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AGOA AND THE FUTURE OF US-AFRICA TRADE

by Frannie Léautier

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Preface

On April 27, 2023, Jake Sullivan, US President Joe Biden's national security advisor, delivered remarks at the Brookings Institution on "renewing American economic leadership."[1] This special address was unusual. Sullivan does not typically speak publicly, so his remarks were particularly noteworthy. As he spoke, Sullivan shared strategic views about US economic leadership which helped shed light on a new US approach to global governance: US security interests will prevail, and its foreign policy will be driven by domestic considerations with trade at the heart of this strategy.

Sullivan said: "The main international economic project of the 1990s was reducing tariffs. On average, applied U.S. tariff rates were nearly cut in half during the 1990s. Today, in 2023, our trade-weighted average tariff rate is 2.4 percent—which is low historically, and relative to other countries.

"Of course, those tariffs aren't uniform, and there is still work to be done bringing tariff levels down in many other countries. As [US Trade Representative] Ambassador [Katherine] Tai has said, 'We have not sworn off market liberalization.' We do intend to pursue modern trade agreements. But to define or measure our entire policy based on tariff reduction misses something important. The right question is: how does trade fit into our international economic policy, and what problems is it seeking to solve?

"The project of the 2020s and the 2030s is different from the project of the 1990s.

"We know the problems we need to solve today: Creating diversified and resilient supply chains. Mobilizing public and private investment for a just clean energy transition and sustainable economic growth. Creating good jobs along the way, family-supporting jobs. Ensuring trust, safety, and openness in our digital infrastructure. Stopping a race-to-the-bottom in corporate taxation. Enhancing protections for labor and the environment. Tackling corruption. That is a different set of fundamental priorities than simply bringing down tariffs....

"Simply put: In today's world, trade policy needs to be about more than tariff reduction, and trade policy needs to be fully integrated into our economic strategy, at home and abroad."

How can African nations match these US domestic goals? What role is devoted to them and, specifically, US-Africa trade cooperation in this new space? How can the African Growth and Opportunity Act (AGOA), which was signed into law on May 18, 2000, to support the US domestic goals? When AGOA expires in 2025, what kind of renewed principles should it rest on? According to the Office of the US Trade Representative, AGOA "provides eligible sub-Saharan African countries with duty-free access to the U.S. market for over 1,800 products, in addition to the more than 5,000 products that are eligible for duty-free access under the Generalized System of Preferences program.

"To meet AGOA's rigorous eligibility requirements, countries must establish or make continual progress toward establishing a market-based economy, the rule of law, political pluralism, and the right to due process. Additionally, countries must eliminate barriers to U.S. trade and investment, enact policies to reduce poverty, combat corruption, and protect human rights."[2] In 2023, thirty-five African countries are eligible for AGOA preferential treatment. The remaining fourteen are not for diverse reasons.[3]

1 White House, "Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution," April 27, 2023, https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/.

2 Office of the United States Trade Representative, "African Growth and Opportunity Act (AGOA)," accessed September 27, 2023, https://ustr.gov/issue-areas/trade-development/preference-programs/african-growth-and-opportunity-act-agoa.

3 Office of the United States Trade Representative, "AGOA Eligible and Ineligible Countries – 2023," accessed September 27, 2023, https://ustr.gov/sites/default/files/files/gsp/2023AGOA.pdf.

Through these questions, the fundamental stake is to know if Africa matters to the United States' vital interests in the coming two decades. When Sullivan defined a US "foreign policy for the middle class" that would move "beyond traditional trade deals to innovative new international economic partnerships focused on the core challenges of our time," he wanted to maximize the impact of the historic Inflation Reduction Act and then turned to the Indo-Pacific, to Japan to Canada to the European Union (US-EU Trade and Technology Council) to the Americas (Americas Partnership for Economic Prosperity). What about Africa?

The Atlantic Council's core mission is to "shape the global future together" based on the Atlantic community's central role in meeting global challenges. African countries that are the main battleground of global competition, including with China and Russia, are now engaged on a path to achieve their immense potential, not only for their own sake, but also for the sake of the global economy. US Treasury Secretary Janet Yellen said it best at the end of her Africa tour in January 2023: "The United States' strategy towards Africa is centered around a simple recognition that Africa will shape the future of the global economy. We know that a thriving Africa is in the interest of the United States. A thriving Africa means a large market for our goods and services. It means more investment opportunities for our businesses..., which can create jobs in Africa and customers for American businesses."[4]

The oldest continent is also the continent with the youngest population and potentially the largest in the world at the end of the century. By 2050, one out of four people in the world will be African. As Africa's demographics change, its markets will grow with a rising middle class comprising more than a billion people by 2060. Progress does not end there, as African economies are powering the biggest digital revolution of the last two decades, creating the largest free trade area, and becoming a hub of green technologies, ever so critical for a global green energy transition. The continent sits at the heart of global challenges and opportunities that cannot be ignored by Washington, New Delhi, or Beijing. Tel Aviv and Abu Dhabi's eyes are also on Africa.

In this context, what should US-Africa trade cooperation look like in "the 2020s and the 2030s" after AGOA's expiration? What are African expectations? These questions are the focus of The Future of AGOA, research work that was led by Frannie Léautier, a senior fellow in the Atlantic Council's Africa Center. The report's recommendations were unveiled at the US-Africa Business Summit organized by Corporate Council on Africa in partnership with the government of Botswana in Gaborone, Botswana, from July 11 to 14, 2023. This report kicked off the conversation about the future of US trade policy in Africa and what policy makers should consider when thinking about and creating legislation that will govern the future of AGOA. The Atlantic Council's Africa Center will continue to conduct critical work to research, document, discuss, and advance efforts to bolster trade and investment ties between the US and African countries. At a time when the United States seeks to create economic opportunity and jobs at home, strengthening trade ties with African partners is more urgent than ever.

Rama Yade
Senior Director
Africa Center, Atlantic Council

4 Mogomotsi Magome and Gerald Imray, "Yellen says Africa to shape world economy as US reengages," Associated Press, January 26, 2023, https://apnews.com/article/russia-ukraine-politics-janet-yellen-pretoria-china-01b30758451b86ccfa84e24901a86fe1.

Introduction

Since 2000, the African Growth and Opportunity Act (AGOA) has been the cornerstone of US trade policy for Africa. AGOA gives duty-free access to the US market for eligible countries in sub-Saharan Africa, aiming to promote African economic development alongside market liberalization and democratic governance. With AGOA due to expire in 2025, policy makers in the United States and Africa must decide the basis for stronger US-Africa trade going forward.

Trade is a proven tool to create jobs, reduce poverty, and foster economic development. Africa is blessed with rich natural resources, a growing and youthful population, and has revealed its capacity to innovate using new technologies. Despite all this, Africa is yet to realize its immense economic potential, accounting for just 2 percent of global production and 3 percent of global trade in goods and services in 2021.[5] To reduce poverty and achieve prosperity, Africa must take advantage of global value chains to scale-up and transform its interaction with its trade partners. Africa's trade with the United States, still the world's largest economy, will shape this future.

African countries are pursuing economic integration within the continent and recognize expanded trade as central to this effort. The 2023 theme for the African Union (AU) is accelerating implementation of the African Continental Free Trade Area (AfCFTA), a flagship project of the AU's 2063 Agenda.[6] The AU's current chairperson, Azali Assoumani, who is also president of the Comoros, has recognized the urgency of achieving "the ideal of African integration."[7] There is clear recognition from African leaders of the need to scale-up foreign direct investment and export opportunities, including to the US market.[8] Fully achieving this outcome requires a broad push across human capital, infrastructure, and resource mobilization.[9]

Past work by the Atlantic Council suggests that Africa sits at the nexus of current development, climate, and security challenges.[10] With global competition over resources, technology, and influence growing, the strategic importance of establishing a new kind of relationship with Africa has become clear to the United States. In December 2022, the United States hosted the first US-Africa Leaders Summit in eight years, announcing an array of new initiatives to foster collaboration,[11] including on trade and investment.[12] The United States committed to invest at least $55 billion in Africa over the next three years, although at least part of this amount is a restatement of existing programs.[13]

These announcements build on existing US efforts to develop closer links with Africa in recent years. These efforts include increased support for the Africa Centres for Disease Control and Prevention (Africa CDC),[14] establishing the Prosper Africa

5 Souleymane Coulibaly, Woubet Kassa, and Albert G. Zeufack, eds., *Africa in the New Trade Environment: Market Access in Troubled Times*, World Bank, February 10, 2022, https://documents.worldbank.org/en/publication/documents-reports/documentdetail/894021644564550788/africa-in-the-new-trade-environment-market-access-in-troubled-times.

6 African Union Commission and African Union Development Agency-NEPAD, *Second Continental Report on the Implementation of Agenda 2063,* AUC and AUDA-NEPAD, February, 2022, https://au.int/sites/default/files/documents/41480-doc-2nd_Continental_Progress_Report_on_Agenda_2063_English.pdf.

7 African Union, President Azali Assoumani of the Union of Comoros, Takes Over as the New Chairperson of the African Union (AU) for 2023, press release, February 18, 2023, https://au.int/en/pressreleases/20230218/president-azali-assoumani-union-comoros-takes-over-new-chairperson.

8 "A conversation with Cameroon's Minister of Economy, Alamine Ousmane Mey," Atlantic Council, April 10, 2023, https://www.atlanticcouncil.org/event/a-conversation-with-alamine-ousmane-mey/; "A conversation with Senegal's Minister of Economy, Planning and Cooperation, Oulimata Sarr," Atlantic Council, April 10, 2023, https://www.atlanticcouncil.org/event/a-conversation-with-oulimata-sarr/.

9 "Macky Sall: Africa needs 'justice and equity in international relations' to 'build its own destiny,'" Atlantic Council, December 19, 2022, https://www.atlanticcouncil.org/commentary/transcript/macky-sall-africa-needs-justice-and-equity-in-international-relations-to-build-its-own-destiny/.

10 Aubrey Hruby, *Critical connectivity: Reducing the price of data in African markets, Atlantic Council*, March 3, 2023, https://www.atlanticcouncil.org/in-depth-research-reports/report/critical-connectivity-reducing-the-price-of-data-in-african-markets/; Sarah Daly and Abdelhak Bassou, *Russia's influence in Africa, a security perspective, Atlantic Council*, February 23, 2023, https://www.atlanticcouncil.org/in-depth-research-reports/report/russias-influence-in-africa-a-security-perspective/; Emilie Bel, *Growing green: Catalyzing climate finance in African markets*, *Atlantic Council*, May 14, 2021, https://www.atlanticcouncil.org/in-depth-research-reports/report/growing-green-catalyzing-climate-finance-in-african-markets/; Bronwyn Bruton, *African agency in the new Cold War: Traditional power competition in the post-COVID-19 African landscape*, *Atlantic Council*, November 30, 2020, https://www.atlanticcouncil.org/in-depth-research-reports/report/african-agency-in-the-new-cold-war-traditional-power-competition-in-the-post-covid-19-african-landscape/.

11 "U.S.-Africa Leaders Summit: Strengthening Partnerships to Meet Shared Priorities," White House, December 15, 2022, https://www.whitehouse.gov/briefing-room/statements-releases/2022/12/15/u-s-africa-leaders-summit-strengthening-partnerships-to-meet-shared-priorities/.

12 "FACT SHEET: U.S.-Africa Partnership in Promoting Two-Way Trade and Investment in Africa," White House, December 14, 2022, https://www.whitehouse.gov/briefing-room/statements-releases/2022/12/14/fact-sheet-u-s-africa-partnership-in-promoting-two-way-trade-and-investment-in-africa/.

13 Aubrey Hruby, "The US has gotten the day to day right in Africa policy. Time to think bigger." *AfricaSource*, March 13, 2023, https://www.atlanticcouncil.org/blogs/africasource/the-us-has-gotten-the-day-to-day-right-in-africa-policy-time-to-think-bigger/.

