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Growth and Opportunity for Africa

The World Bank Africa Growth and Opportunity: Research in Action Conference

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Abstract

This paper examines whether the African Growth and Opportunity Act—the United States' unilateral trade preference program for Sub-Saharan Africa—has served as an effective instrument for development and what its modernization should entail. The study synthesizes 25 years of the African Growth and Opportunity Act experience using U.S. International Trade Commission and related trade statistics, complemented by sectoral and country case studies. The findings indicate that while overall U.S.–Africa two-way trade remains modest ($48.7 billion in 2024, below its 2008 peak), the African Growth and Opportunity Act's impacts have been more substantial in non-oil sectors where tariff preferences are largest. In textiles and apparel—facing most favored nation tariffs of roughly 15-32 percent—the African Growth and Opportunity Act has supported more than 1 million formal jobs, with women comprising 75-90 percent of plant workforces in several countries. Regional value chains have deepened, notably in Southern Africa's automotive industry, where South Africa's African Growth and Opportunity Act–eligible auto exports (~$2.6 billion) integrate components from neighbors such as Botswana and Lesotho. Nonetheless, supply-side bottlenecks, limited firm awareness, and uncertainty from time-limited reauthorizations and annual eligibility reviews have constrained uptake. The policy implications are threefold: (i) reauthorize the African Growth and Opportunity Act on a long horizon to reduce uncertainty and encourage investment; (ii) align with the African Continental Free Trade Area by facilitating regional cumulation and considering inclusion of North Africa; and (iii) evolve toward a more reciprocal—but still preferential and development-oriented—framework that couples market access with support to address logistics, standards, and competitiveness constraints.

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and

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JEL Classification Codes:

F13: Trade Policy, International Trade Organizations
F15: Economic Integration
F50: International Relations and International Economics: General
O10: Economic Development: General
O24: Trade Policy, Factor Movement Policy, Foreign Exchange Policy
O55: Africa

Introduction

I am Florie Liser, President and CEO of the Corporate Council on Africa, or CCA, and I am honored to have been invited to deliver the keynote address for the 2025 Africa Growth and Opportunity: Research in Action (AGORA) conference. I congratulate the World Bank Group, the Bank of Italy and the Ministry of Economy and Finance of Italy on putting together such a timely event focused on what works, and what does not, in terms of creating the jobs Africa needs to turn its growing young population into a demographic dividend. This is a critical issue not just for Africa, but also for all of Africa's partners, including the United States and Europe.

The organizers asked me to address the topic of "the African Growth and Opportunity Act (AGOA): Achievements and Future Pathways," including reflecting on its accomplishments and challenges, its overall impact, and some thoughts on what should come next.

I am delighted to try to answer those very important questions this morning.

As the President of a Washington-based trade association promoting U.S.-Africa trade and investment, I have a strong belief in the power of trade and investment to create jobs, innovation, and economic growth. Before assuming my current position at CCA 8 years ago, I spent 36 years working in the U.S. government, 23 of which were in the Office of the U.S. Trade Representative, including serving several Presidents as the Assistant U.S. Trade Representative for Africa. Altogether, I worked on African trade and development issues in government for 30 years.

Drawing from that perspective, I will suggest to you today that AGOA has been more successful than is commonly appreciated. Perhaps more importantly, AGOA is very much the right tool to support the creation of regional and continental value chains under the African Continental Free Trade Area (AfCFTA), suggesting that AGOA's future impact may be much greater. All that said, it is also time for the United States to work with its African partners to create a stronger trade and investment relationship that truly goes in both directions and builds on AGOA but goes "beyond AGOA," as both African leaders and senior officials in the U.S. government have called for. There is a lot more the United States and Africa can do together to realize both Africa's potential for growth and that of the United States.

That is a lot to put on the table.

Let me begin unpacking these elements with a brief look at what AGOA is and what has happened over its 25-year history.

AGOA went into effect in 2000 and offers duty-free access to the U.S. market for 1,800 goods on top of 5,100 goods included in the Generalized System of Preferences (GSP) program. There are currently 32 eligible countries (of 49 Sub-Saharan African countries). In 2024, two-way U.S.-African trade in goods totaled US$48.7 billion, broken down into US$30 billion in U.S. imports from Africa and US$18.7 billion in exports to Africa. Of those US$30 billion in imports, US$7.9 billion came in under AGOA and US$364 million came in under the GSP. The top categories of AGOA imports include US$2.6 billion in transportation equipment (including vehicles), US$1.9 billion in energy-related products like crude oil, US$1.2 billion in textiles and apparel, and just over US$1 billion in agricultural goods.

