. Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2018, 93.

<sup>883</sup> Confectionary Production, "Hershey Buys Futures Market Cocoa amid Concerns over West African Support Scheme," November 24, 2020; *The Economist*, "Why the African Cocoa Cartel Is a Bad Idea," November 21, 2022.

<sup>884</sup> Wallace, "New Cocoa-Pricing Method," October 9, 2019; *The Economist*, "Why the African Cocoa Cartel Is a Bad Idea," November 21, 2022.

only a small portion of outlier farmers (i.e., not the average farmer) will be able to increase productivity.<sup>885</sup>

Cocoa certification programs, such as those from UTZ/Rainforest Alliance and Fairtrade, compensate farmers for meeting standards related to environmental, social, or economic goals.<sup>886</sup> For example, Fairtrade pays certified producer groups worldwide a Fairtrade Minimum Price, which serves as a price floor when cocoa prices drop.<sup>887</sup> Certified farms are audited by third-party auditing firms.<sup>888</sup> These programs are popular among consumers, but the benefits to workers are mixed. Proponents claim that the programs are successful by increasing farmer incomes and improving working conditions.<sup>889</sup> However, these economic benefits are generally not passed on to farm laborers.<sup>890</sup> Furthermore, some reports show the certification programs falling short of achieving their own standards. For example, in 2013 and 2017, UTZ found numerous instances of child labor on certified farms and even found farms in protected forests.<sup>891</sup> For these reasons, certification programs have received much criticism in recent years and value chain actors acknowledge that certification alone cannot achieve supply chain sustainability.<sup>892</sup> As a result, several chocolate and cocoa trading companies have created their own

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<sup>885</sup> Fountain and Huetz-Adams, *Cocoa Barometer 2020*, 2020, 48.

<sup>886</sup> In 2018, UTZ and Rainforest Alliance merged. Rainforest Alliance is the most commonly used certification program. Buyers of Rainforest Alliance-certified cocoa are required to pay a Cocoa Sustainability Differential—set at a minimum of \$70 per metric ton—to farmers. Rainforest Alliance, “Understanding the Sustainability Differential in Cocoa,” July 8, 2020; Government of the Netherlands, CBI, “The European Market Potential for Certified Cocoa,” September 7, 2020; Nerger, “What Is the Difference Between Rainforest Alliance and Fairtrade Certification?” June 25, 2021.

<sup>887</sup> In addition, Fairtrade-certified farmer organizations receive a Fairtrade Premium which they can invest in projects, such as improving their businesses, production, replacing old trees, etc. Wu, “Many Cocoa Farm Workers Aren’t Reaping the Benefits of Fairtrade Certification,” July 1, 2019; Government of the Netherlands, CBI, “The European Market Potential for Certified Cocoa,” September 7, 2020; Fairtrade International, “Fairtrade Premium Overview,” accessed March 1, 2023.

<sup>888</sup> The audit process has limitations: farms are typically only audited once a year; farmers organize in cooperatives to receive certification and only a small portion of those farms is actually inspected; audits are often announced in advance. Whoriskey, “Chocolate Companies Sell ‘Certified Cocoa,’” October 28, 2019; Nieburg, “How Effective Is Cocoa Certification?” September 28, 2021.

<sup>889</sup> Studies have found different results with respect to wage rates and certification rates. One study in 2019 found that at the cooperative level, Fairtrade cocoa certification more than doubled annual salaries in Côte d’Ivoire and fewer certified farms were below the national poverty line (less than a third compared to more than 50 percent of noncertified farms). However, salaries of farm laborers were about equivalent regardless of their employer’s certification status. Another study found, salaries of rural workers were about equivalent regardless of their employer’s certification status. Wu, “Many Cocoa Farm Workers Aren’t Reaping the Benefits of Fairtrade Certification,” July 1, 2019; Nieburg, “How Effective Is Cocoa Certification?” September 28, 2021.

<sup>890</sup> Wage rates for hired laborers are even lower than that of farmers. USITC staff estimate that in Côte d’Ivoire hired laborer wage rates average between 870 and 1,285 CFA per day. ILO, “Labour Demand and Supply of Cocoa Farming Households,” September 2019, 16; Wu, “Many Cocoa Farm Workers Aren’t Reaping the Benefits of Fairtrade Certification,” July 1, 2019.

<sup>891</sup> Industry expert, interview by USITC staff, August 2, 2022. Whoriskey, “Chocolate Companies Sell ‘Certified Cocoa,’” October 28, 2019. Consistent with this report and as explained in chapter 1, the term child labor is used to cover children working in a way that is harmful and is distinct from child work. See also, e.g., UTZ Certified, “UTZ Certified: Good Inside Position Paper on Child Labor,” 2011.

<sup>892</sup> Nieburg, “How Effective Is Cocoa Certification?” September 28, 2021; Government of the Netherlands, CBI, “The European Market Potential for Certified Cocoa,” September 7, 2020; Nieburg, “What Does ‘Going beyond Certification’ Really Mean?” February 20, 2018.

corporate sustainability programs.<sup>893</sup> For example, through its sustainability program Nestlé Cocoa Plan, Nestlé aims to reduce child labor and the living income gap by paying cocoa farmers a cash incentive if they meet certain measures related to, for example, school attendance or agricultural practices.<sup>894</sup> Nestlé has committed to sourcing 100 percent of its cocoa needs through Nestlé Cocoa Plan by 2025.<sup>895</sup> There are differing views from stakeholders as to the effectiveness of these exercises.<sup>896</sup>

## While Cocoa Farming Provides Incomes to Rural Families, Challenges of Child Labor Remain

The cocoa farming sector, as described in the previous section, is an important source of income for farmers but in many cases does not pay enough to adequately compensate the necessary laborers to work their fields. These farmers, who are considered to be the landowner or landholder, often need to employ hired laborers and tenants. Côte d'Ivoire and Ghana have an estimated 2 million cocoa farming households combined.<sup>897</sup> In Côte d'Ivoire, the distribution of the labor force is estimated to be 44 percent family labor, 35 percent permanent, 6 percent occasional, and 15 percent mutual aid.<sup>898</sup>

According to Cocoa Barometer, many cocoa farmers find it difficult to find labor to work on their farms.<sup>899</sup> Despite considerable unemployment, extremely low wages have caused a shortage of hired farm labor, as people are unable or unwilling to work below subsistence levels. Farmers earn very little themselves and are not able to offer higher wages.<sup>900</sup> Nonetheless, a 2018 study cited several reasons why farmers chose to stay in cocoa farming, including relatively high income compared to other crops, guaranteed price, marketability, and two crop seasons per year.<sup>901</sup>

The majority of cocoa farms are run by male heads of household; however, approximately 25 percent of farms are run by women.<sup>902</sup> Women participate in most aspects of cocoa production, both on family

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<sup>893</sup> For example, Nestlé created The Nestlé Cocoa Plan; Mars: Cocoa for Generations; Mondelez: Cocoa Life; etc..

Government of the Netherlands, CBI, "The European Market Potential for Certified Cocoa," September 7, 2020

<sup>894</sup> Koltowitz and Angel, "Nestlé to give cocoa farmers cash to keep children in school," January 27, 2022. Gretler, Corinne, "Nestlé to Pay Cocoa Farmers Cash Incentives to Fight Child Labor," January 27, 2022.

<sup>895</sup> Nestlé Cocoa Plan, "Our Ambitions," accessed February 22, 2023.

<sup>896</sup> Industry representative, interview by USITC staff, July 20, 2022; industry expert, interview by USITC staff, July 21, 2022.

<sup>897</sup> Côte d'Ivoire has between 800,000 and 1,200,000 cocoa households; Ghana has 800,000. ILO, "Labour Demand and Supply of Cocoa Farming Households," September 2019, 6; ICI, "Cocoa Farmers in Ghana Experience Poverty and Economic Vulnerability," December 1, 2017.

<sup>898</sup> Mutual aid is collective work arrangements where neighbors take turns working on each other's farms but exchange no payment. ILO, "Labour Demand and Supply of Cocoa Farming Households," September 2019, 15.

<sup>899</sup> Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 44.

<sup>900</sup> Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 66.

<sup>901</sup> Other reasons include cocoa's national importance, it is considered a traditional crop, it is less labor intensive than other crops, it can be intercropped during establishment period, and it receives institutional support from Cocobod, etc. Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2018, 91–92.

<sup>902</sup> Estimates vary across studies. Another study estimated that in Côte d'Ivoire, 86–97 percent of heads of household are men. ILO, "Labour Demand and Supply of Cocoa Farming Households," September 2019, 6; Marston, "Women's Rights in the Cocoa Sector," March 2016, 7.



farms and as day laborers, contributing a significant share of farm labor.<sup>903</sup> However, female family-farm members and laborers earn significantly less than their male counterparts. In Ghana, a study that used 2009 data estimated the income gap between male and female cocoa farmers to be 25–30 percent and another study found the income gap to be as high as 70 percent in Côte d’Ivoire.<sup>904</sup> The average cocoa household is composed of six to seven people, including three to four children.<sup>905</sup> As most cocoa farms are family operations, all family members, including children, are an important source of labor. The family farm is the context in which most child labor occurs.<sup>906</sup> Given the fluctuating labor demands of a typical cocoa farm (see Farming Practices earlier in this chapter), as well as the shortage or lack of financial means for hired labor described above, pressure on family farms to include children as part of the labor force has increased.<sup>907</sup> Reports indicate that much of the work done by children on family farms is considered dangerous and accordingly classify it as child labor. The U.S. Department of Labor (USDOL) has identified the use of child labor in cocoa production in 6 SSA countries.<sup>908</sup> According to a 2020 study by National Opinion Research Center (NORC) at the University of Chicago, 45 percent of children (1.56 million) living in cocoa-growing households were engaged in child labor in Côte d’Ivoire and Ghana in 2018/19.<sup>909</sup> Nearly 95 percent of these children were exposed to at least one form of hazardous child labor.<sup>910</sup> The study found that, amid a 14 percent increase in cocoa production between 2013/14–2018/19, the prevalence of child labor remained stable during that period.<sup>911</sup> Forced child

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<sup>903</sup> A 2020 study by the Fairtrade Foundation found that women carry out 68 percent of cocoa labor in Côte d’Ivoire. Taylor, *The Invisible Women Behind Our Chocolate*, 2020, 13.

<sup>904</sup> Marston, “Women’s Rights in the Cocoa Sector,” March 2016, 7; Fountain and Hüetz-Adams, *Cocoa Barometer 2020*, 2020, 64–66; CARE, *Gender Assessment*, March 2014, 20; Hiscox and Goldstein, *Gender Inequality in the Ghanaian Cocoa Sector*, 2014, 4.

<sup>905</sup> In Ghana, the average household is six people; in Côte d’Ivoire, the average household is seven people. Bymolt, Laven, and Tyszler, *Demystifying the Cocoa Sector*, 2018, 47; Hüetz-Adams et al., “Towards a Living Income Calculation,” November 2017, 5; ILO, “Labour Demand and Supply of Cocoa Farming Households,” September 2019, 6.

<sup>906</sup> See chapter 1 box 1.1 for the definitions of child labor and child work.

<sup>907</sup> Industry expert, interview by USITC staff, July 21, 2022.

<sup>908</sup> The identified countries are Cameroon, Côte d’Ivoire, Ghana, Guinea, Nigeria, and Sierra Leone. USDOL has also identified the use of forced labor in cocoa production in Côte d’Ivoire and Nigeria. USDOL, ILAB, *2022 List of Goods Produced by Child Labor or Forced Labor*, September 2022, 10, 23–29.

<sup>909</sup> Of the 1.56 million children living in cocoa-growing households, approximately 790,000 are in Côte d’Ivoire and 770,000 are in Ghana. For the purposes of its study, the NORC defines child labor within the cocoa industry as working beyond the maximum allowable working hours for a given age group or being exposed to hazardous activities. For definitions of child labor under U.S. law and ILO conventions, see discussion in chapter 1. Sadhu et al., *Assessing Progress in Reducing Child Labor*, October 2020, 8–10.

<sup>910</sup> Based on the ILO definition of worst forms of child labor as including work that is likely to harm the health, safety, or morals of children, the NORC study identifies examples of such practices in the cocoa industry as including being exposed to at least one of the following: land clearing, carrying heavy loads, exposure to agrochemicals, sharp tool use, long working hours, or night work. Sadhu et al., *Assessing Progress in Reducing Child Labor*, October 2020, 8.

<sup>911</sup>

For comparison, the same study found that over a longer time horizon (2008/09 and 2018/19), which includes the referenced period, cocoa production in Ghana and Côte d’Ivoire increased 62 percent and the prevalence of child labor in cocoa production increased 13 percentage points. The study defines prevalence as the “proportion of children in cocoa growing area . . . engaged in child labor in cocoa production.” Sadhu et al., *Assessing Progress in Reducing Child Labor*, October 2020, 10–12.

labor has also been reported in the cocoa sector.<sup>912</sup> Cases of forced labor are challenging to document because of their illicit nature. However, a 2018 study published by the Walk Free Foundation estimated that between 2013 and 2017 less than 1 percent of children in child labor in the cocoa industry were in forced child labor.<sup>913</sup>

Despite the incidence of child labor, Côte d'Ivoire and Ghana maintain AGOA beneficiary status on the basis of their ongoing efforts to address the problem.<sup>914</sup> The USDOL is actively engaged in addressing child labor in the cocoa sector in partnership with the governments of Côte d'Ivoire and Ghana and representatives of industry under the Child Labor Cocoa Coordinating Group (CLCCG). Under the CLCCG, the governments of Côte d'Ivoire and Ghana have formed action plans, updated laws, increased enforcement, and received technical assistance from USDOL. The CLCCG has found that though child labor remains a pervasive issue in the sector, countries have taken steps to address the issue. For example, between 2010 and 2020, USDOL found that Côte d'Ivoire made notable progress toward adopting legislation to combat child labor and Ghana carried out two National Plans for Action to tackle the worst forms of child labor. The USDOL funded projects to support Côte d'Ivoire and Ghana in their efforts to address child labor. The cocoa industry has also invested significantly in child protection awareness programs, education, and women's empowerment to fight child labor.<sup>915</sup> Several section 307 petitions (alleging that forced labor was used to produce imported goods) have been filed in the United States against imports of cocoa from Côte d'Ivoire—the most recent petition was filed in February 2020.<sup>916</sup> To date, in response to these petitions U.S. Customs and Border Protection, which implements section 307, has not issued any Withhold Release Orders, which can block U.S. imports of goods made with forced labor.<sup>917</sup> Information on the status of these petitions is not publicly available.

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<sup>912</sup> USDOL, ILAB, *2022 List of Goods Produced by Child Labor or Forced Labor*, September 2022, 25–27; De Buhr and Gordon, *Bitter Sweets*, 2018, 30.

<sup>913</sup> De Buhr and Gordon, *Bitter Sweets*, 2018, 28.

<sup>914</sup> USTR, *2022 Biennial Report on the Implementation of the African Growth and Opportunity Act*, June 2022, 16, 28, 35.

<sup>915</sup> USDOL, *2010-2020 Efforts to Reduce Child Labor in Cocoa*, 4, accessed January 4, 2023.

<sup>916</sup> "Section 307 of the Tariff Act of 1930 (codified at 19 U.S.C. § 1307) prohibits U.S. imports of any product that was mined, produced, or manufactured wholly or in part by forced labor, including forced or indentured child labor." CRS, *Section 307 and U.S. Imports of Products of Forced Labor*, February 1, 2021, ii; CAL, "CAL and IRAdvocates Challenge Importation of Cocoa Produced with Forced Child Labor," February 14, 2020.

<sup>917</sup> U.S. Customs and Border Protection (CBP) enforces section 307 through issuance of Withhold Release Orders (WROs) and Findings. There are various reasons why CBP may not act or be delayed in acting on a petition, including, but not limited to, insufficient evidence or extraordinarily complicated investigations. CRS, *Section 307 and U.S. Imports of Products of Forced Labor*, February 1, 2021, 20. DHS, Office of Strategy, Policy, and Plans, *Forced Labor Enforcement Task Force: Establishing Timelines*, July 30, 2021.

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# Chapter 6

## Certain Chemicals

### Introduction

Compared with the chemical industries in developed countries in North America and Europe, the chemical industry in sub-Saharan Africa (SSA) and AGOA-eligible countries is neither large nor competitive. South Africa is the only SSA country and AGOA beneficiary that has a competitive and diversified chemical industry across the supply chain. As such, this chapter largely focuses on trends in the South African chemicals industry. Chemical production does exist in other countries within SSA, but the products and production levels are largely niche in nature. Despite SSA access to ample feedstocks, the region, with the exception of South Africa, has been unable to develop a large chemical industrial base. South Africa has successfully used its feedstocks and has a mature chemical industry, but its growth beyond basic and commodity chemicals has been hindered because of difficulties in infrastructure ranging from unreliable transportation to water shortages and a lack of dependable electricity because of periodic rolling blackouts.

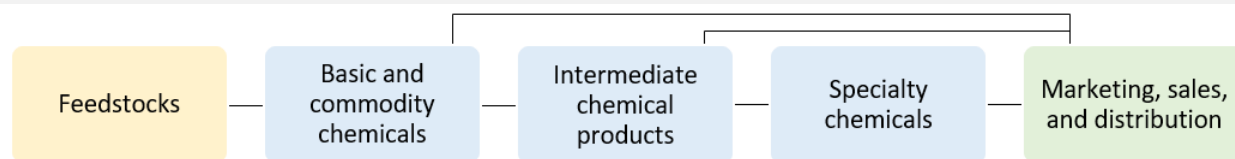
The limited presence of chemical manufacturing across SSA means data on the industry in aggregate are minimal. During 2014–21, U.S. imports of chemicals from SSA under AGOA represented approximately 13 percent of U.S. chemical imports from SSA on average, amounting to \$384 million in 2021. Of total U.S. imports of AGOA-eligible chemicals in 2021, nearly all (97 percent) were sourced from South Africa. Exporters of chemicals from South Africa report that AGOA preferences are not a deciding factor when exporting to the United States. However, the SSA chemical industry wants the preference program to continue, with some expressing that they would want AGOA to expand to make more chemicals eligible.

### Industry Overview

The chemical sector is an integral part of many value chains and one that connects raw materials—or feedstocks (e.g., mineral ores, natural gas, oil, agricultural products)—to end users. Feedstocks are used in a range of manufacturing processes and transformed into value-added chemicals that supply a wide variety of industries and end markets.<sup>918</sup> Value-added chemicals are chemical compounds or formulations that have been processed from the raw materials. Value-added chemicals (hereafter “chemicals”) within the chemical industry global value chain (GVC) are broken down into three primary categories: (1) basic and commodity chemicals, (2) intermediate chemical products, and (3) specialty chemicals (figure 6.1).

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<sup>918</sup> These are products classified in chapters 28–40 in the harmonized system (HS). Within the Harmonized Tariff System of the United States (HTS), these 12 chapters contain 2,180 tariff lines; of which 1,154 are AGOA eligible. See Trade section for more information.

**Figure 6.1** Chemical industry value chain

Source: Compiled by USITC staff.

Note: The products in interior boxes (basic and commodity chemicals, intermediate chemical, products, specialty chemicals) denote the value-added chemicals covered in this chapter.

The chemical outputs derived directly from feedstocks are typically referred to as basic, commodity, or bulk chemicals, which are produced in high volumes and have low unit values. Basic and commodity chemicals may be derived from oil and gas products (petrochemicals); animal or vegetable oils and fats (oleochemicals); or minerals, atmospheric air, and salt, natural brine, or by-products from certain petrochemical processes (inorganic chemicals).<sup>919</sup> Commonly produced petrochemicals include olefins (e.g., ethylene, propylene, and butadiene) and aromatics (e.g., benzene, toluene, styrene, and cumene).<sup>920</sup> These products undergo further processing to produce a range of commodity chemicals, including plastic resins (e.g., polyethylene and polyvinylchloride).<sup>921</sup> Common oleochemicals include essential oils and tallow (i.e., animal fat).<sup>922</sup> The most widely produced bulk inorganic chemicals include sulfur products; chlor-alkali products, such as chlorine and caustic soda; titanium oxides; and industrial gases (e.g., hydrogen, argon, oxygen, nitrogen, and carbon dioxide).<sup>923</sup>

Using the basic chemicals derived in the first stage of processing, intermediate chemicals are produced.<sup>924</sup> Intermediate chemicals are typically not consumed directly but are used in the production of additional products, such as specialty chemicals or in manufacturing processes.<sup>925</sup> Specialty chemicals are diverse and designed to perform a particular function, mainly in other industry segments. Such products are sold directly for use in end markets (e.g., the automotive; construction; pulp, paper, and printing; and textiles sectors).<sup>926</sup> Examples include pigments and dyes used in the manufacture of paint or the coloring of plastics, and surfactants used in the production of industrial and consumer detergents.