14 "Africa CDC Launches Continent-wide Response," Centers for Disease Control and Prevention, December 8, 2020, https://www.cdc.gov/globalhealth/healthprotection/fieldupdates/fall-2020/africa-cdc-covid.html.

initiative to support stronger two-way trade and investment, and a steady stream of high-level engagement across the continent by US cabinet officials, including the treasury secretary, the secretary of state, and the vice president, that reaffirmed the shift in US-Africa policy.[15] The message has been that the United States is focused *on* Africa, to support its development, as well as working *with* Africa, to achieve shared economic, political, and social goals. With an African market of over 1.3 billion people and a combined gross domestic product (GDP) of over $3.4 trillion, expanding US-Africa trade and investment is now a clear strategic priority for both sides.[16]

This report examines trade between the United States and Africa to date and the impact that AGOA has had. It draws on a survey and interviews conducted with leaders in government, business, international organizations, and civil society. The report identifies key constraints limiting trade expansion and examines emerging challenges and opportunities that will shape its future. Drawing on this analysis, the report provides actionable recommendations for policy makers and other key stakeholders.

15 "Vital Partners, Shared Priorities: The Biden Administration's Sub-Saharan Africa Strategy," US Department of State, August 8, 2022, https://www.state.gov/vital-partners-shared-priorities-the-biden-administrations-sub-saharan-africa-strategy/; "Senior Biden officials deepen ties in visits to Africa," US Embassy & Consulates in Italy, April 11, 2023, https://it.usembassy.gov/senior-biden-officials-deepen-ties-in-visits-to-africa/.

16 "Vision Statement for the U.S.-Africa Partnership," White House, December 15, 2022, https://www.whitehouse.gov/briefing-room/statements-releases/2022/12/15/vision-statement-for-the-u-s-africa-partnership/.

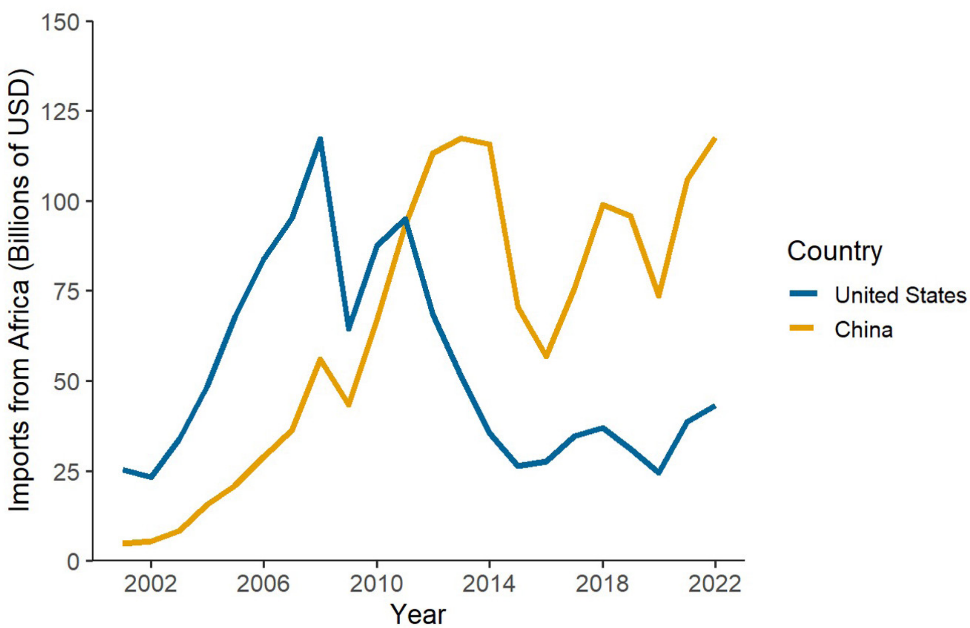
1. Understanding US-Africa Trade

Since 2001, trade between the United States and Africa has varied substantially. The value of goods imported by the United States from Africa rose almost threefold from $34 billion in 2003 to $117 billion in 2008. However, US imports declined from 2011, reaching a low of $26 billion in 2015, and have remained below $50 billion since then. The value of US imports was $43 billion in 2022.[17]

These movements are largely due to oil price fluctuations: Higher oil prices drove most of the increase in the value of US imports from Africa between 2001 and 2008.[18] Since then, imports have diversified somewhat, with the share of non-fuel imports from Africa rising. While in 2001 oil imports made up 70 percent of all US imports from Africa, reaching as high as 85 percent in 2008, by 2022 these imports made up around 32 percent of the total.[19]

While US imports from Africa were substantially higher than Chinese imports in 2001, over the last twenty years the relationship has switched. Chinese imports have been higher than US imports since 2011. In 2022, Chinese imports from Africa were close to three times higher than US imports from the continent, dominated by imports of petroleum and mining products.[20] For sub-Saharan Africa, the United States was the destination for 21 percent of exports in 2000, but by 2020 this had dropped to about 5 percent, with the United States now below China, India, and South Africa as the top export destination.[21]

Figure 1: US and Chinese Imports from Africa (2001–2022)



Source: US Census Bureau and China Customs

17 "Trade in Goods with Africa," United States Census Bureau, April 2023, accessed June 26, 2023, https://www.census.gov/foreign-trade/balance/c0013.html#questions.

18 United States International Trade Commission, *African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights*, March 2023, https://www.usitc.gov/publications/332/pub5419.pdf.

19 Data from ITC Trade Map from a search for a yearly time series of US imports of goods from Africa, accessed June 26, 2023, https://www.trademap.org/Index.aspx.

20 Data from ITC Trade Map from a search for a yearly time series of Chinese imports of goods from Africa, accessed June 26, 2023, https://www.trademap.org/Index.aspx.

21 "Sub-Saharan Africa trade statistics," World Integrated Trade Solution, accessed June 26, 2023, https://wits.worldbank.org/CountryProfile/en/SSF.

"Even though China and Africa have a bigger volume of trade, it's mostly in raw commodities, with all value addition being done in China. With the US, the trade in recent years has included value addition such as automotive imports from South Africa." —Florizelle Liser, president and CEO, Corporate Council on Africa

1.1. The Impact of AGOA

It is within this context that AGOA operates as the United States' central trade policy tool for Africa, providing unilateral duty-free access to the US market for a wide range of products. Unmatched in its approach among US trade pacts, AGOA has enjoyed sustained bipartisan support since 2000 and across three renewals. This support, and AGOA's often strong brand recognition in Africa, has helped shift the emphasis of US engagement away from aid and toward trade and commercial opportunities.

Box 1: AGOA's History and Country Eligibility

As an act of the US Congress, AGOA has been supported by both major US political parties through its adoption in 2000 and subsequent renewals in 2004 and 2015. Then US Rep. Jim McDermott (D-WA) first proposed the legislation as a means to use US trade relations, rather than humanitarian aid, to support economic development.[a] A bipartisan group supported this shift in focus: The act was introduced to the House of Representatives by then US Rep. Philip Crane (R-IL).[b] Several amendments have been made to the act over the years, primarily concerning its special provisions on textiles and apparel, but its broad aims and approach as a unilateral trade preference program for eligible sub-Saharan African countries has remained the same.

Initially, thirty-four countries were made eligible for AGOA benefits, but various countries have gained or lost eligibility since then. Currently, thirty-five countries are eligible and twelve are ineligible.[c] In January 2023, the United States removed Burkina Faso's eligibility following a coup in 2022, the same reason for the removal of Guinea and Mali the year before. In 2022, Ethiopia lost its eligibility due to human rights violations.[d]

Eligible countries: Angola, Benin, Botswana, Cabo Verde, Central African Republic, Chad, Comoros, Republic of the Congo, Democratic Republic of the Congo, Cote d'Ivoire, Djibouti, Eswatini, Gabon, The Gambia, Ghana, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Uganda, and Zambia.

Ineligible countries: Burundi, Burkina Faso, Cameroon, Eritrea, Ethiopia, Guinea, Mali, Mauritania, Somalia, Sudan, South Sudan, and Zimbabwe.

Two further countries in sub-Saharan African have "graduated" from AGOA (and the United States' Generalized System of Preferences or GSP): Equatorial Guinea and Seychelles. Somalia and Sudan were not reviewed for 2023 eligibility as neither requested designation as AGOA eligible countries.

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a Anthony Carroll, "AGOA: Opening Doors," *Foreign Service Journal*, May 2004, https://afsa.org/sites/default/files/flipping_book/0504/42/.

b Trade and Development Act of 2000, H.R. 434—106th Congress (1999-2000), https://www.congress.gov/bill/106th-congress/house-bill/434.

c "AGOA Country Eligibility," AGOA.info (TraLac), accessed June 14, 2023, https://agoa.info/about-agoa/country-eligibility.html.

d Office of the United States Trade Representative, US Terminates AGOA Trade Preference Program for Ethiopia, Mali and Guinea, press release, January 1, 2022, https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/january/us-terminates-agoa-trade-preference-program-ethiopia-mali-and-guinea.

e "Remarks by US Ambassador Larry André at the Somalia AGOA Application Ceremony," US Embassy in Somalia, March 29, 2023, https://agoa.info/images/documents/16177/us-ambassador-remarks-on-somalia-agoa-application.pdf.

> *"AGOA has been an important trade instrument for the continent and for US-Africa relations, especially if you take into account that it's the only consistent vehicle for engaging African trade ministers. It has enabled the space to have coherent and consistent conversations with officials about market access and the business environment."* —Scott Eisner, president, US-Africa Business Center, and senior vice president, US Chamber of Commerce

1.1.1. Duty-free trade benefits

AGOA works by expanding the duty-free treatment provided under the GSP. Doing so provides a competitive advantage to businesses exporting products to the United States. There are currently thirty-five countries in sub-Saharan African that are eligible for these benefits.[22] In theory, this should incentivize export-oriented business activity and public and private investment.

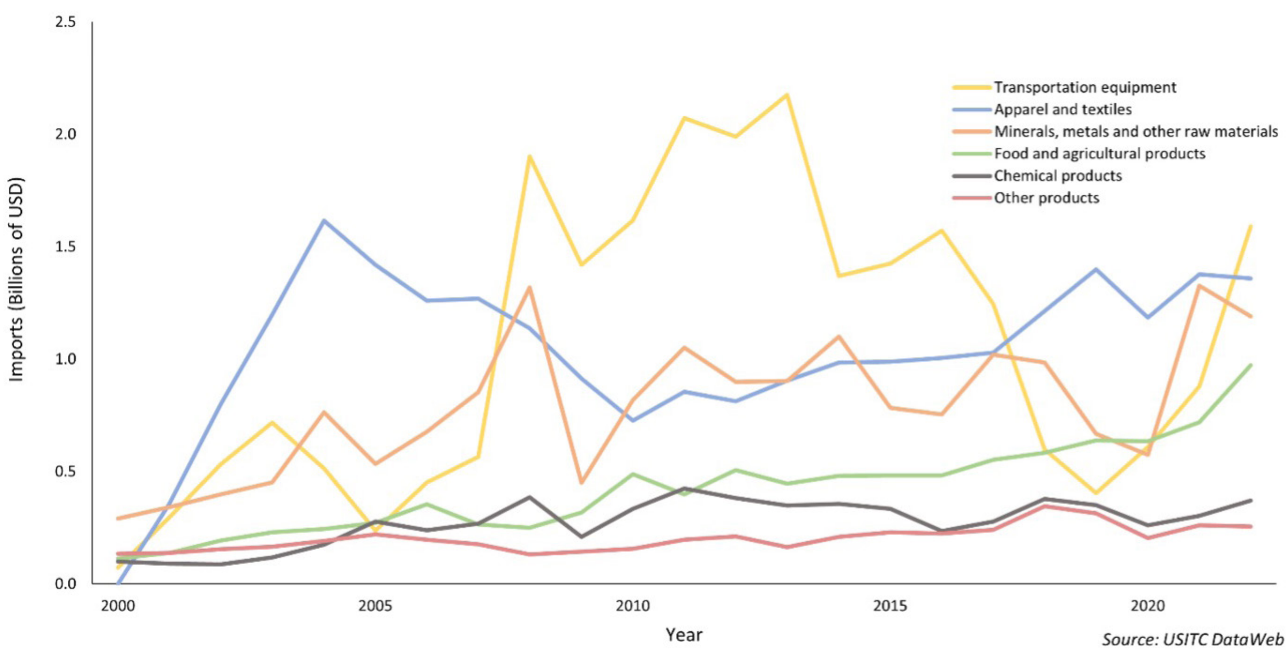
> *"AGOA has served its main objectives and must be renewed."* —Aivo H. Andrianarivelo, governor of the Central Bank of Madagascar

In 2022, US imports of goods utilizing AGOA (or GSP) benefits were valued at $10.2 billion.[23] Like overall US imports from Africa, imports from AGOA beneficiaries have changed over time, driven mostly by the value of oil imports from countries like Angola and Nigeria. As US demand for crude oil has broadly declined in recent years, the value of imports from AGOA beneficiaries has stayed well below the highs of the late 2000s and early 2010s.

