THE EFFECTS OF THE AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA): Evidence from NIGERIA AND SOUTH AFRICA EXPORTS

by

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ABSTRACT

The African Growth and Opportunity Act was signed into law on May 18, 2000, as a Title One of the Trade and Development Act of 2000. Among other things, it was supposed to provide reforming African countries with the most liberal access to the U.S market that is available to any country or region with which the United States does not have a previous free market agreement. The following research work analyzes the trade data between two Sub-Saharan African countries (Nigeria and South Africa) and the United States. Twenty years' trade data between the two African countries and the United States were obtained from the U.S International Trade Data. The data were divided into Pre- AGOA (1990-1999), ten years' trade before the trade act, and Post-AGOA (2001-2010), ten years after the trade act. The division of the data was done in order to ascertain the direction of trade before and after the act to determine if the trade Act had any significant effect on either country's export. The analysis of the data shows that export from both countries to the United States rose substantially with a rise of 312% in mean difference between pre-AGOA and post-AGOA Nigeria and 193.66% between pre-AGOA and post-AGOA South Africa. Furthermore, South Africa recorded a continuous, positive trade balance over the ten years after AGOA, unlike the nine years' trade deficit it recorded in pre-AGOA. Based on the results of the analysis, it was concluded that it was imperative to extend the trade act beyond its expiration of 2015 in order to support and encourage more trade openings between the two countries and the United States.

CHAPTER I

INTRODUCTION

The historical pattern of contemporary Africa's economic growth provides insight to help understand Africa's current economic situation and policy options. Between 1960 and 1973, the period immediately following independence in most African countries, economic growth was reasonably strong in much of Sub-Saharan Africa. However, the subsequent two decades were a period of stagnation or decline for most countries. The consequence of the long period of stagnation for a large number of African economies combined with high population growth rates is that little or no progress has been made in raising the standards of living in these countries. Many African countries have experienced a decrease in the standard of living. However, following the end of apartheid era in South Africa in the early 1990's, the United States of America sought to increase economic relations with sub-Saharan Africa. Former President Bill Clinton instituted several measures that dealt with investment, debt relief and trade. Congress required the president to develop a trade and development policy for Africa because the economic challenges facing Africa were too serious at this time, unlike the period from 1960-1973 when economic growth in Sub-Saharan Africa was strong. Since 1973, the countries of Sub-Saharan Africa have grown at rates below other developing countries. With the era of apartheid past, several measures were instituted to help Sub-Saharan African regions and also increase trade and investment. In 1994, former

President Clinton announced a 600 million USD aid and investment in South Africa. In 1997, he proposed the partnership for economic growth and opportunity in Africa, which offered different levels of economic reform measures in Sub-Saharan African relations to the United States of America. The African growth and opportunity Act (AGOA) was signed into law on May 18th as Title One of the Trade and Development Act 2000. This trade act was specifically to offer incentives to sub-Saharan African countries to continue their efforts to open up their economies, to build free markets and to improve economic relations between the United States and the Sub-Saharan region. It intends to provide most liberal access to the U.S market available to any country or region with which the U.S does not have a previous free market agreement. It reinforces African reform efforts, provides access to U.S credit and technical expertise and establishes a high-level dialogue on trade and investment in the form of a U.S – Sub-Saharan African trade and Economic forum. However, AGOA was also designed to benefit U.S firms by creating tangible incentives for Sub-Saharan Africa countries to implement economic and commercial reform policies that will contribute to better market opportunities and stronger commercial partners in Africa for U.S companies and integrate Africa into the global economy by giving U.S firms new opportunities in privatizations of African-State owned enterprises or in partnership with African companies in infrastructure projects.

1.1 Country Eligibility

It should be noted that not all of the forty-eight Sub-Saharan African countries are eligible members of AGOA even though it was designed to allow for the largest possible number of Sub-Saharan African countries the opportunity to take advantage of it. At inception, there were thirty-four eligible countries for the trade benefits of AGOA. The trade act authorizes the U.S president to designate countries as eligible to receive the benefits of AGOA if they are determined to have established or making continual progress toward establishing the following: market-based economies, the rule of law and political pluralism, elimination of barriers to U.S trade and investment, protection of intellectual property, efforts to combat corruption, policies to reduce poverty, increasing availability of health care and educational opportunities, protection of human rights and workers' rights and elimination of certain child labor practices. Presently in 2012, there are forty-one AGOA eligible member countries: **Angola, Benin Republic, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Chad, Comoros, Congo (ROC), Djibouti, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sudan, South Sudan, Seychelles, Sierra-Leone, South Africa, Swaziland, Tanzania, Togo, Uganda and Zambia.**

It should be noted that the Trade and investment Act has been amended several times, resulting in AGOA I, AGOA II, AGOA III and AGOA IV.

1.2 AGOA I

This is the original trade act that was signed into law on May 18th as Title One of the Trade and Development Act of 2000. The goal was to provide reforming African countries with the most liberal access to the U.S market available to any country or region with which the United States does not have a previous free trade agreement. It supports U.S business by encouraging reform of Africa's economic and commercial regimes, building stronger markets and more effective partners for U.S firms. It also reinforces African reforms efforts, provides improved access to U.S technical expertise, credits and markets and establishes a high level dialogue on trade and investment. The Act expands the list of products that eligible Sub-Saharan African countries may export to the United States subject to zero import duty under the Generalized System of Preferences (GSP). It should be noted that while the GSP covers approximately four thousand and six hundred items, the AGOA GSP applies to more than six thousand and four hundred items.

1.3 AGOA II

AGOA II is the modification of AGOA I to extend preferential access for imports from beneficiary Sub-Saharan African countries. The major difference between AGOA I and AGOA II is that AGOA II clarifies and narrowly expands the trade opportunities for Sub-Saharan African countries under AGOA I and encourages more investment in the region. AGOA II enhancements include revisions requested by many sub-Saharan

African countries to maximize the benefits of AGOA and to clarify that preferential treatment is provided to knit-to-shape articles or ''wholly assembled" apparel articles assembled from the U.S or from another Sub-Saharan African country. AGOA II was specifically written to improve the operation of AGOA I and improve Sub-Saharan African country utilization of the AGOA program.

