



**AGOA Zambia Civil Society Conclave**

Presentation On  
**AGOA UTILISATION -Private Sector Perspective.**



**Zambia Development Agency**

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## **INTRODUCTION**

- Since being signed into law by Former USA President Bill Clinton in May 2000 the African Growth and Opportunity Act (AGOA) has led to an increase in US-Africa trade. This has created a lot of excitement on both sides of the Atlantic Ocean among the business people.
- As earlier alluded to the AGOA ACT offers tangible incentives for African countries to continue their efforts to open their economies and build free markets. AGOA has also helped in enhancing USA engagement of Sub Saharan Africa to a higher level.
- In the past, the USA and Sub Saharan Africa were distant business partners, but AGOA has brought these two parties much closer to each other.
- AGOA has been hailed as perhaps the most significant American Initiative on Africa in the American History

### **AGOA export products:**

- Virtually all products ( over 6,000) are eligible to enter the USA market under AGOA

- Africa's exports under this facility have mainly been textiles and garments, agricultural products, automobiles, oil and handicrafts. Countries like Mauritius, Madagascar, Lesotho, Swaziland, Kenya and Uganda are exporting textiles and garments while South Africa is the sole exporter of automobiles while Ethiopia exports leather products. Nigeria, Angola and Gabon are exporters of oil while Malawi mainly exports processed agricultural products.
- Zambia's competitive advantage with AGOA lies in the export of floricultural and horticultural products such as cut flowers and high value vegetables like mange tout, baby corn, asparagus, carrots and cow peas.
- However, the export of fresh vegetables into the USA has a litany of challenges. Such as
  - Entry of fresh vegetables into the USA market requires a completion of Pest Risk Assessment (PRA), which officially takes between 18 and 24 months to undertake but in reality, can take years as Zambia experienced. It is therefore important that Zambia's export strategy should be focused on exporting processed foods into the USA market.
- Zambia's export figures to the USA under AGOA including the General System of Preferences (GSP) provisions of the AGOA Act have risen steadily from US\$361,000 in 2006 to US\$10.9 million in 2008

and thereafter posted a major decline with paltry export figures of around US\$121,000 in 2009.

- In 2010, the exports rose to US\$1.4 million which represents a year on year increase of 1093%. However, the decline in exports posted in year 2009 is consistent with a decline from US\$66.2 billion worth of exports from all AGOA eligible Sub Saharan African countries in 2008 to US\$33.7 billion worth of exports in 2009. This decline is attributed principally to the global financial crisis.

### **Products with Export Potential**

Zambia has the potential to export three vegetables that are eligible to be exported to the USA under AGOA. These being: Snow peas, beans and courgettes.

- However, market for these vegetables has not really been established thus far.
- As earlier mentioned, export of processed agricultural produce does not require PRA as the incidence of disease is considered negligible but one still has to grapple with the Food and Drug Agency (FDA) requirements.
- The Zambia Export Growers Association (ZEGA) has prioritized snow peas, beans and courgettes, as well as vegetable multi packs (i.e. a combination of vegetables) which would be the most preferred

way of exporting high value vegetables into the USA market.

- It is also interesting to note that, Since AGOA rules allow countries exporting textiles and garments to the USA under AGOA to use Third Country Yarn, Zambia has in the past benefited from this arrangement as regional company's imported yarn from Zambia cotton companies.
- Zambia also made an experimental export of hospital scrubs to the USA but this was a one off export deal. Small-scale exports of handicrafts, gemstones, honey and wood related products have also taken also benefitted from the AGOA initiative.

## **Challenges**

- Significant supply constraints do stand in our endeavor to promote exports under the AGOA program. For instance, a large proportion of the freight costs are land costs, the totality of which in most cases exceed marine costs. This affects the final costs of products.
- Basically, the high transport costs are a function of poor air and road infrastructure. The fact that Zambia does not have a national airline limits the ability of government to intervene. Exporters are dependent on irregular international airlines with which it is not easy to negotiate charges.

- Lengthy Pest Risk Assessments (PRAs) have tended to frustrate exporters of fresh agro produce and even when these are completed, market for produce is not always assured.
- Difficulties in sourcing cheap term finance has been a major problem but with the coming down of interest rates this should, in the near future not pose problems to the business community in general and exporters in particular.
- Issues relating to inadequate volumes and lack of cargo consolidation make certain exports uncompetitive.
- Inadequacies in our supply side also contribute to not making full use of the AGOA program.