Non-petroleum imports have also varied, but less dramatically. US imports of these goods under AGOA (or GSP) rose steadily until the 2008 financial crisis and again until 2012. Between 2013 and 2020, these imports averaged $4.6 billion per year and in 2022 were valued at $5.7 billion.[24]

Although non-petroleum imports under AGOA have increased since 2001, a few product categories dominate. In 2022, transportation equipment made up 16 percent of imports, followed by textiles and apparel at 13 percent; min-

Figure 2: US Imports of Goods Claiming AGOA or GSP Preferences, Excluding Crude Oil (2000–2022)



Source: USITC DataWeb

22 "List of Eligible Countries," Office of the United States Trade Representative, accessed June 26, 2023, https://ustr.gov/issue-areas/preference-programs/african-growth-and-opportunity-act-agoa/list-eligible-countries.

23 "USITC DataWeb," United States International Trade Commission, accessed May 23, 2023, https://dataweb.usitc.gov/.

24 United States International Trade Commission, *African Growth and Opportunity Act (AGOA).*

erals, metals, and other raw materials at 12 percent; and food and agricultural products at 10 percent (Figure 2).[25] Petroleum imports still made up 44 percent of imports under AGOA.

In addition to helping countries expand their trade in certain sectors, especially petroleum but increasingly others too, AGOA has also helped cement a “trade and not aid” approach to Africa that fits well with African development agendas.

> *“Trade arrangements with Africa have broadly been a success story. We need to learn what has worked there and build from it.” —Josh Lipsky, senior director, Atlantic Council’s GeoEconomics Center*

Work is still needed, however, to support countries to diversify their export-oriented production and move further up value chains. For forty-five out of the fifty-four African countries, primary commodities—either extractive resources like oil and metals (e.g., cold, copper, and iron ore) or agricultural products (e.g., coffee, spices, and fish)—still make up over 60 percent of total exports.[26] This makes these countries especially vulnerable to the price volatility of the global market, with downstream impacts on growth, public finances, and household welfare.[27] Even the nine countries—Comoros, Djibouti, Egypt, Eswatini, Lesotho, Mauritius, Morocco, South Africa, and Tunisia—that are less commodity dependent often still depend on particular product sectors. While it is easier to satisfy AGOA rules of origin (principally, that at least 35 percent of the value must be “added” within the country) with raw materials and commodities, diversification to other sectors would help drive broad-based, inclusive growth.

Box 2: Exporting Transport

Since 2000, transportation equipment has been an important sector for exports to the United States under AGOA. These exports were particularly significant between 2008 and 2016 and, despite dipping between 2017 and 2020, were worth $1.59 billion in 2022 (Figure 2).[a] Advanced manufacturing capacity, technical expertise, and robust supply chains are needed to sustain this output, making it the key example of manufacturing exports under AGOA that involves substantial value addition.

This is an example of concentrated success in building clustered operations and integrated supply chains. Almost all exports in the sector come from South Africa’s automobile industry, which has seen substantial growth in export-driven production under AGOA.[b] Multiple US manufacturers, including General Motors and Ford, have operations in the country. Combined with proactive tax incentives from the South African government,[c] the links between clusters of assemblers, component manufacturers, and internationally competitive parent companies have enabled technology and skill transfers, organizational development, and access to international markets.[d]

More broadly, total African production of automobiles for export or domestic use remains low, with less than 1 percent of global output in 2021.[e] The vast majority of exports come from South Africa and Morocco, which has come to benefit from close trade links with the European Union (EU). Most African economies depend on used car imports to meet domestic demand, which helps resource-constrained consumers in the short term, but is limiting growth of domestic automobile manufacturing.[f]

a. “USITC DataWeb,” United States International Trade Commission.

b. Norman Lamprecht and Aletta Sophia Tolmay, “Performance of South African Automative Exports Under the African Growth and Opportunity Act from 2001 to 2015,” *International Business & Economics Research Journal* (March 2017), DOI:10.19030/iber.v16i2.9927; Rene Vollgraaff, “South African Car Exports Seen Beating Local Sales This Year,” Bloomberg, February 21, 2023, https://www.bloomberg.com/news/articles/2023-02-21/south-african-car-exports-seen-beating-local-sales-this-year.

c. Prachi Agarwal et al., “The African Continental Free Trade Area and the Automotive Value Chain,” ODI Briefing Report, July 2022, http://cdn-odi-production.s3-website-eu-west-1.amazonaws.com/media/documents/VVC_paper_final____.pdf.

d. Trudi Hartzenberg and Samson Muradzikwa, *Transfer of Technology for Successful Integration into the Global Economy: A case study of the South African automotive industry*, UNCTAD, 2002, https://unctad.org/system/files/official-document/iteipcmisc21_en.pdf.

e. Agarwal et al., “The African Continental Free Trade Area.”

f. Deloitte, *Deloitte Africa Automotive Insights: Navigating the African Automotive Sector: Ethiopia, Kenya and Nigeria,* Deloitte South Africa, 2018, https://www2.deloitte.com/content/dam/Deloitte/za/Documents/manufacturing/za_Africa-Auto-2016-Report-28-May-2018.pdf.

25 “USITC DataWeb,” United States International Trade Commission.

26 UNCTAD, *Economic Development in Africa Report 2022: Rethinking the Foundations of Export Diversification in Africa,* United Nations Conference on Trade and Development, 2022, https://unctad.org/system/files/official-document/aldcafrica2022_en.pdf.

27 Daron Acemoglu and Fabrizio Zilibotti, “Was Prometheus Unbound by Chance? Risk, Diversification, and Growth,” *Journal of Political Economy* 105 (4) (1997): 709-751, https://doi.org/10.1086/262091; Daniel Lederman and Guido Porto, “The Price Is Not Always Right: On the Impacts of Commodity Prices on Households (and Countries),” *World Bank Research Observer* 31 (1) (February 2016): 168-197, https://doi.org/10.1093/wbro/lkv013.

Another challenge for AGOA-eligible countries is that over time the United States' applied tariff rate has declined, from 2.1 percent in 2000 to 1.5 percent in 2021.[28] This has eroded the advantage that AGOA-eligible countries receive, making it harder to compete with exports from other countries, especially in Asia.

> *"In the US market, African countries can hardly complete with India, China, Vietnam, and other countries in Asia. Those countries enjoy very low cost of factors, no electricity problem, and lower costs of finance. Most importantly, they have political stability, providing the basis for expanding operations abroad."*
> *—Facinet Sylla, executive director at the International Monetary Fund representing twenty-three African countries*

1.1.2. Textiles and apparel

For a subset of eligible countries, AGOA allows special duty-free treatment for apparel and textiles and relaxes restrictions on the origin of inputs. In a global industry with narrow profit margins and relatively high duty rates, these duty-free benefits and liberal rules of origin have allowed US apparel imports under AGOA to grow steadily since 2010, constituting the largest share of imports after petroleum between 2018 and 2021 (Figure 2).[29]

Although for some countries the apparel trade has become critical (see Box 3), overall, this growth has remained modest. Between 2001 and 2021, US apparel imports under AGOA only accounted for up to 2 percent of US apparel imports from the world.[30] Individual countries in Asia, including Bangladesh and Vietnam, annually export much larger amounts of textiles and apparel to the US market.[31] African economies have often lacked the kind of integrated manufacturing and supply chain clusters that many countries in Asia have benefited from.[32]

> *"We are pushing for the immediate and long-term renewal of AGOA so we can (a) drive investment into Africa, (b) build long-term vertical and sustainable supply chains, and (c) take advantage of the window that is temporarily open now during which companies looking to diversify out of China in my industry are planning their long-term supply chain investments."*
> *—Steve Lamar, president and CEO, American Apparel and Footwear Association*

1.1.3. Utilization and eligibility

Most exports into the US market that utilize AGOA benefits come from a small number of countries. For instance, although two-thirds of AGOA-eligible countries have access to the special apparel benefits, the vast majority of apparel products imported under AGOA in 2021 came from five countries: Ethiopia, Kenya, Lesotho, Madagascar, and Mauritius.[33] Many countries have struggled to achieve cost competitiveness in this fierce global market despite the duty benefits that AGOA provides.

While some countries, like Kenya, Lesotho, and Zambia, consistently utilize their AGOA benefits at very high rates, others, like Chad and Comoros, have yet to utilize these benefits. The cost of complying with AGOA rules can be challenging for some exporters, especially in sectors where the United States already has low baseline tariff rates (e.g., petroleum).[34] Countries with low utilization rates tend to be those focused on product sectors not facing import duties in the United States. These countries include Botswana and Angola (diamonds), Comoros (vanilla, cloves), and the Central African Republic and the Republic of the Congo (tropical woods).

Countries with sectors that stand to gain the most from AGOA benefits have the highest utilization rates, while low utilization rates are driven by low overall exports to the United States: Most countries with low utilization rates exported less than $1 million worth of AGOA-covered products to the United States in 2021.

28 "DataBank – World Development Indicators," World Bank, accessed May 5, 2023, https://databank.worldbank.org/home.

29 "USITC DataWeb," United States International Trade Commission.

30 United States International Trade Commission, *African Growth and Opportunity Act (AGOA).*

31 "Trade Shifts Index 2021: Textiles and Apparel," United States International Trade Commission, accessed June 26, 2023, https://www.usitc.gov/research_and_analysis/tradeshifts/2021/textiles.

32 Interview with Aubrey Hruby, co-founder of Insider, Tofino Capital, and the Africa Expert Network, and senior fellow at the Atlantic Council's Africa Center, May 24, 2023.

33 United States International Trade Commission, *African Growth and Opportunity Act (AGOA).*

34 United States International Trade Commission, *African Growth and Opportunity Act (AGOA).*

Box 3: Exporting Apparel from East Africa

AGOA's special textile and apparel benefits have allowed a substantial expansion in export-oriented production in several AGOA-eligible countries, such as Ghana, Kenya,[a] Lesotho, Madagascar, and Tanzania. These countries have been able to utilize rising demand for garments in the world economy to boost their labor-intensive manufacturing capacity, drawing foreign investment attracted by the competitive advantage that AGOA provides.