<sup>919</sup> Bamber, Frederick, and Gereffi, *The Philippines Chemical Global Value Chain*, May 2016, 14.

<sup>920</sup> Other by-products are also produced, such as paraffin oil or paraffin waxes, a waxy substance that can be used in a variety of downstream industries. ScienceDirect, "Paraffin Oil," accessed December 2, 2022.

<sup>921</sup> Ethylene is used in the production of plastic, rubber, fibers, detergents, solvents, and anesthetics. Bamber, Frederick, and Gereffi, *The Philippines Chemical Global Value Chain*, May 2016, 15.

<sup>922</sup> Bamber, Frederick, and Gereffi, *The Philippines Chemical Global Value Chain*, May 2016, 14.

<sup>923</sup> Bamber, Frederick, and Gereffi, *The Philippines Chemical Global Value Chain*, May 2016, 15.

<sup>924</sup> Some basic chemicals, particularly industrial gases and chlorine, are not well suited for shipping. These products tend to be manufactured for local consumption or are internally consumed to manufacture intermediate chemicals. Bamber, Frederick, and Gereffi, *The Philippines Chemical Global Value Chain*, May 2016, 16.

<sup>925</sup> Commodity and specialty chemicals contribute to several end markets (and are not necessarily mutually exclusive). There are two groups that are distinguished in industry analyses from an end-market perspective: agriculture (e.g., herbicides, pesticides, and fertilizers) and pharmaceuticals (e.g., active ingredients, medications, and formulations). These are occasionally categorized together as "life sciences" products. Bamber, Frederick, and Gereffi, *The Philippines Chemical Global Value Chain*, May 2016, 17.

<sup>926</sup> Reports indicate that globally a top revenue source for specialty chemicals is use in paints and inks. Bamber, Frederick, and Gereffi, *The Philippines Chemical Global Value Chain*, May 2016, 17.



## Global Chemical Industry

Chemicals manufacturing is one of the top global industries, with operations across many regions of the world and total revenues from the sector exceeding \$5 trillion in 2017.<sup>927</sup> This substantial output results from chemicals feeding into a swath of products and markets.<sup>928</sup> Throughout most of the 20<sup>th</sup> century, the chemical industry was concentrated in Europe, North America, and Japan. Starting in the 1970s, however, the industry expanded, notably in Asia (ex-Japan) and the Middle East.<sup>929</sup> Growth of the chemicals sector in the 1990s was driven by expanding global demand and investments from multinational firms.<sup>930</sup> Since the turn of the 21<sup>st</sup> century, domestic chemicals companies in China and in the Middle East have become increasingly dominant producers.<sup>931</sup> In discussions of the global chemicals market, Africa is typically aggregated with “all other” countries in terms of production and sales.<sup>932</sup>

As the global industry and markets have grown, so too has the volume of trade in chemicals. Exports (excluding intra-European Union (EU) exports) reached a global value of about \$748 billion in 2017.<sup>933</sup> In terms of value, the EU is the largest chemicals exporting region (accounting for about 20 percent of global exports), followed by the United States (about 10 percent) and China (about 7 percent). With regards to imports, the United States and the EU collectively import about 20 percent of the global chemical imports—with China importing approximately 9 percent.<sup>934</sup>

## SSA Chemical Industry

Some chemicals manufacturing exists in other SSA countries, but only South Africa has a highly diversified chemicals sector. South Africa also dominates SSA chemicals trade with the United States.<sup>935</sup> South Africa’s industry dates to the latter half of the 1800s, when domestic sources were needed to supply explosives and other chemicals used in mining. The industry was established on coal

<sup>927</sup> UN Environment Programme, “Global Chemicals Outlook II,” March 11, 2019, vi, 24.

<sup>928</sup> Between 2000 and 2017, the global chemical industry’s production capacity almost doubled, from about 1.2 billion metric tons to 2.3 billion metric tons. UN Environment Programme, “Global Chemicals Outlook II,” March 11, 2019, 8,24.

<sup>929</sup> UN Environment Programme, “Global Chemicals Outlook II,” March 11, 2019, 25.

<sup>930</sup> UN Environment Programme, “Global Chemicals Outlook II,” March 11, 2019, 25.

<sup>931</sup> In terms of production, Asia is the largest chemical producing and consuming region, with China representing over one-third (37 percent) of global sales in 2017. The other BRICS countries (Brazil, Russia, India, South Africa, excluding China) collectively represented approximately 7 percent of sales, and the United States had about 13 percent of sales in 2017. UN Environment Programme, “Global Chemicals Outlook II,” March 11, 2019, 26.

<sup>932</sup> For example, in a report from 2019 the production capacity of the global chemical industry (2.3 billion metric tons (mt) in 2017) was reported by country and region as follows: China (36 percent), Rest of Asia (22 percent), North America (13 percent), Europe (11 percent), Middle East (8 percent), India (2 percent), Rest of the World (9 percent). “Rest of the World” includes Africa, South America, and Oceania. UN Environment Programme, “Global Chemicals Outlook II,” March 11, 2019, 24–28.

<sup>933</sup> Intra-EU exports includes the United Kingdom. According to one survey, in aggregate the world’s 50 largest chemicals companies had sales of approximately \$1.1 trillion in 2021 (a 38 percent increase over the same firms’ sales in 2020). American Chemical Society, ACS, “C&EN’s Global Top 50,” July 25, 2022; UN Environment Programme, “Global Chemicals Outlook II,” March 11, 2019, 27.

<sup>934</sup> UN Environment Programme, “Global Chemicals Outlook II,” March 11, 2019, 24–28.

<sup>935</sup> S&P Global, IHS Markit’s Global Trade Atlas, HS chapters 28–40, accessed October 6, 2022.

feedstocks.<sup>936</sup> South Africa invested in coal gasification because of a lack of oil reserves, requiring further expansion of the chemical industry throughout the 1950s.<sup>937</sup> This industrialization was further shaped by substantial state involvement and government policies.<sup>938</sup> South Africa's chemicals industrial base was also shaped in part by the apartheid era (1948–1994) during which the country was globally isolated—economically, technologically, and militarily—through international sanctions for a half century. These years fostered self-reliance, with a focus on replacing previously imported commodities with domestically produced goods.<sup>939</sup>

The South African chemical industry today includes products ranging from basic chemicals to specialty consumer products, although the majority of chemicals produced are basic petrochemicals.<sup>940</sup> In terms of gross domestic product (GDP), the largest sectors within the South African chemical industry are basic chemicals (i.e., petrochemicals) and other (commodity) chemicals (e.g., paints, rubber, agrichemicals, soaps, cleaning products, explosives, and adhesives).<sup>941</sup> One report indicates that of the chemicals produced in South Africa in 2015, approximately 55 percent were petrochemicals, valued at nearly \$30 billion.<sup>942</sup> Data on consumption of chemicals are not available. However, based on the difficulty of shipping basic chemicals it is likely that the majority of basic chemicals are consumed domestically within South Africa while the remaining commodity chemicals are exported.<sup>943</sup>

Chemicals firms operating in South Africa range in size from small or medium (e.g., Ocean Plastic/Safripol) to large (e.g., Sasol). Sasol is recognized as one of the top 50 global chemicals firms (ranked 47<sup>th</sup> in 2021) and is the only SSA company to make this list.<sup>944</sup> Sasol is generally recognized as successfully using South Africa's coal reserves to develop its chemicals portfolio (i.e., beyond feedstocks).<sup>945</sup> Its operations were initially concentrated in a self-named city (Sasolburg) and subsequently spread into other parts of South Africa as its product offerings expanded.<sup>946</sup> Other notable

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<sup>936</sup> In 2015, more than 95 percent of South Africa's electricity was generated by burning coal. Rustomjee, "The Development of South Africa's Chemical Industry," December 2008, 51; Levy, "Sanctions on South Africa," May 1, 1999, 6; Majozi and Veldhuizen, "The Chemicals Industry in South Africa," July 2015, 48.

<sup>937</sup> About 40 percent of liquid fuels consumed in South Africa continue to be derived from coal gasification. South Africa's petrochemicals industry was born in the 1950s when the first coal-to-liquids (CTL) plant was built. Majozi and Veldhuizen, "The Chemicals Industry in South Africa," July 2015, 48.

<sup>938</sup> Rustomjee, "The Development of South Africa's Chemical Industry," December 2008, 5, 21, 37–39, 47–55.

<sup>939</sup> Majozi and Veldhuizen, "The Chemicals Industry in South Africa," July 2015, 47.

<sup>940</sup> Rustomjee, "The Development of South Africa's Chemical Industry," December 2008, 18; Majozi and Veldhuizen, "The Chemicals Industry in South Africa," July 2015, 48.

<sup>941</sup> Rustomjee, "The Development of South Africa's Chemical Industry," December 2008, 18.

<sup>942</sup> Majozi and Veldhuizen, "The Chemicals Industry in South Africa," July 2015, 48.

<sup>943</sup> Bamber, Frederick, and Gereffi, *The Philippines Chemical Global Value Chain*, May 2016, 16; Rustomjee, "The Development of South Africa's Chemical Industry," December 2008, 18; Majozi and Veldhuizen, "The Chemicals Industry in South Africa," July 2015, 48.

<sup>944</sup> ACS, "C&EN's Global Top 50," July 25, 2022. The name Sasol is derived from the company's original name, Suid-Afrikaanse Steenkool-, Olie- en Gasmaatskappy.

<sup>945</sup> AECI is another large chemicals firm within South Africa, founded in 1924, with a focus on explosives, specialty chemicals, and fertilizers. Rustomjee, "The Development of South Africa's Chemical Industry and Its Implications for Chemical Sector Development in Southern Africa," December 2008, 23, 53.

<sup>946</sup> Majozi and Veldhuizen, "The Chemicals Industry in South Africa," July 2015, 47, 48. Industry representative, interview by USITC staff, South Africa, October 24, 2022.

firms include Engen (basic petrochemicals), Sapref and Safripol (plastics), and Foskor and Kynoch (fertilizer).<sup>947</sup>

The chemical industry in South Africa has consolidated in recent decades, following global trends, and the number of chemical producers fell.<sup>948</sup> Today it is estimated that the chemical industry is not a major employer throughout SSA or within South Africa. Total South African employment in the chemical industry is less than a quarter of a million. This is less than 1 percent of the population of South Africa (more than 60 million) in 2021.<sup>949</sup>

## Trade

### SSA Exports

SSA has a limited and relatively small presence in international trade in chemicals. Notably, SSA is a net importer of chemicals.<sup>950</sup> Five SSA nations represented more than three-quarters of all chemicals exports during 2014–21: South Africa, Côte d’Ivoire, Namibia, Nigeria, and Senegal (figure 6.2). The top exporter of chemicals is South Africa, accounting for more than half of SSA chemicals exports annually since 2014. The primary destinations for South African exports are the United States (19 percent), Europe (Belgium, 10 percent; Germany, 4 percent; and the Netherlands, 4 percent), and other SSA countries (Zimbabwe, 12 percent; Botswana, 9 percent; and Nigeria, 3 percent).<sup>951</sup> The majority of these exports are bulk and commodity chemicals consumed by other industries.<sup>952</sup> Examples of exports of bulk and commodity chemicals include fatty alcohols and surfactants used in a variety of products, including soaps and detergents; compounds for catalysts used in industrial applications, including precious metal-containing compounds used in goods like catalytic converters; ketones used as an ingredient in coatings and paints (among other applications); and carbides used to produce acetylene (a key gas for welding). According to industry representatives, the African Continental Free Trade Area (AfCFTA) and other programs were expected to bolster regional integration and increase intra-SSA trade, but this expectation has not materialized for chemicals to date.<sup>953</sup>

<sup>947</sup> Safripol, “About Us,” accessed October 5, 2022; Kynoch, “About Us,” accessed October 5, 2022; Rustomjee, “The Development of South Africa’s Chemical Industry,” December 2008, 26.

<sup>948</sup> Notably of more than 150 members of the Chemical and Allied Industry Association (CAIA), which has members that cover the whole of the chemicals GVC, only a handful are chemical manufacturers. Industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>949</sup> Government of South Africa, “South Africa’s People,” 2021. Industry representative, interview by USITC staff, South Africa, October 24, 2022; Industry representatives, interview by USITC staff, November 14, 2022.

<sup>950</sup> S&P Global, IHS Markit’s Global Trade Atlas, HS chapters 28–40, accessed October 6, 2022.

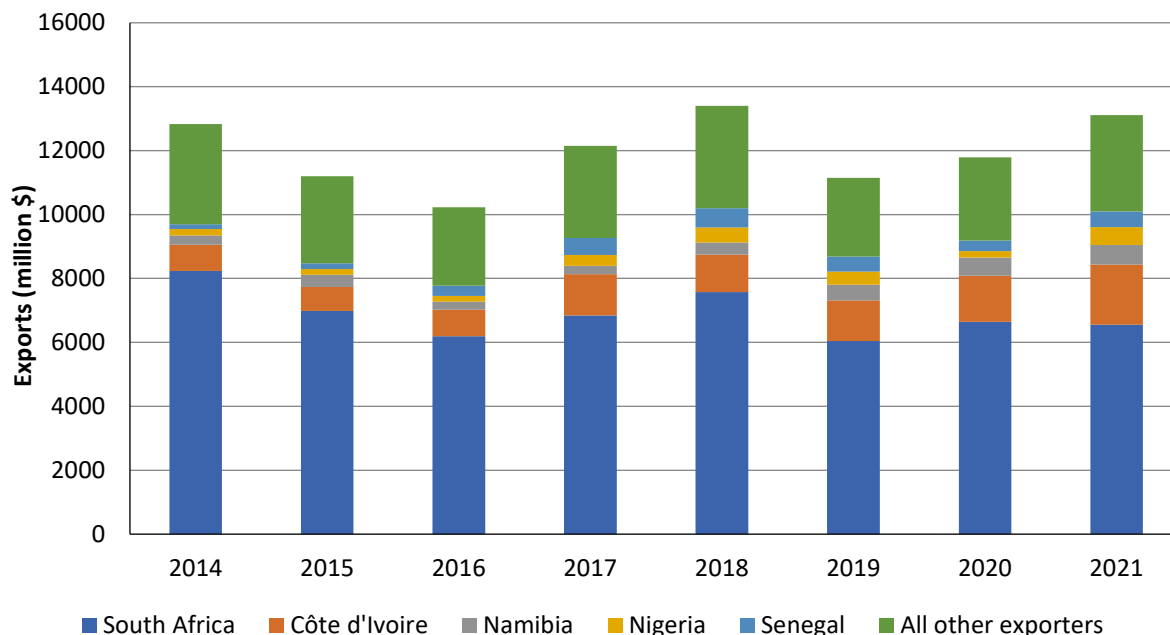
<sup>951</sup> S&P Global, IHS Markit’s Global Trade Atlas, HS chapters 28–40, accessed October 6, 2022; Majozi and Veldhuizen, “The Chemicals Industry in South Africa,” July 2015, 49.

<sup>952</sup> S&P Global, IHS Markit’s Global Trade Atlas, HS chapters 28–40, accessed October 6, 2022; industry representatives, interview by USITC staff, South Africa, October 24, 2022; industry representatives, interview by USITC staff, South Africa, October 25, 2022.

<sup>953</sup> Reportedly part of the reason this has not materialized is due to a concern that AfCFTA will allow goods from outside the continent (e.g., China) to flood the market. Industry representative, interview by USITC staff, South Africa, October 24, 2022.

**Figure 6.2** Sub-Saharan African exports of chemicals, by top exporter, 2014–21

In millions of U.S. dollars. Underlying data for this figure can be found in appendix F, table F.14.



Source: S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 28-40, accessed October 6, 2022.

Note: Top sub-Saharan African (SSA) exporters are shown individually based on their ranking in 2021. All listed countries were AGOA beneficiaries for 2014–21. “All other exporters” comprises both AGOA beneficiaries and non-beneficiaries. The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1. Many SSA countries do not reliably report export data. Therefore, SSA exports are represented by global imports from SSA countries (mirror data).

South Africa continues to have a chemical manufacturing industry based on mining, coal, and coal-related industries, and this is reflected in the composition of South Africa’s chemicals exports to the world. Over 60 percent of South African chemicals exports to the U.S. during 2014–21 were products from 4 of the 12 chemicals Harmonized System (HS) chapters.<sup>954</sup> These chapters include organics (chapter 29), inorganics (chapter 28), supported catalysts (chapter 38), and plastics (chapter 39). The majority of chemicals exported in these chapters are bulk and commodity chemicals used in industrial processes.<sup>955</sup>

## U.S. Imports

South African exports of chemicals have successfully penetrated the U.S. market, and AGOA has played a role (i.e., duty-free treatment under AGOA has been claimed).<sup>956</sup> With regard to U.S. chemicals imports

<sup>954</sup> In 2021, the most recent year that has full-year data, exports from South Africa from the four chapters (29, 28, 38, and 39) in aggregate amounted to \$457 billion (70 percent of total exports to the United States). S&P Global, IHS Markit's Global Trade Atlas, HS chapters 28–40, accessed October 6, 2022.

<sup>955</sup> A growth in value of chapter 38 chemicals in 2021 was driven by U.S. imports under HTS subheading 3815.12.00: Supported catalysts with precious metal or precious metal compounds as the active substance. USITC DataWeb/Census, HS chapters 28–40, accessed July 7, 2022; industry representatives, interview by USITC staff, South Africa, October 24, 2022; industry representatives, interview by USITC staff, South Africa, October 25, 2022.

<sup>956</sup> Industry representatives, interviews by USITC staff, South Africa, October 25, 2022; industry representatives, interview by USITC staff, South Africa, October 26, 2022.

from South Africa, the U.S. Harmonized Tariff Schedule (HTS) contains over 2,000 HTS-8 subheadings covering chemicals in chapters 28–40, and of these nearly one-third (29 percent, 640 subheadings) are NTR duty free. Twenty-three percent (512 tariff rate lines) have an NTR duty rate of 6.5 percent ad valorem. The highest NTR duty rate, 8 percent ad valorem, within the chemicals chapters, applies to certain rubber products in chapter 40. Only 14 chemical tariff lines are both NTR dutiable and not covered by AGOA.<sup>957</sup> Chemical industry sources indicate that although AGOA is generally not a factor in deciding whether to ship to the U.S. market, it is a benefit that some chemical companies like to use.<sup>958</sup> Industry sources also note, however, that greater awareness of the AGOA program is needed.<sup>959</sup>

U.S. imports of chemicals from AGOA beneficiaries averaged \$1.1 billion during 2014–21, peaking at \$1.6 billion in 2021 (table 6.1).<sup>960</sup> Only a small share (about 3 percent) of these imports were subject to U.S. NTR duties during 2014–21. The vast majority of SSA chemical imports enter the United States duty-free.<sup>961</sup> More than half (60 percent) of chemical imports were NTR duty free and another 36 percent entered duty-free under AGOA or the U.S. Generalized System of Preferences (GSP).<sup>962</sup> During 2014–21, South Africa was the top source of U.S. imports of chemicals from SSA under AGOA and GSP, accounting for nearly 52 percent of U.S. chemical imports from AGOA beneficiaries and nearly 100 percent (\$373 million) of U.S. chemical imports entering under the programs.<sup>963</sup> This reflects the strong basic/commodity chemicals base that South Africa has developed over decades on the basis of access to certain feedstocks.<sup>964</sup> U.S. imports of chemicals from South Africa under AGOA and GSP include industrial fatty alcohols, carbides, butanone, precious metal-containing compounds, and other

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<sup>957</sup> These 14 tariff lines are concentrated under a subset of headings and products: 4 tariff lines under HS heading 3215 covering inks; 3 tariff lines under HS headings 3901 and 3907 covering certain forms of polyethylene; 4 tariff lines under HS heading 3921 covering certain forms of polyvinyl chloride; and 3 other specific tariff lines, 2804.69.50 (phosphorus, arsenic, and selenium), 3506.91.50 (certain adhesives), and 3923.10.90 (certain plastic boxes).

<sup>958</sup> Industry representative, interview by USITC staff, October 17, 2022; industry representatives, interviews by USITC staff, South Africa, October 24, 2022 and October 25, 2022.