Lack of clustering of production facilities makes meeting of huge orders difficult If not impossible.

- Lack of articulate marketing strategies to penetrate the AGOA market also contributes to poor utilization of AGOA.
- Lack of presence in the AGOA market (participation in various USA trade fairs is low and lack of USA based brokerage firms that can market Zambian products in the USA is another factor contributing to the poor access of the AGOA market).
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- Lack of value added production for instance Zambia also has the capacity to export crux leather, which is already being exported to China, Italy, South Africa and other markets. However, the challenge is for Zambia to add value to its export products.
- Lack of information of AGOA market requirements is a major hurdle for instance who is your potential buyer? What does the buyer want? The preferred packaging, which Federal Regulatory Agency will handle your product on entry into the USA? What are the product entry requirements, what is allowable and what is not? What are the supply timelines-consistency, reliability etc are some of the things that a USA buyer is looking for.

From our perspective, the real issue with AGOA has not been market access. The main issue really lies with Zambia's supply side in certain areas. In short, Zambia has previously failed to take full advantage of AGOA due to internal industrial weaknesses but the country is now poised to export horticultural products, honey, specialty foods, paprika/spices, gemstones, hard wood products like doors, parques and flooring materials, these have previously been exported into the USA by Fallsway Timber on trial basis. Zambian companies have previously exported albeit in smaller quantities live fish (ornamental fish) from African Cichlids, chilies from African spices, art/crafts/carvings, precious stones, honey, jewelry, mineral products, fresh flowers, machine parts etc.

## **WAY FORWARD**

Some eight years ago, as we worked on our national AGOA strategy, we came up with a matrix covering seven key strategic issues that we needed to address for us to improve our performance under AGOA. The aim of the strategy on AGOA was to provide a focused framework through which Zambia's competitive and comparative advantage could be harnessed and channeled to exploit opportunities in the US market. The issues were:

- Identify AGOA priority areas
- Market access. information and intelligence
- Infrastructure development
- Institutional coordination
- Investment promotion
- Access to finance
- Food safety policy framework and SPS

Arising from the process, five sectors were prioritized as follows:

- Agriculture
- Gemstones
- Textiles and garments and
- Forest products
- Essential oils

In the recent past, Zambia and USA set up a Working Group on Bilateral Trade and AGOA aimed at promoting two way trade. During recent US-Zambia discussions on bilateral trade and AGOA, we came up



with priority products, which we think can make an impact in the short and medium term. These products are:

- spices/paprika
- hard wood products
- specialty foods
- gemstones, coffee
- honey and
- Leather.

Finally yet importantly, we discussed the need for USA companies to invest in sectors such as energy, health (e.g. produce syringes or ARVS for sale locally and export into regional markets like COMESA and SADC), agriculture etc as a way of increasing US-Zambia two-way trade. We also talked about the need for value addition by processing our agro export products which diminishes the need for Pest Risk Assessments. Malawi is doing very well in this area and their processed agro products are doing very well on the USA market.

There is therefore no excuse for Zambia to fail to make good use of the AGOA program.

Maybe our market could be in the region and not the AGOA one but there are products which we can not readily export in the region like gemstones, high value vegetables etc which we should be exporting into the AGOA market and others.

**How Zambia can take advantage of the upcoming AGOA**

- Promote collaboration between the US and Zambia Private Sector Associations
- Identify private sector finance needs for Zambian exporters.
- Seek opportunities to bring US market experts to Zambia in select product areas to help improve Zambian capacity related to product development, quality and packaging.
- Identify US trade shows in each of the target sectors and facilitate Zambian private sector participation in the same.
- Conduct market research on prospects in U.S market for select Zambian products.
- Facilitate discussions on advancing existing Pest Risk Assessments (PRAs) and corresponding Rule making processes for Zambian products submitted for PRAs.
- Push through AGOA policy proposals like making AGOA contractual instead of it being a unilateral program.

Last but not least, the AGOA Forums should be used to showcase what the country can offer to both regional and international markets.

Although tourism is not AGOA eligible, the country can benefit from the AGOA Forum by marketing its tourist attractions. This is Zambia's moment and the time for Zambia to reap from AGOA is now.