Countries in East Africa have been some of the most successful. For some, like Kenya, an existing industry has grown: The United States is now Kenya's largest export destination, with apparel exports an important part of this trade volume. For others, like Ethiopia, foreign investment has allowed an export-oriented domestic industry to begin.[b] Strong public-private collaboration has been important for this growth, especially through use of special economic zones. Compared to exporting primary commodities, this production is particularly beneficial because it creates jobs for rapidly rising populations and mostly for women, who make up as much as 80 percent of the workforce in the sector.[c]

Challenges remain. The sector is primarily focused on cut-and-sew operations, depending on imported yarns and fabrics produced in Asia. African countries produce substantial amounts of cotton but very little is processed on the continent,[d] meaning much of the value addition is missed. Regional integration of the supply chain is hampered by the capital and energy requirements of modern, at-scale textile production. Imports of cheap used clothing from the United States is also limiting the growth of domestically oriented manufacturing.[e] Rwanda lost access to AGOA's apparel benefits in 2018 after it restricted these imports.[f] The threat of losing AGOA eligibility dissuaded other countries in the East African Community, including Kenya, Tanzania, and Uganda, from proceeding with similar measures.

a Anne Mastamet-Mason and Michael Ogembo-Kachieng'a, "Development of competitive advantage in the apparel industry in Kenya," *AFRICON 2009*, IEEE, September 2009, 10.1109/AFRCON.2009.5308084.

b Neil Balchin and Linda Calabrese, *Comparative country study of the development of textile and garment sectors: Lessons for Tanzania,* Overseas Development Institute, May 2019, https://cdn.odi.org/media/documents/12694.pdf.

c African Development Bank Group, *Report on the Feasibility Study for the Development of the online Fashionomics Platform,* 2018, https://fashionomicsafrica.org/documents/reportfeasibility.pdf.

d United States International Trade Commission, *African Growth and Opportunity Act (AGOA).*

e Interview with Donald Kaberuka, managing partner, SouthBridge Group; special envoy to the African Union; and former president of the African Development Bank, June 7, 2023.

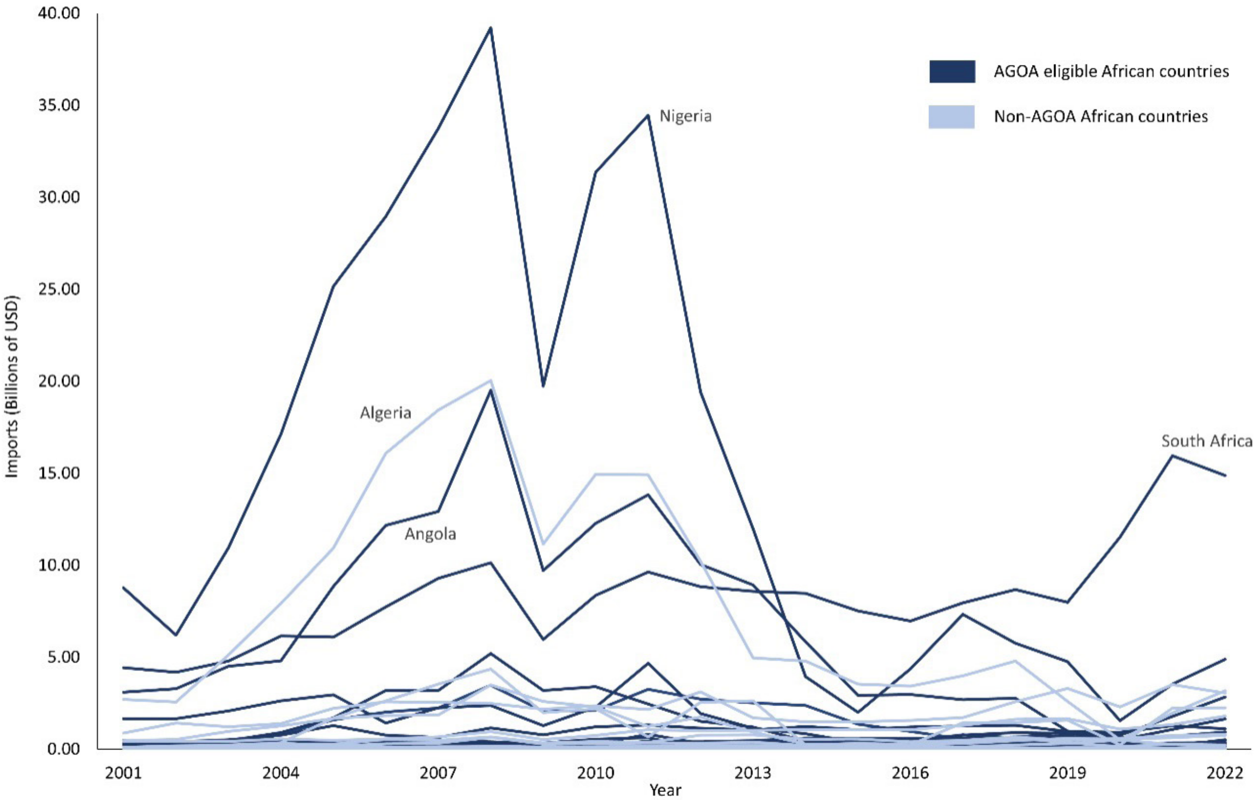
f Office of the United States Trade Representative, *2018 Biennial Report on the Implementation of the African Growth and Opportunity Act,* June 2018, https://ustr.gov/sites/default/files/2018_AGOA_Implementation.pdf.

> *"If someone wishes to invest in building an export-promotion zone as a developer since there is shortage of ready sheds in Kenya [and] across Africa, their return on investment will take around fifteen to twenty years. If they have taken [a] loan to build it, they would need a minimum of twenty years to settle the loan. So, with the unpredictability [of AGOA benefits] it becomes very risky for any investor."*
> *—Pankaj Bedi, Apparels Exports Sub-Sector chair, Kenya Association of Manufacturers*

Eligibility is necessary for a country to access AGOA benefits. The AGOA eligibility conditions require countries to be working toward market-based economic policies, political pluralism, rule of law, human rights protections, and the elimination of barriers to US exports. In this way, the United States uses AGOA eligibility to further its broader political and economic goals in Africa.[35] At the same time, however, many countries have moved in and out of eligibility, during both the annual and "out of cycle" review processes. These changes affect African firms, US investors, and broader business confidence.

35 United States Trade Representative, *2022 Biennial Report on the Implementation of the African Growth and Opportunity Act,* June 2022, https://ustr.gov/sites/default/files/files/reports/2022/2022AGOAImplementationReport.pdf.

Figure 3: US Imports from African Countries (2001–2022)



Source: US Census Bureau. African countries that were AGOA eligible in 2022 are compared to countries that were not eligibile in 2022.

> *"AGOA should be extended and should have more flexibility in its eligibility criteria for a better inclusion of fragile and crisis-affected countries, as trade is a strong means to support economic growth, build resilience, create employment, and reduce poverty." —Koffi Zougbede, economist, Sahel and West Africa Club Secretariat, Organisation for Economic Co-operation and Development*

Some eligibility changes, like the recent decision to remove Ethiopia's eligibility in 2022, have been controversial. Many have argued that given Ethiopia's developmental gains in recent years, removing its eligibility was counterproductive to the United States' goals.[36] For this reason, some call for AGOA's eligibility requirements to be applied in a more targeted, less politically motivated way.[37] While only two countries have "graduated" from AGOA (and GSP) based on their income status (Seychelles and Equatorial Guinea), this process may also be unnecessarily disruptive, given the important role that such countries play within regional value chains.

> *"The more successful AGOA countries are the anchors from which regional integration will spread." —Paul Ryberg, president, African Coalition for Trade[38]*

36 US Senator Chris Van Hollen, Van Hollen, Bass urge Biden administration to reconsider Ethiopia's suspension from critical AGOA trade program, press release, December 22, 2021, https://www.vanhollen.senate.gov/news/press-releases/van-hollen-bass-urge-biden-administration-to-reconsider-ethiopias-suspension-from-critical-agoa-trade-program; Mamo Mihretu, "Don't Remove Ethiopia's AGOA Trade Privileges," *Foreign Policy*, October 13, 2021, https://foreignpolicy.com/2021/10/13/ethiopia-agoa-trade-biden-abiy-dont-remove-eligibility/.

37 From interviews, including with IMF Executive Director Facinet Sylla (May 19, 2023) and VEINS Ltd. Founder and President Smael Banse (May 22, 2023).

38 Survey response from Paul Ryberg, president, African Coalition for Trade, May 10, 2023.

2. Trade Capacity and Investment Barriers

As trade between the United States and Africa continues to grow, AGOA benefits have helped certain countries grow export-oriented industries. African countries, however, still face barriers to competitively entering markets in the United States and globally. Business, policy, and investment constraints are particularly acute.

> *"The main obstacles to expanding US-Africa trade are the high standards of the United States, poor knowledge of the American market, difficulty in obtaining entry visas for individuals, weak capacity of African companies, lack of infrastructure, inadequate logistical resources, and insufficient investment." —Ministry of Commerce, Niger*

2.1. Business and Policy Constraints

Challenges in the business environment limit eligible countries from realizing the benefits of AGOA at both the national and local levels. Although declining or zero baseline tariffs may partly explain this underutilization, stronger business strategies are also needed. Since AGOA was reauthorized in 2015, there has been a call for governments to develop national AGOA strategies to support the implementation of AGOA's administrative and legislative requirements. Nineteen countries have developed these strategies so far.[39] Countries that have done so have tended to increase their non-oil exports to the United States,[40] and tend to have higher utilization rates compared to those without the strategies.[41]

Awareness about AGOA varies substantially among governments and firms. In countries like Kenya, Madagascar, and South Africa that export larger amounts and where firms rely on AGOA benefits for their competitiveness, awareness seems high. Exporters know what is needed to satisfy AGOA requirements and recognize the importance of maintaining duty-free market access for their products. In other contexts, awareness is lower, especially among businesses themselves. Interviews indicated that this is particularly the case in French-speaking countries, where language barriers make understanding and accessing US trade benefits more difficult.[42] Providing language-appropriate support to countries could greatly alleviate this barrier.

Small- and medium-sized enterprises (SMEs), which employ about 80 percent of Africa's workforce, face particular capacity constraints in making use of AGOA benefits. These firms are more likely to find the cost of complying with AGOA requirements prohibitive and lack the knowledge needed to engage with these export opportunities.[43] In addition, while African SMEs are often better placed to pursue innovative business opportunities and strategies,[44] they tend to struggle to meet the quantity and quality requirements of US markets. SMEs also need to overcome the underlying barriers to accessing export markets, including the United States, that AGOA does not address, such as the changing regulatory environment, supply chain and logistical constraints, and infrastructure gaps.[45]

> *"The main barriers to expanding US-Africa trade come from severe supply chain and logistical constraints in Africa, an area not currently addressed under AGOA." —Smael Banse, founder and president, VEINS Ltd.*

39 Botswana, Burundi, Eswatini, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Rwanda, Senegal, Sierra Leone, Tanzania, Togo, and Zambia.

40 Witney Schneidman, Kate McNulty, and Natalie Dicharry, "How the Biden administration can make AGOA more effective," *Africa in Focus*, November 15, 2021, https://www.brookings.edu/blog/africa-in-focus/2021/11/15/how-the-biden-administration-can-make-agoa-more-effective/.

41 United States International Trade Commission, *African Growth and Opportunity Act (AGOA).*

42 From oral and written interviews with several experts, including World Bank Executive Director Abdoul Salam Bello (May 2, 2023), IMF Executive Director Facinet Sylla (May 19, 2023), and officials from the West African Development Bank (received May 9, 2023).

43 Romanus Osabohien, Ngozi Adeleye, and Evans Osabuohien, "African Growth and Opportunity Act and trade performance in Nigeria," *Heliyon* 7 (3) (March 2021), https://doi.org/10.1016/j.heliyon.2021.e06410; Edward Simon, Emmanuel Munishi, and Dickson Pastory, "Local and International Factors Affecting Participation of Tanzanian Small and Medium Enterprises in Market Opportunity Brought by the African Growth and Opportunity Act (AGOA)," *International Journal of Economics and Finance* 14, no. 1 (2022), 10.5539/ijef.v14n1p68.