<sup>959</sup> Industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>960</sup> For reference, in 2001, the first full year that AGOA preferences could be claimed, imports under AGOA amounted to \$3.8 million. USITC DataWeb/Census, HS chapters 28-40, accessed July 7, 2022.

<sup>961</sup> Nearly \$300 million (15 percent) of chemicals imports from SSA in 2021 were imported under AGOA, but the vast majority (nearly 75 percent) entered NTR duty free. USITC DataWeb/Census, HS chapters 28–40, accessed July 7, 2022.

<sup>962</sup> An additional 1 percent of U.S. chemical imports from SSA entered duty-free under other preference programs, such as the Civil Aircraft Agreement. See chapter 1 for more on AGOA and GSP and the overlap in product coverage. USITC DataWeb/Census, HS chapters 28-40, accessed July 7, 2022.

<sup>963</sup> S&P Global, Global Trade Analytic Suite (GTAS) database; HS chapters 28–40; accessed October 6, 2022; USITC DataWeb/Census, HS chapters 28–40, accessed July 7, 2022.

<sup>964</sup> Examples of feedstocks include metals and petrochemicals. South Africa does produce some niche products in which they hold a larger portion of the market share (e.g., Sasol and waxes). Sasol, “Our Businesses: Chemicals,” accessed December 1, 2022; industry representative, interview by USITC staff, South Africa, October 24, 2022.

catalysts.<sup>965</sup> Since 2017, imports under five tariff lines have represented more than half of the chemicals imports from South Africa under AGOA or GSP (figure 6.3).<sup>966</sup>

**Table 6.1** U.S. imports for consumption of chemicals from AGOA beneficiary countries, by import preference program and duty rate status, 2014–21

In millions of dollars; NTR = Normal Trade Relations; GSP = U.S. Generalized System of Preferences.

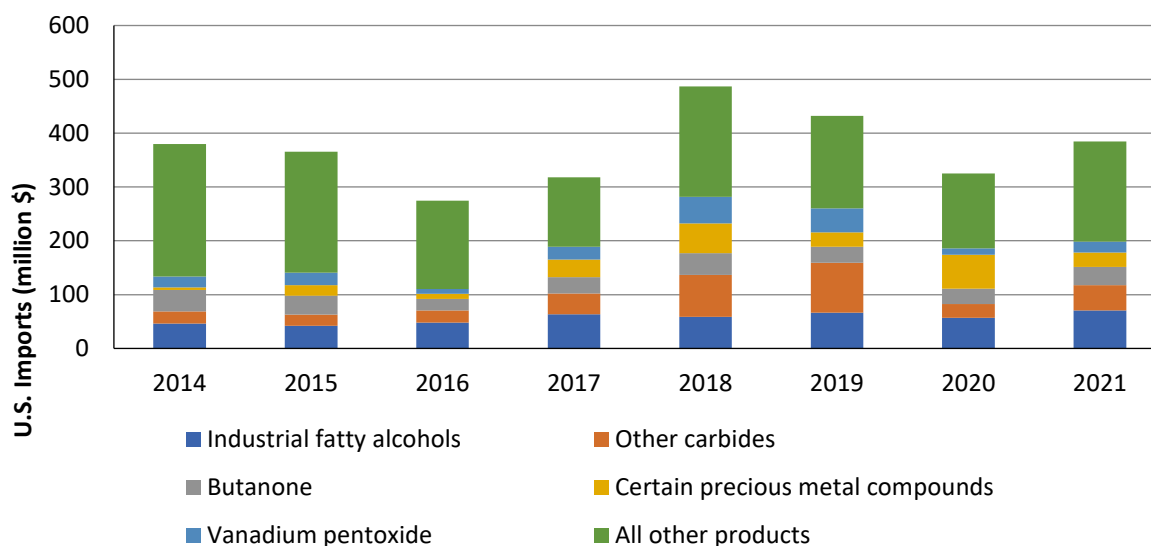
Program and duty status	2014	2015	2016	2017	2018	2019	2020	2021
AGOA	48	47	59	83	179	204	178	298
GSP	335	321	217	238	309	231	149	100
Other preference programs	17	19	21	12	16	17	7	5
All preference programs	400	387	297	333	504	452	335	403
NTR: Dutiable	28	21	20	17	20	49	21	34
NTR: Duty-free	669	520	456	573	643	546	476	1,193
NTR	697	541	476	590	663	595	497	1,228
All preference programs and duty statuses	1,097	928	773	923	1,168	1,046	832	1,631

Source: USITC DataWeb/Census, HS chapters 28-40, accessed July 7, 2022.

Note: “Other preference programs” includes imports under other programs, such as the Civil Aircraft Agreement. The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1.

**Figure 6.3** U.S. imports for consumption of chemicals from South Africa under AGOA and GSP, by top product, 2014–21

In millions of U.S. dollars; GSP = U.S. Generalized System of Preferences. Underlying data for this figure can be found in appendix F, table F.15



Source: USITC DataWeb/Census, HS chapters 28-40, accessed July 7, 2022.

Note: Top individual statistical reporting numbers shown are based on import values in 2021. The statistical reporting numbers are as follows: 3823.70.6000 Industrial fatty alcohols; 2849.90.5000 Other carbides; 2914.12.0000 Butanone; 2843.90.0000 Certain precious metal compounds; 2825.30.0010 Vanadium pentoxide.

<sup>965</sup> Fatty alcohols (3823.70.6000) are surfactants used in a variety of products including soaps and detergents. Vanadium pentoxide (2825.30.0010) is a catalyst used in industrial applications. Certain precious metal-containing compounds (2843.90.0000) are used in goods like catalytic converters. Butanone (2914.12.0000) is used as an ingredient in several applications, including coatings and paints. Carbides (2849.90.5000) can be used to produce acetylene, a key gas for welding.

<sup>966</sup> USITC DataWeb/Census, HS chapters 28-40, accessed July 7, 2022.

## Competitive Strengths and Weaknesses

The chemical industry in SSA is a minor player in the global market, which is dominated by large multinational companies. South Africa is the only country in SSA with a sizeable chemical industry, which is also the most mature, based on its large feedstock source material and long-term investment in the industry. However, South Africa’s chemical industry mainly produces commodity chemicals and has only a small presence in the intermediate or specialty chemicals segments, which limits the range of products available and its ability to produce differentiated products.<sup>967</sup> There has also been stagnation over the past several years, and some portions of the chemical industry are reportedly in decline, potentially reducing South Africa’s reliability of supply.<sup>968</sup> Most other SSA countries with significant feedstocks, mainly oil, have not taken the next steps into the production of chemicals.<sup>969</sup>

## Access to Feedstocks is Insufficient for the Development of a Chemical Industry

South Africa successfully leveraged its coal resources to build a chemicals production base that has existed for over half a century.<sup>970</sup> Its investment in coal gasification was key to expansion of the industry, and South African chemicals—particularly fatty alcohols, carbides, and butanone—are successfully exported to the U.S. market. However, the capital- and technology-intensive nature of the industry has limited the establishment of a chemical industry in other SSA countries. Without a ready source of inexpensive raw materials and access to financing, a chemical industry is unable to produce basic commodity chemicals, and without basic chemicals there is little to no ability to produce intermediate or specialty chemicals beyond production of small niche products (e.g., essential oils). Other SSA countries are rich in mineral and petrochemical resources that could, at least in theory, serve as feedstocks for the foundation of a chemical industry.<sup>971</sup> However, costs for new operations range from the hundreds of millions to billions of dollars and require several years to a decade to become fully operational. This type of investment has largely not materialized outside of South Africa. As such, development has been limited to niche industries across rest of the region (see text box 6.1).<sup>972</sup>

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<sup>967</sup> Industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>968</sup> *The Economist*, “South Africa, the World’s Coal Junkie,” January 22, 2022; industry representative, interview by USITC staff, South Africa, October 24, 2022; industry representative, interview by USITC staff, South Africa, October 25, 2022.

<sup>969</sup> Industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>970</sup> Majozi and Veldhuizen, “The Chemicals Industry in South Africa,” July 2015.

<sup>971</sup> USGS, “U.S. Geological Survey Releases 2022 List of Critical Minerals,” February 22, 2022.

<sup>972</sup> Markus Blesi and David Bruchof, “Liquid Fuels Production from Coal & Gas,” May 2010, 4; Bamber, Frederick, and Gereffi, *The Philippines Chemical Global Value Chain*, May 2016, 16.

### Box 6.1 Nigeria, Chemicals, and AGOA

Nigeria has the largest economy in SSA by GDP, overtaking South Africa in 2013.<sup>a</sup> Like South Africa, Nigeria has abundant access to feedstocks (notably oil) for producing chemicals. However, it does not have a mature chemical industry and is not a large exporter of chemicals. During the past two decades, exports from Nigeria have generally accounted for less than 5 percent of total chemicals exports from SSA but Nigeria was a top exporter in certain years.<sup>b</sup> For example, total U.S. imports of chemicals (primarily composed of petrochemicals) from Nigeria were more than double those from South Africa in 2000, the first year AGOA preferences could be claimed.<sup>c</sup> However, more than 99 percent (\$852 million) of the chemicals from Nigeria were already duty-free under NTR, while more than 40 percent from South Africa were subject to NTR duties but entered duty-free under AGOA. Since 2010, Nigeria has been reliant on imports of chemicals, and exports have continued to decrease.<sup>d</sup>

No simple explanation answers why Nigeria has not been able to parlay its access to oil into a burgeoning chemical industry. The Nigerian oil industry has lacked consistent infrastructure development on which to build a strong chemicals production base. According to the information and data available, Nigeria exports primarily crude oil, not refined, to other destinations outside of SSA.<sup>e</sup> Oil-based feedstocks for petrochemical production are obtained from the refining process as by- or co-products are captured (i.e., not from crude oil itself). As such, the dearth of crude oil refineries in the country means the absence of feedstocks from which to produce the basic and commodity chemicals.<sup>f</sup>

<sup>a</sup> Sy, "Are African Countries Rebased GDP in 2014," March 3, 2015; Kouame, Kalimili, Pirlea, "Many African Economies Are Larger," September 10, 2019.

<sup>b</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 28-40, accessed October 6, 2022.

<sup>c</sup> S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 28-40, accessed October 6, 2022.

<sup>d</sup> Omokpariola and Omokpariola, "Institutional Framework for the Sound Management," November 22, 2021, 458; S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 28-40, accessed October 6, 2022; industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>e</sup> Page, "(Re)Emerging Threats to Nigeria's Petroleum Sector," December 1, 2016, 2.

<sup>f</sup> Okoro et al., "Economic Advantage of In-Country Utilization," October 27, 2017, 226.

<sup>g</sup> Okoro et al., "Economic Advantage of In-Country Utilization," October 27, 2017, 226.

## Infrastructure Is Not Dependable, Reducing the Reliability of Supply, Raising Costs, and Limiting the Industry's Expansion

Infrastructure is a key weakness affecting the potential establishment of a larger SSA chemical industry and is a growing threat to the reliability of supply of the existing industry. Heavily industrialized sectors, such as chemicals, require reliable utilities, such as electricity and energy to power the facilities and operations and access to water for cooling and as an input.<sup>973</sup> Even South Africa, which has continuously produced basic commodity chemicals for over half a century, has experienced increasing issues concerning reliability of supply. Notably, South Africa has implemented a load-shedding program (i.e., planned rolling blackouts) during the past 15 years. It has also had chronic water shortages, which have

<sup>973</sup> Blueprint and Strategy & Policy, *Support for SMEs*, February 2005, 18; industry representative, interview by USITC staff, South Africa, October 24, 2022; industry representative, interview by USITC staff, November 14, 2022.



hindered further development.<sup>974</sup> This can limit the ability of chemical companies to have consistent production in South Africa. In the rest of the region, unreliable electricity and water insecurity are common and will likely stymie investment in chemical industries unless they are mitigated.<sup>975</sup>

Transportation infrastructure is also critical for a competitive chemicals sector's reliability of supply and delivered costs. Without good transportation networks, producers cannot source inputs or send product to markets. The South African rail system was critical for the initial development of the country's chemical industry because it facilitated integrating production within the country.<sup>976</sup> However, today South Africa's freight rail infrastructure is neither well maintained nor secure, and rail traffic has been declining.<sup>977</sup> Even if a large chemicals producer buys its own railroad cars, it requires a state-owned company for engines.<sup>978</sup> And even when a company is able to secure rail cars and engines, incidents have been reported of abandoned cars that a company did not consider profitable enough to transport and therefore were not delivered to the purchaser, theft of protective equipment that ruined a shipment, and theft of the metal used to build the railway itself.<sup>979</sup> Roads in South Africa are now often the better choice for transporting chemicals—despite roads suffering from lack of maintenance and being generally less efficient (e.g., product must be shipped in smaller batches) than shipment via well maintained rail lines.<sup>980</sup> Building and maintaining transportation infrastructure will thus be an important consideration for other countries seeking development of their respective chemical sectors.

Solutions to these infrastructural issues may provide a boon to creating what is perceived as a more sustainable chemical industry. The lack of accessibility to energy and certain commodities (e.g., water) has reportedly incentivized investment in more sustainable operations. Safirpol, for example, has announced the installation of a 10-megawatt solar array in Sasolburg to overcome the power grid's unreliability.<sup>981</sup> Supplementing the unreliable power grid should improve companies' reliability of supply. Using green energy may also help companies differentiate their products from other producers. Because SSA generally has limited infrastructure, those companies could position themselves to take

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<sup>974</sup> This energy crisis has also reportedly affected mining (i.e., the sourcing of raw materials). Inglesi-Lotz, "South Africa's Economic Growth Affected by Mismatch of Electricity Supply and Demand," April 12, 2022; Rustonjee, "The Development of South Africa's Chemical Industry," December 2008, 42; Mlaba, "How Cape Town Went From Water Crisis," October 9, 2020; Kurmayer, "Germany's Wounded Chemical Industry," November 3, 2022; industry representative, interview by USITC staff, South Africa, October 25, 2022.

<sup>975</sup> Holtz and Golubski, Christina, "Addressing Africa's Extreme Water Insecurity," July 23, 2021.

<sup>976</sup> Blueprint and Strategy & Policy, *Support for SMEs*, February 2005, 18.

<sup>977</sup> *The Economist*, "South Africa's Collapsing Railway Company," January 19, 2023; industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>978</sup> Industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>979</sup> Industry representative, interview by USITC staff, October 17, 2022; industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>980</sup> Further complicating matters when using roadways are issues at the border concerning documentation. Reportedly, a single shipment containing chemicals needed 34 different documents to cross the border from South Africa to a neighboring country. 3SMedia, "Road Maintenance in SA," April 9, 2021; industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>981</sup> Safirpol, "Safirpol Celebrates 50 Years," October 12, 2022; industry representatives, interviews by USITC staff, October 14, 2022, and November 14, 2022.

advantage of movement in the global industry toward greener options to, in essence “leapfrog” beyond fossil fuels, while competitors in other regions continue to use fossil-fuel-based equipment.<sup>982</sup>

## Industry Competitiveness Requires the Creation and Retention of an Educated Workforce, Which Has Been a Challenge for SSA

A successful chemical industry needs access to educated workers with the skills needed to design, operate, and improve chemical production processes. Skills for the chemical industry are often achieved through education and training. Creating a talent pipeline, often locally through domestic educational institutions, enables chemicals manufacturing to be established and maintained.<sup>983</sup> South Africa has relatively strong educational institutions and is the largest source of scientific development and knowledge in the region.<sup>984</sup> However, even with these advantages technical expertise in the industry in South Africa is in short supply.<sup>985</sup> Brain drain from chemistry students moving abroad limits the ability of SSA countries to retain their best talent, worsening the shortage of expertise in the chemical industry.<sup>986</sup> The lack of an educated workforce elsewhere in SSA is even greater because higher education in chemistry is much less developed. Often academic programs are not able to provide access to the same tools and resources. It is often difficult to engage with the global scientific establishment and collaborate within the region due in part to language barriers.<sup>987</sup> Rectifying the issue is stymied by consistent lack of recognition of the importance of a chemistry-based education, with SSA governments.<sup>988</sup>

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<sup>982</sup> Botha, “Why Africa Has the Ability to Leapfrog,” April 2, 2019; industry representative, interview by USITC staff, November 14, 2022.

<sup>983</sup> van Rooij, “Introduction: Research and Business,” R&D and the Transformations of DSM, 2007, 11–34; Research Triangle, “The Triangle,” Research Triangle Regional Partnership, “The Triangle,” accessed November 10, 2022; industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>984</sup> See, e.g., *U.S. News*, “The Best Universities in Africa, Ranked,” accessed February 2, 2023; Sasol, “Sasol and the DTI Develop SMMEs,” October 10, 2013; Sasol, “ChemCity Facilitates BEE Sale of Cirebelle,” July 18, 2007; Sasol, “About Techno X,” 2022.

<sup>985</sup> Industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>986</sup> Kigotho, “African Union Devises 10-Year Plan,” February 9, 2018; Abegaz, “Challenges and Opportunities for Chemistry in Africa,” June 2016, 518–22; industry representatives, interviews by USITC staff, South Africa, October 24, 2022 and October 25, 2022.

<sup>987</sup> Abegaz, “Challenges and Opportunities for Chemistry in Africa,” June 2016, 518–22.

<sup>988</sup> BusinessTech, “These Jobs Have Been Added,” August 2, 2022; industry representative, interview by USITC staff, South Africa, October 24, 2022.

# Chemical Industry Contributions to Economic Development, Poverty Reduction, and Employment

## Chemical Sector Has a Negligible Impact on SSA as a Whole

Chemicals are key inputs and important to all SSA economies, but the industry's impact on economic development in SSA is minor overall.<sup>989</sup> This is because establishing an industry takes time, capital, and vested interests at all levels of the value chain, and few SSA countries have developed chemicals industries.<sup>990</sup> The chemical industry's impact is largest in South Africa, where it constitutes about 3 percent of GDP and one-fifth of manufacturing.<sup>991</sup> Over its history, the chemical industry played a major role in achieving South Africa's current level of development. However, the industry's economic impact has lessened as chemical industry growth has stagnated, notably over the past five years.<sup>992</sup> While data is sparse for SSA countries other than South Africa, where chemical production elsewhere in SSA does exist, it is limited to niche production. In addition, since the overall SSA chemical industry, with the exception of South Africa, is still in the early stages of development or does not have a strong foundation for growth, it currently provides few opportunities for economic development or regional integration.<sup>993</sup> The industry's potential contribution across the region is limited, and substantial development will likely depend on mitigating the competitive weaknesses listed above.

## Impacts on Chemical Industry Workers Are Highly Concentrated in SSA

Employment in chemical production has the potential to impact poverty reduction. Workers in this industry are generally well-paid because of their higher education and greater level of skill. However, the chemical industry in South Africa only directly employs about 150,000 workers, less than one

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<sup>989</sup> Examples of sectors utilizing chemical inputs include agricultural, cosmetic, pharmaceutical, and automotive. Bamber, Frederick, and Gereffi, *The Philippines Chemical Global Value Chain*, May 2016, 18; industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>990</sup> Industry representative, interview by USITC staff, South Africa, October 25, 2022.

<sup>991</sup> These estimates exclude plastics but includes plastic resins. There are reports that there is additional indirect employment through contracted work (e.g., plumbing and waste collection), but quantitative estimates are not available. Industry representative, interview by USITC staff, October 14, 2022; industry representatives, interviews by USITC staff, South Africa, October 24, 2022, and October 25, 2022; Majozi and Veldhuizen, "The Chemicals Industry in South Africa," July 2015, 50.

<sup>992</sup> Industry representative, interview by USITC staff, South Africa, October 24, 2022.

<sup>993</sup> Industry representatives, interviews by USITC staff, South Africa, October 24, 2022, October 25, 2022, and October 26, 2022.

percent of the workforce.<sup>994</sup> In South Africa, production of basic commodity chemicals is often and increasingly highly mechanized, limiting the need for production workers.<sup>995</sup> While indirect jobs are created by the chemical industry, there is little data indicating the impact both within and outside of communities where production exists. Sasolburg, which has a large amount of chemical production, employs both high wage workers (e.g., chemical engineers) and indirect hires (e.g., custodial staff) to maintain operations.<sup>996</sup> There are likely substantial spillover effects within surrounding communities from industrial production parks.<sup>997</sup> Increasing the number of workers employed in the sector will depend on the progress of overall development, the types of chemicals produced, and the creation of talent pipelines within the region.<sup>998</sup>

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<sup>994</sup> This estimate excludes plastics but includes plastic resins. In 2015, it was estimated that only one engineer existed for every 2,114 citizens. Of the engineers, fewer than 10 percent were chemical engineers. Other countries have 1 engineer for every 200 people, on average. Industry representative, interview by USITC staff, October 14, 2022; industry representatives, interviews by USITC staff, South Africa, October 24, 2022, and October 25, 2022; Majozi and Veldhuizen, “The Chemicals Industry in South Africa,” July 2015, 50.

<sup>995</sup> Reportedly the industry is relying more on automation, however that is difficult to quantify. Furthermore, it is difficult to know how much the industry can be automated considering the issues with infrastructure. Industry representative, interview by USITC staff, South Africa, October 24, 2022; Boepple, “Petrochemicals, Feedstocks,” January 14, 2005.

<sup>996</sup> Majozi and Veldhuizen, “The Chemicals Industry in South Africa,” July 2015, 46–48; industry representatives, interviews by USITC staff, South Africa, October 24, 2022 and October 25, 2022.

<sup>997</sup> For example, contractors for plumbing and waste collection, but quantitative data is not available. Industry representative, interview by USITC staff, October 14, 2022; industry representatives, interviews by USITC staff, South Africa, October 24, 2022, and October 25, 2022; Majozi and Veldhuizen, “The Chemicals Industry in South Africa,” July 2015, 50.

<sup>998</sup> Different types of chemicals have different equipment needs. Further, the scale of the production is largely indicative of the need to rely on mechanization. Industry representatives, interviews by USITC staff, South Africa, October 24, 2022, and October 25, 2022.

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## African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights

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# **Appendix A Request Letter**



DOCKET NUMBER 3598  
OFFICE OF THE SECRETARY  
INT'L TRADE COMMISSION

RECEIVED  
January 19, 2022  
OFFICE OF THE  
SECRETARY  
U.S. INT'L TRADE  
COMMISSION

**COMMITTEE ON WAYS AND MEANS**  
U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515

January 19, 2022

Commissioner Jason E. Kearns  
Chairman  
U.S. International Trade Commission  
500 E Street SW  
Washington, D.C.

Dear Chairman Kearns:

In 2000, Congress enacted the African Growth and Opportunity Act (AGOA), as part of the Trade and Development Act of 2000, to encourage increased trade with the United States and to foster economic development in the countries of sub-Saharan Africa (SSA). The provisions of AGOA provide preferential tariff treatment to certain eligible goods imported into the United States from beneficiary SSA countries.

Currently, the AGOA program expires on September 30, 2025. As the Committee considers the future of the program, I request, on behalf of the Committee, pursuant to section 332(g) of the Tariff Act of 1930, that the U.S. International Trade Commission (the Commission) conduct an investigation and provide a report on the AGOA program in general and its usage. The report should also provide industry case studies to better understand the relative competitiveness of each sector and its impact on workers, economic development, and poverty reduction. The report should include the following:

1. An overview of the AGOA program and its use, which should include, to the extent practicable:
  - a. A description of the program, including eligibility requirements, rules of origin, and scope of product coverage, including products not eligible for duty-free treatment under AGOA;
  - b. An overview of U.S. imports from AGOA eligible countries to the United States, highlighting the top exporting countries and top primary and value-added products, and separately identifying imports entered under AGOA, imports entering under an AGOA-eligible tariff line where no preference was claimed, and imports of non-AGOA eligible goods;
  - c. Identification of countries and sectors where AGOA utilization rates are, respectively, high and low, and broad factors that explain this; and

- d. A qualitative examination, including a review of the available literature, of the role that AGOA has played in regional integration, and the extent to which AGOA has impacted workers and underserved communities, and contributed to economic development—including job growth and poverty reduction—in SSA countries.
2. Case studies for the following industries, to the extent practicable:
    - a. Cotton
      - i. An overview of the cotton industry in AGOA beneficiary countries, identifying top AGOA producers and trends in production, consumption, and exports, and including a discussion of how the sector contributes to employment, economic development, and poverty reduction;
      - ii. A qualitative analysis of the competitive strengths and weaknesses of production and exports of cotton in SSA countries; and
      - iii. An examination of the use of SSA-grown cotton in the AGOA or SSA apparel supply chain.
    - b. Apparel
      - i. An overview of the apparel industry in AGOA beneficiary countries, identifying top AGOA producers and trends in production, consumption, and exports, and including a discussion of how the sector contributes to employment, economic development, and poverty reduction;
      - ii. A qualitative analysis of the competitive strengths and weaknesses of production and exports of apparel in SSA countries;
      - iii. Explanation of AGOA’s additional apparel eligibility requirements and the effect of the loss and recovery of AGOA beneficiary status on the apparel industry;
      - iv. A description of the AGOA rules of origin for apparel and an examination of the relationship between the rules and production and exports to the United States; and
      - v. An examination of the degree of regional integration in the apparel supply chain in AGOA countries and, to the extent available, information regarding the country of origin of inputs, such as fabrics, yarns, fibers, and trims.
    - c. Certain Chemicals

- i. An overview of the chemicals industry in AGOA beneficiary countries, identifying top AGOA producers and trends in production, consumption, and exports, and including a discussion of how the sector contributes to employment, economic development, and poverty reduction;
  - ii. A qualitative analysis of the competitive strengths and weaknesses of production and exports of certain chemical products in SSA countries; and
  - iii. An examination of the relationship between AGOA preferences and SSA exports of certain chemicals to the U.S. market.
- d. Cocoa
- i. An overview of the cocoa industry, including growing operations and processing, in AGOA beneficiary countries, identifying top AGOA producers and trends in production, consumption, and exports, and including a discussion of how the sector contributes to employment, economic development, and poverty reduction;
  - ii. A qualitative analysis of the competitive strengths and weaknesses of production and exports of cocoa in SSA countries; and
  - iii. An examination of the relationship between AGOA preferences and SSA exports of cocoa and cocoa-related products to the U.S. market.

I request that the Commission transmit its report no later than 14 months following receipt of this request. It is my intent to make the Commission's report available to the public in its entirety; therefore, the report should not include any confidential business information. I appreciate the Commission's assistance and cooperation in this matter.

Sincerely,



The Honorable Richard E. Neal, *Chairman*  
Committee on Ways and Means



# **Appendix B**

## ***Federal Register* Notice**







## INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–589]

### African Growth and Opportunity Act (AGOA); Program Usage, Trends, and Sectoral Highlights

**AGENCY:** International Trade Commission.

**ACTION:** Notice of investigation and scheduling of a public hearing.

**SUMMARY:** Following receipt on January 19, 2022, of a request from the Committee on Ways and Means of the U.S. House of Representatives (Committee), under section 332(g) of the Tariff Act of 1930, the U.S. International Trade Commission (Commission) instituted Investigation No. 332–589, *African Growth and Opportunity Act (AGOA); Program Usage, Trends, and Sectoral Highlights*. The Committee requested that the Commission conduct an investigation and provide a report on the AGOA program in general and its usage, and also provide industry case studies to better understand the relative competitiveness of each sector and its impact on workers, economic development, and poverty reduction.

**DATES:**

May 25, 2022: Deadline for filing requests to appear at the public hearing.

May 27, 2022: Deadline for filing prehearing briefs and statements.

June 1, 2022: Deadline for filing electronic copies of oral hearing statements.

June 9, 2022: Public hearing.

June 16, 2022: Deadline for filing post-hearing briefs and statements.

October 27, 2022: Deadline for filing all other written submissions.

March 17, 2023: Transmittal of Commission report to the USTR.

**ADDRESSES:** All Commission offices, including the Commission's hearing rooms, are located in the U.S. International Trade Commission Building, 500 E Street SW, Washington, DC. All written submissions should be addressed to the Secretary, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at <https://edis.usitc.gov>.

**FOR FURTHER INFORMATION CONTACT:**

Project Leader Amelia Shister ([josephine.shister@usitc.gov](mailto:josephine.shister@usitc.gov) or 202–205–2047) or Deputy Project Leaders Karen Thome ([karen.thome@usitc.gov](mailto:karen.thome@usitc.gov) or 202–205–2070) and Samuel Goodman ([samuel.goodman@usitc.gov](mailto:samuel.goodman@usitc.gov) or 202–

205–3464) for information specific to this investigation. For information on the legal aspects of this investigation, contact William Gearhart of the Commission's Office of the General Counsel ([william.gearhart@usitc.gov](mailto:william.gearhart@usitc.gov) or 202–205–3091). The media should contact Jennifer Andberg, Office of External Relations ([jennifer.andberg@usitc.gov](mailto:jennifer.andberg@usitc.gov) or 202–205–1819). Hearing-impaired individuals may obtain information on this matter by contacting the Commission's TDD terminal at 202–205–1810. General information concerning the Commission may also be obtained by accessing its website (<https://www.usitc.gov>). Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000.

### Background

As requested by the Committee under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), the Commission will include the following in its report:

1. An overview of the AGOA program and its use, which should include, to the extent practicable:

a. A description of the program, including eligibility requirements, rules of origin, and scope of product coverage, including products not eligible for duty-free treatment under AGOA;

b. An overview of U.S. imports from AGOA eligible countries to the United States, highlighting the top exporting countries and top primary and value-added products, and separately identifying imports entered under AGOA, imports entering under an AGOA-eligible tariff line where no preference was claimed, and imports of non-AGOA eligible goods;

c. Identification of countries and sectors where AGOA utilization rates are, respectively, high and low, and broad factors that explain this; and

d. A qualitative examination, including a review of the available literature, of the role that AGOA has played in regional integration, and the extent to which AGOA has impacted workers and underserved communities, and contributed to economic development—including job growth and poverty reduction—in SSA countries.

2. Case studies for the following industries, to the extent practicable:

a. Cotton

i. An overview of the cotton industry in AGOA beneficiary countries, identifying top AGOA producers and trends in production, consumption, and exports, and including a discussion of how the sector contributes to employment, economic development, and poverty reduction;

ii. A qualitative analysis of the competitive strengths and weaknesses of production and exports of cotton in SSA countries; and

iii. An examination of the use of SSA-grown cotton in the AGOA or SSA apparel supply chain.

b. Apparel

i. An overview of the apparel industry in AGOA beneficiary countries, identifying top AGOA producers and trends in production, consumption, and exports, and including a discussion of how the sector contributes to employment, economic development, and poverty reduction;

ii. A qualitative analysis of the competitive strengths and weaknesses of production and exports of apparel in SSA countries;

iii. Explanation of AGOA's additional apparel eligibility requirements and the effect of the loss and recovery of AGOA beneficiary status on the apparel industry;

iv. A description of the AGOA rules of origin for apparel and an examination of the relationship between the rules and production and exports to the United States; and

v. An examination of the degree of regional integration in the apparel supply chain in AGOA countries and, to the extent available, information regarding the country of origin of inputs, such as fabrics, yarns, fibers, and trims.

c. Certain Chemicals

i. An overview of the chemicals industry in AGOA beneficiary countries, identifying top AGOA producers and trends in production, consumption, and exports, and including a discussion of how the sector contributes to employment, economic development, and poverty reduction;

ii. A qualitative analysis of the competitive strengths and weaknesses of production and exports of certain chemical products in SSA countries; and

iii. An examination of the relationship between AGOA preferences and SSA exports of certain chemicals to the U.S. market.

d. Cocoa

i. An overview of the cocoa industry, including growing operations and processing, in AGOA beneficiary countries, identifying top AGOA producers and trends in production, consumption, and exports, and including a discussion of how the sector contributes to employment, economic development, and poverty reduction;

ii. A qualitative analysis of the competitive strengths and weaknesses of production and exports of cocoa in SSA countries; and

III. An examination of the relationship between AGOA preferences and SSA exports of cocoa and cocoa-related products to the U.S. market.

The Committee requested that the Commission transmit its report no later than 14 months following receipt of this request. In its request letter, the Committee stated that it intends to make the Commission's report available to the public in its entirety and asked that the Commission not include any confidential business information.

#### Public Hearing

A public hearing in connection with this investigation will be held beginning at 9:30 a.m. on June 9, 2022. Information about how to participate in the hearing, including whether it will be virtual, will be posted on the Commission's website no later than May 2, 2022, at [https://usfic.gov/research\\_and\\_analysis/what\\_we\\_are\\_working\\_on.htm](https://usfic.gov/research_and_analysis/what_we_are_working_on.htm). Once on that web page, scroll down to Investigation No. 332-589, *African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights*, and click on the link to "Hearing Information." Interested parties should check the Commission's website periodically for updates.

Requests to appear at the public hearing should be filed with the Secretary no later than 5:15 p.m., May 25, 2022, in accordance with the requirements in the "Written Submissions" section below. All prehearing briefs and statements should be filed not later than 5:15 p.m., May 27, 2022. To facilitate the hearing, including the preparation of an accurate written transcript of the hearing, oral testimony to be presented at the hearing must be submitted to the Commission electronically no later than noon, June 1, 2022. All post-hearing briefs and statements should be filed no later than 5:15 p.m., June 16, 2022. Post-hearing briefs and statements should address matters raised at the hearing. For a description of the different types of written briefs and statements, see the "Definitions" section below.

In the event that, as of the close of business on May 25, 2022, no witnesses are scheduled to appear at the hearing, the hearing will be canceled. Any person interested in attending the hearing as an observer or nonparticipant should check the Commission website at the location listed two paragraphs above for information concerning whether the hearing will be held.

#### Written Submissions

In lieu of or in addition to participating in the hearing, interested parties are invited to file written

submissions concerning this investigation. All written submissions should be addressed to the Secretary and should be received not later than the date specified in this notice. All written submissions must conform to the provisions of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6), as temporarily amended by 85 FR 15798 (March 19, 2020). Under that rule waiver, the Office of the Secretary will accept only electronic filings at this time. Filings must be made through the Commission's Electronic Document Information System (EDIS, <https://edis.usfic.gov/>). No in-person paper-based filings or paper copies of any electronic filings will be accepted until further notice. Persons with questions regarding electronic filing should contact the Office of the Secretary, Docket Services Division (202-305-1802), or consult the Commission's Handbook on Filing Procedures.

#### Definitions of Types of Documents That May Be Filed; Requirements

In addition to requests to appear at the hearing, this notice provides for the possible filing of four types of documents: Prehearing briefs, oral hearing statements, post-hearing briefs, and other written submissions.

(1) *Prehearing briefs* refers to written materials relevant to the investigation and submitted in advance of the hearing, and includes written views on matters that are the subject of the investigation, supporting materials, and any other written materials that you consider will help the Commission in understanding your views. You should file a prehearing brief particularly if you plan to testify at the hearing on behalf of an industry group, company, or other organization, and wish to provide detailed views or information that will support or supplement your testimony.

(2) *Oral hearing statements (testimony)* refers to the actual oral statement that you intend to present at the public hearing. Do not include any confidential business information in that statement. If you plan to testify, you must file a copy of your oral statement by the date specified in this notice. This statement will allow Commissioners to understand your position in advance of the hearing and will also assist the court reporter in preparing an accurate transcript of the hearing (e.g., names spelled correctly).

(3) *Post-hearing briefs* refers to submissions filed after the hearing by persons who appeared at the hearing. Such briefs: (a) should be limited to matters that arose during the hearing, (b) should respond to any Commissioner

and staff questions addressed to you at the hearing, (c) should clarify, amplify, or correct any statements you made at the hearing, and (d) may, at your option, address or rebut statements made by other participants in the hearing.

(4) *Other written submissions* refers to any other written submissions that interested persons wish to make, regardless of whether they appeared at the hearing, and may include new information or updates of information previously provided.

There is no standard format that a brief or other written submission must follow. However, each such document must identify on its cover (1) the type of document filed (i.e., prehearing brief, oral statement of (name), post-hearing brief, or written submission), (2) the name of the person or organization filing it, and (3) whether it contains confidential business information (CBI). If it contains CBI, it must comply with the marking and other requirements set out below in this notice relating to CBI. Submitters of written documents (other than oral hearing statements) are encouraged to include a short summary of their position or interest at the beginning of the document, and a table of contents when the document addresses multiple issues.

#### Confidential Business Information

Any submissions that contain confidential business information must also conform to the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the "confidential" or "non-confidential" version, and that the confidential business information is clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available for inspection by interested parties.

As requested by the Committee, the Commission will not include any confidential business information in its report. However, all information, including confidential business information, submitted in this investigation may be disclosed to and used: (i) by the Commission, its employees and Offices, and contract personnel (a) for developing or maintaining the records of this or a related proceeding, or (b) in internal investigations, audits, reviews, and evaluations relating to the programs, personnel, and operations of the Commission including under 5 U.S.C. Appendix 3; or (ii) by U.S. government

employees and contract personnel for cybersecurity purposes. The Commission will not otherwise disclose any confidential business information in a way that would reveal the operations of the firm supplying the information.

#### Summaries of Written Submissions

Persons wishing to have a summary of their position included in the report that the Commission sends to the Committee should include a summary with their written submission and should mark the summary as having been provided for that purpose. The summary should be clearly marked as “summary for inclusion in the report” at the top of the page. The summary may not exceed 500 words, should be in MS Word format or a format that can be easily converted to MS Word, and should not include any confidential business information. The summary will be published as provided if it meets these requirements and is germane to the subject matter of the investigation. The Commission will list the name of the organization furnishing the summary and will include a link to the Commission’s Electronic Document Information System (EDIS) where the full written submission can be found.

By order of the Commission.

Issued: February 16, 2022.

William Bishop,

Supervisory Hearings and Information Officer.

[FR Doc. 2022-03806 Filed 2-22-22; 8:45 am]  
BILLING CODE 7030-02-P

#### INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 701-TA-668-669 and 731-TA-1565-1566 (Final)]

#### Urea Ammonium Nitrate (UAN) Solutions From Russia and Trinidad and Tobago: Scheduling of the Final Phase of Countervailing Duty and Antidumping Duty Investigations

AGENCY: United States International Trade Commission.

ACTION: Notice.

**SUMMARY:** The Commission hereby gives notice of the scheduling of the final phase of antidumping and countervailing duty investigation Nos. 701-TA-668-669 and 731-TA-1565-1566 (Final) pursuant to the Tariff Act of 1930 (“the Act”) to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of urea ammonium

nitrate (UAN) solutions from Russia and Trinidad and Tobago, provided for in subheading 3102.80.00 of the Harmonized Tariff Schedule of the United States, preliminarily determined by the Department of Commerce (“Commerce”) to be subsidized and sold at less-than-fair-value.

**DATES:** February 2, 2022.

**FOR FURTHER INFORMATION CONTACT:** Tyler Berard (202-205-3354), Office of Investigations, U.S. International Trade Commission, 500 E Street SW, Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission’s TDD terminal on 202-205-1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-205-2000. General information concerning the Commission may also be obtained by accessing its internet server (<https://www.usitc.gov>). The public record for these investigations may be viewed on the Commission’s electronic docket (EDIS) at <https://edis.usitc.gov>.

#### SUPPLEMENTARY INFORMATION:

**Scope.**—For purposes of these investigations, Commerce has defined the subject merchandise as “all mixtures of urea and ammonium nitrate in aqueous or ammonia solution, regardless of nitrogen concentration by weight, and regardless of the presence of additives, such as corrosion inhibitors and soluble micro or macronutrients (UAN). Subject merchandise includes merchandise matching the above description that has been processed in a third country, including by commingling, diluting, adding or removing additives, or performing any other processing that would not otherwise remove the merchandise from the scope of the investigations if performed in the subject country. The scope also includes UAN that is commingled with UAN from sources not subject to this investigation. Only the subject component of such commingled products is covered by the scope of these investigations.”

**Background.**—The final phase of these investigations is being scheduled pursuant to sections 705(b) and 731(b) of the Tariff Act of 1930 (19 U.S.C. 1671d(b) and 1673d(b)), as a result of affirmative preliminary determinations by Commerce that certain benefits which constitute subsidies within the meaning of § 703 of the Act (19 U.S.C. 1671b) are being provided to manufacturers, producers, or exporters in Russia and Trinidad and Tobago of urea ammonium nitrate (UAN)

solutions, and that such products are being sold in the United States at less than fair value within the meaning of § 733 of the Act (19 U.S.C. 1673b). The investigations were requested in petitions filed on June 30, 2021, by CF Industries Nitrogen, LLC and its subsidiaries, Terra Nitrogen, Limited Partnership and Terra International (Oklahoma) LLC, all of Deerfield, Illinois.

For further information concerning the conduct of this phase of the investigations, hearing procedures, and rules of general application, consult the Commission’s Rules of Practice and Procedure, part 201, subparts A and B (19 CFR part 201), and part 207, subparts A and C (19 CFR part 207).