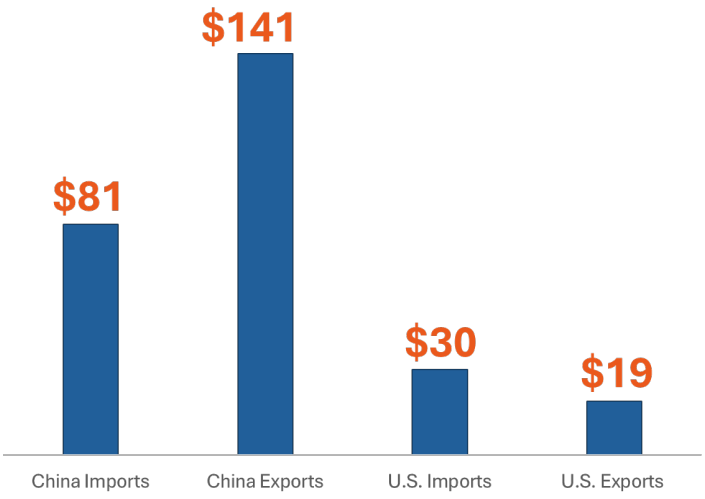
Critiques of AGOA's Effectiveness

What do those numbers tell us?

Many critiques of AGOA argue that these totals do not reflect a successful program. One of the most prominent critiques is that crude oil still represents roughly one-quarter of total AGOA imports, although its share is half what it was 15 years ago. Others point to the concentration of exporting countries. The top five exporters have accounted for 90% of the non-oil exports under AGOA, including South Africa, Ghana, Kenya, Lesotho, and Madagascar. AGOA's export totals have also been concentrated in a few product lines, including textiles and apparel, vehicles and minerals, and metals.

Others argue that AGOA has not succeeded because the levels of U.S. trade with Africa have not kept pace with Africa's overall growth, and with the growth among the United States' competitors, including Europe, China, India, and Türkiye. When the program began, the United States was the first or second most important trading partner for almost all African countries. In 2009, China began replacing the United States as the top trading partner for African countries – much as it became the top trading partner of countries in Asia, Europe and even Latin America. China's trade with Africa now dwarfs that of the United States, with an estimated US$141 billion in exports to Africa and US$81 billion in imports in 2024. While U.S. trade with Africa is more than double what it was in 2000, it is less than half of its 2008 peak of US$105 billion in two-way trade.

Figure 1: China's Trade with Africa Now Dwarfs that of the United States
(in billion U.S. dollars)



Source: Corporate Council on Africa.

This contributes to a sense that, despite AGOA, the United States and Africa are trading well below their shared economic potential. Africa has consistently represented around 1 percent of total U.S. trade for the last decade, and the U.S. represents approximately 1.7% of all of Africa's exports (of $585 billion).

While all these criticisms have some merit, I think they overstate the negative and underappreciate the significant impact AGOA has had.

What Has AGOA Achieved?

First and foremost, there are clear and powerful examples of companies and countries that have made highly effective use of AGOA to create and sustain more than a million jobs across Africa while generating economic growth in key countries. I will offer a few examples to illustrate my point.

AGOA has been particularly important for the textile and apparel sector because it offers exemptions from the relatively high 15-32 percent U.S. most-favored nation (MFN) duties on these products. This has attracted companies to invest in Kenya, Ethiopia, Tanzania, Lesotho and Ghana, often luring production from global companies looking to relocate from China as the latter's labor costs have increased over the last decade. U.S. companies have done what they typically do, namely invested in their workforces to increase their skills to produce ever more sophisticated products, such as men's suits from JC Penny and jeans from Levi's.

Companies in Mauritius built out their textile industry by investing in Madagascar and Tanzania, creating regional value chains to serve the U.S. market. Employment in factories producing for AGOA numbers in the hundreds of thousands and has often been transformative, including employing women who form 75%-90% of the workforce in many of these plants. Employment under AGOA also tends to be formal, which brings significant benefits for workers and their communities. Roughly 50% of the formal employment in Madagascar and Lesotho is directly related to production for AGOA exports.

There have been similar successes in agriculture. South Africa used duty-free access under AGOA to create a niche for its citrus, supplying the United States during its winter months. The United States served as the anchor market for the South Africa citrus export industry, which now employs approximately 300,000 workers and has expanded into other markets, including Europe.

