CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 10, 2004

H.R. 4103
AGOA Acceleration Act of 2004

As ordered reported by the House Committee on Ways and Means on May 5, 2004

SUMMARY

H.R. 4103 would extend the trade benefits available under the African Growth and Opportunity Act (AGOA) that expire in 2008, and the special rule for certain lesser-developed Sub-Saharan countries that expires in September 2004. The Congressional Budget Office estimates that those extensions would reduce revenues by $3 million in 2004, by $140 million over the 2004-2009 period, and by about $365 million over the 2004-2014 period, net of income and payroll tax offsets.

The bill also would direct the President to develop and implement certain policies to promote trade between the countries of Africa and the United States. U.S. agencies are currently undertaking most of these activities under more general authority. Based on information from the U.S. Department of Agriculture and the U.S. Agency for International Development, however, CBO estimates that implementing the bill would require hiring additional personnel and would increase spending by about $2 million each year, assuming the appropriation of the necessary funds. The bill would not affect direct spending.

CBO has determined that H.R. 4103 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4103 is shown in the following table. The costs of this legislation fall within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
CHANGES IN REVENUES						
Estimated Revenues	-3	-30	-33	-36	0	-39
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	2	2	2	2	2
Estimated Outlays	0	1	2	2	2	2

BASIS OF ESTIMATE

Revenues

H.R. 4103 would extend the preferential treatment given to certain U.S. imports from Sub-Saharan Africa under the AGOA program, which currently expires on September 30, 2008. This includes preferential treatment extended under the Generalized System of Preferences. According to the U.S. International Trade Commission, U.S. imports from countries in the region were about $25 billion in 2003. U.S. imports eligible for duty-free treatment under AGOA totaled about $14 billion in that year. Those imports consisted largely of energy-related products and textile and apparel goods.

Presently, upon expiration of the program, such imports would face normal trade relation tariff rates. CBO estimates that over the 2009-2014 period, the U.S. would import about $69 billion worth of products from the region, resulting in $912 million in customs duties. In the absence of specific data on the extent of any substitution effect, these estimates assume that half of the U.S. imports that would have otherwise been eligible under AGOA would be replaced with goods from other countries receiving preferential treatment under other special import programs.

Under the bill, the AGOA program would be extended an additional seven years, through September 30, 2015. With the extension, CBO estimates that U.S. imports from the region would total about $212 billion over the 2009-2014 period, with most of the imports facing no duties. CBO estimates that importers would pay $561 million in customs duties on the imported goods with non-zero duty rates. Consequently, federal revenues would decrease by $264 million between 2009 and 2014, net of income and payroll tax offsets.

H.R. 4103 also would extend the special treatment that certain lesser-developed Sub-Saharan countries may receive under AGOA. Through September 30, 2004, a lesser-developed country (LDC) may export duty-free to the United States any apparel good that is assembled within the country, regardless of the origin of the fabric or yarn. Nearly all AGOA countries currently have LDC status; those that do not are limited to using fabric and yarn originating in the United States or the AGOA region in order to receive duty-free treatment. The bill would allow LDC countries to receive such special treatment for an additional three years, through September 30, 2007. CBO estimates that the extension would result in $98 million in forgone revenues from 2005 through 2007, net of income and payroll tax offsets. That amount is highly dependent upon the capability of countries in the AGOA region to manufacture the fabric and yarn needed to receive duty-free access to the U.S. market.

Lastly, H.R. 4103 would refund certain duties already paid on imports from AGOA countries that did not receive duty-free treatment at the time of entry. CBO estimates that the reduction in net customs duties would amount to about $3 million, all of which would occur in 2004.

Spending Subject to Appropriation

H.R. 4103 would require the President to conduct a study and make recommendations on how the U.S. government and private sector can assist the countries of Africa in dismantling barriers to trade and investment. In addition, the bill would require the President to develop and implement policies to increase trade with African countries through investments in infrastructure and tourism, to coordinate customs services between U.S. and African ports and airports, and to improve sanitary and phytosanitary standards on agricultural products imported from Africa to meet U.S. requirements.

Various U.S. agencies are currently undertaking these activities under more general authority. Based on information from the U.S. Department of Agriculture and the U.S. Agency for International Development, however, CBO estimates that meeting the requirement in the bill for agricultural technical specialists would require hiring an additional 8 persons and that supporting them in Africa would cost between $200,000 to $250,000 per person. CBO estimates that implementing H.R. 4103 would increase spending for technical assistance by about $2 million each year, assuming the appropriation of the necessary funds.

SUMMARY OF EFFECTS ON REVENUES AND DIRECT SPENDING

The overall effects of H.R. 4103 on revenues and direct spending are shown in the following table.

	By Fiscal Year, In Millions of Dollars										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Changes in receipts	-3	-30	-33	-36	0	-39	-41	-43	-45	-47	-49
Changes in outlays	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Revenues: Annabelle Bartsch
Federal Spending: Joseph Whitehill
Impact on State, Local, and Tribal Governments: Melissa Merrell
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

G. Thomas Woodward
Assistant Director for Tax Analysis

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis