CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 1, 2004

H.R. 4103
AGOA Acceleration Act of 2004

As cleared by the Congress on June 24, 2004

SUMMARY

H.R. 4103 extends the trade benefits available under the African Growth and Opportunity Act (AGOA) that were set to expire in 2008, and the special rule for certain lesser-developed Sub-Saharan countries that was scheduled to expire in September 2004. The Congressional Budget Office estimates that those extensions will reduce revenues by $2 million in 2004, by $139 million over the 2004-2009 period, and by about $364 million over the 2004-2014 period, net of income and payroll tax offsets. Enacting the legislation will have no effect on direct spending.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated impact of H.R. 4103 on revenues is shown in the following table. Enacting H.R. 4103 will not affect direct spending.

	By Fiscal Year, In Millions of Dollars										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Estimated Revenues	-2	-30	-33	-36	0	-39	-41	-43	-45	-47	-49

BASIS OF ESTIMATE

H.R. 4103 extends the preferential treatment given to certain U.S. imports from Sub-Saharan Africa under the AGOA program. Such treatment was scheduled to expire on September 30, 2008 and 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.

Without H.R. 4103, such imports would have faced normal trade relation tariff rates. CBO estimates that over the 2009-2014 period, the U.S. would have imported about $69 billion worth of products from the region and collected $912 million in customs duties on those goods. 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 have been replaced with goods from other countries receiving preferential treatment under other special import programs.

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

H.R. 4103 also extends the special treatment that certain lesser-developed Sub-Saharan countries may receive under AGOA. The special rule had been scheduled to expire on 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. The act allows LDC countries to receive such special treatment through September 30, 2007. 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. CBO estimates that the extension will 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.

Finally, H.R. 4103 refunds 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 will amount to about $2 million, all of which will occur in 2004.

ESTIMATE PREPARED BY: Annabelle Bartsch

ESTIMATE APPROVED BY:

G. Thomas Woodward
Assistant Director for Tax Analysis