West African cacao and shea, cashews from across the continent, spices like vanilla from Madagascar and coffee all benefit from AGOA, employing farmers across the continent. As African companies learn from their competitors what it takes to succeed in the United States, including how to meet global sanitary and phytosanitary standards, more and more have targeted expanding into the U.S. market as one of their top priorities, suggesting that the United States could become an even more significant driver of growth in African agriculture.

AGOA has also facilitated exports of much more sophisticated manufactured goods, exemplified by autos, particularly from South Africa. Access to the U.S. market was an important factor for Mercedes and BMW in setting up plants in South Africa that helped cement the country's position as a top twenty global auto producer, attracting investments from seven Original Equipment Manufacturers, including Ford, and spawning the creation of an extensive network of local parts suppliers and specialists working at global quality standards.

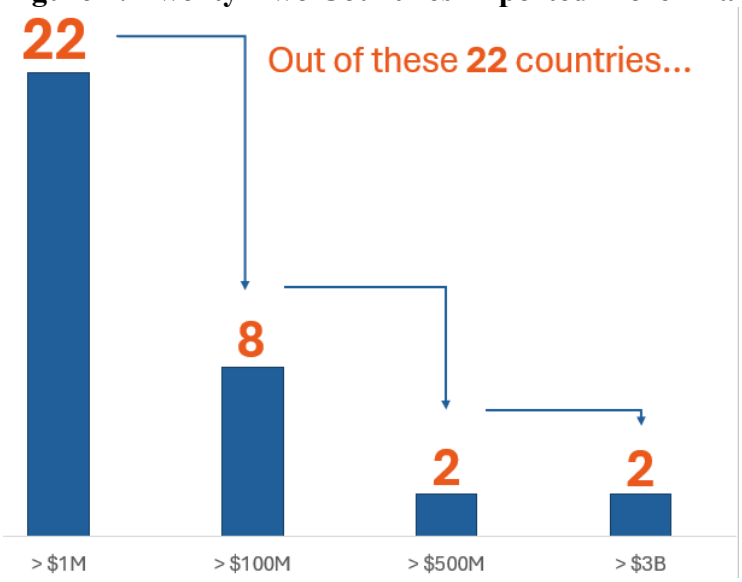
In this regard, it is important to note that an often-overlooked facet of U.S. trade is that the United States tends to import a higher percentage of manufactured goods from Africa than Africa's other major trading partners, which tend to concentrate more on primary products like minerals and agricultural goods. This is particularly true of China, but also to a lesser degree the EU. In this regard, the duty preferences AGOA offers have been particularly helpful for African

manufacturers to become more competitive and enter global value chains. As a result, the United States is one of Africa's top markets for its auto and apparel exports, and there is an opportunity for more growth in these and other key sectors. Implementation of the AfCFTA is not only creating one of the largest free trade areas (1.3 billion people and $4.3 trillion in combined GDP) by eliminating barriers to intra-African trade, but making the region attractive for investment and integration into the global trading system.

AGOA auto exports also helped expand regional value chains, fostering the creation of wire harness manufacturing and export in Botswana and leather car seats in Lesotho. Although they tend not to make headlines, companies working in Africa produce a wide range of sophisticated parts for airline engines and fuselages, brakes for trains and a host of machine tools, all of which are more competitive thanks to AGOA.

Similarly, criticisms about the concentration of exports in a few sectors and a few countries obscure AGOA's significant impact. Data for 2024 from the United States International Trade Commission (USITC) shows that 22 of the 32 eligible countries exported more than US$1 million under AGOA. Eight of those exported more than US$100 million to the United States, including small countries like Lesotho, whose 2 million people exported more than US$260 million just under AGOA. Two of those eight countries exported more than US$500 million under AGOA, and two (South Africa and Nigeria) exported more than US$3 billion.

Figure 2: Twenty-Two Countries Exported More Than $1 Million under AGOA in 2024



Source: Corporate Council on Africa.

While US$1 million may not seem like a lot, it can have a transformative impact, particularly when this represents the success of small companies formalizing their workforces and becoming globally competitive. This is particularly true in smaller countries that may not be on international investors' maps. I came across a very small Swaziland (now Eswatini) company producing incredible jams for Whole Foods at the NY Fancy Food show and later had the opportunity to visit that factory where I met the fewer than 100 mostly women responsible for shipping just one container per month to the United States under AGOA.

