



The African Growth and Opportunity Act

Accessing its Benefits



7 Myths of AGOA

- ◆ **Myth #1: AGOA is a measure designed to benefit primarily multinational companies.**
- ◆ **Myth #2: The requirements of AGOA are onerous and intrusive.**
- ◆ **Myth #3: AGOA poses a threat to American aid programs in Africa.**
- ◆ **Myth #4: AGOA is merely a government-to-government trade process.**
- ◆ **Myth #5: Textiles are the prime benefit to African producers under AGOA.**
- ◆ **Myth #6: AGOA ignores concerns over labor and environment issues.**
- ◆ **Myth #7: AGOA benefits are available to countries outside Africa.**

Key Participation Requirements

- **Private property rights – investors want to own property they invest in**
- **Rules-based trading system – rules of trade must be consistent with international norms**
- **Government interference/ownership – too much government involvement in the economy crowds out the private sector**
- **Rule of law/democracy – civil and human rights must be respected**





- **National treatment – foreign and local investors must operate under the same rules**
- **Intellectual property rights – protections must be in place for knowledge-based products and services**
- **Workers rights – internationally-recognized labor standards must be respected**
- **National security – in addition to terrorism and crime, could also include the unchecked spread of disease**



Financing under AGOA

- AGOA created two equity funds: a \$150 million fund to provide investment in African enterprises and a \$350 million fund for infrastructure projects.
- Modern Africa Fund Managers are managing the US\$150 million equity fund, which is almost totally committed.
- Modern Africa investments usually come from inquiries from established companies looking to expand their operations.



- Deals are usually in the range of \$3-8 million. The largest such investment thus far is approximately \$16.2 million.
- There may be additional funds available sometime in 2002, but African companies seeking investment are urged to apply quickly by fax at 1-202-887-1788 or by e-mail at info@modernafrica.com
- The US\$350 infrastructure fund was recently moved to Millennium Fund Managers and is not yet operational.

Duty-free Items under AGOA

- There are more than 4600 items eligible under the regular GSP
- Nearly 1900 more items are duty-free under the enhanced GSP in AGOA
- No other region in the world has as many duty-free items available





Textiles under AGOA

- Under AGOA, participating African nations can export into the United States duty free: apparel cut and assembled in beneficiary countries from American fabric, fabric from the exporting country or regional fabric from another African country.
- Benefits began in October of 2000 and end in September 2007.
- During this period, the percentage of African textiles and apparel is not to exceed 3.5% of all textile and apparel imports into the United States by the end of the eligible period, unless legislation pending before the U.S. Congress doubles the quota.



- Madagascar's exports of knit and woven apparel to the U.S. increased approximately 137% in the first year of AGOA, and it is estimated that the country's textile industry could employ more than 70,000 workers by the year 2005 given peaceful circumstances.