1.4 AGOA III

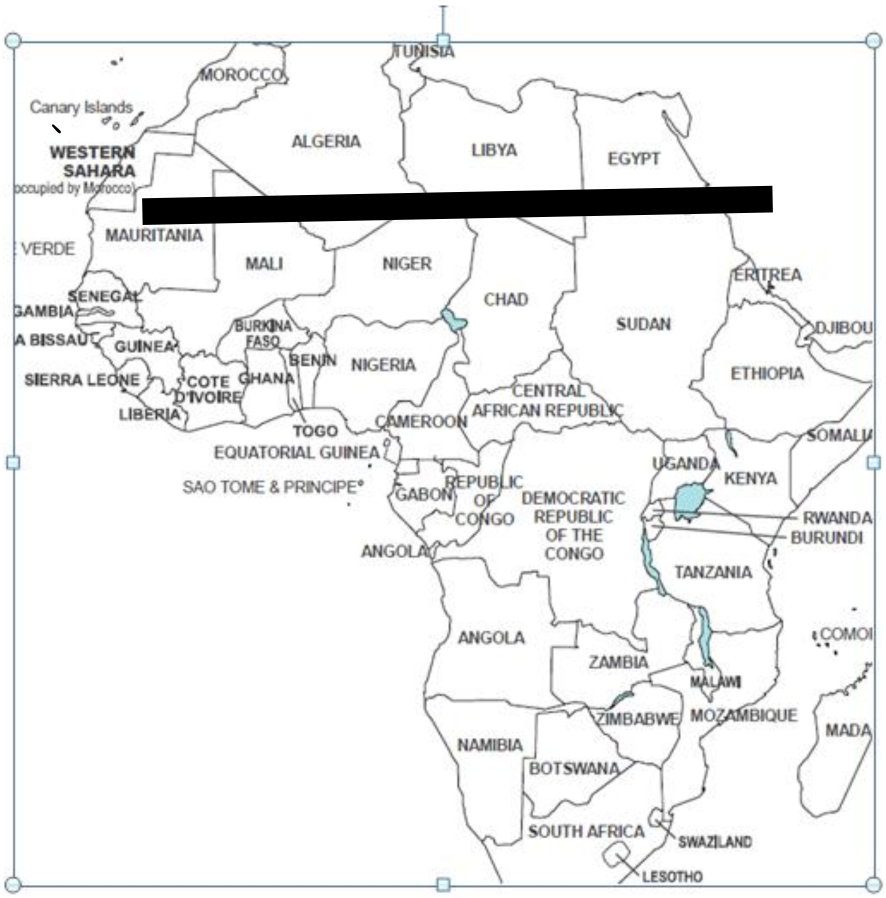
AGOA III is referred to as the AGOA Acceleration Act. It extends the preferential access for imports from beneficiary Sub-Saharan African countries until September 30, 2015, and extends third country fabric provision for three years (September 2004 until September 2007). Its major emphasis is to continue to encourage bilateral investment agreements, to extend the whole program from 2008 until 2015, to direct the administration to implement an inter-agency trade advisory committee, and to promote investment in infrastructure projects that support the development of land transport, roads, rail-ways and ports. It also emphasized the expansion of modern information and communication technologies and agriculture and directed the president to assign personnel to provide agricultural technical assistance to select AGOA countries and to advise them on improvements in their sanitary and phytosanitary standards in order to meet U.S requirements.

1.5 AGOA IV

AGOA IV is the Africa Investment Incentive Act of 2006. The only difference between AGOA IV and the previous AGOA acts is that it specifically extends the third country fabric provision for five years (from September 2007 until September 2012) and also extends textile and apparel provisions of the AGOA program to 2015.

1.6 Thesis Organization

Please note that this research work is organized according to the following: the first chapter gives a thorough introduction to the general ideas behind the African Growth and Opportunity Act, emphatically stating the date the law was enacted; the second chapter reviews the literature on AGOA. The third chapter provides descriptive data and details of the export and imports from two AGOA countries (Nigeria and South Africa). It shows the descriptive data of exports pre-AGOA and post-AGOA. The fourth chapter presents detailed results of the analysis while the fifth chapter provides the conclusion of this research and a recommendation about the worthiness of campaigning for an extension of the trade Act beyond its expiration date of 2015. References and supporting appendices are presented at the end of the research work.



Source: Map Resources. Adapted by congress report service (CRS).

Figure 1: Sub-Saharan Africa

In **Figure above**, the countries above the black horizontal line towards the north are not part of Sub-Saharan Africa while the countries below the black horizontal line are all regarded as Sub-Saharan Africa. Sub-Saharan African countries are countries that lie towards the south of Sahara and officially there are forty-eight (48) countries, namely Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, central African republic, Chad, Comoros, Republic of the Congo , Democratic Republic of the Congo, Cote d' Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea –Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, sierra Leone, South Africa, South Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia and Zimbabwe. **It should be noted that all African countries with the exception of Morocco, Tunisia, Algeria, Libya, and Egypt are referred to as Sub-Saharan Africa.**

CHAPTER II

REVIEW OF LITERATURE

Almost from the beginning of the Uruguay round[1] in 1986-1994, data has shown that the African continent would benefit a little, if any, from the world trade organization. According to the former UN Secretary General Kofi Annan (10th September 2003), "The rhetoric of global trade is filled with promise. We are told that free trade brings opportunity for all people, not just a fortunate few, we are told that we can provide a ladder to a better life and deliverance from poverty, but sadly the reality of the international trading system today does not match the rhetoric." According to the Organization for Economic Cooperation and Development (OECD) figures, there was only one loser in the Uruguay round: Africa.

Africa's exports fell from about 6 percent in 1980 to 2 percent in 2002 and her share of world imports fell from about 4.6 percent in 1980 to 2.1 percent in 2002, more than any other developing region. Africa's heavy dependence on primary commodities as a source of export earnings has meant that the continent remains vulnerable to the vagaries of the market and weather conditions. The United Nations Conference on Trade Representative stated that price volatility arising mainly from supply shocks and

[1] The Uruguay Round was the 8th round of multi lateral trade negotiations (MTN) conducted within the framework of the General Agreement on Tariffs and Trade (GATT) spanning from 1986-1994 and embracing 123 countries as contracting parties.

the secular decline in real commodity prices and the attendant terms-of-trade losses have exacted heavy costs (2003). The former president of Mozambique, Joachim Alberto Chissano, once expressed that “while we are pressed to open up our countries and streamline our methods of doing international business so that the global economy may sink roots, invisible barriers are still making it difficult for us to access resources and advanced technological know-how. Our manufactured goods can hardly find a place in the rich markets of the north” (Chissano 1998). As the African continent has increased its exports, the industrialized countries importing these goods maintained or increased their trade barriers. World bank economists estimate that if North America, Europe and Japan eliminated all barriers to imports from Sub-Saharan Africa, the continent exports would rise by 14 percent, an annual increase in revenue of $2.5 billion (Lanchovichina ,Matoo and Olarreaga 2001).

According to Carol B. Thomson (2004), trade remained the only option for African industrial development; either trade or investment can be a leading sector to the other. This opinion can be seen in a statement by Former President George W. Bush to delegates at the African Growth and Opportunity Forum in Mauritius: “All of us share a common vision for Africa. We look to the day when prosperity for Africa is built through trade and markets’’ (January 15, 2003). AGOA offered trade preferences and other economic benefits to countries in Sub-Saharan Africa that meet certain criteria including progress toward a market economy and respect for rule of law and human and workers’ rights. The consequence of the long period of stagnation for a large number of