As important as AGOA is, it does not tell the whole story of U.S.-Africa trade relations. Some of the countries with less than US$1 million in AGOA exports have strong trade partnerships with the United States. A good example is Botswana, which exported US$450 million of diamonds to the United States last year but did so under MFN duties, rather than AGOA.

Twenty-one of the 32 AGOA eligible countries exported more than US$100 million to the United States, including several with relatively minor shares under AGOA like Namibia (which exported US$250 million, less than US$10 million of which was under AGOA). While most accounting would not directly credit AGAO with these successes, AGOA arguably helped create the broader frameworks and make the connections that facilitated the specific deals.

Significant Trade Connections beyond the AGOA Framework

As the examples I have cited and shown you illustrate, AGOA has done more than commonly appreciated to support the creation of regional value chains, such as automobile exports from South Africa that include electric harnesses from Botswana and leather seats from Lesotho. This value chain development provides important lessons learned and positive examples that will help foster an expansion of regional trade under the AfCFTA while also supporting the development of strategic corridors in several parts of Africa.

Through its public annual reviews, AGOA has also served as an impartial seal of approval that U.S. and other international companies have used to guide their choice of potential investment partners. Many U.S. companies have noted that they do not use AGOA themselves but recognize that it gives governments an incentive to maintain good governance and transparency and helps encourage stronger ties with U.S. partners.

While the criticisms may underestimate the impact of AGOA, they do raise a valid point that U.S.-Africa trade and investment is below its potential. It is worth considering the bottlenecks that have made AGOA less effective.

Perhaps the most important factor is awareness of the program. While the United States government spent a lot of time talking to African governments about the program, awareness in the business community always lagged. Awareness among African companies of what AGOA covers and how to qualify remains low, even in countries and sectors that have made relatively good use of the program – and is also low among U.S. importers.

This has prompted significant attention to the question of AGOA utilization rates. After AGOA's first renewal in 2008, the now defunct United States Agency for International Development (USAID) started assisting African countries in creating AGOA utilization strategies. To date, 18 countries have created at least one of these—and several have produced two or three successive iterations.

Countries that adopted these strategies saw their AGOA exports increase significantly. Ghana and Togo doubled their AGOA exports, while Madagascar and Mali quadrupled them, Mozambique increased them 800% and Zambia 3,000%. Successful strategies helped governments improve coordination between various programs to promote exports and support business formation, while also improving coordination with trade associations—on both the African and U.S. sides. Supply-side constraints like limited or expensive power, poor trade-enabling infrastructure and logistics,

as well as limited access to capital for many smaller companies/producers cannot be underestimated.

There is the related challenge of breaking into the U.S. market. While Americans tend to see a unified market, African exporters, particularly smaller companies, can be daunted by what looks like 50 separate markets once you factor in state-level legal requirements, including in some cases duties and taxes. There is also the challenge of setting up reliable logistics and customer service networks to secure long-term contracts with U.S. retailers.

While African companies have successfully cracked an even more daunting code to enter European markets, lack of familiarity with the United States can be a significant barrier.

While support for the AGOA utilization strategies was remarkably effective, AGOA was never paired with resources for trade capacity building or connecting companies. The elimination of USAID suggests that future trade capacity-building assistance will remain a challenge.

While many companies see the reviews as positive, others have pointed to the program's eligibility criteria and the annual reviews as a barrier. To be eligible for AGOA, countries must establish or make continual progress on six elements:

- Establish a market-based economy,
- Maintain the rule of law, political pluralism, and the right to due process,
- Eliminate barriers to U.S. trade and investment,
- Implement economic policies to reduce poverty while also combatting corruption and bribery,
- Protect internationally recognized worker rights, and
- Not engage in activities that undermine U.S. national security or foreign policy interests or engage in gross violations of internationally recognized human rights.

Given that AGOA eligibility also makes countries eligible for GSP, countries are also required to meet GSP eligibility requirements, notably including not expropriating or nationalizing property of U.S. citizens without compensation, and not being part of groups withholding vital commodities from the world market in ways that disrupt markets.

The U.S. government reviews Sub-Saharan African countries every year against these benchmarks and produces a list of eligible countries by the end of the year. These reviews can have serious consequences. Since its inception, 16 countries have lost their eligibility, and others have been formally warned they could do so if they do not quickly address specific issues.

