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AGOA Renewal and Modernization: A Strategic Imperative for the U.S.

Recommendations from the AGOA Alliance

I. The Case for a Bolder Longer AGOA

The African Growth and Opportunity Act (AGOA) Alliance is a bipartisan coalition of business leaders, trade associations, think tanks and civil society institutions across both the U.S. and Africa. The Alliance, Co-chaired by former U.S. Congressman Chris Stewart, former Assistant U.S. Trade Representative for Africa, Rosa Whitaker, and a soon-to-be announced next generation African Diaspora leader, applauds Sen. Chris Coons, Sen. James Risch, Rep. John James and their colleagues for their demonstrated leadership in introducing legislation to reauthorize AGOA. We particularly note the leadership of Rep. Jonathan Jackson and Rep. Sheila Cherfilus-McCormick for their inauguration of a new U.S. Congressional Caucus on Africa and pioneering work in championing a new AGOA. The timely intervention of all these Members of Congress has sent a strong signal throughout the world of America's continued commitment to a robust U.S.-Africa economic partnership.

AGOA has served as the cornerstone of U.S. economic engagement with Africa since its inception in 2000, providing eligible Sub-Saharan African countries duty-free access to the U.S. market for more than 6,400 products. At a negligible cost to U.S. taxpayers, AGOA has demonstrated significant economic impact across Africa and the U.S. -- expanding both trade and job creation on both sides of the Atlantic.

With AGOA set to expire in 2025, urgent action is required to preserve and modernize this critical lynchpin in U.S. – Africa relations. We urge the House Ways & Means and the U.S. Senate Finance Committees to act immediately, decisively, and boldly. Cumulatively, AGOA has driven over $500 billion in African exports to the U.S., with American importers realizing $250–$300 million in annual tariff savings. AGOA's benefits, however, have waned -- the value of its exports has dropped by 90%. Uncertainty around renewal and the content of a new AGOA have caused a 45% decrease in AGOA apparel orders, displacing thousands of workers in Africa.

Meanwhile, China's trade, investments, and influence in Africa have risen exponentially. From 2009, when China overtook the U.S. as Africa's largest trading partner, China-Africa trade has grown from $91 billion to over $282 billion in 2023. China's dominance in sectors like critical minerals underscores U.S. vulnerability in areas crucial for technology, renewable energy, and security. For example, the DRC supplies 70% of the world's cobalt, with China controlling nearly all cobalt mines. China has maintained its continuously growing position as Africa's largest trading partner for 15 consecutive years disadvantaging the U.S. geopolitically, economically, and diplomatically. The need for U.S. leadership and a more ambitious AGOA has never been more clear. The new AGOA should respond to the seismic shift in the geoeconomic, geo-security and global political landscape of today rather than an extension of the AGOA of 2000 when it was first enacted. **The U.S. should renew and modernize AGOA with updated and more robust provisions while maintaining U.S. budget neutrality. The recommendations below could achieve this.**

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II. Proposed Recommendations/Amendments

A renewed AGOA should combine **three proven pillars of growth: expanded Market Access, targeted Investment Incentives, and "SMART Trade-Enabling Aid."**

A. Expanded Market Access:

- **Broaden Product Eligibility**: To include critical minerals, green technology, digital services, and healthcare products, aligning with global economic trends and Africa's development goals. This would expand AGOA's relevance and reach.
- **Early, Long-Term Renewal:** Enact an early and long-term renewal of AGOA, with periodic rather than annual reviews -- include a grace period if the program is discontinued prematurely. Investors and buyers relying on AGOA's duty-free benefits need assurance that these advantages will not disappear abruptly, potentially resulting in losses before investments are fully amortized.
- **Flexible Implementation of "Discretionary" Eligibility Conditions:** Streamline conditions to ensure AGOA's eligibility criteria focuses on economic development rather than broad governance issues, avoiding unintended harm to vulnerable populations. Since 2021, an unprecedented eight African countries have been removed from AGOA disproportionally impacting the region's most vulnerable people rather than those responsible for the "offending" actions. For example, in 2022, Ethiopia's removal from AGOA, over U.S. human rights concerns, led to significant income and job losses impacting an estimated 100,000 already vulnerable workers–predominantly women with an average income of about $3 per day. Ethiopia's impressively growing exports to the U.S. abruptly plummeted. Further, in 2009, when a coup d' état resulted in Madagascar's AGOA suspension, the country--among the world's poorest, was a leading apparel exporter under AGOA. As a result of AGOA's removal, an estimated 30,000 textile and apparel jobs—largely held by economically-distressed women were lost. This U.S. policy decision, caused Madagascar, with a mere $455 annual per capital income, severe adverse impacts: a 70% decline in its apparel exports to the U.S., and a 11% drop in its GDP.
- **Alternative Sanctions:** Tools like U.S. Treasury's Office of Foreign Assets Control sanctions and targeted visa bans could be leveraged over AGOA suspensions to address governance and human rights concerns without harming economic development and causing injury to Africa's most vulnerable people.
- **Graduated Sectoral Approaches:** Enable AGOA "graduation" by sectors rather than by countries, allowing individual industries to transition to reciprocal trade terms once they reach certain thresholds. Formula-Based Thresholds, based on measurable indicators such as export volumes and market share, could define when a sector/industry is ready for AGOA graduation. Graduated sectors could then transition to reciprocal trade agreements

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or "FTA-lite" deals with the U.S. maintaining preferential market access for vulnerable industries while promoting sustainable, reciprocal balanced U.S.-Africa trade in other sectors.