African economies combined with high population growth rates is that little or no progress has been made in raising the standards of living in these countries. In line with current perspectives and according to the Congress Research Service, Sub-Saharan Africa's economic growth performance over the last decade suggests that it may have achieved a milestone in its quest for sustained growth (2008). Sub-Saharan Africa's economic performance from 1995-2005 reverses the collapses in 1975-1985 and stagnations in 1985-1995. Its growth averaged 4 percent between 2000 and 2005 compared with less than 1 percent during the early 1990'S. In 2006, Gross Domestic Product (GDP) expanded by 5.6 percent in Sub-Saharan Africa followed by 6.2 percent in 2007 and 5.2 percent in 2008. Despite the regions' improved economic performance, the economic challenges facing Africa remain enormous. African countries are vulnerable to volatile weather conditions, commodity price fluctuations, poor road and other infrastructure conditions and political events in parts of the continent. Again, much of Sub-Saharan Africa's trade with the world is largely on primary product exports, such as oil and other mineral fuels, constituting 68 percent of its exports to the world by value in 2008. Consequently, there were high expectations for AGOA, since there was much room for increased trade. According to the United States' Department of Commerce's International Trade Administration, the United States' total trade with Sub-Saharan Africa increased by 28 percent in 2008 as both exports and imports grew. The United States' exports increased by 29.2 percent to $18.5 billion, driven by growth in several sectors including machinery, vehicles and parts, wheat, non-crude oil and aircraft and electrical machinery. The United States' imports in 2008 increased by 27.8 percent to $86.1 billion. As has been the case throughout 2008, this growth continues to be due to a significant increase of 31.9 percent in crude oil imports, accounting for 79.5 percent of total imports from Sub-Saharan Africa. Of the top five African destinations for United States' products, exports to South Africa rose by 17.6 percent, to Nigeria by 47.7 percent, to Angola by 62.6 percent, to Benin Republic by 192.4 percent (due to a large increase in the exports of non-crude oil and vehicles and parts) and to Ghana by 46.1 percent. It should be noted that the top five AGOA beneficiary countries are Nigeria, Angola, South Africa, Chad and the Republic of Congo. According to Niall Condon and Mattew Stern, AGOA has had a positive impact on apparel exports from a small number of Sub-Saharan African countries (2011). Outside the apparel sector there is little or no evidence of AGOA induced gains in any other sectors. They also noted that AGOA preferences cover all products and that tariffs on products excluded from AGOA, especially on agricultural products, remain high and AGOA's broader economic impact could be improved if preferences were extended to all products. Niall Condon and Matthew Stern also concluded that exports from Sub-Saharan Africa (SSA) to the USA have increased substantially since 2000 with an increasing share of these exports utilizing AGOA preferences and at best a small share of these increased exports can be directly attributed to AGOA (2011). Shapouri and Trueblood, Breton and Ikezuki, Breton and Hoppe and the Office of the US Trade Representative reviewed the raw trade data on SSA exports under AGOA (2003, 2004, 2006, 2008 respectively). Shapouri and

Trueblood examined the initial or early impact of AGOA by analyzing United States – Sub-Saharan African trade data for 2001 and 2002. In their analysis they noted the large and increasing levels of Sub-Saharan African exports to the United States under AGOA 2001 and 2002. The share of AGOA exports in total Sub-Saharan African exports to the United States was 43 percent (7.6 billion USD) in 2001, increasing to 60 percent (8.2 billion USD) in 2002, despite the fact that the agreement was still in its infancy. However, a deeper analysis of these gains reveals a trend that consistently re-emerges throughout the review: exports under AGOA are highly concentrated by country and product grouping. AGOA exports in 2001 and 2002 were overwhelmingly dominated by previously low-tariff petroleum products. Similarly, Breton and Ikezuki analyzed Sub-Saharan African – United States trade data from 2002 with the objective of assessing the extent of exports originating from less developed countries and non-less developed countries. They further disaggregated the data by looking at the level of exports originating with or without AGOA apparel preferences. They found that by 2004 AGOA exports from Sub-Saharan African countries to the United States had increased to 22 billion USD with 90 percent of this figure from petroleum exports. The 2.2 billion USD non-exports was still a significant increase on the level of exports in 2002. However, non-oil exports dropped in 2005 to 1.7 billion USD, with 40 percent decline due to AGOA apparel exporters losing market share in the United States. Mueller uses a Praise-Wiston Gravity Model to assess the extent of contribution of AGOA to exports from eligible countries from 2000 to 2004 (2008). The author used two models to assess different aspects of AGOA. The first measures the general effect of AGOA on trade by testing the impact of AGOA on total United States imports (excluding oil) from AGOA eligible countries and the second model tests the impact of AGOA on trade by testing on apparel imports. The first model, according to Mueller, results in a negative but non-significant coefficient for AGOA, the implication being that AGOA eligibility is found to have no significant impact on non-oil trade for eligible countries. The effect of AGOA on apparel exports was also found not to be statistically different from zero, though with a positive co-efficient (of 0.075). Three studies—Frazier and Van Biesebrucek (2007), Fayissa and Tadesse (2007), Nouve (2005)—found that AGOA has had a more positive impact. Frazer and Van Biesebrocek, however, found that AGOA has had a small, albeit positive, impact on Sub-Saharan exports to the United States. They employ a variation of the traditional gravity model using a triple difference estimation regression model to assess the impact of AGOA over the period 2000- 2006. They found that the absolute export increased in the period 2000- 2006, which can be attributed to AGOA amounts of 439 million USD, 8 percent of the total increase in non-oil exports from Sub-Saharan Africa during this period. Nouve employs a different approach than the other studies by using a dynamic panel trade model to assess the impact AGOA has had on aggregate exports from Sub-Saharan Africa to the United States up to 2004. This analysis is premised on the assumption that the export opportunities and benefits arising from a preferential access scheme such as AGOA have positive spill-over effects and thereby raise the overall exports of a given country. To measure this effect, the author included total AGOA exports and total AGOA apparel exports as additional endogenous variables in an augmented gravity equation with the aim of understanding the impact AGOA has on total overall Sub-Saharan exports to the United States (i.e AGOA and non-AGOA exports). The overall result is that AGOA has had a strong positive effect on aggregate Sub-Saharan African exports to the United States. However, according to US Department of Commerce, the highly specialized trade is also restricted to very few countries (2004). Imports from five countries (Nigeria, South Africa, Angola, Gabon and Equatorial Guinea) comprise about 86 percent of total Unites States' imports from Africa and all but South Africa are overwhelmingly oil imports. According to Nouve and Staatz's literature, the data on the impact of AGOA on agricultural exports shows that the AGOA induced gains in agricultural exports are found to be not statistically different from zero. In summary, the data shows that AGOA has had no observable impact on agricultural trade.

AGOA has also faced a lot of criticisms, especially from anti-globalization movements and US interest groups. According to Cooper, textile lobby groups and labor unions were primarily concerned that the removal of trade barriers on textile and apparels would result in the massive loss of jobs (2002). However, many have identified the benefits of AGOA. Some attribute the success of AGOA to increased employment. For example, Lucke explained that Swaziland credits AGOA with the creation of more than twenty-eight thousand jobs and thus, the small states of Swaziland and Lesotho attribute AGOA to providing jobs (2004). AGOA seems to have redirected trade away from traditional markets, mainly the European Union, towards the United States of America. It appears that this result was an original goal of AGOA reinforced with the new negotiations for a United States of America/ Southern African custom Union Free Trade Area (FTA).

CHAPTER III

DATA & METHODOLOGY

In this study, exports, imports and trade balances between Nigeria and South Africa with the United States were collected. The collected data clearly show the imports, exports and trade balances of both Nigeria and South Africa with the United States from 1990 to 2010. The data is presented into tables. The research methodology used is purely descriptive which is clearly aimed at summarizing the data set in order to investigate AGOA on Nigeria and South African exports.

