

# ZAMBIAN CIVIL SOCIETY ORGANISATIONS POSITION

On

## The African Growth Opportunities Act (AGOA)

25<sup>th</sup> July, 2013

Lusaka, Zambia

The Zambian Government's trade policy has since the 1990s fundamentally focused and been premised on Liberal Trade at both national and international levels. This line of policy has generally continued to present date and is clearly visible in the Commerce and Trade sector's 2030 Vision of "becoming an export driven, competitive and viable sector by 2030"<sup>1</sup>. The Fifth National Development Plan (FNDP), with respect to commerce and trade fundamentally focused on fostering a competitive and outward-oriented economy, which is also explicit in the Six National Development Plan (SNDP). It is also important to note that one of the Ministry of Commerce, Trade and Industry (MCTI)'s major long term targets is to increase the contribution of exports to GDP to 40 percent by 2030<sup>2</sup>. It is thus apparent from this that trade holds a very significant role in the Zambian economy and should be highly prioritized.

As is indicated above the government's medium term trade objectives include increasing the volume of exports in regional and international markets and securing and facilitating improved market access for locally produced goods and services. These statements implicitly give a clear glance of the relationship that the government's trade policy holds with regard to International trade and subsequently International trade protocol.

On the other hand, a major challenge facing Zambia and Africa at the dawn of this century is to achieve rapid economic growth and development, to lift its people up from the trap of poverty, and ensure sustained improvement in their living conditions. The magnitude of the challenge is reflected in the relatively large number of the people who are living in poverty. The 2012 Human Development Report shows that poverty levels in Zambia stand above 60 percent. In spite of the improved economic growth performance of recent years, Zambia remains the epicenter of global poverty, where majority of the people live on less than USD 2 a day. While progress has been made towards the achievement of some the Millennium Development Goals (MDGs) such as universal primary education and the promotion of gender equality, progress has remained sluggish in the key goal of eradication of extreme poverty and hunger, as indicated by recent AUC/UNECA Report. High levels of unemployment, food and nutrition insecurity, and disease burden are still prevalent in Zambia.

Meeting the challenge of sustainable socioeconomic development in Zambia requires a multi-dimensional approach that addresses internal and external constraints on development and takes full advantage of its immense natural resource endowment and development potentials. One of the major instruments for unlocking Zambia's development potential and meeting the challenge of development is trade.

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<sup>1</sup> Zambia Vision 2030

<sup>2</sup> Fifth National Development Plan and Sixth National Development Plan

## **Impact of AGOA on the Zambia's Economy.**

The African Growth and Opportunity Act (AGOA) was signed into law on May 18, 2000 as Title 1 of The Trade and Development Act of 2000. The Act offers tangible incentives for African countries to continue their efforts to open their economies and build free markets<sup>3</sup>. (AGOA Website).It aims to enhance USA and Sub-Saharan Africa trade relations which have been unimpressive in past years.

AGOA's potential benefits lie in the fact that the Act grants Duty free and largely quota free access to the US market for approximately 7000 products. These cover for example, certain agricultural goods, footwear, apparel, minerals, metal as well as other goods

Continued participation in the AGOA is seen as an opportunity for Zambia to further enhance its trade relations with the United States as well as realizing its potential for trade at a global level. Considering the vast market that the United States provides with a population of over 300 million people, trade with the United States need not be taken lightly.

Zambia's export figures to the USA under AGOA rose steadily; from US\$361 000 in 2006 to US\$10.9 million in 2008 then plummeted to a value of just US\$121 000 in 2009 due to the effects of the global financial crisis. The figure then went up again to US\$1.44 million in 2010 and then fell to US\$ 221 000 in 2011<sup>4</sup>. However, it is unfortunate that Zambia has not taken full advantage of the AGOA process as compared to other countries in Africa such as Ghana 778m USD and Lesotho 384m USD.

With statistics showing that Zambia is among the least beneficiaries in terms of profit, as is evident above, Zambia has not adequately harnessed the benefits that the AGOA act could provide for the nation, in terms of the utilizing the huge and rapidly expanding potential market. Enhancing the performance of Zambia in global trade and using the trade as engine for the achievement of sustainable development will require, inter alia, the diversification and strengthening of productive capacity for value added products. At this stage, AGOA's contribution to the Zambian economy leaves much to be desired. There are a number of challenges that have been identified as major contributors to this flaw, amongst the most highlighted are the following<sup>5</sup>:

- High transportation cost faced by Zambian exporters.
- Lack of presence to market Zambian goods in the US, for example Zambian exporters exhibiting at Trade fairs and other exhibitions in the USA.
- Lack of capacity to produce quality products satisfying conditions necessary for entry into the USA.