44 UNCTAD, *Economic Development in Africa Report 2022.*

45 International Trade Centre, *Promoting SME Competitiveness in Africa: Data for de-risking investment,* ITC, September 2018, https://intracen.org/media/file/2623.

> *"The main obstacles to expanding US-Africa trade are the language barrier for certain Francophone countries, the rules of origin, the economies of scale of the USA, the requirements in terms of quality, and the regulatory environment in the USA."* —Export Department, Ministry of Commerce, Côte d'Ivoire

Meeting product standards is another problem, especially for SMEs.[46] Interviews with Kenyan female business owners, for example, suggested that meeting standards to get their products "export ready" was challenging.[47] The AU has recognized the importance of building norms and capacity in this area to boost intra-African and global trade, including by improving sanitary standards to facilitate trade in agricultural products.[48]

The United States' trade capacity assistance ("aid for trade") has helped address some of these issues, primarily through the operation of regional trade and investment hubs in East, West, and Southern Africa. Their reporting suggests that they have been effective in facilitating exports and new investment,[49] with a particular focus on increasing the use of AGOA benefits.[50] Supporting enhanced digital and e-commerce capacity to link exporters with buyers has been another area of focus.[51] Importantly, however, only the West African hub is still operating, the mandates for the other two having expired in recent years. A new continent-wide program has been launched, designed to support the Prosper Africa initiative.[52]

There is a lack of more targeted US assistance for countries to maximize AGOA benefits, especially smaller countries that do not have United States Agency for International Development (USAID) missions or US Foreign Commercial Service officers. Gaps in geographic and language coverage have made it harder for such countries to grasp the "savoir faire" of practically exporting to the United States. The impact has been most acute in French-speaking countries, particularly in Central Africa where there was never a dedicated trade hub. The Central African Republic and the Republic of the Congo missed out entirely.[53] Language barriers continue to be an important, but resolvable, problem.[54]

> *"The US should work with African countries to create training and capacity-building programs for African companies, enabling them to better understand international trade rules and standards and prepare to compete in the global marketplace. Thus, by building the capacity of African companies, the US could help strengthen economic growth in Africa and strengthen US-Africa trade."* —Ministry of Commerce, Cabo Verde

> *"The continued successful growth and operation of industrial parks and the development and building of new industrial parks across the continent, along with the surrounding housing and infrastructure, and the employment of hundreds of thousands of African workers is dependent on the long-term renewal of AGOA."* —Gregory Pole, special adviser and former chief supply chain and sourcing officer, the Children's Place, Inc.

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46 This point was raised by a range of survey respondents and interviewees, including Scott Eisner, president of the US-Africa Business Center at the US Chamber of Commerce, (May 22, 2023) and World Bank Executive Director Abdoul Salam Bello (May 2, 2023).

47 United States International Trade Commission, *African Growth and Opportunity Act (AGOA).*

48 African Union, *Sanitary and Phytosanitary (SPS) Policy Framework for Africa,* African Union Department of Rural Economy and Agriculture, October 2019, https://au.int/sites/default/files/documents/40036-doc-au_sps_policy_framework_-_full_document.pdf.

49 Daniel F. Runde and Sundar R. Ramanujam, *Beyond 2025: The Future of the African Growth and Opportunity Act, Center for Strategic and International Studies*, March 2022, https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/220304_Runde_Future_of_AGOA.pdf?VersionId=l4ByGahlBuw0otcxFElU0Ah6xayrnryZ.

50 "AGOA Export Promotion Program," USAID West Africa Trade & Investment Hub, accessed May 5, 2023, https://westafricatradehub.com/agoa/.

51 USAID, *USAID Southern Africa Trade & Investment Hub,* May 2021, https://www.usaid.gov/sites/default/files/2022-05/USAID_TradeHub_Factsheet_May_2021_Regional.pdf.

52 "USAID Africa Trade and Investment Program," USAID, accessed May 5, 2023, https://www.usaid.gov/ati/fact-sheets/usaid-africa-trade-and-investment-program-fact-sheet.

53 "Trade and Investment Hubs," USAID, accessed June 10, 2023, https://2017-2020.usaid.gov/africa/trade-and-investment/hubs.

54 From several interviews and survey responses, including IMF Executive Director Facinet Sylla (May 19, 2023), officials from the West African Development Bank (received May 9, 2023), and officials from the governments of Cote d'Ivoire (May 31, 2023) and Togo (June 5, 2023).

Box 4: ARISE Integrated Industrial Platforms

ARISE Integrated Industrial Platforms (ARISE IIP) is a new approach to supporting export-oriented industrial development in African countries. Delivered through public-private partnerships with national governments, ARISE IIP projects create special economic zones designed to promote agricultural and manufacturing exports with an integrated approach to the supply chain, logistics, business and professional services, and the broader enabling environment.[a] Jointly funded by the Africa Finance Corporation and the Africa Transformation and Industrialization Fund, three such "industrial platforms" have begun operations—in Benin, Gabon, and Togo—with projects in seven more countries under development, mainly in West Africa.

In Gabon, ARISE IIP has supported three special economic zones, the first of which was set up in 2010, with a primary focus on the timber industry. These zones have had a transformational impact, attracting $1.7 billion in investment into the non-oil economy (11 percent of GDP in 2020) and enabling a three-fold increase in Gabon's wood product exports between 2010 and 2019.[b] The Africa Finance Corporation estimates that this has created eight thousand two hundred direct and twenty-six thousand indirect jobs in the country. The project has also improved Gabon's capacity to sustainably manage its forests, including by providing full traceability for timber processed through the zones.[c] In 2019, the project became the first carbon-neutral industrial zone in Africa.

a "Developer and operator of world-class industrial ecosystems in Africa." ARISE Integrated Industrial Platforms, accessed June 10, 2023, https://www.ariseiip.com/about-arise/.

b "The ARISE Special Economic Zone Model," Africa Finance Corporation, accessed June 15, 2023, https://www.africafc.org/news-and-insights/insights/the-arise-special-economic-zone-model.

c "Our sustainability journey," Gabon Special Economic Zone, accessed June 15, 2023, https://gsez.com/our-sustainability-journey/.

2.2. Investment Constraints

Barriers to investment are also constraining US-Africa trade. To become internationally competitive and attract buyers from markets like the United States, firms need to make investments to scale-up their productive capacity, strengthen supply chains, and meet market standards. Poor access to transport infrastructure, the high costs of electricity, weak industrialization, and inefficient supply chains are undermining investment prospects, preventing firms big and small from expanding their exports.

> *"What was always missing from AGOA was the simultaneous investment response to go alongside the incredible trade incentive. You need investment to create productive capacity at the necessary consistency, quantity, and quality." — Aubrey Hruby, co-founder of Tofino Capital, Insider, and the Africa Expert Network, and senior fellow at the Atlantic Council's Africa Center*

Borrowing costs for Africa have consistently been elevated, with the situation getting worse in recent years.[55] This has made it harder to afford the investments needed to get export-oriented production off the ground. In 2019, the World Bank estimated that the financing gap for micro, small, and medium enterprises in Africa stood at $331 billion.[56]

The United States has taken steps to help address some of these financial constraints. Notably, the African Small Business Catalyst, a partnership between the US African Development Foundation and the US International Development Finance Corporation (DFC), now offers blended finance to SMEs that would otherwise not have access to investment.[57] Initially targeting sectors like agriculture, education, healthcare, and sanitation, the program is currently limited to SMEs in Cote d'Ivoire, Nigeria, Senegal, and Uganda. A current World Bank project focuses on improving access to finance for female entrepreneurs in Ethiopia running micro and small enterprises, including through innovative financial products.[58]

More generally, US efforts to enhance the trade and investment environment in Africa center on its Prosper Africa ini-

55 *Regional Economic Outlook: Sub-Saharan Africa,* International Monetary Fund, April 2023, https://www.imf.org/en/Publications/REO/SSA/Issues/2023/04/14/regional-economic-outlook-for-sub-saharan-africa-april-2023.

56 "Small and Medium Enterprises (SMEs) Finance," World Bank, accessed May 5, 2023, https://www.worldbank.org/en/topic/smefinance.

57 US International Development Finance Corporation, DFC and USADF Launch New Initiative to Help Accelerate Small Businesses in Africa, press release, March 4, 2022, https://www.dfc.gov/media/press-releases/dfc-and-usadf-launch-new-initiative-help-accelerate-small-businesses-africa.

58 "Ethiopia: Helping Women Entrepreneurs Succeed, One Challenge at a Time," World Bank, March 23, 2023, https://www.worldbank.org/en/news/feature/2023/03/23/ethiopia-helping-women-entrepreneurs-succeed-one-challenge-at-a-time.

tiative. As well as efforts to improve capacity, the focus is on the direct facilitation of business partnerships and investment deals. In 2022, the initiative partnered with the US Department of Commerce, the US Chamber of Commerce, and the Corporate Council on Africa to convene the US-Africa Business Forum. Over $15 billion in US-Africa trade and investment commitments were announced by major private and government actors, with a particular emphasis on clean energy, digital services, healthcare, and agriculture.[59]

> *"We are yet to see a bold agenda that reflects the strong partnership the administration is willing to build. Addressing these barriers will require a multifaceted and innovative approach that includes investment in infrastructure, trade capacity building, and policy reforms. In addition, building stronger partnerships between the US and African companies and its diaspora can help to facilitate trade and increase understanding of African markets." —Angelle Kwemo, founder and chair of Believe in Africa, founder of African Women in Agriculture and Art, and CEO of AStrategiK Group*

Many of the investment challenges facing Africa relate to broader macroeconomic issues that African countries, the United States, and the wider international community must address. Improving the enabling environment for investment and exports will require easing access to imported inputs, reducing regulatory burdens, and ensuring stable and competitive exchange rates in African countries.[60]

59 "FACT SHEET: U.S.-Africa Partnership"; Prosper Africa, *U.S.-Africa Leaders Summit Business Forum Commitments,* accessed June 26, 2023, https://www.prosperafrica.gov/u-s-africa-leaders-summit-business-forum-comittments/.

60 Coulibaly, Kassa, and Zeufack, eds., *Africa in the New Trade Environment.*

3. Emerging Opportunities and Challenges

Alongside the persistent challenges posed by low capacity and poor access to affordable finance, African countries and the United States must account for new economic realities and emerging challenges. Changing conditions will require AGOA and the broader approach to US-Africa trade to be more dynamic. At the same time, there are immense opportunities to use this changing environment to reshape Africa's trade for the better, building deeper collaboration between the United States and Africa to provide new commercial opportunities, more resilient supply chains, and global public goods.[61]

> *"We need a new AGOA that is more relevant to the new context. We need to factor in the new challenges that countries are facing, including conflict and climate impacts. AGOA should be more integrated with broader development goals. As part of this, we need to add inclusivity to the growth and opportunity." —Abdoul Salam Bello, executive director for twenty-three African countries, World Bank Group*

3.1. New Sectors

Historically, Africa's economies and exports to the United States have been dominated by primary commodities and low value-added manufacturing. This has informed the approach to US-Africa trade policy, including through AGOA, which focuses on these "traditional" sectors. New sectors, however, are increasingly shaping economies across the continent.

The African digital economy is a key area of growth, with digital services set to grow six times over to $712 billion by 2050.[62] E-commerce is growing rapidly across the continent, with the number of online consumers rising by an average of 18 percent every year since 2014.[63] The AU recognizes the importance of this transformation, aiming for a "digital single market" across the continent by 2030.[64] The United States' new Digital Transformation with Africa initiative aims to support this effort, including by facilitating investment and trade from the African diaspora and the United States.[65] While the role of digital infrastructure in creating a stronger enabling environment for trade within Africa and with partners like the United States is clear, digital products and services also need to form an increasing share of Africa's exports.