Table 1 below summarizes the trade data between Nigeria and the United States from 1990 to 2010. It is the combination of the ten years before AGOA and ten years after AGOA. The pre-AGOA exports from Nigeria in **Table 1** shows the exports from Nigeria to the United States before AGOA from 1990 to 1999. The post-AGOA exports from Nigeria in **Table 1** shows the exports from Nigeria to the United States after AGOA from 2001 to 2010.

The data in **Table 2** shows the South African exports to the United States pre-AGOA and post-AGOA. It summarizes all the figures of exports transactions of South Africa with United States in terms of U.S dollars in nominal basis.

Table 1: Nigeria's Trade Data with the United States

Nigeria (years)	Exports to U.S (Millions of USD)	Import from U.S (Millions of USD)	Trade Balance (Millions of USD)
1990	5982.1	553.2	5428.9
1991	5168	831.4	4336.6
1992	5102.4	1001.1	4101.3
1993	5301.4	894.7	4406.7
1994	4429.9	509	3920.9
1995	4930.5	602.9	4327.6
1996	5978.3	818.4	5159.9
1997	6349.4	813	5536.4
1998	4194	816.7	3377.3
1999	4385.1	627.9	3757.2
2001	8774.9	955.1	7819.8
2002	5945.3	1057.7	4887.6
2003	10393.6	1016.9	9376.7
2004	16248.5	1554.3	14694.2
2005	224239.4	1619.8	22619.6
2006	27863.1	2233.5	25629.6
2007	32770.2	2777.9	29992.3
2008	38068	4102.4	33965.6
2009	19128.2	3687.1	15441.1
2010	30515.9	4067.7	26448.2

Source: www.census.gov/foreign-trade/balance/c7530.html. All figures are represented in millions of U.S dollars.

Table 2: South Africa's Trade Data with the United States

South Africa (Years)	Exports to U.S	Imports from U.S	Trade Balance
1990	1697.4	1731.6	-34.2
1991	1727.9	2113	-385.1
1992	1726.6	2433.9	-707.3
1993	1844.8	2188.4	-343.6
1994	2030.7	2172.4	-141.7
1995	2208	2750.5	-542.5
1996	2323.3	3112	-788.7
1997	2510.1	2997.4	-487.3
1998	3049	3628.2	-579.2
1999	3194.4	2585.3	609.1
2001	4432.5	2959.4	1473.1
2002	4034.1	2525.7	1508.4
2003	4624.4	2819.3	1805.1
2004	5944.8	3178.5	2766.3
2005	5885.6	3906.9	1978.7
2006	7500.8	4461.7	3039.1
2007	9054.1	5521.4	3532.7
2008	9948	6490.5	3457.5
2009	5878.9	4452.6	1426.3
2010	8220.1	5631.1	2589

Source : www.census.gov/foreign-trade/balance/c7910.html. All figures are represented in millions of U.Sdollars.

CHAPTER IV

ANALYSIS OF DATA

This chapter reviews and analyzes the available statistical data of trade between Nigeria and South Africa. It reviews the trend of exports to the United States from both African countries between 1990-2010, as well as the trend of the balance of trade with the purpose of determining if the African Growth and Opportunity Act changed any direction of exports and trade balance, given that the intention of the act is to propel the largest number of Sub-Saharan African countries to take advantage of the trade benefits of AGOA. This chapter also evaluates the direction of GDP of both countries before and after AGOA. Nigeria and South Africa as part of AGOA member countries are selected for this research because both countries have maintained their membership since the creation of the act. They have also made continuous progress towards market based economies, the rule of law and political pluralism as well as the elimination of barriers to United States trade and investments.

Table I shows the level of trade between Nigeria and United States from 1990 to 1999. The data shows that prior to AGOA Nigeria had maintained a positive trade balance with the United States. The cumulative mean of Nigeria's exports stood at 5182.11 million USD while that of import from the United States was 746.83 million USD, resulting in a trade balance mean of 4435 million USD in favor of Nigeria. The total import from the United States was 7468.3 million USD. Also the minimum or the lowest trade balance figure is 3377.3 million USD during 1998 in favor of Nigeria, while the maximum or highest point within the data is 5536.4 million USD during 1997 also in favor of Nigeria. The difference between the maximum and minimum of the trade balance prior to AGOA was 2159.1 million USD.

Prior to AGOA, the maximum export to United State from Nigeria stood at 6349.4 million USD in 1997 and the minimum was 4194 million USD in 1998. The maximum import from the United States was 1001.1 million USD in 1992, while the minimum import stood at 509 million USD in 1992. Within this period Nigeria maintained a positive trade balance with the maximum of trade balance at 5536.4 million USD from 1997 and the minimum trade balance of 3377.3 million USD in 1998.

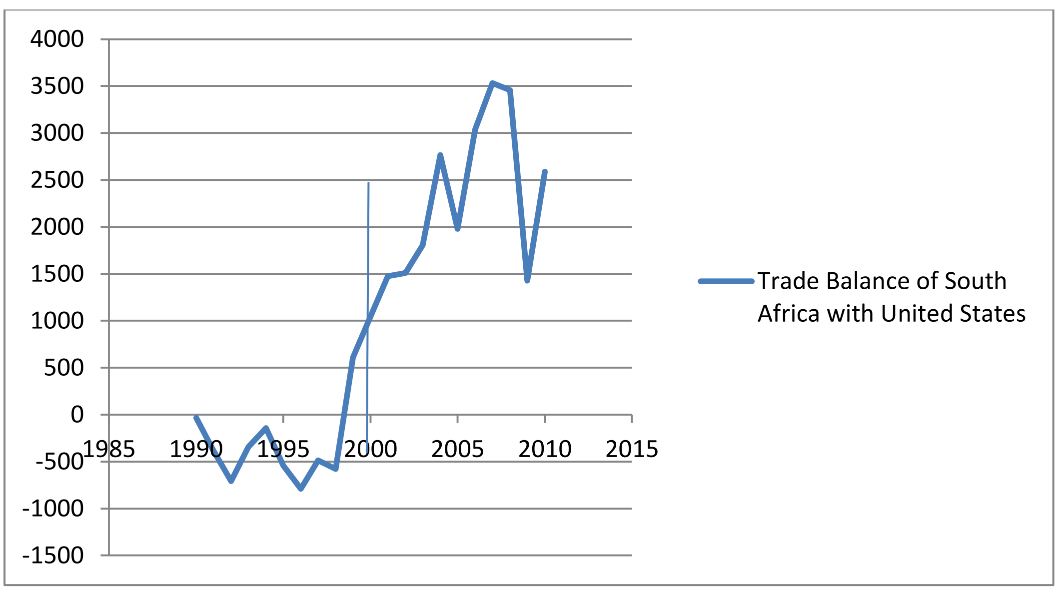
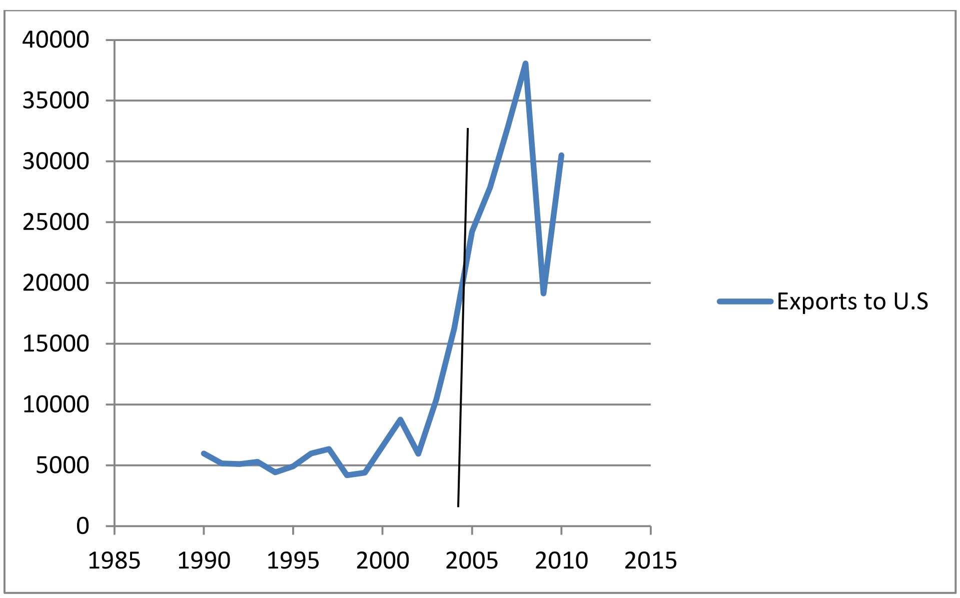