The most typical reason for losing eligibility has been overthrowing a democratically elected government. The United States has used eligibility to address market access and political issues for several countries, including Ethiopia, Rwanda, Uganda, and South Africa. Critics have charged that the annual review introduces an element of uncertainty about continued market access that dampens investment. Loss of eligibility also tends to prove very disruptive, often prompting factory closures that can take years to reverse even if the country resolves the initial dispute quickly.

These observations suggest that more can be done to raise awareness among companies about provisions of programs like AGOA. There is also a great opportunity for governments to collaborate with each other and the private sector within Regional Economic Communities and along evolving Strategic Corridors in terms of removing barriers to cross-border trade and investment. Doing so would support the implementation of AfCFTA and national plans, while also making better use of external support programs like AGOA.

There is also a lot that African companies can learn from each other in terms of implementing successful strategies to break into the U.S. market. Greater coordination with African governments and institutions like Afreximbank could accelerate dispersion of these lessons learned. So would greater collaboration between U.S. and African trade associations, like CCA, to help make the connections and share experiences.

A number of these suggestions have been part of discussions over the last two years to encourage the renewal of AGOA. Before I turn to what the future may look like, it is important to discuss the question of AGOA's reauthorization.

The Future of AGOA: Designing the Next Generation of Market Access

AGOA was not originally designed to be a permanent program. At the time it was created, there was a general assumption that AGOA would be a transition to a more robust program, at least for the larger African trading partners – perhaps free trade agreements. Morocco is the only country in Africa that has a Free Trade Agreement – and there seems little appetite in Congress to consider new Free Trade Agreements.

Thus, like GSP, AGOA was designed to require Congress to pass a law to reauthorize it for a specified time. AGOA was last re-authorized in 2015 for 10 years and technically expired at the end of September this year. As you may know, GSP was the U.S. program intended to support less developed countries to develop through trade. AGOA builds on top of GSP by adding a significant number of products to the list of duty exemptions. It also allows the terms of GSP to continue for AGOA eligible countries, even when the broader GSP program is lapsed – as it has now been for four years. This makes reauthorizing AGOA all that much more important for African countries.

While this was always a design feature, the need for reauthorization always ran the risk that Congress would not do so in time, which happened in September. The U.S. government and Congress have explained that the program has "lapsed," and the White House has said publicly that it supports a short-term renewal to allow the program to be "aligned" with President Trump's America First trade agenda.

Privately, Congressional members and staff have made it clear that AGOA has both bipartisan and bicameral support in the House and Senate. It is likely that Congress will find a legislative vehicle and renew AGOA before the end of the year, likely with some provision to allow for retroactive treatment for goods that entered the United States after AGOA's expiry that would have otherwise been eligible.

In the likely event AGOA is reauthorized, it may only be for a short period, perhaps one year, setting up a second renewal process for a longer term that is likely to involve an 'updated' AGOA program. White House officials have suggested that this time could be used to 'align' AGOA with

the broader elements of the President's America First trade agenda. This echoes comments from the Biden Administration over the last two years, which called for considering how to "modernize" AGOA. While no specific proposals were ever advanced, there was a lot of discussion about making some changes to AGOA.

Some proposed changes were more technical in nature and less controversial, such as finding a way to incorporate North Africa into the program to align it with AfCFTA and making the program easier to administer by holding the eligibility reviews every two or three years, instead of annually. There is consensus that something should be done to address the current "graduation" criteria in AGOA, which call for ending eligibility once a country reaches the World Bank's middle-income country status.

Others proposed expanding AGOA's coverage to include critical minerals, which do not typically face U.S. tariffs, and to include provisions on digital taxation policy in the eligibility criteria. There is less consensus on whether to include these in AGOA, and if so, how.

President Trump's team has also introduced the concept of reciprocal tariffs as part of a broader approach that suggests that trade and investment partnerships should also address U.S. market access and investment protection issues. USTR and the White House have held discussions with at least a dozen African countries, although no agreements have yet been announced. It is not yet clear how the Administration would incorporate the reciprocal tariff approach to Africa, although there is an expectation that all countries will face some tariff level.

More important than the specific details of bilateral discussions are the change in approach from President Trump and his team, which is much more transactional, focused on two-way trade and investment deals. It is also key to understand that any reciprocal tariffs would "stack" on top of base U.S. most favored nation tariff rates.

Given that Africa exports a number of products that happen to face large MFN tariffs in the United States, this means that reciprocal trade deals will need AGOA – or something with the same impact – to be passed to make two-way trade feasible.