> *"Advancements in technology and the increasing use of digital platforms have opened new avenues for African exporters. E-commerce platforms, digital marketing, and online payment systems enable African businesses to reach international customers, expand their market reach, and engage in global value chains." —Barassou Diawara, senior knowledge management expert, African Capacity Building Foundation*

Pharmaceuticals are receiving increasing attention from governments. Africa currently imports the vast majority of its pharmaceuticals (75 percent come from China, the EU, or India).[66] The COVID-19 pandemic revealed the risks of this lack of regional manufacturing. With rising demand and clear gaps in the market, investors are recognizing the opportunity

61 Ambassador Meg Whitman, "Why Africa, Why Kenya? — Ambassador Whitman AmCham Summit Keynote," US Embassy in Kenya, March 29, 2023, https://ke.usembassy.gov/why-africa-why-kenya/.

62 Hruby, *Critical connectivity.*

63 *Women and E-commerce in Africa,* International Finance Corporation, May 26, 2021, https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/gender+at+ifc/resources/women-and-ecommerce-africa.

64 African Union, *The Digital Transformation Strategy for Africa (2020-2030),* accessed May 5, 2023, https://au.int/sites/default/files/documents/38507-doc-dts-english.pdf.

65 "Factsheet: New Initiative on Digital Transformation with Africa (DTA)," White House, December 14, 2022, https://www.whitehouse.gov/briefing-room/statements-releases/2022/12/14/fact-sheet-new-initiative-on-digital-transformation-with-africa-dta/.

66 Aloysius Uche Ordu, ed., *Foresight Africa 2021, Brookings Africa Growth Initiative*, 2021, https://www.brookings.edu/research/foresight-africa-2021/.

to localize drug manufacturing.[67] When and how this happens will determine whether this pharmaceutical industry can contribute to African exports. Currently, the small volume of pharmaceuticals manufactured within Africa is mostly exported to other African countries.[68] There is an opportunity to build on the success of US aid efforts through initiatives like the US President's Emergency Plan for AIDS Relief (PEPFAR) to develop greater commercial opportunities, which would also build long-term health systems resilience.

Creative industries and sports are of increasing importance for modern economies in Africa. Products in sectors like media and fashion are crucial to shifting perceptions around Africa's economic capabilities.[69] Nigeria's film industry accounted for 2 percent of GDP in 2018, directly employing three hundred thousand people, and in South Africa, creative industries contribute about 2.9 percent to GDP.[70] Although most goods in the cultural and creative industries from Africa are consumed within the continent, there is growing collaboration with the United States, especially in the music and film industries. Sport is another high-potential area. Most key sports teams in the United States have African talent and Africa is growing the share of GDP that comes from the sport and related industries. With the right investment, firms could utilize Africa's global athletic success to boost specialized garment manufacturing, serving domestic needs, providing exports to the US sports industry, and creating jobs.

Going forward, achieving growth and diversification across these sectors and others will require greater capacity and trade in catalytic service sectors. Export in services accounted for 17 percent of total exports in Africa between 2005 and 2019, but with substantial variation between countries.[71] Currently, over two-thirds of African services exports are in travel and transport services, with trade in higher knowledge-intensive areas, like professional, education, and health services, constrained by nationality, licensing, and qualification requirements.[72] There is scope to build greater collaboration between the United States and Africa to address these barriers, including through renewed professional and educational exchanges.

Travel and transport services must improve to allow for faster and cheaper regional and international trade. The rapid expansion of transport infrastructure is essential, especially for the sixteen landlocked African countries. Improving intra-African transit networks and services for people and cargo is critical. There are opportunities for partnership with US firms: Lockheed Martin's airship has potential to reduce costs and emissions for transporting cargo from remote locations,[73] while US-developed refrigeration technologies are supporting the cold chain logistics needed for scaling up agricultural and pharmaceutical trade within Africa and to the United States.[74] AU efforts toward visa-free travel also need to be accelerated.[75]

> *"Africa has potential, from the demographics of its populations to its entrepreneurial and innovative spirit, which represents an extraordinary opportunity for the United States to invest in Africa's future." —Customs Department, São Tomé and Príncipe*

3.2. New Trade Agreements

Intra-African trade integration is a key priority for African economies, as encapsulated in the AfCFTA, the March 2018 agreement that came into force in January 2021 to create a continent-wide market through gradual removal of tariffs on goods and reduction of barriers to trade in services. The potential is immense: By increasing trade across Africa and attracting new foreign direct investment, incomes could rise by 8 percent by 2035, reducing the number of people living

67 Alison Buckholtz, "Inside Africa's Push to Make its Own Medicines," International Finance Corporation, June 2021, https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/cm-stories/africa-pharma-manufacturing-hubs-en.

68 Ordu, ed., *Foresight Africa 2021.*

69 Katherine Walla, "Africa's cultural revolution is here. Meet some of its movers and shakers." *New Atlanticist,* October 18, 2021, https://www.atlanticcouncil.org/blogs/new-atlanticist/africas-cultural-revolution-is-here-meet-some-of-its-movers-and-shakers/.

70 Aubrey Hruby, *Getting Creative About Development, Atlantic Council*, September 2018, https://www.atlanticcouncil.org/wp-content/uploads/2019/09/Getting_Creative_About_Development_092418.pdf.

71 UNCTAD, *Economic Development in Africa Report 2022.*

72 Nora Dihel and Arti Grover Goswami, eds., *The Unexplored Potential of Trade in Services in Africa: From Hair Stylists and Teachers to Accountants and Doctors*, World Bank, 2016, http://documents.worldbank.org/curated/en/477321469182630728/The-unexplored-potential-of-trade-in-services-in-Africa-from-hair-stylists-and-teachers-to-accountants-and-doctors.

73 Jens Martin Skibsted, "The return of the blimp," World Economic Forum, August 17, 2016, https://www.weforum.org/agenda/2016/08/rethinking-off-grid-delivery-in-africa/.

74 "Carrier Advances Cold Chain Development Across Africa through Collaborations with Leading International Organizations," Carrier, November 10, 2022, https://www.carrier.com/refrigeration/en/worldwide/news/news-article/carrier-advances-cold-chain-development-across-africa-through-collaborations-with-leading-international-organizations.html; US Trade and Development Agency, USTDA Strengthens Food and Medicine Distribution in Ghana, press release, August 24, 2021, https://ustda.gov/ustda-strengthens-food-and-medicine-distribution-in-ghana/.

75 "Draft continental strategy on free movement developed," African Union, June 19, 2023, https://au.int/en/articles/draft-continental-strategy-free-movement-developed.

in extreme poverty by 45 million.[76] Sectors that could benefit the most include automobiles, pharmaceuticals, batteries, creative industries, and financial services.[77] Trade integration could increase services exports by around 50 percent.[78]

> *"The effectiveness of the eligibility determination process for AGOA can be enhanced through negotiations between the American administration and the African Union within the context of the African Continental Free Trade Area. Additionally, the US administration can play a role in encouraging industrialization within the AfCFTA by supporting investment, technology transfer, and capacity-building initiatives." —Donald Kaberuka, managing partner, Southbridge Group; special envoy to the African Union; and former president of the African Development Bank*

Stronger intra-African trade has a mutually reinforcing effect for Africa's trade links with the United States and the world. Expanded economies of scale will help attract the investment needed to achieve global competitiveness and develop regional supply chains, which in turn will boost external trade flows.[79] In December 2022, the United States signed an agreement with the AfCFTA Secretariat to collaborate on boosting US-Africa trade and attracting investment to Africa.[80]

Although one of AGOA's stated aims is to support African trade integration, research suggests that its country-specific approach has made synergies with Africa's regional integration efforts more difficult. In West Africa, which hosts both the West African Economic and Monetary Union and the Economic Community of West African States, exports to the United States and the EU could be two and a half to four times higher if AGOA and the EU's Everything but Arms (EBA) program were not implemented in a differential manner across countries.[81] Neighboring countries may receive different AGOA benefits or lose eligibility entirely, making it harder to establish reliable regional supply chains.

> *"It's imperative to operationalize AGOA for it to have its full potential and ensure that it's a long-term commitment so that the benefits are fully understood and embraced. Additionally, AGOA must have a region-specific focus, which includes the need to create clear provisions [in the] agreement in order to allow companies to level the playing field, which is essential to guaranteeing existing manufacturing." —Gagan Gupta, founder and CEO of Arise IIP, Arise IS, and Arise P&L*

More broadly, there is uncertainty about US commitment to maintaining unilateral trade programs like AGOA. Reciprocal arrangements promoting easier access to African markets for US firms are of increasing interest. The United States has launched a concerted effort to expand bilateral trade with Kenya, with a US-Kenya Strategic Trade and Investment Partnership being launched in July 2022 and the first round of discussions taking place earlier this year.[82] While a full US-Kenya free trade agreement is not being considered currently and these efforts purport to be complementary to both AGOA and Africa trade integration efforts,[83] some worry about the impact that a shift toward such agreements could

76 Roberto Echandi, Marlya Maliszewska, and Victor Steenbergen, *Making the Most of the African Continental Free Trade Area: Leveraging Trade and Foreign Direct Investment to Boost Growth and Reduce Poverty,* World Bank, June 30, 2022, https://openknowledge.worldbank.org/entities/publication/09f9bbdd-3bf0-5196-879b-b1a9f328b825.

77 AfCFTA Secretariat & UNDP, *The Futures Report 2021*, November 20, 2021, https://www.undp.org/africa/publications/futures-report-2021.

78 Asmaa ElGanainy et al., *Trade Integration in Africa: Unleashing the Continent's Potential in a Changing World,* International Monetary Fund, May 5, 2023, https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2023/05/03/Trade-Integration-in-Africa-Unleashing-the-Continent-s-Potential-in-a-Changing-World-529215.

79 Coulibaly, Kassa, and Zeufack, eds., *Africa in the New Trade Environment.*

80 "Memorandum of Understanding on Cooperation for Trade and Investment Between the African Continental Free Trade Area Secretariat and the Government of the United States of America," Office of the United States Trade Representative, December 14, 2022, https://ustr.gov/trade-agreements/other-initiatives/memoranda-understanding-mou/memorandum-understanding-cooperation-trade-and-investment-between-african-continental-free-trade.

81 Souleymane Coulibaly, "Differentiated Impact of AGOA and EBA on West African Countries," World Bank, June 2017, https://openknowledge.worldbank.org/entities/publication/d79a3a02-8f3e-5ecf-8922-a9c0396efa43.

82 Office of the United States Trade Representative, United States and Kenya Conclude Opening Round Under the U.S.-Kenya Strategic Trade and Investment Partnership, press release, February 10, 2023, https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/february/united-states-and-kenya-conclude-opening-round-under-us-kenya-strategic-trade-and-investment.

83 Duncan Miriri, "Kenya expects trade partnership deal with US in a year, minister says," Reuters, March 23, 2023, https://www.reuters.com/world/africa/kenya-expects-trade-partnership-deal-with-us-year-minister-says-2023-03-23/.

Box 5: Africa's Trade with the European Union

As a bloc, the EU is Africa's largest trading partner by far. In 2022, the EU imported $249 billion worth of products from Africa, a full 40 percent of Africa's total exports to the world.[a] North Africa is particularly focused on EU trade, given its proximity, but the EU is also crucial for sub-Saharan Africa.[b] Like Africa's exports to the United States, oil dominates these exports, followed by transport equipment, electrical machinery, and minerals and metals.