Figure 2: Trade Balance of South Africa with United States

Source: US Department of Commerce, International Trade Data. This figure summarizes the pre-AGOA and post-AGOA trade balance of South Africa with the United States from 1990 - 1999 (pre-AGOA) and from 2001-2010 (post-AGOA). The vertical axis of the graph shows the amount in millions of US dollars while the horizontal axis shows the years. The graph illustrates the trend of the trade balance.

It should be noted from **Table 2** that South Africa suffered a balance trade deficit with the United States from 1990 to 1998 and only had a positive trade balance in 1999, a year before the AGOA enactment. The average trade balance was -340.05 million USD while the minimum trade balance was -788.7 million USD in 1996 and the maximum trade balance was 609.1 million USD in 1999. From the graphical illustration above one may notice that South Africa had a trade balance deficit from 1990 to 1998 with the deficit hitting the lowest at -788.7 million USD in 1996 and highest at -34.2 million USD in 1990. However, it maintained a positive export trend. **Table 1** shows post-AGOA period in Nigeria, a ten-year period from 2001 to 2010 after the AGOA act was enacted. Please note that AGOA was established in 2000 and this analysis considers the trade of both Nigeria and South Africa before and after the AGOA was enacted. From **Table** 1, one may deduce that Nigeria also had a positive trade balance over the ten-year period. The mean trade balance was 19087.47 million USD while the minimum trade balance recorded was 4887.6 million USD in 2002. The maximum trade balance was in 2008 at 33965.6 million USD and is the highest point of the post-AGOA trade balance. Again, one may also see that the sum total of the Nigeria post-AGOA trade balance is 190874.7 million USD. Given the data in **Table 1**, one should note that the sum of Nigeria's export stood at 213947.71 million USD while the mean export was 21394.71 million USD. The minimum post-AGOA export to the United States was 5945.3 million USD in 2002 and the maximum export was 38068 million USD in 2008. **Table 2** also shows that post-AGOA South Africa had a balance trade surplus with the United States for the ten years post-AGOA period. The total sum of the positive balance of trade was 23576.2 million USD, the mean was 2357.67 million USD and the minimum trade balance was 1426.3 million USD in 2009 and the maximum was in 2007 at 3532.7 million USD. Therefore, the sum of the export was 65523.3 million USD while the mean export was 65523.33 million USD. The minimum export was in 2002 while the maximum post-AGOA export was 3532.7 million USD.

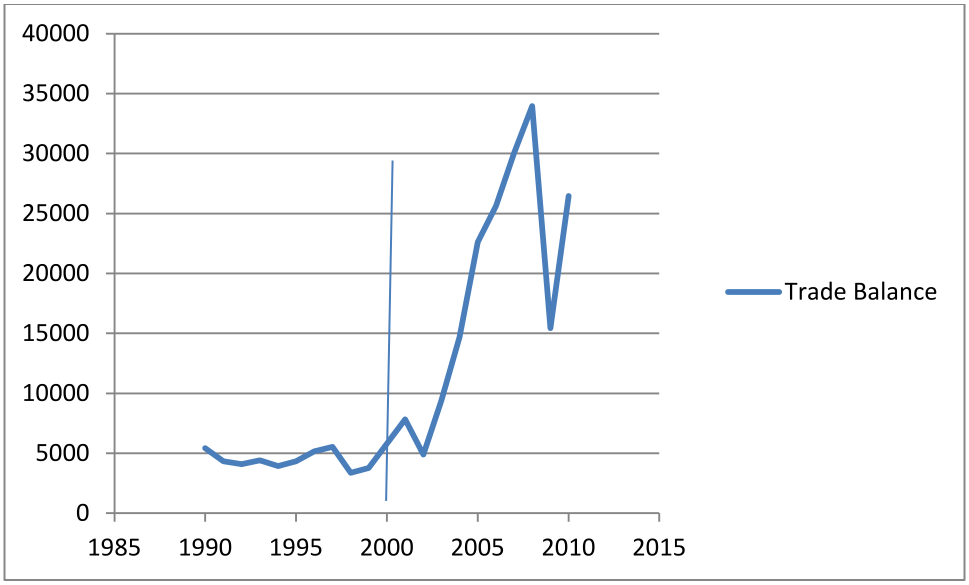


Source : U.S. International Trade Data.

Figure 3: Nigeria's Exports to the United States

The figure above summarizes the exports from Nigeria to the United States from pre-AGOA (1990-1999) and from post-AGOA (2001-2010). The vertical side of the graph shows the amount of export to the United States in millions of U.S. dollars while the horizontal axis shows the years being measured.