**Participation in the investigations and public service list.**—Persons, including industrial users of the subject merchandise and, if the merchandise is sold at the retail level, representative consumer organizations, wishing to participate in the final phase of these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission’s rules, no later than 21 days prior to the hearing date specified in this notice. A party that filed a notice of appearance during the preliminary phase of the investigations need not file an additional notice of appearance during this final phase. The Secretary will maintain a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

Please note the Secretary’s Office will accept only electronic filings during this time. Filings must be made through the Commission’s Electronic Document Information System (EDIS, <https://edis.usitc.gov>). No in-person paper-based filings or paper copies of any electronic filings will be accepted until further notice.

**Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list.**—Pursuant to § 207.7(a) of the Commission’s rules, the Secretary will make BPI gathered in the final phase of these investigations available to authorized applicants under the APO issued in the investigations, provided that the application is made no later than 21 days prior to the hearing date specified in this notice. Authorized applicants must represent interested parties, as defined by 19 U.S.C. 1677(9), who are parties to the investigations. A party granted access to BPI in the preliminary phase of the investigations need not reapply for such access. A separate service list will be



# **Appendix C**

## **Calendar of Hearing Witnesses**



## CALENDAR OF PUBLIC HEARING

Those listed below are scheduled to appear in the United States International Trade Commission's hearing via videoconference:

**Subject:** African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights

**Inv. No.:** 332-589

**Date and Time:** June 9, 2022 - 9:30 a.m.

### **EMBASSY APPEARANCES:**

**Her Excellency Marie-Hélène Mathey Boo, Ambassador of the Democratic Republic of the Congo to the United States of America**

**Ambassador Santa Mary Laker Kinyera, Chargé d'Affaires of the Republic of Uganda to the United States of America**

**Ms. Suzan Muhwezi, Senior Presidential Advisor on AGOA and Trade**

**Embassy of the Republic of Mauritius  
Washington, DC**

**Mrs. Bineshwaree Napaul, Deputy Chief of Mission**

**Embassy of the Republic of South Africa  
Washington, DC**

**Mr. Malose Letsoalo, Minister (Economic)**

**Embassy of the Republic of Rwanda**

**Ms. Setti Solomon, Commercial Attaché**

**Embassy of the Republic of Kenya  
Washington, DC**

**Mr. Robert Ng'ong'a, Trade Attaché**

### **PANEL 1 (AGOA Manufacturers):**

Groupement des Entreprises Franches et Partenaires (“GEFP”)  
Madagascar

**Fenosoa Ralison**, Vice President, Madagascar  
Export Processing Zone Association

Mauritius Export Association  
Mauritius

**Arif Currimjee**, Chairman

The Lesotho National Development Corporation (“LNDC”)  
Lesotho

**Mamoiloa Raphuthing**, General Manager, Corporate Services

United Aryan (EPZ) Ltd.  
Kenya

**Pankaj Bedi**, Founder and Chairman

SOCOTA Garments  
Madagascar

**Jean-Claude (JC) Mazingue**, Chief Operations Officer

Winds Group  
Mauritius

**Urban Geiwald**, Chairman

Africa Coalition for Trade, Inc.  
Washington, DC

**Paul Ryberg**, President

**PANEL 2 (Industry Consultants/Academia/Think Tanks):**

Manchester Trade  
Washington, DC

**Stephen Lande**, President

Center on Inclusive Trade and Development (“CITD”)  
Georgetown Law  
Washington, DC



**Professor Katrin A. Kuhlmann**, Visiting Professor of Law; Faculty  
Co-Director, Center on Inclusive Trade and Development;  
and President and Founder, New Markets Lab

Global Trade Management Consulting  
Huntersville, NC

**Dr. Ngoie Joel Nshisso**, International Business Consultant

Covington & Burling LLP  
Washington, DC

**Mosa Mkhize**, Policy Advisor, Covington's Africa Practice Group

The Foundation for Democracy in Africa  
AGOA Civil Society Organization (CSO) Network  
Washington, DC

**Fred O. Oladeinde**, Chair, AGOA Civil Society Organization  
Network Secretariat; and President, The Foundation for  
Democracy in Africa

The Brookings Institution  
Washington, DC

**Professor Landry Signé, Ph.D.**

Tony Blair Institute for Global Change  
London, United Kingdom

**Kekeli Ahiable**, Private Sector Development Advisor

**PANEL 3 (U.S. Apparel Brands/Retailers/Associations/Consultants):**

San Mar Corporation  
Issaquah, WA

**Melissa Nelson**, General Counsel and Corporate Secretary

The Children's Place, Inc.  
Secaucus, NJ

**Gregory Poole**, Chief Sourcing Officer

American Apparel & Footwear Association ("AAFA")  
Washington, DC

**Beth Hughes**, Vice President, Trade & Customs Policy

U.S. Fashion Industry Association  
Washington, DC

**Julia Hughes**, President, U.S. Fashion Industry Association

Brookfield Associates, LLC  
Washington, DC

**Gail W. Strickler**, President for Global Trade

**-END-**

# **Appendix D**

## **Summary of Views of Interested Parties**



Interested parties had the opportunity to file written submissions to the Commission in the course of this investigation and to provide summaries of the positions expressed in the submissions for inclusion in this report. This appendix contains these written summaries, provided that they meet certain requirements set out in the notice of investigation (see appendix B). The Commission has not edited these summaries. This appendix also contains the names of other interested parties who filed written submissions during this investigation but did not provide written summaries. A copy of each written submission is available in the Commission's Electronic Docket Information System (EDIS), <https://www.edis.usitc.gov>, by searching for submissions related to Investigation No. 332-589. In addition, the Commission held a public virtual hearing in connection with this investigation on June 9, 2022. The full text of the transcript of the Commission's hearing is also available on EDIS.

## Written Submissions

### Best International Garments

Best Corporation Pvt. Ltd., (BCPL) is an integrated textile manufacturing company established in the year 1967 at Tirupur, Tamil Nadu, India, having operations across the spectrum from spinning to garmenting. BCPL manufactures knit garments for men, women, teenagers and toddlers. Our Group sales are USD 175 million. We export majority of products to USA. BCPL employs 14000 associates (85% women (including India & Ethiopia)). BCPL owns & operates 11 manufacturing facilities in India & Ethiopia. Marquis Impex PTE Limited., (MIPL) is a 100% owned Subsidiary of BCPL & MIPL owns Best International Garments PLC., (BIG), Ethiopia. BIG, started operations in Ethiopia from OCT'2017 with 500 associates & annual sales of USD 5.9 million for 2018-19 & reached 4000 associates by October' 2021 & annual sales of USD 23.58 million for 2021-22. BIG manufactures & supplies 100% of their products from ETHIOPIA to USA. BIG trained more than 10000 associates during the last five years to retain the workforce of 4000 associates. We at BIG proudly witnessed lifestyle changes due to the training in soft skills & machine skills provided to our associates. BIG encouraged construction of houses in TULA (a small town which is about 10 miles from Hawassa) for our associates moving from villages to Hawassa to live. A mini economy was created as a result of this providing indirect employment to thousands in the town as all other companies started following BIG to TULA. A new work culture was established & Ethiopia was on the verge of becoming the hub for Apparel manufacturing. We could witness transfer of big orders from China & Bangladesh to Ethiopia. Due to withdrawal of AGOA BIG, Ethiopia downsized their operations from 44,000 SQM of space & 4,000 associates working in two shifts to 11,000 SQM space & 600 associates working in one shift. Best Ethiopia is entirely dependent on orders from other countries having duty free benefits. Hawassa Industrial Park was employing 45000 associates (85%+ women) directly PRE AGOA withdrawal & POST AGOA withdrawal the employment is down to 22000+ & expected to go down to 18000 if AGOA is not renewed for 2023. AGOA withdrawal for Ethiopia resulted in capacity being shifted back to, China, Vietnam & Bangladesh as other duty-free countries in Africa did not have the capacity & infrastructure to absorb the shift from Ethiopia. China, Vietnam & Bangladesh are competitive without duty free benefits due to availability of vertical infrastructure & cheaper logistics. Africa cannot compete with established countries like China, Vietnam etc., without AGOA. AGOA is required for a minimum of 20 years from 2025 for vertical infrastructure to be established. AGOA will help to provide direct & indirect employment, improve their skills & give economic freedom to millions of people across Africa.

## Central Organization of Trades Unions – Kenya (COTU-K)

COTU-K wishes to present the following proposals to the US International Trade Commission (ITC) undertaking fact-finding investigations into AGOA and its utility:

1. The Ministries of Industry, Trade, and Enterprise Development and the Ministry of Labour should be granted equal participation in the AGOA Ministers conference in discussing and recommending the AGOA and/or Free Trade Agreements, to comply with AGOA objectives, utilization strategies, and eligibility criteria.
2. Technology and skills transfer should be encouraged to develop local value chains.
3. Support the creation of supply chains to facilitate regional supply chains.
4. Directly involve the Trade Unions to play a critical role in workers' rights eligibility criteria.
5. Capacity building for workers to assert their rights
6. Support review of Legislation including Labour Laws to be in concurrence with the emerging issues over workers' rights.
7. Support efforts to strengthen national sub-regional Employment and Labour Relations Courts, Trade Unions, and Human/Labour Rights Organization.
8. Promote gender equality, Combat Gender-Based Violence, (GBV) Capacity and skills development for Women, Youth, and Minority groups
9. Support fight against Corruption and uphold support to Democratic Institutions and the rule of law.
10. Support just transition framework by combating Climate Change and environmental degradation.
11. Support regular and meaningful dialogue, between Government, Employers, Workers, and other Civil Society groups.
12. Support development and sustainable Covid-19 resilient strategies to uphold human and Labour Rights.
13. Support programs and intervention in formalizing the informal sector,
14. Support and provide incentives to local value addition Industries as opposed to importing raw materials from third countries under the AGOA program or any other future trade agreements.
15. Support the rights of migrant workers.

## The Children's Place

1. AGOA supports American companies in importing and selling high quality, affordable apparel, footwear and accessories to American consumers. Today, Africa represents over 25% of our source volume. This is merchandise produced in African factories, employing hundreds of thousands of African workers, the vast majority of whom are women, who experience significant economic uplift as a result. We are currently working with third-party vendors and factories in six African countries, Ethiopia, Egypt, Ghana, Kenya, Rwanda and Tanzania, and we are in the process of bringing on suppliers in four additional countries, Benin, Madagascar, Togo and Uganda. 2. AGOA supports strong foreign investment opportunities in Africa. Our manufacturing partners in Africa are working to build a self-sufficient, resilient, closed loop manufacturing system. This is an eco-system that minimizes the need to import raw materials from other countries, creating a unique and distinct competitive advantage and magnifying the positive economic impact for the continent. AGOA has been a key catalyst and driver of this progress. In recent years, we have seen the development of large scale, state-of-the-art industrial parks in Africa. These turnkey industrial parks offer factories and warehouses that enable the rapid start-up of light manufacturing. These 2 industrial parks have state-of-the-art, environmentally friendly systems and equipment and provide a full range of supply chain services. These growing facilities play a critical role in the socioeconomic development of these communities. 3. AGOA allows American companies to reduce reliance on China for sourcing apparel, footwear and accessories. The enactment of AGOA and the related development of textile and apparel manufacturing facilities in Africa has also allowed us to progressively reduce sourcing from China, from approximately 40% in 2011 down to approximately 9% in 2021. 4. AGOA supports economic development, employment and the livelihood of garment workers and their families in Africa. We partnered with Plan International USA to establish an early childhood development center for apparel factory workers in Ethiopia in 2022. The childcare center provides much needed childcare services to the workers in Hawassa Industrial Park, the largest industrial park in Ethiopia, and will reach over 1,000 children and adults when the center is operating at full capacity. In conclusion, AGOA enables and facilitates a virtuous cycle of economic activity, helping to bring benefits to American companies, American consumers and the developing nations and workers in Africa. The Children's Place is advocating for an early renewal of AGOA in 2023 and for a new 15-year AGOA term to promote large-scale foreign investment in Africa.

## East African Trade Union Confederation (EATUC)

As a cornerstone of USA's trade policy in Sub-Saharan Africa, AGOA's main purpose is to assist and encourage economic growth and development in Africa, promote regional integration, and facilitate the beneficial integration of the region into the global economy by offering it better terms of trade. Under this context, a number of cooperation arrangements have been put in place between African Governments and the USA, aimed at improving the production capacity, upgradation of industries with a view of adding value diversifying Africa's exports so that they can take advantage of the duty-free market access offer under AGOA.

Whereas Sub Saharan African (SSA) countries exports under the AGOA scheme have been largely concentrated in oil/petroleum products (with Nigeria and Gabon taking lead), an exclusion of petroleum products has seen the rise of Apparel exports led by Madagascar, Ethiopia and Kenya. While it is also

## African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights

commendable that East African Community (EAC's) utilization has been on a rise, this has been varying among Partner States in terms of volume and value of non-oil exports, we note that currently, out of seven (7) EAC Partner States, Rwanda, Burundi and South Sudan are currently suspended from AGOA. This has led to negative socio-economic implications to workers who were dependent on firms and enterprises whose access to the AGOA Market has been revoked.

Key of the notable benefits of AGOA to the EAC include: contribution to the growth and revival of the textile and apparel industry in EAC; facilitating cooperation among Kenya and Tanzania in upgrading in regional value chains under the CTA sector; and creation of a well-established skilled apparel workforce with a high worker retention rate in Kenya and Tanzania.

While the benefits are commendable, it is important to note that there are a number of prevalent challenges for EAC Partner States to effectively utilize AGOA, and most especially on the promotion of labour rights among Partner States. Key of these challenges include: limited value addition in the Cotton Textile and Apparel (CTA) sector which has perpetuated commodity dependence; unilateral sanctions that the U.S threatened and (partially) imposed on some EAC Partner States; concentration of job creation in low-skilled labor which has not translated into long-term competitive advantages such as knowledge transfer to local workers; and lack of ratification and implementation of key International Labor Organization (ILO) Conventions by EAC Partner States.

Therefore, in order to ensure that the benefits thereunder AGOA and post AGOA are maximized while minimizing the risks, AGOA can be improved in a number of ways including: inclusion of Trade unions institutional governance and negotiation of trade agreements; support growth of local industries along the supply chain; update AGOA Eligibility Criteria; integrate Decent Work in Apparel sector; and enhance workers' and employers' awareness of fundamental labour rights among others.

## Embassy of the Republic of Kenya, Washington D.C.

### Background

AGOA has been a very important window that Kenya as a beneficiary Country has utilized to access the USA market. Kenya has been the fifth top exporter under AGOA and is the second-best non-oil exporter to the U.S. USA ranks 2nd as the bilateral export destination for Kenya's products and accounts for 8% of Kenya's total global exports. About 75% of Kenya exports by value to the US enjoy the AGOA preferences. Kenya's export to USA grew on annual average rate of 4% over the period between 2015 and 2021. Top exports to the US include textiles and apparels, coffee, tea, edible fruits/nuts, cut flowers and mineral ores among others. Some of the success stories under AGOA also include the exports of macadamia nuts, textile and apparel coffee and fishing flies among others.

### Benefits

- Chapter 1      Creation of employment opportunities benefiting women, youth, and SMEs.
- Chapter 2      Building a sizeable textile and apparel sector as a result of increased investments in the sector.
- Chapter 3      Diversification of Kenya's export base while potential growing areas for the USA market are being exploited.



Chapter 4 Kenya has enjoyed a surplus in its two-way trade with the US for over six years with exports growing five-fold in value from 2000 to 2021.

Chapter 5 AGOA has provided a very important engagement platform with the US.

### Challenges

Limited capacity to meet US standards, low levels of awareness of the market requirements, unfavorable business environment affecting the competitiveness of products, high freight costs, inadequate trade finance to support the expansion for exports and limited product base to exploit the huge market among others.

### 2.0 Some of the key success factors

Appendix E Formulation of two successive National AGOA strategies as well as the Integrated National Export Development and Promotion Strategy. These strategies have identified key sectors to grow and diversify the export base of products to US and other markets.

Appendix F The government has undertaken key reforms to enhance the ease of doing business and address competitiveness and other challenges.

Appendix G There are a number of government incentives which some firms have taken advantage of and Export Processing Zones have been able to attract FDI.

Appendix H There is renewed energy in integrating the regional and continental value chains through the AfCFTA framework. This could trigger sourcing from the cheapest sources as firms also broaden their supply chain base.

Appendix I The Covid 19 pandemic experience has made most entrepreneurs to embrace E-commerce platforms to benefit fully from digital trade.

### Case for Renewal

1. Some of the challenges identified in the current AGOA Strategy 2018-2023 are being addressed and they are yet to bear significant and impactful fruits.
2. AGOA has enabled Kenya to be a reliable supplier to the USA market as well as to the US consumer.
3. Covid 19 has affected our productive capacity and interfered with most supply chain sources. Most of the gains attained previously were wiped out by the pandemic with SMEs bearing the heaviest brunt.
4. AGOA has had a substantial impact in terms of job creation, foreign exchange earnings, utilization of local raw materials and the building up of our value chain across many sectors. The renewal would provide the needed momentum to grow these areas and build back better.
5. The diaspora has been a major contributor to the economic development of our Country, and we want to tap their potential to increase trade and investment.

6. The SMEs' potential to increase trade and investment is huge and last year the Corporate Council on Africa signed an MOU with the Kenya Private Sector Alliance to increase trade and investment by SMEs from both sides. Most women and youth are in the SME sector and as a measure to target inclusivity the renewal of AGOA could propel this further.

## Foundation for Democracy in Africa

In 2020, the value of world merchandise exports declined by 8%, when services trade dropped by a record 30 percent as travel and transport were severely affected, while goods trade fell by 23%, both in value terms because of COVID-19 emergency lockdowns resulting in 50 percent drop in AGOA imports from \$8.4 billion in 2019 to \$4.1 billion in 2020.

Testifying before the U.S. Senate Subcommittee on State, Foreign Operations, and Related Programs on May 11, 2022, Dr. Akinwunmi Adesina, President, the African Development Bank Group (AfDB), called for a \$1.5 billion in Africa Emergency Food Production Plan to "avert" the looming food crisis in Africa caused by Russia's war in Ukraine through the rapid provision of certified seeds of climate-adapted varieties to 20 million African farmers to produce 38 million tons of food across Africa over the next two years.

On June 7, 2022, the World Bank slashed its growth forecast for the U.S. from 5.7% in 2021 and the 3.7% it forecasted in January to 2.5% this year. The estimated growth rate for emerging markets and developing economies is 3.4% this year, decelerating from a 6.6% pace in 2021. The Bank does not foresee a much brighter picture in 2023 and 2024, and according to Bank President, Dave Malpas "for many countries, a recession will be hard to avoid."

The economic impact of COVID-19, climate change and conflict on AGOA eligible countries presents a threat to U.S.- Africa trade, economic cooperation, and strategic alliances. Progress made over the last two decades using the benefits of AGOA to strengthen U.S. - Africa trade and economic cooperation; incentivize market-based economies that protect private property rights, the rule of law, political pluralism, and the right to due process; increase the availability of health care and educational opportunities; expand infrastructure; promote the development of private enterprise, and encourage the formation of capital markets through micro-credit and other programs are at risk.

The AGOA CSO Network calls for a "clearer eye" approach to assessing the impact of the COVID-19 pandemic, climate change, and disruptions to the economies of AGOA eligible countries due to Russia's invasion of Ukraine, particularly the inflationary pressure of high commodity prices and surges in oil prices on AGOA program usage.

The Network respectfully requests that justification for a 5-year extension of AGOA benefits be included in the Commission Report to the Committee on Ways Means due to the economic and social impact of COVID-19 and disruptions in the global economy on AGOA eligible countries and program utilization. A 5-year extension provides AGOA beneficiary countries the opportunity to enjoy the benefits of the extension offered by TPEA. Eligible countries MUST use the extension to develop comprehensive "Transition Plans" for advancing from AGOA, a Preferential Trade Arrangement to bilateral trade agreements with the U. S. in full consultation with relevant U.S. Government, AU agencies, the AfDB, the AGOA CSO Network and other stakeholders.

The CSO Network Secretariat will share its 2022-2024 White Paper on AGOA: The Way Forward with the Commission.