Like the United States, the EU operates a unilateral trade preference program that extends GSP benefits for certain countries in Africa. In force since 2001, the EU's EBA program provides duty-free treatment to all products, apart from arms and ammunition, for UN Least Developed Countries (there are currently thirty-three African countries in this group).[c] Unlike AGOA, the EBA has no expiry date. Despite this greater certainty, the EBA's more stringent rules of origin for textiles compared to AGOA mean export growth in this sector appears to have been more modest than through AGOA.[d]

The focus of EU trade engagement with Africa is increasingly shifting toward reciprocal Economic Partnership Agreements (EPAs), opening market access in both directions.[e] The EPAs are designed to encourage a gradual shift from aid to trade for partner countries, with sustained preferential terms, eased rules of origin, and trade capacity support. Significantly, these agreements are now targeted at Africa's regional economic communities and include regional preference clauses to encourage regional integration.[f] The EU's support for governments and the private sector to develop the capacity to meet EU standards and regulations is helping to increase African exports to the EU but could be disincentivizing investment by US firms as EU regulatory standards dominate.[g]

a Data from ITC Trade Map from a search for a yearly time series of EU27 imports of goods from Africa, accessed June 26, 2023, https://www.trademap.org/Index.aspx.

b *The EU-Africa Trade Relationship,* European Commission, August 5, 2022, https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/80eee86a-0e90-4384-bd1b-909bdd564db6/details.

c "Everything but Arms (EBA)," European Commission, accessed June 6, 2023, https://trade.ec.europa.eu/access-to-markets/en/content/everything-arms-eba.

d Coulibaly, Kassa, and Zeufack, eds., *Africa in the New Trade Environment.*

e European Commission, *Putting partnership into practice: Economic partnership agreements (EPAs) between the EU and African, Caribbean and Pacific (ACP) countries,* European Union, 2017, https://trade.ec.europa.eu/access-to-markets/en/country-assets/tradoc_156340.pdf.

f "Economic Partnership Agreements (EPAs)," Access2Markets, European Commission, accessed June 11, 2023, https://trade.ec.europa.eu/access-to-markets/en/content/economic-partnership-agreements-epas.

g Interview with Scott Eisner, president, US-Africa Business Center, US Chamber of Commerce (May 22, 2023).

have for smaller countries in Africa that will continue to rely on market access through AGOA.[84]

3.3. The Green Economy

The clean energy transition offers African countries the chance to reposition themselves as central to the green economy of the future. To build the generation capacity, batteries, and electric vehicles needed, global production of minerals like lithium, graphite, and cobalt will need to increase by twenty-five to forty times from 2020 levels by 2040.[85]

Some countries in Africa are already central to these supply chains. For instance, in 2019, the Democratic Republic of the Congo accounted for 70 percent of global cobalt production, Mozambique was the third-largest producer of graphite, and African countries accounted for over 80 percent of global chromium ore exports.[86]

As demand for these minerals increases and the United States and its partners seek to diversify their supply chains away from China,[87] they will increasingly trade directly with Africa.[88] To avoid previous patterns of resource extraction and low value addition, African economies will need to rap-

84 Gracelin Baskaran, "US-Africa trade relations: Why is AGOA better than a bilateral free trade agreement?" *Future Development,* September 24, 2020, https://www.brookings.edu/blog/future-development/2020/09/24/us-africa-trade-relations-why-is-agoa-better-than-a-bilateral-free-trade-agreement/.

85 Kirsten Hund et al., *Minerals for Climate Action: The Mineral Intensity of the Clean Energy Transition*, World Bank, 2022, https://pubdocs.worldbank.org/en/961711588875536384/Minerals-for-Climate-Action-The-Mineral-Intensity-of-the-Clean-Energy-Transition.pdf.

86 International Energy Agency, *The Role of Critical Minerals in Clean Energy Transitions,* World Energy Outlook Special Report, May 2021, https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions.

87 "How America plans to break China's grip on African minerals," *Economist*, February 28, 2023, https://www.economist.com/middle-east-and-africa/2023/02/28/how-america-plans-to-break-chinas-grip-on-african-minerals.

88 Gracelin Baskaran, "Could Africa replace China as the world's source of rare earth elements?" *Africa in Focus*, December 29, 2022, https://www.brookings.edu/blog/africa-in-focus/2022/12/29/could-africa-replace-china-as-the-worlds-source-of-rare-earth-elements/.

idly develop their own downstream processing capacity.[89] Doing so will allow countries to move up value chains, promoting broad-based industrial growth and job creation.

> *"Congo has the potential for a growing farming sector and a wealth of minerals, among other goods, that could support economic development. However, it is widely known that minerals and goods are smuggled across borders and sold, in turn funding arms and weaponry. [...] We must invest in sustainable and responsible sourcing practices, as well as continue to advance development and stability in the [Democratic Republic of the Congo], to address the underlying causes of smuggling and the porous exports." —Patrick Abedi, managing partner, Alpha-New SARL*[90]

The United States is recognizing the importance of this shift. For instance, in March 2023, it announced support for a new multi-metals processing facility in Tanzania with the aim of producing battery-grade nickel for the US and global markets by 2026.[91] In 2022, the United States and its partners agreed the Minerals Security Partnership, which aims to support countries to realize the full economic benefits of their mineral resources.[92] This will support broader initiatives, including the Partnership for Global Infrastructure and Investment and the Group of Seven's Five-Point Plan for Critical Minerals Security agreed in April this year.[93] With the strategic importance of critical mineral supply chains in mind, some have called for the United States to use tax incentives to encourage greater private investment into African countries too.[94]

> *"Mobilizing patient, well-priced private capital in support of Africa's carbon-neutral industrialization needs to be a core US goal. Serious consideration should be given to using tax incentives to encourage investment in key sectors such as renewables, health, and green infrastructure." —Rosa Whitaker, president and CEO, Whitaker Group*

There are also areas where Africa could lead global efforts. With the right regulatory environment and investment links, African countries could become centers for research and development for the new technologies of the green economy. For example, the rapid expansion of renewable capacity, grid connectivity, and use of decentralized technologies in Africa could provide early adoption and prototyping opportunities for the deployment of new approaches in the United States and elsewhere. Countries like Kenya have already achieved a much higher penetration of renewable energy generation than the United States.[95] Similarly, e-mobility and low-carbon transport solutions could be prototyped in Africa for scaling up within the continent and across the world.

As climate and biodiversity goals come together, conservation and sustainable management of Africa's natural environment offers new economic opportunities as well. Political commitment toward protecting the Congo Basin rainforest is already allowing countries like Gabon to attract inward investment and export carbon credits.[96] Last year, the Africa Carbon Markets Initiative was launched, which aims to harness the potential for robust voluntary carbon markets to not only further climate goals, but promote sustainable investment flows, infrastructure development, and job creation.[97]

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89 Cullen S. Hendrix, *Building downstream capacity for critical minerals in Africa: Challenges and opportunities*, *Peterson Institute for International Economics*, December 2022, https://www.piie.com/publications/policy-briefs/building-downstream-capacity-critical-minerals-africa-challenges-and.

90 Alpha-New SARL is a company in the Democratic Republic of the Congo specializing in agricultural processing and business development services.

91 "FACT SHEET: Vice President Harris Announces Initiatives to Deepen the U.S. Partnership with Tanzania," White House, March 30, 2023, https://www.whitehouse.gov/briefing-room/statements-releases/2023/03/30/fact-sheet-vice-president-harris-announces-initiatives-to-deepen-the-u-s-partnership-with-tanzania-2/.

92 US Department of State, Minerals Security Partnership, press release, June 14, 2022, https://www.state.gov/minerals-security-partnership/.

93 "Five-Point Plan for Critical Minerals Security," G7 Ministers' Meeting on Climate, Energy and Environment, April 16, 2023, https://www.meti.go.jp/information/g7hirosima/energy/pdf/Annex005.pdf.

94 A view expressed by panelists at the AGOA Civil Society Network annual conference on April 13, 2023, in an interview with Witney Schneidman, USAID coordinator for Prosper Africa (May 26, 2023), and in a survey response from Rosa Whitaker, Whitaker Group president and CEO (May 21, 2023).

95 "Doing development differently: How Kenya is rapidly emerging as Africa's renewable energy superpower," Rapid Transition Alliance, November 17, 2022, https://rapidtransition.org/stories/doing-development-differently-how-kenya-is-rapidly-emerging-as-africas-renewable-energy-superpower/.

96 Kingsley Ighobor, "Why Gabon is a model of environmental conservation," *Africa Renewal*, November 14, 2022, https://www.un.org/africarenewal/magazine/november-2022/why-gabon-model-environmental-conservation.

97 *Africa Carbon Markets Initiative: Roadmap Report*, Sustainable Energy for All, November 8, 2022, https://www.seforall.org/publications/africa-carbon-markets-initiative-roadmap-report.

4. Recommendations

AGOA has come to define much of the United States' commercial relationship with Africa. With AGOA set to expire in 2025 and the shifting world economy providing new challenges and opportunities, now is the time to decide the future of US-Africa trade. The analysis in this report, as well as the findings from survey responses and interviews, suggest recommendations covering three areas: (1) the future of AGOA, (2) the future of US-Africa trade more broadly, and (3) the broader future of US-Africa relations. There are also areas where further research and analysis is needed.

4.1. The Future of AGOA

4.1.1 Renew AGOA to secure and deepen the benefits it has already created for Africa and the United States.

AGOA has symbolized the shift in US perceptions of Africa, augmenting aid with trade and commercial opportunity. Recognizing that the next ten years will shape economic trajectories for decades to come, the United States must build on its narrative investment by embedding greater certainty for US and African investors. ***AGOA should be renewed by the US Congress for at least a ten-year period as soon as possible.*** Doing so could allow African economies to capitalize on efforts to diversify supply chains away from China, supporting US strategic interests and a more resilient global economy.

4.1.2 Provide longer-term certainty on eligibility criteria for AGOA to boost investor confidence.

Eligibility is necessary for a country to access AGOA benefits. ***AGOA's extension should be combined with greater certainty about AGOA eligibility, with fewer short-term eligibility decisions wherever possible.*** Doing so will boost investor confidence and support long-term economic development, which is the best way for the United States to achieve its broader commercial and political goals. Greater stability in AGOA eligibility will also enhance the United States' support for African economic integration through the AfCFTA.

4.1.3 Improve understanding and knowledge about AGOA and its benefits for Africa and the United States.

Interviews conducted for this report have shown that people who are familiar with AGOA or engaged in activities benefiting from it have strong views about whether it should be renewed. ***To improve the legislative branch's understanding of AGOA, the House Ways and Means Committee should send a delegation to Africa to visit the countries and companies benefiting from AGOA and engage the business community and governments on the new sectors and potential areas for inclusion under AGOA.***

4.1.4 Provide technical assistance and trade development support to countries and companies to boost ability to benefit from eligibility for AGOA.

Support to countries and firms in Africa is needed to ensure that the benefits of AGOA in fueling long-term development are achieved. There is a need for stronger capacity building to translate AGOA eligibility into utilization and real export capacity. ***Existing US efforts, through USAID, the US Trade Representative (USTR), and other agencies, should continue and ensure that support through continental-level initiatives is sufficiently attuned to local contexts and barriers.*** Investing in reestablishing regional trade hubs could do this, while also supporting regional trade integration and direct links between AGOA and Africa's Regional Economic Communities. USAID should ensure all regions, including Francophone Central Africa, are supported in this work.

4.1.5 Develop national AGOA strategies and ensure economic planning and investment is aligned with them.

To realize the benefits of AGOA for long-term development, African governments should rapidly develop and regularly update realistic national AGOA strategies and embed them in their economic planning and public investment. The US Congress should ensure sufficient funding for US agencies to support this process, including dedicated staff to work with African governments to draft the plans, if necessary. Support for these strategies could help set the United States' interaction with Africa apart from other countries like China and India. ***To support greater investment in***

export-oriented sectors within African countries, the DFC, Millennium Challenge Corporation (MCC), and the Prosper Africa initiative should also align their financing and commercial facilitation with these AGOA strategies.