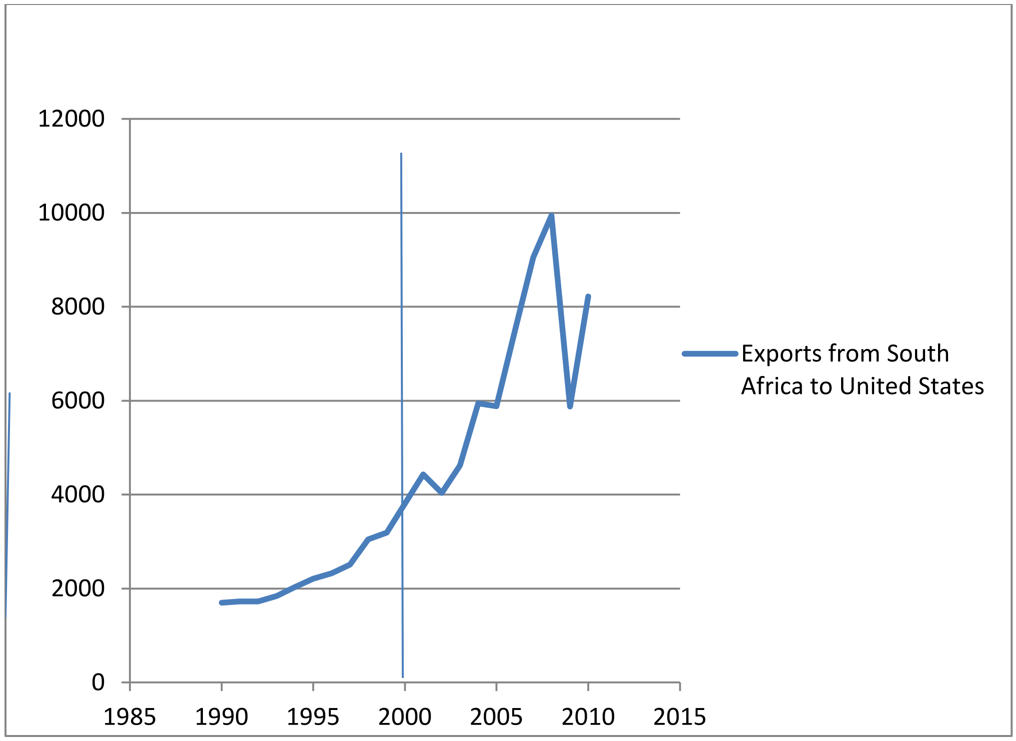
The above graph shows the trend of export after the AGOA act. One may see that from 2001 to 2010 there is a huge difference between both pre-AGOA export and post- AGOA exports to the advantage of the Sub-Saharan country Nigeria. The mean export before AGOA was 5182.11 million USD and the mean export after AGOA over a ten-year period was 21394.71 million USD. Thus, there was an increase of 16212.6 million USD after AGOA, which is the mean difference of pre-AGOA and post-AGOA. Again, one may note that while the maximum value before AGOA was 6349.4 million USD, the maximum value of export after was 38068 million USD, showing an increase of 31718.6 million USD. In regards to the trade balance, Nigeria continued to enjoy positive trade balance with the trade balance increasing from the average of 4435.28 million USD before AGOA to 19087.47 million USD after AGOA, showing an increase of 14652.19 million USD.



Source: United States International Trade Data

Figure 4: Nigeria's Trade Balance

The above figure summarizes Nigeria's trade balance with the United States during pre-AGOA (1990 – 1999) and post –AGOA (2001-2010). The vertical axis of the graph shows the amount in millions of U.S. dollars while the horizontal axis shows the years being measured. The source of the data is from the United States International Trade Data while the graph was created to illustrate the trend of the trade balance.



Source : United States International Trade Data

Figure 5: South Africa's Exports to the United States

[1] The figure above summarizes South Africa's exports to the United States from pre-AGOA (1990 – 1999) and post-AGOA (2001-2010). The vertical side of the graph shows the amount of export to the United States in millions of U.S. dollars while the horizontal axis shows the years being measured. The Source of the data is from the United States International Trade Data while the graph was created to illustrate the trend of export.

From the above graph and table, it is clear that South Africa's exports improved significantly from 2001 to 2010. The average pre-AGOA export from 1990-1999 was 2231.22 million USD, while the average export ten years after AGOA was 6552.33

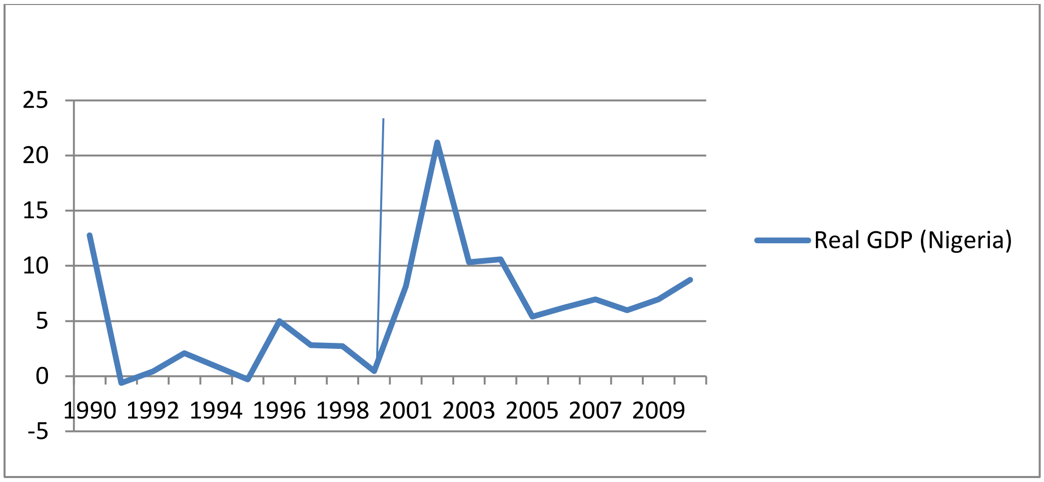
million USD. This shows an increase of 193.66 percent of the mean difference. The maximum export before AGOA was in 1999 with a figure of 3194.4 million USD while the maximum export after AGOA was 9948 million USD, an increase of over 211 percent all in nominal terms. Also, from **Table 2** one should note that South Africa never experienced a balance of trade surplus from 1990-1998, but had a continuous balance of trade surplus ten years after AGOA. Out of the 20 years' period of trade with the United States, South Africa had 8 years of trade deficit and 11 years of trade surplus. It only experienced a trade balance surplus in 1999, which was a year before AGOA enactment. The total sum of the positive trade balance over the 10 year period of post-AGOA was 23576.2 million USD while the average stood at 2357.62 million USD. The minimum trade surplus South Africa had over the 10 year period was 1426.3 million USD in 2001 while the highest surplus it recorded was in 2007 at 3532.7 million USD.

Table 3: Nigeria's and South Africa's Real GDP

Years	Real GDP (Nigeria)	Years	Real GDP (South Africa)
1990	12.766	1990	-0.318
1991	-0.61	1991	-1.018
1992	0.434	1992	-2.137
1993	2.09	1993	1.23
1994	0.91	1994	3.234
1995	-0.307	1995	3.116
1996	4.994	1996	4.307
1997	2.802	1997	2.647
1998	2.716	1998	0.517
1999	0.474	1999	2.35
2001	8.164	2001	2.735
2002	21.177	2002	3.668
2003	10.335	2003	2.94
2004	10.585	2004	4.55
2005	5.393	2005	5.277
2006	6.211	2006	5.604
2007	6.97	2007	5.56
2008	5.984	2008	3.576
2009	6.96	2009	-1.682
2010	8.724	2010	2.841