## Landry Signé, Ph.D.

AGOA is a preferential trade program that gives countries in sub-Saharan Africa preferential access to U.S. markets, allowing them to export products tariff-free.<sup>999</sup> AGOA was created with the aim of increasing trade activity between the two countries and with a broader goal of fostering economic and political development in Africa.<sup>1000</sup> To date, AGOA has greatly increased total exports to the United States, but data on utilization rates has caused some to question why certain countries are able to capitalize on AGOA more than others. Despite some successes, the continued dominance of oil and apparel exports along with the decline in AGOA exports after their peak in 2008 has lowered confidence among some leaders and experts in AGOA's ability to deliver on its promises. The potential of AGOA remains powerful to promote regional integration and diversified economies, but the data and experience of the past two decades must be examined to understand how the policy can be better structured and implemented in the future. While there is limited empirical evidence on the effects of these factors on AGOA implementation and success, this testimony suggests that they can be analyzed by comparing across commonalities and by using the lens of policy implementation theories. Themes that emerged from the discussion with Commissioners included the role that the AfCFTA can play in widening and deepening AGOA's successes, and the importance of value-adding activities being located in African countries.

## SOCOTA

African Growth and Opportunity Act: Program Usage, Trends and Sectoral Highlights AGOA has been instrumental in the creation and growth of Cottonline, a company of SOCOTA Group, since 2001. AGOA's extension will boost further growth in Madagascar and the Sub Region AGOA 2025- 2035 and further, a need for stability Short term solutions and drastic changes in business environment make investments more difficult. SOCOTA Group is committed to develop a community of women and men and their families. To create long term employment, to provide health protection, to train and educate, to improve lives require sustained efforts. Therefore we support ACT position on the extension of AGOA for a 10-year period. We fully approve the statement submitted by ACT. Cottonline was created because of AGOA The objectives were clear from the start. Strategically, Cottonline was created to consolidate an existing Fabric Mill into a vertical operation. Commercially, Cottonline took advantage of AGOA to export garments to large U.S. importers, retailers, and brands. Cottonline is proud to report that 15,000 operators, associates, managers were trained from 2001 to 2021. A large majority of these people and their families live in Antsirabé, the third-largest city of Madagascar, contributing vastly to the development of the Vakinankaratra Province. As of today, Cottonline employs 6,000 people. 2022/2023 plan is to add 1,000 new positions to cope with the onboarding of new clients. The Apparel sector, a success story for Cottonline and for Madagascar was an early recipient of AGOA, which led to an

<sup>999</sup> Felter, C. (2022, March 28). AGOA: The U.S.-Africa Trade Program. Council on Foreign Relations. (<https://www.cfr.org/backgrounder/agoa-us-africa-trade-program>).

<sup>1000</sup> Felter, C. (2022, March 28). AGOA: The U.S.-Africa Trade Program. Council on Foreign Relations. (<https://www.cfr.org/backgrounder/agoa-us-africa-trade-program>).

impressive growth in its exports to the U.S. As a result, Madagascar became the second-largest supplier of Apparel in Sub Saharan Africa (SSA) under AGOA. In 2007, 99% of Madagascar's total exports under AGOA were composed of articles of apparel.

Madagascar lost eligibility in 2010, the lowest point ever in exports to the US was in 2011, followed by a sharp recovery in 2014 when AGOA was reinstated. Madagascar and Mauritius, the need for Sub Regional Integration In 2021, SOCOTA Group from Madagascar and CIEL Textile from Mauritius decided to merge their weaving facilities on the site of SOCOTA in Madagascar, creating by far the largest SubSaharan African weaving mill. Numerous areas of collaboration to implement Mauritius and Madagascar common projects are currently developed, such as Marketing & Promotion of the Regional Textile and Apparel Industry, establishing Mauritius and Madagascar as a Regional Hub in Africa, sharing skilled management and a large pool of labor, and shared goals of sustainability. An extension of AGOA to both countries will allow this collaboration to expand and be beneficial for the development of Madagascar and Mauritius Third country fabric provision is still very much needed The extension of the so-called Third Country Fabric Provision is and will be needed by the Malagasy Apparel industry for at least 10 years.

## The United Nations Conference on Trade and Development

UNCTAD has a lengthy association with trade preferences as a tool of development, having proposed the Generalized System of Preferences (GSP) at the first UNCTAD quadrennial conferences in 1964. Like the GSP, the African Growth and Opportunities Act (AGOA) and other preferential trade programs are all founded upon the concept that mutually beneficial, North-South trade offers a more certain and sustainable path to development than aid, and that preferences can help overcome the structural disadvantages that developing countries face.

While preferential market access can indeed give developing countries a boost, that effect varies greatly by exporting country and by sector. Tariff preferences are obviously moot for any products that are already duty-free on a most-favored-nation (MFN) basis and are of only limited value whenever MFN tariffs are low. Even for some goods that might otherwise be subject to significant tariffs, other factors may carry equal or greater weight in determining the magnitude and diversity of sub-Saharan countries' exports. On the importing country's side, these include non-tariff measures such as sanitary and phytosanitary barriers, standards, and so forth; on the exporting countries' side, these include *inter alia* the country's endowments of natural resources, the capacity of its workforce, the cost and reliability of its energy system, and the efficiency of the port and shipping services on which its exporters rely.

While preferences have had a salutary effect in some sectors, on their own they offer neither a necessary nor a sufficient explanation for changes in trade patterns over time. Several other considerations, ranging from shifting patterns in U.S. energy production and imports to the phase-out of textile and apparel import quotas, have been even more influential in determining what the United States imports and where those products originate. One may readily find examples of sub-Saharan African industries that have done well without receiving AGOA preferences, and others for which exports have stagnated or even declined despite duty-free privileges.

The four analytical sections that comprise this submission assess the program in progressively more specific levels. Section II does so at a high level of abstraction, addressing the overall relationship between poverty, trade preferences, and other instruments intended to promote economic development. The positive but limited impact of preferences can be seen in the utilization of the AGOA preferences, as reviewed in Section III. Differing experiences according to country and sector are seen. The sectoral differences are examined more precisely in the next two sections, each of which address the USITC's stated intention to present case studies on cotton, apparel, certain chemicals, and cocoa. Section IV reviews the broader trends in U.S. imports of apparel, minerals, and other products from the region, then turn in Section V moves to the question of whether AGOA preferences have helped beneficiary countries to upgrade their production and exports in hydrocarbons, cocoa, and cotton goods. Section VI concludes by providing specific recommendations for the improvement of AGOA.

## **U.S. Processed Peach Industry**

To help curtail further injury from unfair imports, the US industry asks that the ITC incorporate into its overview of the AGOA program the findings and recommendations summarized below.

- South African processed peaches are highly competitive and substitutable with US production, and have long undercut US prices and displaced US sales in the US market.
- The US industry continues to suffer serious contraction and other injury as a result of unfairly priced US imports, including from South Africa.
- South Africa is the fourth largest supplier of processed peaches to the US market and is selling canned peaches at prices well below the California industry's price, even without AGOA preferences.
- Any modification or continuation of AGOA preferences should continue to exclude HTS 2008.70.20, HTS 2008.97.90, and HTS 0811.90.80.

## **Written Submissions without Summaries**

### **AGOA Civil Society Organization Network**

No written summary. Please see EDIS for full submission.

### **Brookfield Associates, LLC**

No written summary. Please see EDIS for full submission.

### **Embassy of the Republic of Botswana to the United States**

No written summary. Please see EDIS for full submission.

## **Embassy of the Republic of Cote d'Ivoire**

No written summary. Please see EDIS for full submission.

## **Embassy of the Republic of Madagascar**

No written summary. Please see EDIS for full submission.

## **Embassy of the Democratic Republic of Congo**

No written summary. Please see EDIS for full submission.

## **Embassy of the Republic of Mauritius, Washington D.C.**

No written summary. Please see EDIS for full submission.

## **Global Trade Management Consulting**

No written summary. Please see EDIS for full submission.

## **Government of the Federal Democratic Republic of Ethiopia**

No written summary. Please see EDIS for full submission.

## **Lesotho National Development Corporation**

No written summary. Please see EDIS for full submission.

## **Manchester Trade**

No written summary. Please see EDIS for full submission.

## **Manganese Metal Company**

No written summary. Please see EDIS for full submission.

## **Mauritius Export Association (MEXA)**

No written summary. Please see EDIS for full submission.

## **Winds Group**

No written summary. Please see EDIS for full submission.





# **Appendix E**

## **AGOA Eligibility**

African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights

**Table E.1.** Sub-Saharan African countries and AGOA eligibility status, 2000–2022

• = AGOA beneficiary (AGOA benefits eligible); a = eligible for apparel benefits, including 3CF; y = eligible for apparel benefits, not including 3CF; x = not an AGOA beneficiary, z = not eligible for the AGOA program; — = not applicable; 3CF = third-country fabric provision.

SSA country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Angola	x	x	x	x	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Benin	•	•	•	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Botswana	•	y	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Burkina Faso	x	x	x	x	x	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Burundi	x	x	x	x	x	x	•	•	•	•	•	•	•	•	•	•	x	x	x	x	x	x	x
Cabo Verde	•	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Cameroon	•	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	x	x	x
Central African Republic	•	•	•	•	x	x	x	x	x	x	x	x	x	x	x	x	x	•	•	•	•	•	•
Chad	•	•	•	•	•	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Comoros	x	x	x	x	x	x	x	x	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Congo, Republic of	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Congo, Democratic Republic of	x	x	x	•	•	•	•	•	•	•	•	x	x	x	x	x	x	x	x	x	x	•	•
Côte d'Ivoire	x	x	•	a	a	x	x	x	x	x	x	•	•	a	a	a	a	a	a	a	a	a	a
Djibouti	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Equatorial Guinea	x	x	x	x	x	x	x	x	x	x	x	z	z	z	z	z	z	z	z	z	z	z	z
Eritrea	•	•	•	•	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Eswatini	x	a	a	a	a	a	a	a	a	a	a	a	a	a	a	x	x	x	a	a	a	a	a
Ethiopia	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	x
Gabon	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Gambia	x	x	x	•	•	•	•	•	a	a	a	a	a	a	a	x	x	x	•	•	•	•	•
Ghana	•	•	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Guinea	•	•	•	•	•	•	•	•	•	•	x	•	•	•	•	a	a	a	a	a	a	a	x
Guinea-Bissau	•	•	•	•	•	•	•	•	•	•	•	•	•	x	x	•	•	•	•	•	•	•	•

**Table E.1, continued** Sub-Saharan African countries and AGOA eligibility status, 2000–2022

• = AGOA beneficiary (AGOAs benefits eligible) ; a = eligible for apparel benefits, including 3CF; y = eligible for apparel benefits, not including 3CF; x = not an AGOA beneficiary, z = not eligible for the AGOA program; — = not applicable; 3CF = third-country fabric provision.

SSA country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Kenya	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Lesotho	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Liberia	x	x	x	x	x	x	x	•	•	•	•	a	a	a	a	a	a	a	a	a	a	a	a
Madagascar	•	a	a	a	a	a	a	a	a	a	x	x	x	x	•	a	a	a	a	a	a	a	a
Malawi	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Mali	•	•	•	a	a	a	a	a	a	a	a	a	a	x	•	•	•	•	•	•	a	a	x
Mauritania	•	•	•	•	•	•	x	•	•	x	•	•	•	•	•	•	•	•	•	x	x	x	x
Mauritius	•	y	y	y	y	a	y	y	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Mozambique	•	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Namibia	•	y	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Niger	•	•	•	a	a	a	a	a	a	a	x	•	•	•	•	•	•	•	•	•	•	•	•
Nigeria	•	•	•	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Rwanda	•	•	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	•	•	•	•
São Tomé & Príncipe	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Senegal	•	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Seychelles	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	z	z	z	z	z	z
Sierra Leone	•	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Somalia	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z
South Africa	•	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y
South Sudan	—	—	—	—	—	—	—	—	—	—	x	x	•	•	x	x	x	x	x	x	x	x	x
Sudan	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z	z
Tanzania	•	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Togo	x	x	x	x	x	x	x	x	•	•	•	•	•	•	•	•	•	a	a	a	a	a	a
Uganda	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Zambia	•	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a	a
Zimbabwe	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x

Source: Compiled by USITC staff.

The President designates AGOA beneficiaries (AGOAs benefits eligibility) (19 U.S.C. § 2466a(a)). Proclamation No. 7350, 65 Fed. Reg. 59319 (October 4, 2000) (Benin, Botswana, Cabo Verde, Cameroon, Central African Republic, Chad, the Republic of the Congo, Djibouti, Eritrea, Ethiopia, Gabon, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé & Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, Tanzania, Uganda, Zambia); Proclamation No. 7400, 66 Fed. Reg. 7373 (January 23, 2001) (Eswatini); Proclamation No. 7561, 67 Fed. Reg. 35705 (May 21, 2002) (Côte d'Ivoire); Proclamation No. 7657, 65 Fed. Reg. 59319 (April 2, 2003) (The Gambia); Proclamation No. 7657, 68 Fed. Reg. 62158 (October 31, 2003) (the Democratic Republic of the Congo); Proclamation No. 7748, 69 Fed. Reg. 52536 (August 26, 2004) (Angola); Proclamation No. 7853, 69 Fed. Reg. 74945 (December 14, 2004) (Burkina Faso); Proclamation No. 7970, 70 Fed. Reg. 76647 (December 27, 2005) (Burundi); Proclamation No. 8098, 72 Fed. Reg. 459 (January 4, 2007) (Liberia); Proclamation No. 8157, 72 Fed. Reg. 35893 (June 29, 2007) (Mauritania reinstated of AGOA benefits); Proclamation No. 8240, 73 Fed. Reg. 21515 (April 17, 2008) (Togo); Proclamation No. 8272, 73 Fed. Reg. 38297 (July 3, 2008) (Comoros); Proclamation No. 8468, 74 Fed. Reg. 69229 (December 30, 2009) (Mauritania reinstated); Proclamation No. 8741, 76 Fed. Reg. 67033 (October 28, 2011) (Côte d'Ivoire, Guinea, and Niger reinstated); Proclamation No. 8921, 77 Fed. Reg. 76799 (December 28, 2012) (South Sudan). Proclamation No. 9072, 78 Fed. Reg. 80415 (December 31, 2013) (Mali reinstated); Proclamation No. 9145, 79 Fed. Reg. 37613 (July 1, 2014) (Madagascar reinstated); Proclamation No. 9223, 79 Fed. Reg. 78679 (December 30, 2014) (Guinea-Bissau reinstated); Proclamation No. 9555, 81 Fed. Reg. 92499 (December 20, 2016) (Central African Republic reinstated); Proclamation No. 9687, 82 Fed. Reg. 61413 (December 27, 2017) (The Gambia and Eswatini reinstated); Proclamation No. 10128, 85 Fed. Reg. 85491 (December 29, 2020) (the Democratic Republic of the Congo reinstated).

Under the same authority, the President can remove AGOA beneficiary status. Proclamation No. 7748, 69 Fed. Reg. 227 (January 2, 2004) (Eritrea and Central African Republic); Proclamation No. 7858, 69 Fed. Reg. 77601 (December 27, 2004) (Côte d'Ivoire); Proclamation No. 7970, 70 Fed. Reg. 76647 (December 27, 2005) (Mauritania); Proclamation No. 8330, 73 Fed. Reg. 78911 (December 23, 2008) (Mauritania); Proclamation No. 8468, 74 Fed. Reg. 69229 (December 30, 2009) (Guinea, Madagascar, and Niger); Proclamation No. 8618, 75 Fed. Reg. 81077 (December 27, 2010) (the Democratic Republic of the Congo); Proclamation No. 8921, 77 Fed. Reg. 76799 (December 28, 2012) (Guinea-Bissau and Mali); Proclamation No. 9145, 79 Fed. Reg. 37613 (July 1, 2014) (Eswatini); Proclamation No. 9223, 79 Fed. Reg. 78679 (December 30, 2014) (The Gambia and South Sudan); Proclamation No. 9383, 80 Fed. Reg. 80615 (December 24, 2015) (Burundi); Proclamation No. 9834, 84 Fed. Reg. 35 (January 7, 2019) (Mauritania); Proclamation No. 9974, 84 Fed. Reg. 72187 (December 30, 2019) (Cameroon); Proclamation No. 10326, 86 Fed. Reg. 73593 (December 28, 2021) (Ethiopia, Guinea, and Mali).

The President delegated authority to the Trade Representative to determine whether AGOA beneficiaries are eligible for apparel benefits (Proclamation No. 7350, 65 Fed. Reg. 59319, October 4, 2000). 66 Fed. Reg. 7836 (January 25, 2001) (Kenya); 66 Fed. Reg. 8440 (January 31, 2001) (Mauritius); 66 Fed. Reg. 14242 (March 9, 2001) (Madagascar); 66 Fed. Reg. 14425 (March 12, 2001) (South Africa); 66 Fed. Reg. 21192 (April 27, 2001) (Lesotho); 66 Fed. Reg. 41648 (August 8, 2001) (Eswatini); 66 Fed. Reg. 41648 (August 8, 2001) (Ethiopia); 66 Fed. Reg. 44199 (August 22, 2001) (Malawi); 66 Fed. Reg. 46050 (August 31, 2001) (Botswana); 66 Fed. Reg. 55726 (November 2, 2001) (Uganda); 66 Fed. Reg. 63733 (December 10, 2001) (Namibia); 66 Fed. Reg. 65773 (December 20, 2001) (Zambia); 67 Fed. Reg. 6313 (February 11, 2002) (Tanzania); 67 Fed. Reg. 7733 (February 20, 2002) (Mozambique); 67 Fed. Reg. 10964 (March 11, 2002) (Cameroon); 67 Fed. Reg. 14761 (March 27, 2002) (Ghana); 67 Fed. Reg. 21794 (May 1, 2002) (Senegal); 67 Fed. Reg. 56865 (September 5, 2002) (Cabo Verde); 68 Fed. Reg. 10298 (April 4, 2003) (Rwanda); 68 Fed. Reg. 69113 (December 11, 2003) (Mali); 68 Fed. Reg. 70333 (December 17, 2003) (Côte d'Ivoire); 68 Fed. Reg. 70333 (December 17, 2003) (Niger); 69 Fed. Reg. 4199 (January 28, 2004) (Benin); 69 Fed. Reg. 17728 (April 5,

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2004) (Sierra Leone); 69 Fed. Reg. 42236 (July 14, 2004) (Nigeria); 71 Fed. Reg. 24762 (April 26, 2006) (Chad); 71 Fed. Reg. 44326 (August 4, 2006) (Burkina Faso); 73 Fed. Reg. 22983 (April 28, 2008) (The Gambia); 76 Fed. Reg. 6840 (February 8, 2011) (Liberia); 78 Fed. Reg. 16908 (March 19, 2013) (Côte d'Ivoire reinstated); 79 Fed. Reg. 74156 (December 15, 2014) (Guinea, Madagascar reinstated); 82 Fed. Reg. 39940 (August 22, 2017) (Togo); 83 Fed. Reg. 31254 (July 3, 2018) (Eswatini); 85 Fed. Reg. 44140 (July 21, 2020) (Mali).

Declaration of least-developed beneficiary developing country (LDBDC) status is required for apparel beneficiaries to be eligible for full apparel benefits, including 3CF. Proclamation No. 7350, 65 Fed. Reg. 59319 (October 4, 2000) (Benin, Cape Verde, Cameroon, Chad, Ethiopia, Ghana, Guinea, Kenya, Lesotho, Madagascar, Malawi, Mali, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Tanzania, Uganda, Zambia); Proclamation No. 7400, 66 Fed. Reg. 7373 (January 23, 2001) (Eswatini); Proclamation No. 7561, 67 Fed. Reg. 35705 (May 21, 2002) (Côte d'Ivoire); Proclamation No. 7657, 65 Fed. Reg. 59319 (April 2, 2003) (The Gambia); Proclamation No. 7853, 69 Fed. Reg. 74945 (December 14, 2004) (Burkina Faso); Proclamation No. 8098, 72 Fed. Reg. 459 (January 4, 2007) (Liberia); Proclamation No. 8240, 73 Fed. Reg. 21515 (April 17, 2008) (Togo); Pub. L. No. 107-210, § 3108, 116 Stat. 1039 (2002)(amending 19 UIC. § 3721(c)(3)) (Botswana and Namibia granted LDC status by statute).

Mauritius was initially granted temporary LDC status for one year, which expired and was later made permanent, Pub. L. No. 108-429, § 336(k), 118 Stat. 2595 (2004)(granting LDBDC status for one year from October 1, 2004, to September 30, 2005); Pub. L. No. 110-436, § 3, 122 Stat. 4980 (2008)(amending 11 S.C. § 3721(c)(3) and granting permanent LDBDC status).