4.2. The Future of US-Africa Trade

4.2.1 Pursue an integrated and long-term approach to deepening value chains and boosting competitive export capacity.

To expand export-oriented economic development in African countries will require developing the capacity to supply goods and services at the necessary quantity, quality, consistency, and price. Enhanced AGOA implementation has a part to play in this, but policy and strategy-based efforts by African governments, firms, and investors will also be needed.

To achieve genuine cost competitiveness in the global market, firms need to invest in scaling up their productive and technological capacities. Larger "anchor" firms should lead this effort, supporting smaller suppliers and SMEs in the process. ***Case studies should be commissioned on experiences within Africa, including on the relative success of automobiles in South Africa and textiles in East Africa. Learning from these experiences, governments should provide greater tax and credit incentives for investment to encourage clustered manufacturing and export hubs.*** The ARISE initiative provides a model for governments to build special economic zones and industrial ecosystems across a wide range of sectors.

US agencies like the DFC and the MCC should bolster their facilitation of public and private financing to support this process. The US Congress should consider how support for integrated export-oriented industrial development could be integrated into AGOA itself.

To achieve sustainable export growth, investment in physical and digital infrastructure needs to be aligned with greater capacity to meet evolving product and processing standards in the United States and elsewhere. Addressing electricity and water supply challenges is also a critical area for African government action.

4.2.2 Support deeper value chains and industrial pathways in emerging sectors, including critical minerals and catalytic service sectors, to promote resilient supply chains and greater shared benefits.

There is a clear need to improve processing, transformation, value addition, and technical training within African countries to raise the value and developmental role of African exports. On its own, AGOA has not been sufficient to achieve this. The shift to a green economy and the growth of new sectors, including critical mineral mining, processing, and exports, provides the opportunity for the US and African governments to achieve greater shared economic benefits and move beyond commodity dependence. ***Building from the strategic need to strengthen and diversify critical mineral supply chains, the United States should support the deepening of value chains through more economically and environmentally sustainable industrial pathways that promote job creation and regional integration.*** To achieve this, the supply of industrial processing and business and professional services must be rapidly expanded in African countries. ***African governments should support the development of exportable products and services in the digital economy, creative industries and sports, pharmaceuticals, travel and transport, and other service industries.***

4.2.3 The AU should accelerate the implementation of the AfCFTA and the USTR should double down on US support to Africa's regional integration efforts.

Economic integration at the regional and continental levels will support movement up the value chain, as economies of scale and pooled resources attract new investment flows. ***African governments and the AU should accelerate implementation of the AfCFTA, moving beyond political commitment to real tariff-free trade across the continent.*** Existing industries, like the automobile industry in Southern Africa, could also help with broader regional participation in global value chains,[98] building from existing links with foreign investors and industrial know-how.

98 African Union Commission & OECD, *Africa's Development Dynamics 2022: Regional Value Chains for a Sustainable Recovery,* May 25, 2022, https://doi.org/10.1787/2e3b97fd-en.

The USTR should double down on the United States' support for AfCFTA delivery. Building from existing institutional partnerships, like the links between the US Centers for Disease Control and Prevention and Africa CDC, US regulatory agencies could be brought in to build capacity within the AU. The faster the AfCFTA is sustainably implemented, the faster Africa will be in a position to negotiate two-way trade arrangements that open stable business opportunities for US and African investors.

4.3. The Future of US-Africa Relations

4.3.1 Reorient US-Africa relations toward partnerships to provide new commercial opportunities and global public goods.

The future of US-Africa trade should be situated within a broader reorientation of the US-Africa relationship that builds true partnerships that not only yield economic opportunities and expanded trade but also serve longer-term social and political goals. New forms and arenas for collaboration between US and African actors could drive unique solutions in a multipolar world and support global public goods. This will require delivering on the shift away from oil, which has historically dominated African exports to the United States, and toward green opportunities, including renewable energy. ***To achieve this, a flip in the narrative among US investors is needed and can be encouraged by the US State Department, USTR, and other US agencies, as well as African governments themselves. Senior and mid-level trade missions, led by US federal, state, and local officials, can be a key part of this effort.*** This should be aligned with ongoing efforts to ensure the international financial architecture and credit rating agencies are not unfairly penalizing African countries in their assessments and financing decisions.[99]

4.3.2 Pursue opportunities for research and development within Africa to drive global growth in sectors associated with the low-carbon economy.

Alongside high-level messaging, the US government and firms should recognize and pursue opportunities for research and development within African governments, corporations, and other standard-setting organizations to drive global growth in sectors associated with the green economic transition and the changing world economy. Long-term, two-way partnerships could be established in areas like critical minerals, as already discussed, renewable energy expansion, electric vehicles, and carbon sequestration. Given their smaller sunk investments, African countries have the opportunity to jump ahead in the shift to electric vehicle manufacturing. This new sector may have easier entry requirements, as exhibited by the larger number of new market entrants in China and other developing countries.

Realizing commercial opportunities through these partnerships between US and African firms and governments will be key for ensuring long-term sustainability and private sector take-up. For instance, ***as the United States and African countries collaborate on building clean energy infrastructure and conservation of the natural environment, governments should invest in building capacity for robust carbon markets.*** Doing so will unlock untapped value in decarbonization and sequestration, allowing African economies to increase investment by exporting carbon credits and US firms to support their own emission reduction targets.

4.3.3 Renew educational and professional exchange programs to boost two-way creative exchange and speed up collaboration between US and African firms.

The US and African governments should renew educational and professional exchange programs to deepen capacity and commercial opportunities in services. These links will help achieve other recommendations listed above, with academic partnerships providing the basis for studying success stories and initiating new research projects. There is a need for particular support for broader and deeper capacity in science and engineering, thereby helping African firms, entrepreneurs, and governments to engage with the technological frontiers of the new global economy. Such efforts could also boost two-way creative exchange, supporting collaboration across film, music, and sport that will serve both African and US markets. Similarly, greater collaboration in digital services between US and African firms could yield benefits for both sides, especially given the innovative mobile technology and platforms being deployed in African countries. By placing more emphasis on these new sectors, greater dynamism and depth can be injected into the US-Africa trade relationship.

99 Jacob Assa and Aleksandr V. Gevorkyan, *Reducing the Cost of Finance for Africa: The Role of Sovereign Credit Ratings*, UNDP, April 3, 2023, https://www.undp.org/africa/publications/lowering-cost-borrowing-africa-role-sovereign-credit-ratings.

5. Areas for Further Analysis

This report did not look into even broader areas of US-Africa dialogue that may have implications for trade or issues related to the extension of AGOA. These will require further analysis before being incorporated into policy makers' considerations. Additionally, while interviews were conducted and a lot of rich information garnered, further feedback is still being collected and analysis conducted.

Recommendation	Addressed to	Complexity	Time Frame
1. The Future of AGOA: Realize the potential of AGOA for long-term development through greater certainty, planning, and scaled-up support for capacity development and investment flows.			
1.1 Extend AGOA by 10 years.	US Congress	Low	<1 year
1.2 Provide longer-term certainty about AGOA eligibility to boost investor confidence.	USTR	Medium	1 year
1.3a Extend support to firms already engaged to deepen benefits AGOA has created for US and African firms.	USAID, USTR	Low	<1 year
1.3b Send a House Ways and Means Committee delegation to Africa to visit the countries and companies benefiting from AGOA and engage the business community and governments on new sectors and potential areas for inclusion under AGOA.	US Congress	Low	<1 year
1.4 Fund and deliver more targeted trade capacity building for AGOA utilization that is attuned to local barriers.	US Congress, USTR, USAID	Medium	2 years
1.5a Rapidly develop and regularly update action-oriented national AGOA utilization strategies.	African governments, USTR, USAID	Medium	2 years
1.5b Align financing and commercial facilitation with national AGOA strategies to drive export-oriented growth.	DFC, MCC, Prosper Africa	Medium	<1 year
2. The Future of US-Africa Trade: Revitalize US-Africa trade by deepening value chains, expanding regional integration, and supporting new and strategically important sectors.			
2.1a Commission case studies to extract lessons from the success of automobiles in South Africa, textiles in East Africa, and the ARISE model.	USTR, think tanks, US-Africa university partnerships	Low	<1 year
2.1b Provide stronger incentives for investment and facilitate public and private financing for clustered industrial export capacity in African countries.	African governments, DFC, MCC	High	3 years
2.2a Provide dedicated support to new sectors and their value chains, including for critical minerals, the digital economy, creative industries and sports, pharmaceuticals, travel and transport, and other service industries.	African governments, USTR, USAID	High	3 years
2.2b Support selected large corporations and SMEs and critical standard-setting agencies to meet the standards for exports in key sectors.	USAID, USTR	Medium	2 years
2.3 Accelerate African trade integration and enhance partnerships between US and African regulatory agencies.	AU, African governments, USTR	High	2 years
3. The Future of US-Africa Relations: Reorient US-Africa relations toward partnerships to provide new commercial opportunities, greater supply chain resilience, and global public goods.			
3.1 Deliver a narrative shift in the focus and future of US-Africa collaboration and commercial opportunities.	US State Department, USTR, African governments	Low	<1 year
3.2a Pursue opportunities for research and development between governments, corporations, and other standard-setting organizations to drive global growth in sectors associated with the changing world economy.	African governments, US and African universities, US State Department	Medium	3 years
3.2b Develop select opportunities that support energy and infrastructure needs, building on the mutual interest in new technologies.	USAID, Power Africa, US and African universities, US State Department	High	3 years
3.3 Renew educational and professional exchange programs to boost capacity in services, research partnerships, and the digital and creative industries.	US State Department, African governments, US and African universities	Medium	2 years

6. Conclusion

As the United States reorients its international economic policy[100] and African countries build new approaches to economic integration and collaboration,[101] the future of US-Africa trade is ready to be defined. While setting the course for a renewed AGOA is important for maintaining business confidence, many of the challenges that African countries, firms, and individuals face will require deeper structural responses. In the push to achieve inclusive growth across the continent, capacity and investment constraints are particularly clear.

There are also immense opportunities. The rise of digital, financial, and creative products and services will shape African economies going forward. The expansion of economic and political links across the continent will provide more unified markets and supply chains, with greater economies of scale. The resources, ideas, and human capital needed to deliver global public goods and the green energy transition are already making Africa central to the future economy. Taking steps to broaden and deepen US-Africa trade and collaboration in these directions will provide the basis for more inclusive, sustainable growth and serve strategic economic and political goals for both sides.

100 "Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution," White House, April 27, 2023, https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/.

101 "36th Ordinary Session of the Assembly of the Union," African Union, February 2023, https://au.int/en/summit/36.

About the Author

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Léautier notably is currently chief executive officer of SouthBridge Investment. She leads the investment activities of the firm, drawing from experience in asset management, development finance, and risk management. Prior to joining SouthBridge, Léautier was chief of staff to the president and vice president at the World Bank Group and senior vice president at the African Development Bank. Léautier held various roles at the Trade and Development Bank (TDB) Group, including vice chair of the board and special advisor to the president before becoming TDB's first chief operating officer. She also led the asset management business of TDB, including the recent launch of a unique product for trade finance in Africa. Léautier has extensive governance experience holding advisory and governance roles on several boards, including the United Nations Foundation, Orca Explorations, AZA Finance, and African Risk Capacity Ltd.

Léautier is also a member of the World Economic Forum's (WEF) Regional Advisory Group for Africa and has previously served as co-chair for the Global Agenda Councils of the WEF. Other advisory and board roles held include with the Massachusetts Institute of Technology (MIT), OCP Group, African Economic Research Consortium, Institute for Security Studies, King Badouin Foundation US, and Nelson Mandela Institute for Science and Technology.

Léautier earned her Bachelor of Science in civil engineering from the University of Dar es Salaam, and went on to receive a Master of Science in engineering from MIT and a PhD in engineering from MIT. She has authored several books and articles and lectured at Sciences Po, MIT, Harvard, and the University of Tokyo.

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