Source: www.un.org/en/development/desa/policy/wesp/wesp_archive/2010annex.pdf

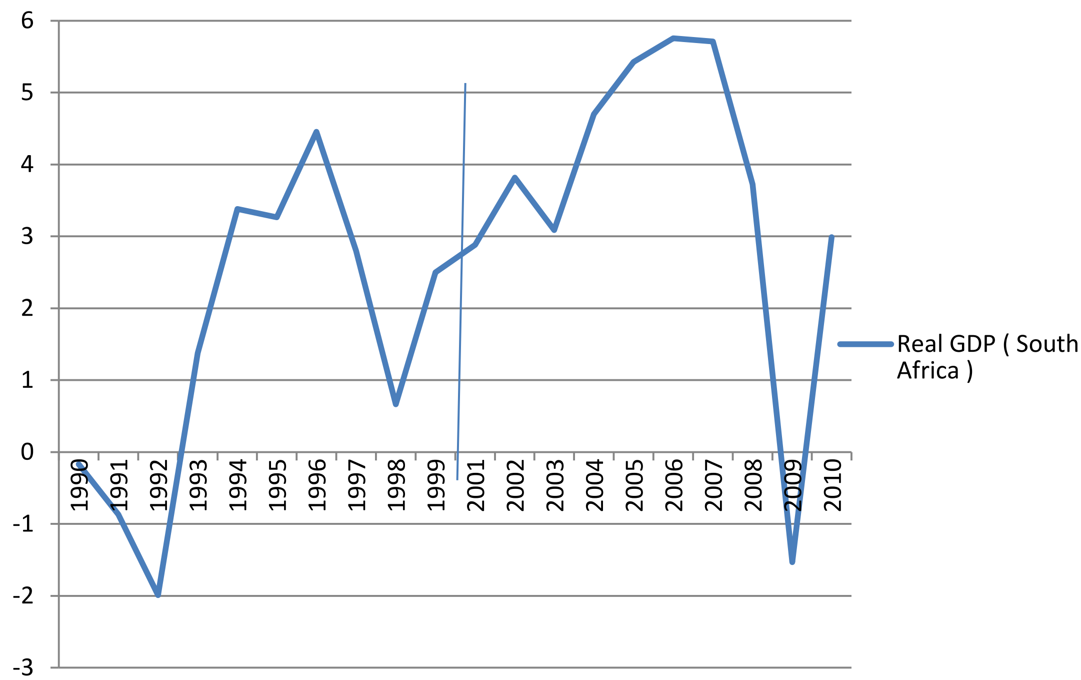
From the above table, one may deduce that prior to AGOA, Nigeria witnessed several negative growths in real GDP. After AGOA, Nigeria had continuously positive high growth in GDP with an average GDP growth rate of 8.8 percent. South Africa also experienced an average growth rate of 4.1 percent after the AGOA act. Please note that both countries had a rapid increase in their respective exports to the United States from 2001 to 2010 as shown in their exports and trade balances in **Table 1** and **Table 2**.



Data Source: www.un.org/en/development/desa/policy/wesp/wesp_archive/2010annex.pdf

Figure 6: Nigeria's Real GDP

This figure shows Nigeria's pre-AGOA (1990-1999) and post–AGOA (2001-2010) GDP. The vertical side of the graph shows the percentage growth rate of real GDP all measured in U.S. dollars while the horizontal axis shows the years being measured. The source of the data is from the United States International Trade Data while the graph was created to illustrate the trend of Nigeria's GDP before and after AGOA.



Data Source: www.un.org/en/development/desa/policy/wesp/wesp_archive/2010annex.pdf

Figure 7: South Africa's Real GDP

This figure shows South Africa's pre-AGOA (1990-1999) and post –AGOA (2001-2010) GDP. The vertical side of the graph shows the percentage growth rate of real GDP all measured in U.S. dollars while the horizontal axis shows the years being measured. The source of the data is from the United States International Trade Data while the graph was created to illustrate the trend of South Africa's GDP before and after AGOA.

CHAPTER V

CONCLUSION

This research gathered the trade data of Nigeria and South Africa, two Sub-Saharan African countries, with the United States of America over a period of twenty years, broken into pre-AGOA from 1990-1999 and post-AGOA 2001-2010. The primary purpose of signing the African Growth and Opportunity Act 2000 (AGOA) was to offer tangible incentives to African countries to continue to open up their economies and to build free markets. This provided reforming African countries with the most liberal access to the U.S market available to any country or region with which the United States does not have a previous free trade agreement. AGOA expanded the list of products which eligible Sub-Saharan African countries may export to the United States subject to zero import duty. AGOA Generalized System of Preferences (GSP) applies to more than 6400 items. Given the main reason behind AGOA, it became imperative to look at the direction of exports between two selected AGOA member countries from the Sub-Saharan Africa in order to determine if there had been any significant effect in increase in exports. Many Scholars have written about AGOA. While some have written its effect on trade and foreign direct investment, others have generally assess its impact on development, but what this research work has done is to evaluate the direction of trade of Nigeria and South Africa with the United States before and after AGOA with a view of showing if there has been any improvement in trade. The finding shows a

193.66 percent increase in the mean difference of Pre-AGOA and post-AGOA South Africa and 312 percent increase in the pre-AGOA and post-AGOA Nigeria exports. Not only was there a substantial increase in exports in both countries, but South Africa had many years (nine years of ten pre-AGOA period) of trade deficit experienced a continuous positive trade balance with the United States after the AGOA act enactment. With the trend of improved trade between selected two member AGOA countries and the United States after AGOA, it becomes necessary to make a case for an extension of the trade act which is due to expire by 2015. This is imperative to continue to encourage more trade openings between Nigeria and United States, South Africa and United States and other Sub-Saharan African countries that may have had improved trade with United States of America but were not included in this research work. Therefore, this study recommends an extension of the AGOA trade act beyond 2015 and also encourages other developed countries to enact similar trade acts in order to improve Sub-Saharan African trade around the globe.

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APPENDIX A

NIGERIA: U.S. EXPORTS, IMPORTS FOR 2009, 2010, 2011, & 2012

Nigeria: U.S. exports, imports, GSP imports, and AGOA imports, by major commodity sectors, annual and year to date Jan - Mar.

Value (1,000 dollars)				
Sector	**2009**	**2010**	**2011**	**2012 YTD**
Agricultural products:				
Exports	841,722	969,501	1,362,903	284,926
Imports	56,064	58,788	83,903	19,501
AGOA Including GSP provisions of the AGOA act	1,538	3,363	3,159	1,008
GSP imports	1,268	2,299	2,225	550
Duty-free items added for AGOA cts.	269	1,064	934	458
Forest products:				
Exports	43,399	64,340	84,947	14,572
Imports	178	352	334	112
AGOA Including GSP provisions of the AGOA act	15	76	57	14
GSP imports	15	76	57	14
Duty-free items added for AGOA cts.	0	0	0	0
Chemicals and related products:				
Exports	203,005	235,424	319,187	57,022
Imports	243,360	737,515	406,863	56,811
AGOA Including GSP provisions of the AGOA act	31	1,229	2,507	1,500
GSP imports	31	1,229	2,507	1,500
Duty-free items added for AGOA cts.	0	0	0	0
Energy-related products:				
Exports	325,372	616,933	631,225	89,905
Imports	19,136,005	29,147,748	33,309,666	3,968,789
AGOA Including GSP provisions of the AGOA act	17,227,957	25,152,716	31,002,733	3,754,119
GSP imports	0	0	0	0
Duty-free items added for AGOA cts.	17,227,957	25,152,716	31,002,733	3,754,119
Textiles and apparel:				
Exports	15,679	17,031	15,715	4,419
Imports	44	58	70	753
AGOA Including GSP provisions of the	1	0	1	748