That brings me to looking at the future of AGOA and U.S.-Africa trade and investment.

As noted, the most likely scenario is a short-term renewal that leads to a discussion between the Administration and Congress on what the future of AGOA should look like. My expectation is that there will be an initial short-term renewal for one to two years, followed by a longer-term renewal of AGOA or something genuinely like it. I would expect that a renewed AGOA would address continued exemptions from MFN rates that could form the basis for separate approaches to African countries on reciprocal tariffs. There have been some discussions that African countries could fall into one or two buckets of 10% or 15% tariff rates, with scope for individual exceptions based on specific bilateral issues – for good or ill.

The guiding principle for any longer-term approach will be a desire to see a lot more trade and investment in both directions. While China's rapid expansion of trade and investment ties over the last two decades came about from a unique set of circumstances that are not likely to be repeated, that example does suggest that U.S. trade and investment levels with Africa could and should be two to three times current levels.

As noted, a number of African countries have already made specific offers to the White House for a package of trade and investment deals, including energy and mining projects. African countries and institutions have noted that there are significant needs for increased investment across Africa in several sectors that represent core U.S. strengths, including information and communications technology and cloud computing, infrastructure, health, energy, and finance. The State Department has issued a commercial strategy for Africa as well as a Global Health Strategy that contains a significant focus on opportunities in Africa, while the White House has focused on potential infrastructure and critical minerals projects.

This increased interest in and attention to specific deals will help focus Washington on putting the right tools in place to support these opportunities. That includes reauthorizing the Development Finance Corporation, as well as appointing senior officials in agencies like the Millennium Challenge Corporation.

Ultimately, any focus on individual deals will increase the urgency for a more general agreement on the way forward, particularly on trade. Thus, the question of a longer-term renewal of AGOA – or something similar – is likely to become more important over the coming year. This is the background against which the Administration will work with Congress on any longer-term approval for AGOA, including dealing with proposals to "align" AGOA with the America First agenda and/or "modernize" it.

AGOA is already closely aligned with an America First agenda. AGOA imports generate approximately US$1.8 billion in annual salaries for U.S. workers, support more than 300,000 U.S. jobs, while saving U.S. companies and consumers an estimated US$1 billion a year.

There have been several suggestions to 'modernize' AGOA, such as including services, critical minerals, and digital trade. While each of these is an important area for future collaboration, none makes sense to include in AGOA, primarily because tariff exemptions do not solve the barriers to expanding collaboration in these areas.

Services have grown considerably in the U.S.-Africa relationship over the last two decades and are likely to be a key driver of expansion in the future.

In 2024, the United States exported US$14.4 billion in services to Africa while importing US$10.4 billion. This trade is concentrated on travel, financial and business services, and air transport. While these are all sectors that should be developed to their full potential, the United States does not apply any tariffs to services, and at least for the moment, does not tax e-commerce. The barriers that need to be addressed tend to include the need to boost the capacity of users in Africa, expand critical infrastructure, and improve regulations to make it easier to operate.

The critical minerals sector is another sector that is often mentioned. There is no question that the United States can and should do more with African partners to develop the continent's vast mineral resources, including the family of critical minerals and rare earths.

Given that U.S. tariff rates are either zero or extremely low on these products, this is another area that would be better served to be included in a broader partnership, rather than in AGOA. The U.S. government could consider supporting expanded mapping of African geologic resources and

improved regulatory environments and infrastructure corridors – all areas that are well outside a unilateral trade preference program.

The last area that is generally mentioned is some effort to make the relationship more reciprocal. African countries have already made specific bilateral proposals, which could be pursued as executive agreements, or even ultimately as free trade agreements. The United States has a lot of scope to decide how best to pursue the relationships it deems most worthwhile, which should ideally build on a broader framework that addresses all of Africa. The increasing regional and continental integration under AfCFTA strongly suggests the value of maintaining some broader framework for trade.

As I conclude, I want to thank you for your attention to this detailed consideration of the impact of AGOA. As noted, I believe that AGOA has been much more successful than is commonly appreciated and has supported important pillars of what has become AfCFTA in ways that will benefit both Africa and the United States even more in the future. As I hope you can tell, I remain very optimistic about the potential for the future of U.S.-Africa trade and investment and believe that AGOA – or something very like it – can and should be an important part of a more robust, more reciprocal future.

Thank you for your attention, and I would welcome your questions.