The world continues to rapidly move towards being a global village, with countries becoming more and more linked in culture, trade and other various perspectives. Zambia, like most countries except a few is also on this trajectory, through the AGOA, COMESA and SADC FTAs which provide an opportunity to come together with other nations (Developing Nations) and speak about issues pertaining to how we would like to engage with other nations, particularly in trade. It is for this reason that Zambian CSOs

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<sup>3</sup> AGOA website

<sup>4</sup> 10<sup>th</sup> AGOA Forum Media Briefing Concept Paper

<sup>5</sup> Position Paper on the 10<sup>th</sup> Annual Africa Growth and Opportunity Act (AGOA) Forum, June 2011 Lusaka, Zambia

convened to discuss Zambia's progress on the AGOA and provide to collective analysis and recommendations for the 12<sup>th</sup> AGOA forum to be held in Addis Ababa, Ethiopia from 9<sup>th</sup> - 13<sup>th</sup> August, 2013.

Accordingly, we therefore call upon:

**The Zambian Government to:**

- Be inclusive in trade governance processes for sustainable development, as the effective participation of non-state actors will promote the process of democratization and improve accountability of government to the citizens. This will also contribute to the 'legitimization' and public acceptance of the outcomes of trade policy. Therefore, we do recognise the efforts that are being made by government to promote Public Private Dialogue through Sector Advisory Groups. Though these are formal structures, there is non-existence of a legal backing which will ensure that progressive inputs from none state actors would be taken on board by the state;
- Engage with the US government and other African governments on the possible extension of the AGOA and the inclusion of the 3rd Country Fabric Provision into the main AGOA agreement. It must that FTAs have not been a success story in terms of trade as it has been demonstrated by the EPAs.
- Ensure that trade is thoroughly mainstreamed in the Sixth National Development Plan (SNDP). This should be done by utilising the forth coming midterm review of the SNDP and ensuring that new trade sector priorities that will be identified in the Diagnostic Trade Integration Study (DTIS) are mainstreamed;
- Expedite the creation of industrial clusters and a conducive business environment in the country to facilitate and promote SME growth, a vibrant manufacturing sector and reduce the cost of doing business;
- Hastily harmonize and standardise customs requirements to allow for easier movement of goods and services;
- Expedite the creation of a national airline carrier to easy transportation cost and irregular shipments out the country; and
- Include three CSOs on Government itinerary in future AGOA forums. CSOs can bring forth positive contributions in such forums because they work closely with the marginalised group and know exactly what is needed to be put in place for the underprivileged to benefit;
- Develop the AGOA Country Strategy (ACS) that will clearly outline how different stakeholders will continuously engage on the AGOA process.

**The Zambian Private Sector to:**

- Be more proactive in participation at the AGOA forum and other trade related shows as well as marketing events that are being facilitated by the government and government agencies to assist them to create the linkages required for market penetration in the US and elsewhere; The

world continues to rapidly move towards being a global village, with countries becoming more and more linked in culture, trade and other various perspectives. Zambia, like most countries except a few is also on this trajectory. Zambia, through the COMESA and SADC FTAs has an opportunity to come together with other nations like it (Developing Nations) and speak with one voice and one stance pertaining to how they would like to engage with other nations, particularly in trade.

- Add value or process most of their raw products destined for exports;
- Promote for collaboration between Zambian Associations and US Association for possible capacity building initiatives as they seek for opportunities for Zambia products ;

**The US Private Sector to:**

- Partner with Zambia private sector in various capacity building initiatives to enhance value addition of Zambian products targeted for the US market;

**Civil Society to:**

- Take note of their role in trade policy formulation and implementation and should not wait for an annual AGOA summit to voice concerns and recommendations regarding Zambia's trade agenda.

**US Government to:**

- Extend the AGOA beyond 2015 as a non reciprocal duty free quota free agreement which must also include provisions for US development assistance for economic transformation in AGOA eligible countries through assistance towards, supply side constraints such as infrastructure.
- Successful and timely include the Third Country Fabric Provision by the American Congress in the main AGOA agreement, and remove the uncertainty that has resulted in a decline in the African apparel exports to the US;
- Relax its restrictive rules of origin in order to promote diversification of exports into the US and also support regional integration through regional value chains. There is need to move from rhetoric to action on this particular exigency;

**Regional Economic Communities to:**

- Strengthen efforts to ensure that regional Integration is people centred and equitable by conducting research, advocacy and raise awareness on the positive impacts of regional economic integration on consumers and individual economies as well as the possible effects of non integration
- Support the call by AGOA CSO working group, that strongly urge for a renewed AGOA to provide for diplomatic support and development assistance to facilitate the completion of a Continental, Free Trade Agreement encompassing all of Sub Saharan Africa by 2017; the

Tripartite FTA in Eastern and Southern Africa by 2014 and an ECOWAS Customs Union in West Africa with linkages to Central Africa as soon as possible;

Lastly, Zambian CSOs are urging the parties involved to ensure that commitments that are made in the said forums should come to pass before the next forum thereby avoiding deliberating on the same issues in subsequent forums.