When AGOA beneficiaries lose their beneficiary status, they also lose their apparel benefits. Occasionally, AGOA beneficiaries lose apparel benefits for other reasons but maintain AGOA beneficiary status. Proclamation No. 9771, 83 Fed. Reg. 37993 (August 2, 2018) (Rwanda loss of apparel benefits).

Some Sub-Saharan African countries are not eligible for the AGOA program. Proclamation No. 8467, 74 Fed. Reg. 69221 (December 23, 2009) (Equatorial Guinea GSP graduation effective January 1, 2011); Proclamation No. 9333, 80 Fed. Reg. 60249 (September 30, 2015) (Seychelles GSP graduation effective January 1, 2017); USTR, *2022 Biennial Report on AGOA*, June 2022, 17 (indicating Equatorial Guinea and Seychelles are not eligible for AGOA program because of GSP graduation), 83 (Somalia and Sudan never requested to join so are not eligible for the AGOA program).

Notes: This table covers Sub-Saharan Africa, which comprises the countries identified in 19 U.S.C. § 3706. Burkina Faso's AGOA beneficiary status was terminated effective January 1, 2023 (Proclamation No. 10509, 87 Fed. Reg. 79977, December 29, 2022). Eswatini was formerly named Swaziland in the HTS, 83 Fed. Reg. 31254 (July 3, 2018).

# **Appendix F**

## **Tables for Figures**



**Table F.1** Sub-Saharan African countries and their AGOA country eligibility status, 2022

This table corresponds to figures 1.2 and ES.1.

<b>SSA country</b>	<b>AGOA eligibility</b>
Angola	AGOA program and benefits eligible (AGOA beneficiary)
Benin	AGOA program and benefits eligible (AGOA beneficiary)
Botswana	AGOA program and benefits eligible (AGOA beneficiary)
Burkina Faso	AGOA program and benefits eligible (AGOA beneficiary)
Burundi	AGOA program eligible but not an AGOA beneficiary
Cabo Verde	AGOA program and benefits eligible (AGOA beneficiary)
Cameroon	AGOA program eligible but not an AGOA beneficiary
Central African Republic	AGOA program and benefits eligible (AGOA beneficiary)
Chad	AGOA program and benefits eligible (AGOA beneficiary)
Comoros	AGOA program and benefits eligible (AGOA beneficiary)
Congo, Democratic Republic	AGOA program and benefits eligible (AGOA beneficiary)
Congo, Republic	AGOA program and benefits eligible (AGOA beneficiary)
Côte d'Ivoire	AGOA program and benefits eligible (AGOA beneficiary)
Djibouti	AGOA program and benefits eligible (AGOA beneficiary)
Equatorial Guinea	SSA country but not AGOA program eligible
Eritrea	AGOA program eligible but not an AGOA beneficiary
Eswatini	AGOA program and benefits eligible (AGOA beneficiary)
Ethiopia	AGOA program eligible but not an AGOA beneficiary
Gabon	AGOA program and benefits eligible (AGOA beneficiary)
Gambia	AGOA program and benefits eligible (AGOA beneficiary)
Ghana	AGOA program and benefits eligible (AGOA beneficiary)
Guinea	AGOA program eligible but not an AGOA beneficiary
Guinea-Bissau	AGOA program and benefits eligible (AGOA beneficiary)
Kenya	AGOA program and benefits eligible (AGOA beneficiary)
Lesotho	AGOA program and benefits eligible (AGOA beneficiary)
Liberia	AGOA program and benefits eligible (AGOA beneficiary)
Madagascar	AGOA program and benefits eligible (AGOA beneficiary)
Malawi	AGOA program and benefits eligible (AGOA beneficiary)
Mali	AGOA program eligible but not an AGOA beneficiary
Mauritania	AGOA program eligible but not an AGOA beneficiary
Mauritius	AGOA program and benefits eligible (AGOA beneficiary)
Mozambique	AGOA program and benefits eligible (AGOA beneficiary)
Namibia	AGOA program and benefits eligible (AGOA beneficiary)
Niger	AGOA program and benefits eligible (AGOA beneficiary)
Nigeria	AGOA program and benefits eligible (AGOA beneficiary)
Rwanda	AGOA program and benefits eligible (AGOA beneficiary)
São Tomé & Príncipe	AGOA program and benefits eligible (AGOA beneficiary)
Senegal	AGOA program and benefits eligible (AGOA beneficiary)
Seychelles	SSA country but not AGOA program eligible
Sierra Leone	AGOA program and benefits eligible (AGOA beneficiary)
Somalia	SSA country but not AGOA program eligible
South Africa	AGOA program and benefits eligible (AGOA beneficiary)
South Sudan	AGOA program eligible but not an AGOA beneficiary
Sudan	SSA country but not AGOA program eligible
Tanzania	AGOA program and benefits eligible (AGOA beneficiary)
Togo	AGOA program and benefits eligible (AGOA beneficiary)
Uganda	AGOA program and benefits eligible (AGOA beneficiary)
Zambia	AGOA program and benefits eligible (AGOA beneficiary)
Zimbabwe	AGOA program eligible but not an AGOA beneficiary

Source: Compiled by USITC staff. Underlying beneficiary status can be found in appendix E, table E.1.

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Notes: AGOA country eligibility status is based on AGOA program eligibility and AGOA benefits eligibility. Additional information on eligibility status is available in appendix E, table E.1. SSA comprises the countries identified in 19 U.S.C. § 3706. For purposes of this report, countries are referred to by their names in current usage, even where different from those names in the AGOA legislation (e.g., Eswatini instead of Swaziland). Equatorial Guinea and Seychelles are not AGOA program eligible because they are no longer GSP BDCs. Two other countries, Somalia and Sudan, are not AGOA program eligible because they have never requested to join AGOA. Burundi, Cameroon, Eritrea, Ethiopia, Guinea, Mali, Mauritania, South Sudan, and Zimbabwe are AGOA program eligible but were not AGOA beneficiaries in 2022.

**Table F.2** U.S. imports for consumption of goods from AGOA beneficiary countries and their share of total U.S. imports, 2001–21

In billions of dollars and percentages. This table corresponds to figure 2.1.

<b>Year</b>	<b>Imports from AGOA beneficiaries (billion \$)</b>	<b>Share of total U.S. imports (%)</b>
2000	21.7	1.8
2001	17.3	1.5
2002	14.1	1.2
2003	20.2	1.6
2004	34.4	2.4
2005	47.0	2.8
2006	56.0	3.0
2007	64.5	3.3
2008	81.4	3.9
2009	43.9	2.8
2010	60.5	3.2
2011	72.4	3.3
2012	47.5	2.1
2013	38.2	1.7
2014	25.6	1.1
2015	19.1	0.9
2016	20.1	0.9
2017	24.9	1.1
2018	24.6	1.0
2019	20.7	0.8
2020	18.4	0.8
2021	27.3	1.0

Source: USITC DataWeb/Census, accessed July 7, 2022.

Note: The list of AGOA beneficiary countries is unique for each year, see Appendix E, table E.1.



**Table F.3** U.S. imports of goods for consumption claiming AGOA and GSP preferences, by product type, 2001–21

In billions of dollars. This table corresponds to figure 2.2.

<b>Year</b>	<b>Non crude petroleum</b>	<b>Crude petroleum</b>
2001	1.6	6.5
2002	2.5	6.5
2003	3.5	10.6
2004	4.4	22.2
2005	4.7	33.4
2006	4.5	39.7
2007	4.8	46.2
2008	6.9	59.4
2009	3.9	29.8
2010	4.7	39.6
2011	6.1	48.0
2012	6.2	28.5
2013	6.2	20.7
2014	5.6	8.7
2015	4.5	4.8
2016	4.4	5.9
2017	4.7	8.9
2018	4.4	7.7
2019	3.9	4.5
2020	3.5	0.7
2021	5.0	1.8

Source: USITC DataWeb/Census, accessed July 7, 2022.

Note: The “non-crude petroleum” category excludes HTS 4-digit heading 2709 (crude petroleum). The list of AGOA beneficiary countries is unique for each year and can be found in appendix E, table E.1. Although AGOA was enacted in 2000, trade claiming the preference did not start until 2001.

**Table F.4** U.S. imports for consumption excluding crude petroleum under AGOA and GSP, by sector and year, 2001–21

In millions of dollars. This table corresponds to figure 2.3.

Sectors	Textiles and apparel	Transportation equipment	Minerals and metals	Agricultural products	Miscellaneous manufactures	Chemicals and related products	Energy-related products excluding crude	All other sectors	All sectors
2001	359	301	319	141	33	128	279	58	1,617
2002	803	545	373	212	41	136	372	57	2,539
2003	1,202	732	413	241	59	177	603	58	3,484
2004	1,621	539	728	265	63	222	894	68	4,399
2005	1,425	274	494	272	72	329	1,784	73	4,723
2006	1,261	495	596	361	98	285	1,375	61	4,533
2007	1,271	589	796	272	77	309	1,433	64	4,810
2008	1,139	1,912	1,264	250	63	428	1,787	48	6,891
2009	918	1,436	413	290	43	263	514	49	3,928
2010	731	1,666	799	419	33	367	621	44	4,681
2011	856	2,160	1,014	408	37	472	1,055	51	6,052
2012	815	2,067	866	520	36	429	1,407	65	6,205
2013	909	2,202	820	455	43	378	1,297	81	6,184
2014	991	1,452	963	493	56	382	1,169	71	5,576
2015	993	1,525	608	481	77	368	333	70	4,454
2016	1,010	1,649	546	486	115	277	241	79	4,404
2017	1,034	1,325	848	553	139	322	366	86	4,671
2018	1,220	697	817	599	164	488	331	99	4,415
2019	1,405	497	523	656	165	434	137	95	3,911
2020	1,191	651	336	627	253	328	45	60	3,491
2021	1,384	948	899	717	450	398	133	51	4,979

Source: USITC DataWeb/Census, accessed July 7, 2022.

Note: Data excluded for crude are based on HTS 4-digit heading 2709. Sectors are sorted by total U.S. imports from 2001–21. The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1. The other category includes electronic products, footwear, forest products, and machinery, which made up 3.1 percent of U.S. imports claiming the AGOA preference in 2021.

**Table F.5** AGOA apparel provision beneficiary status, 2022

3CF = third-country fabric; SSA=sub-Saharan Africa. This table corresponds to figure 31.

<b>SSA country</b>	<b>Apparel provision beneficiary status</b>
Angola	Eligible for apparel benefits, including 3CF
Benin	Eligible for apparel benefits, including 3CF
Botswana	Eligible for apparel benefits, including 3CF
Burkina Faso	Not an AGOA beneficiary
Burundi	Eligible for apparel benefits, including 3CF
Cabo Verde	Not an AGOA beneficiary
Cameroon	Other AGOA beneficiaries
Central African Republic	Eligible for apparel benefits, including 3CF
Chad	Other AGOA beneficiaries
Comoros	Other AGOA beneficiaries
Congo, Republic	Other AGOA beneficiaries
Congo, Democratic Republic	Eligible for apparel benefits, including 3CF
Côte d'Ivoire	Other AGOA beneficiaries
Djibouti	Not an AGOA beneficiary
Equatorial Guinea	Not an AGOA beneficiary
Eritrea	Eligible for apparel benefits, including 3CF
Eswatini	Not an AGOA beneficiary
Ethiopia	Other AGOA beneficiaries
Gabon	Other AGOA beneficiaries
Gambia	Eligible for apparel benefits, including 3CF
Ghana	Not an AGOA beneficiary
Guinea	Other AGOA beneficiaries
Guinea-Bissau	Eligible for apparel benefits, including 3CF
Kenya	Eligible for apparel benefits, including 3CF
Lesotho	Eligible for apparel benefits, including 3CF
Liberia	Eligible for apparel benefits, including 3CF
Madagascar	Eligible for apparel benefits, including 3CF
Malawi	Not an AGOA beneficiary
Mali	Not an AGOA beneficiary
Mauritania	Eligible for apparel benefits, including 3CF
Mauritius	Eligible for apparel benefits, including 3CF
Mozambique	Eligible for apparel benefits, including 3CF
Namibia	Other AGOA beneficiaries
Niger	Eligible for apparel benefits, including 3CF
Nigeria	Other AGOA beneficiaries
Rwanda	Other AGOA beneficiaries
São Tomé & Príncipe	Eligible for apparel benefits, including 3CF
Senegal	Not an AGOA beneficiary
Seychelles	Eligible for apparel benefits, including 3CF
Sierra Leone	Not an AGOA beneficiary
Somalia	Eligible for apparel benefits, not including 3CF
South Africa	Not an AGOA beneficiary
South Sudan	Not an AGOA beneficiary
Sudan	Eligible for apparel benefits, including 3CF
Tanzania	Eligible for apparel benefits, including 3CF
Togo	Eligible for apparel benefits, including 3CF
Uganda	Eligible for apparel benefits, including 3CF
Zambia	Not an AGOA beneficiary
Zimbabwe	Eligible for apparel benefits, including 3CF

Source: Compiled by USITC staff.

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Notes: Additional information on eligibility status is available in appendix E, table E.1. This map does not reflect the status of AGOA beneficiaries' apparel benefits with regard to the AGOA folklore provision. For purposes of this report, countries are referred to by their names in current usage, even where different from those names in the AGOA legislation (e.g., Eswatini instead of Swaziland).

**Table F.6** Apparel exports from Madagascar by destination market, 2000–2021

In millions of U.S. dollars. This table corresponds to figures 3.3 and ES.3.

Year	United States	All other export destinations	Total exports
2000	110	247	356
2001	178	250	428
2002	89	137	226
2003	196	151	347
2004	323	209	533
2005	277	238	515
2006	238	316	554
2007	290	374	663
2008	279	363	642
2009	212	328	540
2010	55	298	353
2011	40	400	439
2012	43	425	468
2013	21	519	540
2014	20	520	540
2015	51	502	553
2016	104	537	641
2017	160	558	718
2018	199	627	825
2019	245	588	833
2020	200	468	669
2021	283	536	819

Source: S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed January 7, 2023.

Note: Many sub-Saharan African (SSA) countries do not reliably report export data in the GTA database. Therefore, the data shown for SSA exports in this figure have been constructed using all reporting countries imports from SSA countries in the GTA database (mirror constructed export statistics data).

**Table F.7** Sub-Saharan African exports of apparel, by destination, 2014–21

In millions of U.S. dollars; SSA=sub-Saharan Africa. This table corresponds to figure 3.4.

Year	United States	European Union	Intra-SSA	All other export markets	Grand Total
2014	1,022	581	913	433	2,949
2015	1,016	505	882	418	2,821
2016	1,030	558	864	346	2,797
2017	1,049	582	916	359	2,906
2018	1,241	634	942	397	3,214
2019	1,435	608	773	349	3,164
2020	1,215	516	695	262	2,688
2021	1,425	521	788	274	3,009

Source: S&P Global, Global Trade Analytic Suite (GTAS) database, HS chapters 61 and 62, accessed January 7, 2023.

Note: Many Sub-Saharan African (SSA) countries do not reliably report export data. Therefore, SSA exports are represented by global imports from SSA countries (mirror data). The following countries comprise the European Union: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.

**Table F.8** U.S. imports for consumption of apparel claiming AGOA preferences, 2001–21

In millions of U.S. dollars; n.d.= no data. MFA = Multifiber Arrangement; ATC = Agreement on Textiles and Clothing; 3CF = third-country fabric; WRO = Withhold Release Order; WTO = World Trade Organization; MOU = memorandum of understanding. This table corresponds to figure 3.5.

Year	Imports under AGOA (million \$)	Imports from AGOA beneficiaries (million \$)	Events
2001	0	939	First country eligible for apparel benefits
2002	356	1,090	n.d.
2003	799	1,506	n.d.
2004	1,196	1,753	Apparel provisions extended
2005	1,615	1,461	Quota phase-outs under MFA and ATC complete
2006	1,419	1,289	Apparel provisions extended
2007	1,256	1,293	Apparel provisions set to expire
2008	1,267	1,151	China MOU in effect
2009	1,137	922	n.d.
2010	914	735	Madagascar loses AGOA and apparel benefits
2011	726	865	n.d.
2012	855	823	Apparel provisions extended
2013	813	916	n.d.
2014	904	1,021	n.d.
2015	986	1,013	Apparel provisions extended
2016	988	1,028	n.d.
2017	1,005	1,048	n.d.
2018	1,029	1,241	n.d.
2019	1,214	1,435	Section 301 duties applied to Chinese apparel imports (Tranche 4A)
2020	1,399	1,215	Covid-19 Pandemic
2021	1,185	1,425	WRO on cotton products from Xinjiang, China
2022	1,376	939	Ethiopia loses AGOA and apparel benefits

Source: Compiled by USITC using USITC DataWeb/Census, HS chapters 61 and 62, accessed October 4, 2022; 66 Fed. Reg. 7836 (January 5, 2001) (Kenya); WTO News, "WTO Successfully Concludes," September 17, 2001; Pub. L. No. 106-200, § 112(b)(3)(B)(i), 114 Stat. 259 (2000) (3CF set to expire September 30, 2004); Pub. L. No. 108-274, § 7(b), 118 Stat. 824 (2004) (3CF extended to September 30, 2007); Pub. L. No. 109-432, § 6002, 120 Stat. 3190 (2006) (3CF extended to September 30, 2012); Pub. L. No. 112-163, § 1, 126 Stat. 1274 (2012) (3CF extended to September 30, 2015); Pub. L. No. 114-27, § 103, 129 Stat. 364 (2015) (3CF extended to September 30, 2025); Jones, Safeguards on Textile and Apparel, June 30, 2006; Proclamation No. 8468, 74 Fed. Reg. 69229 (December 30, 2009)(Madagascar loss of benefits); Proclamation No. 8323, 73 Fed. Reg. 72679 (November 28, 2008) (Mauritius gains 3CF provision); CBP, "CBP Issues Withhold Release Order," January 13, 2022; Pub. L. No. 117-78, § 3, 135 Stat. 1529 (2021); CDC, "CDC COVID-19 Museum Timeline," August 16, 2022; Proclamation No. 10326, 86 Fed. Reg. 73593 (December 28, 2021) (Ethiopia loss of benefits).

**Table F.9** Sub-Saharan African cotton production, by country, marketing year 2021/22

In 1,000 bales. This table corresponds to figures 4.2 and ES.4.

Country	Production, 2021/2022
Mali	1,430
Benin	1,420
Côte d'Ivoire	1,050
Burkina Faso	960
Cameroon	640
Sudan	600
Nigeria	350
Chad	300
Tanzania	255
Ethiopia	240
Zimbabwe	215
Uganda	170
Mozambique	115
Togo	95
Malawi	90
South Africa	65
Zambia	45
Senegal	40
Central African Republic	36
Madagascar	30
Ghana	28
Guinea	18
Democratic Republic of the Congo	15
Niger	9
Somalia	7
Angola	5
Kenya	5
Lesotho	0
Mauritius	0

Source: Compiled by USITC staff from USDA, FAS, PSD, accessed November 3, 2022. Information on AGOA benefits eligibility status appears in appendix E, table E.1.

Note: Bales are based on a 480 pounds equivalent basis; marketing year is August–July. Somalia, Sudan, and Zimbabwe have never been AGOA beneficiaries. Cameroon lost AGOA beneficiary status in January 2020. The Democratic Republic of the Congo regained AGOA beneficiary status in January 2021. Mali, Ethiopia, and Guinea lost AGOA beneficiary status as of January 2022 and Burkina Faso lost AGOA beneficiary status in January 2023.

**Table F.10** Production of cotton in sub-Saharan Africa, by region, marketing year 2014/15–2021/22

In 1,000 bales. This table corresponds to figure 4.3.

Country or region	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
West Africa	4,527	3,659	4,562	5,084	5,022	5,149	4,278	5,400
Central Africa	852	828	867	578	685	914	968	991
East Africa	738	746	918	1,058	1,285	1,627	1,237	1,277
Southern Africa	806	456	609	823	774	629	601	565

Source: USDA, PSD, accessed November 3, 2022.

Note: Bales are based on 480 pounds-equivalent basis; marketing year is August–July. Region groupings are as defined by the African Development Bank. West Africa includes Benin, Burkina Faso, Côte d'Ivoire, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, and Togo. East Africa includes Ethiopia, Kenya, Somalia, Sudan, Tanzania, and Uganda. Central Africa includes Cameroon, Central African Republic, Chad, and the Democratic Republic of Congo. Southern Africa includes Angola, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, South Africa, Zambia, and Zimbabwe.

**Table F.11** African cocoa bean producing and cocoa grinding countries and AGOA-eligibility status, 2021

This table corresponds to figure 5.2.