- **Third-Country Fabric Benefits:** Despite progress and new investments in Industrial "Textile" Development Zones across Africa, insufficient capital, and inadequate infrastructure, including unreliable electricity and transportation networks, remain significant barriers to large-scale textile production in the region. Africa relies heavily on imported fabrics to support its growing apparel sector. Greater U.S. market certainty, longevity, and incentives could boost investments in Africa's textile capacity; regional textile facilities rely on regional garment production. Further, textile production demands substantially more capital than garment factories, and phasing out AGOA's "Third-Country Fabrics" provision should be gradual, targeting categories where African textiles demonstrate production potential. An abrupt restriction could reverse employment and income gains in the region. The Alliance fully endorses the **prohibition of AGOA imports made with forced labor.**

B. Targeted Investment Incentives/Enterprise Zones

- **Enterprise Zones** have a history of bipartisan support in the U.S. revitalizing blighted urban areas crippled by decades of under-investments and under-development. Buoyed by U.S. tax incentives, these Zones hold similar promise for economic development in Africa. They would help AGOA achieve a much-needed U.S. investment response.

- **Tax Incentives for Critical Minerals:** AGOA should establish targeted U.S. tax incentives for U.S. investments in mining, processing, and manufacturing of rare earth and strategic minerals crucial to U.S. defense and economic security.

- **Supply Chain Integration:** AGOA should incentivize U.S. partnerships with AGOA countries for resilient, ethical supply chains to support U.S. and African security/economic interests. **The Trump Administration should be directed in the New AGOA to work with G-7 allies and relevant AGOA countries in bringing these countries into the U.S. Friend-shoring strategy**–a vital U.S. response to economic and security vulnerabilities resulting from global supply chain disruptions and an over-dependence on China.

- **Mechanism for U.S. Tax Incentives:** AGOA should establish "Development" tax credits and profit repatriation provisions for U.S. companies investing capital in targeted sectors that are aligned with Africa's development priorities and U.S. strategic interests in AGOA countries, such as green energy, critical minerals, technology, and healthcare. These incentives could maintain AGOA's budget neutrality by targeting new U.S. investments in African projects/sectors where such investments would not likely exist without tax incentives. The U.S. Treasury Department and the Joint Tax Committee can confirm that currently there are zero profits being repatriated from U.S. company investments in the AGOA region.

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C. SMART "Trade-Enabling" Aid

To maximize the impact of U.S. development aid in expanding African trade, AGOA should:

- **Establish Independent Review of U.S. aid-for-trade programs with Africa** to include recommendations for greater transparency and a costs-benefit analysis. The Review would also address USAID's over-reliance on Indefinite Quantity Contracts (IQC). Concerns about IQC-run aid programs have ranged from insufficient accountability in performance and spending, high overhead and administrative costs, and a prioritization of profits over program impact.

- **Direct U.S. Partnerships with African Financial Institutions:** Permit a portion of U.S. aid-for-trade authorized for Africa to be deposited in eligible African financial institutions enabling them to serve as fiduciary executing entities, with strict criteria and U.S. oversight. This pooling of resources, held in eligible African institutions, could advance AGOA objectives, respond to the "de-dollarization movement," improve cost efficiencies and overall U.S. aid effectiveness while building stronger U.S.-Africa partnerships without an adverse U.S. Budget impact.

- **Support AfCFTA Trade Facilitation:** Digital infrastructure to streamline customs and trade documentation, would facilitate easier cross-border trade and market access. The U.S. currently leads the world in technology supporting trade movements, capital market, and business solutions. AGOA should encourage and incentive U.S. – Africa Business Technology and Trade Partnerships.

- **Capacity Building for AGOA and Trade Utilization:** Enhance training on regulatory frameworks, e-commerce, logistics, and digital tools to improve AGOA and AfCFTA utilization.

- **Expand African Enterprise Participation in U.S. Trade Shows:** Support African businesses' participation in U.S. trade and investment events to close knowledge gaps and enhance direct partnerships.

- **Leverage African Diaspora Expertise:** U.S. African Diaspora entities and enterprises should be better utilized in executing U.S. aid-for-trade programs. This would also help to diversify current USAID IQC-managed projects across Africa.

A well-crafted renewed and modernized AGOA should aim to be a strategic anchor in U.S.-Africa relations. The New AGOA can promote regional growth, stability across Africa, and sustainable U.S. economic partnerships with the region, while simultaneously advancing critical U.S. geoeconomic and security priorities.

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