AGOA act				
GSP imports	1	0	1	0
Duty-free items added for AGOA cts.	0	0	0	747
Footwear:				
Exports	4,850	3,652	5,177	645
Imports	1	33	45	0
AGOA Including GSP provisions of the AGOA act	0	0	38	0
GSP imports	0	0	0	0
Duty-free items added for AGOA cts.	0	0	38	0
Minerals and metals:				
Exports	98,398	85,388	123,152	34,269
Imports	10,479	16,316	561	86
AGOA Including GSP provisions of the AGOA act	7	14	22	0
GSP imports	7	11	22	0
Duty-free items added for AGOA cts.	0	3	0	0
Machinery:				
Exports	407,032	353,640	317,805	97,299
Imports	114	397	964	137
AGOA Including GSP provisions of the AGOA act	3	214	0	30
GSP imports	3	190	0	30
Duty-free items added for AGOA cts.	0	24	0	0
Transportation equipment:				
Exports	1,404,143	1,366,091	1,622,452	369,751
Imports	32	388	1,240	23
AGOA Including GSP provisions of the AGOA act	5	3	0	0
GSP imports	5	3	0	0
Duty-free items added for AGOA cts.	0	0	0	0
Electronic products:				
Exports	201,407	160,028	149,404	44,430
Imports	801	457	597	108
AGOA Including GSP provisions of the AGOA act	31	60	2	2
GSP imports	31	60	2	2
Duty-free items added for AGOA cts.	0	0	0	0
Miscellaneous manufactures:				
Exports	21,983	63,913	33,124	4,945
Imports	5,771	3,062	3,594	737

AGOA Including GSP provisions of the AGOA act	26	15	1	0
GSP imports	20	15	0	0
Duty-free items added for AGOA cts.	5	0	1	0
Special provisions:				
Exports	35,295	40,278	41,092	12,728
Imports	21,182	12,017	26,752	3,545
AGOA Including GSP provisions of the AGOA act	0	0	0	0
GSP imports	0	0	0	0
Duty-free items added for AGOA cts.	0	0	0	0
All sectors:				
Exports	3,602,285	3,976,221	4,706,183	1,014,911
Imports	19,474,031	29,977,131	33,834,588	4,050,601
AGOA Including GSP provisions of the AGOA act	17,229,613	25,157,691	31,008,519	3,757,420
GSP imports	1,381	3,884	4,814	2,096
Duty-free items added for AGOA cts.	17,228,232	25,153,807	31,003,705	3,755,324

Source: From official statistics of the U.S. Department of Commerce, Various issues.
www.bea.gov/newsreleases/international/trade /2012

APPENDIX B

SOUTH AFRICA: U.S. EXPORTS, IMPORTS FOR 2009, 2010, 2011, & 2012

South Africa: U.S. exports, imports, GSP imports, and AGOA imports, by major commodity sectors, annual and year to date Jan - Mar

Value (1,000 dollars)				
Sector	**2009**	**2010**	**2011**	**2012 YTD**
Agricultural products:				
Exports	174,551	292,297	358,095	61,496
Imports	228,547	277,138	255,378	39,304
AGOA Including GSP provisions of the AGOA act	181,396	217,717	182,949	26,006
GSP imports	54,563	53,851	38,418	7,439
Duty-free items added for AGOA cts.	126,833	163,867	144,531	18,567
Forest products:				
Exports	114,183	136,436	151,299	32,451
Imports	24,523	20,675	25,603	5,975
AGOA Including GSP provisions of the AGOA act	683	664	410	80
GSP imports	678	664	374	49
Duty-free items added for AGOA cts.	5	0	36	31
Chemicals and related products:				
Exports	641,248	811,009	899,099	263,002
Imports	492,520	632,976	876,451	217,855
AGOA Including GSP provisions of the AGOA act	263,099	364,280	468,636	115,103
GSP imports	221,928	319,976	415,898	99,809
Duty-free items added for AGOA cts.	41,170	44,305	52,738	15,293
Energy-related products:				
Exports	300,715	352,540	548,232	112,993
Imports	69,228	86,550	99,654	12,700
AGOA Including GSP provisions of the AGOA act	0	953	6,673	0
GSP imports	0	0	0	0
Duty-free items added for AGOA cts.	0	953	6,673	0
Textiles and apparel:				
Exports	35,917	36,941	47,340	10,629

Imports	27,050	22,663	24,471	6,140
AGOA Including GSP provisions of the AGOA act	14,215	8,591	6,107	1,295
GSP imports	3,825	3,625	532	69
Duty-free items added for AGOA cts.	10,390	4,967	5,575	1,226
Footwear:				
Exports	810	1,888	2,373	471
Imports	584	553	877	90
AGOA Including GSP provisions of the AGOA act	411	81	58	15
GSP imports	0	0	0	0
Duty-free items added for AGOA cts.	411	81	58	15
Minerals and metals:				
Exports	209,652	638,466	875,445	112,920
Imports	3,029,527	4,809,913	5,178,082	1,130,821
AGOA Including GSP provisions of the AGOA act	408,090	793,685	883,957	234,282
GSP imports	314,549	647,481	671,281	169,397
Duty-free items added for AGOA cts.	93,541	146,204	212,676	64,885
Machinery:				
Exports	635,456	734,840	929,649	262,547
Imports	216,241	311,463	352,972	96,269
AGOA Including GSP provisions of the AGOA act	23,576	12,909	20,223	5,795
GSP imports	23,437	12,898	20,220	5,792
Duty-free items added for AGOA cts.	139	12	2	3
Transportation equipment:				
Exports	1,177,364	1,377,655	1,994,915	594,084
Imports	1,546,427	1,708,226	2,313,187	501,938
AGOA Including GSP provisions of the AGOA act	1,435,955	1,651,436	2,174,700	465,732
GSP imports	66,648	112,708	134,121	20,821
Duty-free items added for AGOA cts.	1,369,306	1,538,728	2,040,580	444,911
Electronic products:				
Exports	609,040	528,730	584,977	151,709
Imports	55,387	61,773	82,884	15,484
AGOA Including GSP provisions of the AGOA act	19,600	23,583	23,604	5,172
GSP imports	19,420	23,553	23,532	5,156
Duty-free items added for AGOA cts.	180	30	72	16
Miscellaneous manufactures:				

Exports	86,523	97,939	134,569	27,525
Imports	95,221	182,591	159,617	28,870
AGOA Including GSP provisions of the AGOA act	38,190	28,436	30,089	2,820
GSP imports	37,274	25,442	28,198	2,412
Duty-free items added for AGOA cts.	916	2,994	1,891	408
Special provisions:				
Exports	217,059	258,778	322,598	84,672
Imports	91,444	84,717	104,255	42,177
AGOA Including GSP provisions of the AGOA act	0	0	0	0
GSP imports	0	0	0	0
Duty-free items added for AGOA cts.	0	0	0	0
All sectors:				
Exports	4,202,519	5,267,519	6,848,590	1,714,498
Imports	5,876,698	8,199,239	9,473,432	2,097,624
AGOA Including GSP provisions of the AGOA act	2,385,216	3,102,336	3,797,406	856,300
GSP imports	742,323	1,200,196	1,332,575	310,945
Duty-free items added for AGOA cts.	1,642,893	1,902,140	2,464,831	545,355

Source: From official statistics of the U.S. Department of Commerce.
www.bea.gov/newsreleases/international/trade /2012