SSA country	Status
Angola	Non cocoa producer or grinder
Benin	Non cocoa producer or grinder
Botswana	Non cocoa producer or grinder
Burkina Faso	Non cocoa producer or grinder
Burundi	Non cocoa producer or grinder
Cabo Verde	Non cocoa producer or grinder
Cameroon	Non-AGOA beneficiary cocoa producer and grinder
Central African Republic	Non cocoa producer or grinder
Chad	Non cocoa producer or grinder
Comoros	Non cocoa producer or grinder
Congo, Republic	AGOA beneficiary cocoa producer
Congo, Democratic Republic	AGOA beneficiary cocoa producer
Côte d'Ivoire	AGOA beneficiary cocoa producer and grinder
Djibouti	Non cocoa producer or grinder
Eritrea	Non cocoa producer or grinder
Eswatini	Non cocoa producer or grinder
Ethiopia	Non cocoa producer or grinder
Gabon	AGOA beneficiary cocoa producer
Gambia	Non cocoa producer or grinder
Ghana	AGOA beneficiary cocoa producer and grinder
Guinea	Non-AGOA beneficiary cocoa producer
Guinea-Bissau	Non-AGOA beneficiary cocoa producer
Kenya	Non cocoa producer or grinder
Lesotho	Non cocoa producer or grinder
Liberia	AGOA beneficiary cocoa producer
Madagascar	AGOA beneficiary cocoa producer
Malawi	Non cocoa producer or grinder
Mali	Non cocoa producer or grinder
Mauritania	Non cocoa producer or grinder
Mauritius	Non cocoa producer or grinder
Mozambique	Non cocoa producer or grinder
Namibia	Non cocoa producer or grinder
Niger	Non cocoa producer or grinder
Nigeria	AGOA beneficiary cocoa producer and grinder
Rwanda	Non cocoa producer or grinder
São Tomé & Príncipe	AGOA beneficiary cocoa producer
Senegal	Non cocoa producer or grinder
Sierra Leone	AGOA beneficiary cocoa producer
Somalia	Non cocoa producer or grinder
South Africa	Non cocoa producer or grinder
South Sudan	Non cocoa producer or grinder
Sudan	Non cocoa producer or grinder
Tanzania	AGOA beneficiary cocoa producer
Togo	AGOA beneficiary cocoa producer
Uganda	AGOA beneficiary cocoa producer
Zambia	Non cocoa producer or grinder
Zimbabwe	Non cocoa producer or grinder

Source: Compiled by USITC staff using ICCO data; for AGOA beneficiary status, see Appendix E, table E.1.

Note: FAO STAT data indicate that Angola, Benin, Central African Republic, and Comoros produce small volumes of cocoa (&lt; 0.01 percent of global production).

**Table F.12** Sub-Saharan African exports of cocoa beans and processed cocoa products, by top exporter, cocoa years 2014/15 to 2021/21

In thousand metric tons. This table corresponds to figures 5.3 and ES.5.

Cocoa Year	Côte d'Ivoire	Ghana	Nigeria	Cameroon	All others	All SSA exporters
2014/15	1,646	776	126	227	107	2,883
2015/16	1,445	739	193	201	144	2,721
2016/17	2,016	794	333	268	131	3,541
2017/18	1,869	734	237	227	93	3,159
2018/19	2,086	788	355	264	112	3,606
2019/20	2,024	677	215	221	118	3,255
2020/21	2,180	768	326	259	167	3,701

Source: ICCO, Cocoa statistics, accessed July 15, 2022.

Note: Top sub-Saharan African exporters are shown individually based on their ranking in 2020/21. Côte d'Ivoire, Ghana, and Nigeria were AGOA beneficiaries for the entirety of 2014–21. Cameroon lost AGOA beneficiary status in 2020. All others comprises both AGOA beneficiaries and non-beneficiaries. The list of AGOA beneficiary countries is unique for each year, see figure 5.2 and appendix E, table E.1. The cocoa year is October 1 to September 30.

**Table F.13** Value of U.S. imports for consumption of cocoa and processed cocoa products from AGOA beneficiary countries, by product, 2014–21

In millions of U.S. dollars. This table corresponds to figure 5.4.

Year	Cocoa beans	Cocoa paste	Cocoa butter	Cocoa powder	All cocoa products
2014	959	147	77	21	1,203
2015	982	99	45	18	1,144
2016	1,027	189	31	27	1,273
2017	968	164	20	13	1,164
2018	743	159	12	17	931
2019	677	197	20	17	911
2020	662	291	8	15	975
2021	960	283	20	17	1,280

Source: USITC DataWeb/Census; HS headings 1801, 1803, 1804, and 1805; accessed July 7, 2022.

Note: HS heading 1801 is cocoa beans, 1803 is cocoa paste, 1804 is cocoa butter, and 1805 is cocoa powder. The list of AGOA beneficiary countries is unique for each year, see Appendix E, table E.1.

**Table F.14** Sub-Saharan African exports of chemicals, by top exporter, 2014–21

In millions of U.S. dollars. This table corresponds to figure 6.2.

Year	South Africa	Côte d'Ivoire	Namibia	Nigeria	Senegal	All other exporters	All exporters
2014	8,233	827	284	201	154	2,974	12,673
2015	6,985	744	384	181	179	2,549	11,022
2016	6,196	829	252	180	320	2,135	9,912
2017	6,844	1,293	258	342	534	2,344	11,615
2018	7,577	1,167	386	468	604	2,596	12,798
2019	6,039	1,278	484	414	469	1,994	10,677
2020	6,641	1,447	572	195	334	2,265	11,454
2021	6,549	1,882	612	568	485	2,529	12,626

Source: S&amp;P Global, Global Trade Analytic Suite (GTAS) database; HS chapters 28–40; accessed October 6, 2022.

Note: Top sub-Saharan African (SSA) exporters are shown individually based on their ranking in 2021. All listed countries were AGOA beneficiaries for 2014–21. Other exporters comprises both AGOA beneficiaries and non-beneficiaries. The list of AGOA beneficiary countries is unique for each year, see appendix E, table E.1. Many SSA countries do not reliably report export data. Therefore, SSA exports are represented by global imports from SSA countries (mirror data).



**Table F.15** U.S. imports for consumption of chemicals from South Africa under AGOA and GSP, by top product, 2014–21

In millions of U.S. dollars; GSP= U.S. Generalized System of Preferences. This table corresponds to figures 6.3 and ES.6.

Country	Certain precious			Butanone	Industrial fatty alcohols	All other products
	Vanadium pentoxide	metal compounds	Other carbides			
2014	21	4	23	40	46	246
2015	23	20	21	35	42	225
2016	9	10	23	21	48	164
2017	24	33	39	30	63	129
2018	50	55	78	40	58	205
2019	45	26	92	30	67	172
2020	12	63	26	28	57	139
2021	21	26	47	34	71	186

Source: USITC DataWeb/Census, HS chapters 28–40, accessed July 7, 2022. Top individual statistical reporting numbers shown are based on import values in 2021. The statistical reporting numbers are as follows: 3823.70.6000 Industrial fatty alcohols; 2849.90.5000 Other carbides; 2914.12.0000 Butanone; 2843.90.0000 Certain precious metal compounds; 2825.30.0010 Vanadium pentoxide.

**Table F.16** AGOA utilizations rates excluding crude petroleum, by country, 2021

In percentages. This table corresponds to figure ES.2

Country	Utilization rate
Comoros	0.0
Botswana	0.0
Angola	0.0
Republic of the Congo	2.2
Central African Republic	3.2
Chad	3.4
Sierra Leone	5.7
Liberia	7.5
Niger	7.6
Burkina Faso	11.6
Guinea	30.3
Mali	30.4
São Tomé and Príncipe	31.2
Gabon	31.5
Nigeria	37.1
Mauritius	51.7
Djibouti	54.4
Rwanda	59.2
Gambia	77.1
Togo	80.7
Mozambique	83.9
Eswatini	83.9
Average	84.6
Ghana	84.8
Côte d'Ivoire	86.5
Ethiopia	87.1
South Africa	88.6
Namibia	90.9
Tanzania	91.0
Madagascar	92.3
Cabo Verde	92.5
Uganda	94.3
Malawi	96.2
Guinea-Bissau	96.5
Senegal	97.1
Kenya	97.1
Benin	97.8
Democratic Republic of the Congo	97.9
Lesotho	98.5
Zambia	99.7

Source: DataWeb/Census, accessed November 10, 2022.

Note: AGOA utilization rates are calculated by dividing the value of U.S. imports for consumption under AGOA excluding crude by the value of U.S. imports for consumption of AGOA-eligible products, excluding crude. Utilization rates are only calculated in years a country is an AGOA beneficiary. The list of AGOA beneficiary countries is unique for each year, see Appendix E, table E.1. Utilization rates are not calculable in years with no U.S. imports.

# Appendix G Supplemental Tables



**Table G.1** AGOA utilization rates excluding crude petroleum, by country, 2014–21

In percentages; — = not applicable; n.c. = not calculable.

Country	2014	2015	2016	2017	2018	2019	2020	2021	Average
Angola	62.1	3.5	1.0	16.7	53.6	59.5	0.1	0.0	24.6
Benin	n.c.	0.0	64.9	98.3	99.4	52.2	81.7	97.8	70.6
Botswana	100.0	98.4	98.5	99.5	0.0	0.9	0.0	0.0	49.6
Burkina Faso	24.5	28.2	77.7	88.4	81.2	92.9	98.9	11.6	62.9
Burundi	n.c.	n.c.	—	—	—	—	—	—	n.c.
Cabo Verde	85.1	75.3	44.0	69.8	51.9	89.3	95.2	92.5	75.4
Cameroon	22.9	0.3	28.5	35.4	21.4	23.2	—	—	21.9
Central African Republic	—	—	—	0.0	0.0	86.2	42.9	3.2	26.4
Chad	0.0	0.2	0.0	0.0	0.0	0.0	0.0	3.4	0.4
Comoros	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Congo, Republic	95.8	52.2	10.2	2.2	18.0	19.9	2.2	2.2	25.3
Congo, Democratic Republic	—	—	—	—	—	—	—	97.9	97.9
Côte d'Ivoire	0.5	44.7	81.9	49.7	44.8	31.5	95.9	86.5	54.4
Djibouti	90.6	100.0	32.7	88.7	86.6	81.9	57.5	54.4	74.0
Eswatini	99.4	—	—	—	84.8	73.5	92.8	83.9	86.9
Ethiopia	98.5	97.2	96.8	96.2	79.3	77.3	89.2	87.1	90.2
Gabon	15.7	36.0	1.2	1.2	0.0	60.8	44.1	31.5	23.8
Gambia	88.8	—	—	—	52.3	55.0	62.9	77.1	67.2
Ghana	96.5	62.6	96.5	56.4	97.1	46.7	82.2	84.8	77.8
Guinea	0.0	18.6	47.4	17.7	29.4	33.5	19.5	30.3	24.5
Guinea-Bissau	—	n.c.	n.c.	0.0	0.0	n.c.	nc.	96.5	32.2
Kenya	97.8	98.8	98.1	97.9	98.0	98.4	97.5	97.1	98.0
Lesotho	99.5	99.9	99.6	99.5	99.1	98.8	99.1	98.5	99.2
Liberia	0.0	0.0	46.9	54.6	60.1	8.6	4.0	7.5	22.7
Madagascar	1.0	75.9	88.0	92.4	94.0	93.3	92.2	92.3	78.6
Malawi	96.9	98.8	99.0	99.4	96.7	96.1	97.6	96.2	97.6
Mali	38.5	17.3	39.2	43.8	28.4	14.3	9.4	30.4	27.7
Mauritania	0.0	0.0	30.5	0.0	0.0	—	—	—	6.1
Mauritius	81.1	80.6	79.2	78.7	72.5	66.4	62.5	51.7	71.6
Mozambique	94.7	99.1	96.1	94.4	81.9	93.1	29.8	83.9	84.1
Namibia	0.0	0.0	66.8	52.5	64.9	70.6	77.5	90.9	52.9
Niger	2.8	0.0	2.4	2.5	0.5	3.1	0.2	7.6	2.4
Nigeria	59.0	61.9	54.6	49.2	37.3	30.9	23.7	37.1	44.2
Rwanda	69.8	74.0	77.3	99.2	81.1	98.1	80.5	59.2	79.9
São Tomé & Príncipe	0.0	n.c.	50.9	26.3	14.0	10.8	11.7	31.2	20.7
Senegal	10.4	67.3	85.8	91.3	96.9	82.8	97.2	97.1	78.6
Seychelles	0.0	0.0	3.7	—	—	—	—	—	1.2
Sierra Leone	2.3	0.0	18.4	28.6	5.2	1.4	7.5	5.7	8.6
South Africa	96.6	96.9	95.4	95.8	89.3	87.3	89.0	88.6	92.4
Tanzania	98.9	99.7	98.5	98.0	96.8	95.1	85.8	91.0	95.5
Togo	1.6	1.1	26.6	44.7	2.5	36.8	46.4	80.7	30.1
Uganda	47.8	30.8	83.8	66.2	84.4	92.5	98.1	94.3	74.7
Zambia	71.8	84.9	86.0	97.9	92.0	96.3	75.1	99.7	88.0
All countries	79.0	81.4	85.9	84.4	79.4	79.8	82.7	84.6	82.1

Source: USITC DataWeb/Census, accessed November 10, 2022.

Note: AGOA utilization rates are calculated by dividing the value of U.S. imports for consumption under AGOA excluding crude by the value of U.S. imports for consumption of AGOA-eligible products, excluding crude. Utilization rates are only calculated in years a country is an AGOA beneficiary. The list of AGOA beneficiary countries is unique for each year, see Appendix E, table E.1. Utilization rates are not calculable in years with no U.S. imports.

## African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights

**Table G.2** U.S. imports of AGOA products excluding crude from AGOA beneficiaries with national AGOA strategies, value by year and percent change, 2014–21

Imports in U.S. dollars; change in percentage; — = not applicable.

Country	2014	2015	2016	2017	2018	2019	2020	2021	Change (2014–21)
Zambia	49,686	312,324	2,114,222	7,999,428	131,812,892	5,797,466	1,108,669	116,268,977	233907.5
Senegal	270,928	23,097,938	1,751,220	9,638,172	34,651,626	62,002,481	47,550,382	58,984,724	21671.4
Namibia	109,972	436,373	2,194,417	4,347,950	2,642,865	6,366,915	12,059,828	11,110,381	10002.9
Ghana	57,207,044	15,414,840	68,615,531	405,961,788	359,972,776	662,079,223	421,122,991	1,435,277,757	2408.9
Rwanda	298,174	588,467	2,583,894	4,593,234	6,706,637	4,252,464	5,326,550	5,546,805	1760.3
Madagascar	21,393,557	52,605,199	110,279,148	168,276,251	206,691,180	257,238,641	213,752,668	302,852,366	1315.6
Mozambique	846,715	498,250	24,477,108	18,826,001	9,794,449	9,147,561	39,540,840	10,838,331	1180.0
Ethiopia	36,241,768	42,239,820	71,327,931	96,561,334	200,680,068	320,519,973	275,181,072	318,032,044	777.5
Mali	105,677	115,647	348,453	587,652	580,435	699,576	941,093	761,768	620.8
Sierra Leone	482,171	193,482	4,011,431	3,329,645	28,658,333	9,975,197	2,398,624	2,742,219	468.7
Togo	167,442	1,403,628	513,367	518,896	1,412,942	543,846	796,414	783,290	367.8
Tanzania	17,675,689	28,240,522	38,047,348	41,690,251	44,265,093	58,152,263	46,808,688	36,293,386	105.3
Kenya	426,539,364	433,278,794	403,904,747	416,446,240	479,815,079	526,788,151	449,343,496	538,120,434	26.2
Lesotho	290,465,829	299,689,495	296,498,816	291,823,747	322,578,361	305,194,205	259,142,626	296,219,817	2.0
Malawi	59,251,718	41,684,317	52,060,916	43,565,552	41,619,049	53,762,454	35,354,237	32,450,925	-45.2
Mauritius	268,929,021	257,045,991	253,583,636	202,807,173	217,557,644	216,531,000	145,590,902	129,151,754	-52.0
Eswatini	59,456,294	—	—	—	8,638,360	13,199,140	18,279,074	20,393,522	-65.7

Source: USITC DataWeb/Census, accessed November 10, 2022; Tralac, “National AGOA Strategies,” accessed January 19, 2023; USITC, U.S. Trade and Investment with Sub-Saharan Africa: Recent Trends and New Developments, March 2020, 305.

Note: The list of AGOA beneficiary countries is unique for each year, see Appendix E, table E.1. Eswatini was not an AGOA beneficiary from 2015 to 2017.

**Table G.3** Ratio of U.S. imports claiming AGOA preferences excluding petroleum and the number of workers in each country, by country, 2014–21

In dollars per capita; — = not applicable; \*\* = rounds to zero.

Country	2014	2015	2016	2017	2018	2019	2020	2021
Lesotho	327.7	335.5	327.9	318.9	347.1	324.1	279.8	313.4
South Africa	85.2	80.9	130.5	131.3	105.4	85.5	88.5	118.9
Mauritius	367.9	344.5	336.3	264.3	262.5	235.8	152.9	111.3
Eswatini	173.1	—	—	—	20.4	26.7	47.8	46.8
Kenya	20.7	20.6	18.4	18.3	20.5	21.9	18.2	20.9
Madagascar	**	3.3	7.7	11.9	14.5	17.3	14.1	19.3
Cabo Verde	1.6	2.4	2.7	3.5	4.0	8.8	9.5	15.1
Zambia	**	**	0.3	1.1	17.1	0.8	0.1	14.8
Senegal	**	4.1	0.4	2.2	8.2	12.2	10.9	13.0
Namibia	0.0	0.0	1.6	2.5	1.9	4.8	10.0	10.6
Côte d'Ivoire	0.1	0.1	9.1	13.0	16.8	7.5	8.1	8.4
Congo, Democratic Republic	—	—	—	—	—	—	—	6.6
Ghana	0.3	0.8	5.4	3.6	5.4	5.0	5.2	6.6
Ethiopia	0.8	0.9	1.4	1.8	3.0	4.6	4.6	5.0
Gabon	21.7	20.2	0.7	0.6	0.0	1.9	5.9	4.9
Malawi	8.3	5.8	7.0	5.7	5.1	6.3	4.2	3.7
Nigeria	10.3	4.8	3.7	5.3	2.8	1.1	0.8	2.6
Tanzania	0.8	1.2	1.5	1.6	1.6	2.0	1.4	1.1
Djibouti	2.0	2.3	0.4	6.3	1.1	1.5	2.3	1.1
São Tomé & Príncipe	0.0	0.0	0.8	1.1	0.9	0.9	0.1	0.8
Mozambique	0.1	**	1.3	0.8	0.6	0.6	0.9	0.6
Uganda	**	**	0.1	0.1	0.3	0.3	0.4	0.6
Rwanda	**	0.1	0.3	0.8	0.9	0.7	0.7	0.5
Gambia	**	—	—	—	**	0.2	0.1	0.3
Togo	**	**	0.1	0.1	**	0.1	0.1	0.2
Congo, Republic	125.4	13.9	1.9	0.3	11.2	2.7	1.0	0.2
Benin	0.0	0.0	**	**	0.4	**	0.2	0.2
Guinea-Bissau	—	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Guinea	0.0	**	0.1	**	**	**	0.0	0.1
Sierra Leone	**	0.0	0.3	0.4	0.6	0.1	0.1	0.1
Mali	**	**	**	**	**	**	**	**
Burkina Faso	**	**	0.1	0.2	0.1	0.4	0.2	**
Niger	**	0.0	**	**	**	**	**	**
Liberia	0.0	0.0	0.1	**	**	**	**	**
Chad	0.0	**	0.0	0.0	0.0	0.0	0.0	**
Central African Republic	—	—	0.0	0.0	0.0	0.1	**	**
Angola	31.2	0.9	0.1	1.7	2.7	4.1	**	0.0
Botswana	11.7	10.0	5.7	1.1	0.0	**	0.0	0.0
Comoros	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cameroon	2.4	**	2.5	1.8	1.5	1.7	—	—
Mauritania	0.0	0.0	**	0.0	—	—	—	—
Burundi	0.0	0.0	—	—	—	—	—	—

Source: USITC DataWeb/Census, accessed November 10, 2022; World Bank, World Development Indicators Database, last updated September 16, 2022.

Note: The list of AGOA beneficiary countries is unique for each year, see Appendix E, table E.1. Labor data is not available for Seychelles.

