

# Malawi asks US to soften AGOA conditions

 By [Gregory Gondwe](#)

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Malawi's position paper presented at the 10th African Growth and Opportunity Act (AGOA) forum in Lusaka, Zambia has asked the US government to simplify its import approval procedures - without in any way sacrificing safety - in order to facilitate greater trade from Africa.

The government also asked the US government to remove tariff-rate quotas for agricultural products.

AGOA is a US Trade Act that significantly enhances market access to the US for 39 sub-Saharan African countries, including Malawi and it offers beneficiary countries duty and quota free access for 1,800 different products, including agricultural products and apparel.

## Building on duty-free benefits

The initiative builds on the duty-free benefits previously available under the existing US Generalised System of Preferences (GSP) program.

Duty-free access to the US market under the combined AGOA/GSP program stands at approximately 7,000 product tariff lines.

Malawi's performance has been erratic with its exports to the US under AGOA falling in 2007 and 2008, before increasing by 49% between 2008 and 2009, rising significantly above their level in 2006.

The government of Malawi says this was driven by rising exports of agricultural products.

"This trend has not continued in 2010, however, with the latest data showing that Malawi exports to the US under AGOA were 10.5% lower in the first six months of 2010 compared to the same period in 2009," reads the paper presented by the Ministry of Industry and Trade.

It says Malawi's textile and apparel exports to the US under AGOA have declined significantly in recent years from US\$19.4 million in the year to December 2007 to US\$6.4 million in the year to February 2010; representing a decline in textiles and apparel exports of 67%.

"Only one of the eight companies originally registered in Malawi to export garments under AGOA is still exporting to the US. This is Win Win Garments," it observes.

## **Downward trend across SADC, COMESA**

It further observes that this downward trend also exists across the SADC and COMESA regions, which have both experienced a decline in their textile and apparel exports to the US under AGOA in the last three years.

Although Malawi has developed an AGOA strategy to provide a coordinated approach for taking full advantage of the preferential market access enjoyed under AGOA it has failed to survive the demand due to a number of challenges.

The first challenge is that Malawi producers exporting food products to the US fail to satisfy a requirement to register with the Food and Drug Administration (FDA) which are measures put in place to ensure that food products exported to the US are safe for consumption.

Malawi's many agricultural products do not meet the required standard to access the US market, including sanitary and phyto-sanitary, packaging and labeling requirements.

The other challenge is on poor infrastructure including roads, telecommunications, water and electricity and it was observed that this is a critical constraint to improving competitiveness of Malawi's products in regional and global markets.

"Poor infrastructure is a major constraint for Malawi improving its competitiveness globally," it observes.

## **Supply of electricity, top obstacle**

Firstly, the 2010 Business Climate Survey undertaken by the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) identifies the supply of electricity as the top obstacle to doing business in Malawi.

"It has been estimated that the economic losses relating to power outages are equivalent to 2-3% of GDP," the paper says.

Secondly, the paper says the Business Climate Survey identifies transport infrastructure as the eleventh most significant obstacle for doing business in Malawi and that only 34% of sub-Saharan Africa's rural population lives within two kilometres of a paved road, compared to 65% in the world's next poorest region, South Asia.

The Malawi government says although a Specialty Foods Buyer Trip to Malawi facilitated by USAID in November 2008 was organised in this respect, found that a number of products with potential for export to the US market failed to meet the required standard for packaging and labelling.

Because of such failures, the Malawi government has suggested that the US should help African producers, including those in Malawi, to meet the stringent US sanitary and phyto-sanitary requirements and other standards, so they can make better use of the trade preferences provided for under AGOA.

"In particular, Malawi would benefit from assistance with the management of aflatoxins in groundnuts," the paper says.

## **Increasing aid for infrastructure development**

The paper also said as part of its trade capacity building support, the US should commit to significantly increasing aid for infrastructure development in Africa.

It says the benefits of AGOA for exporters of sugar and tobaccos, including Malawi, are currently limited by tariff-rate quotas.

"Malawi is one of ten countries which have a defined quota for sugar exports under the US sugar programme," it says.

The tariff-rate quota on raw sugar is determined based on each country's share of exports to the US during a six-year

period.

It observes that AGOA waives the duty which would otherwise be applied to exports within these quotas, but duty is still applicable for exports which exceed the US quota.

"AGOA could therefore be enhanced by removing or relaxing quotas or reducing the duties which apply to exports which exceed these quotas," the paper suggests.

This would facilitate increased exports of sugar and tobacco from beneficiary countries to the US market.

Among several suggestions, the government of Malawi says for AGOA to be successful the chambers of commerce of the US and various beneficiary countries need to interact and share more information on how trade and investment can be enhanced between the US and the beneficiary countries.

US Secretary of State Hillary Clinton officially closed the 2011 AGOA forum in Lusaka Zambia on Friday, 10 June 2011 with a firm call on African governments to fight corruption to ensure economic growth.

She assured of an extension of this trade and investment agreement first signed in 2000 to grow trade and investment between US and sub-Saharan Africa.

## ABOUT GREGORY GONDWE

Gregory Gondwe is a Malawian journalist who started writing in 1993. He is also a media consultant assisting several international journalists pursuing assignments in Malawi. He holds a Diploma and an Intermediate Certificate in Journalism among other media-related certificates. He can be contacted on [gregorygondwe@gmail.com](mailto:gregorygondwe@gmail.com). Follow him on Twitter at @Kalipochi.

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