The Nitty, Gritty Details: A Deeper Dive into the Brookings/UN Report on AGOA

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A July 2013 report by the Brookings Institution and the United Nations Economic Commission for Africa, The African Growth and Opportunity Act: An Empirical Analysis of the Possibilities Post-2015, suggests that extending duty-free US market access to Asian LDCs would reduce the textile and apparel exports of AGOA beneficiaries by 37.5 percent. The broad outlines of the problem with this argument are described in my blog post, Brookings Gets it Wrong on AGOA. This note digs deeper into the nitty-gritty details.

The Brookings report chapter on potential changes to country eligibility under AGOA (Chapter III) explores variations on two possibilities: removing eligibility for middle income countries and extending eligibility to non-African LDCs. The first scenario (III.A in the report) assumes that the United States decides to remove AGOA eligibility for middle-income African countries, including Kenya and Mauritius. In the second scenario (III.C in the report), middle-income countries are still excluded, but eligibility for AGOA-like benefits, including the apparel provisions, are extended to non-African LDCs. Another scenario (III.D) keeps current eligibility rules for AGOA countries and extends preferences to non-African LDCs, but it assumes that those LDCs are not eligible for the special apparel provisions that make duty-free access meaningful. Not surprisingly, the results of that scenario show no impact on anyone, inside or outside Africa. But, importantly, there is no scenario that leaves current AGOA eligibility alone and extends *apparel-inclusive* benefits to non-African LDCs.

The table below (adapted from Annex E in the report) shows the estimated changes in textile and apparel exports in these two scenarios for several key countries and groupings. Between them, Kenya (included in the rest of East Africa aggregate), Lesotho (included in the rest of SACU aggregate), and Mauritius account for nearly 90 percent of all AGOA-eligible clothing exports and the impact of removing preferences for the middle-income countries is clear in the first column. The smaller but still significant drop in exports for the rest of SACU aggregate is likely due to the inclusion of middle income Swaziland, which is the fourth largest exporter of AGOA-eligible apparel, albeit well behind the top three and declining. Namibia, the third member of the rest of SACU aggregate, is an insignificant exporter of apparel, and the result should not reflect any impact on Lesotho at all because it is an LDC and retains AGOA benefits under scenario III.A.

	Scenario III.A	Scenario III.C
	Textile and apparel exports (%Δ)	Textile and apparel exports (%Δ)
Average for All AGOA-Eligible Countries	-36.6	-37.5
Mauritius	-58.2	-59.0
Rest of East Africa	-49.7	-50.3
Rest of SACU	-25.5	-26.8
Non-African LDCs	0.1	63.8
Bangladesh	0.1	112.8
Cambodia	0.1	82.5
Rest of the World	0.1	-1.6
BRIC countries	0.1	-1.6

The second scenario also excludes middle income African countries from benefits, but it extends benefits to non-African LDCs. Not surprisingly, there are large positive effects for Bangladesh and Cambodia, but little or no *additional* impact for middle-income African countries compared to the first scenario where they have already been denied benefits. The key here is that the 37.5 percent drop in AGOA-eligible textile and apparel exports is the *combined* effect of excluding middle income countries and extending benefits to non-African LDCs. Since the impact of excluding middle income countries in scenario III.A is -36.6 percent, it suggests that the *marginal* impact of also extending benefits to other LDCs is minimal. But we cannot know from scenario III.C what the impact just of extending benefits to non-African LDCs is for Kenya and Mauritius.

Focusing on results for the rest of SACU region, we would expect the same minimal impact for Swaziland and Namibia comparing these two scenarios. The surprise is that the estimated export losses for the rest of SACU region increases just over one percentage point in the second scenario, even though Lesotho is now exposed to competition from the non-African LDCs.