THE PRESIDENT'S ADVISORY COUNCIL ON DOING BUSINESS IN AFRICA

Recommendations on Reauthorizing and Strengthening the African Growth and Opportunity Act (AGOA)

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This report, other PAC-DBIA recommendations, and additional information can be accessed at www.trade.gov/pac-dbia/

Letter to the President

Dear Mr. President,

The President's Advisory Council on Doing Business in Africa (PAC-DBIA) supports swift renewal of the African Growth and Opportunity Act (AGOA) before its expiry in September 2025. AGOA is a program with proven benefits to both African and U.S. stakeholders and should remain a fundamental component of the long-term effort to deepen mutually beneficial U.S.-Africa commercial ties. A timely renewal will send a strong signal to American businesses and African partners of America's continued commitment to African economic growth and development.

The PAC-DBIA supports the following recommendations to strengthen the agreement, though renewal should not be delayed to achieve perfection:

1. Reauthorizing AGOA for a period of **20 years** to support business certainty.
2. Extending the eligibility review period to every **three years** to allow for correction and development with out of cycle reviews and Congressional hearings as needed.
3. Expanding AGOA eligibility to **North African countries** to align with the African Continental Free Trade Area (AfCFTA) and more **flexible income requirements**.
4. Incentivizing **comprehensive AGOA strategies** including by establishing a **threshold volume** under which AGOA zero-rate tariff is automatic.
5. Repealing the **textile visa** requirement.

Further, we urge consideration of the following recommendations to enhance AGOA's impact:

6. Promoting investment in AGOA-eligible countries for '**friendshoring**' with increased budget appropriations for trade facilitation and supporting micro, small, and medium-size enterprises.
7. Elevating the business ecosystem with greater **regulatory cooperation** and harmonization as well as incorporating U.S. financing tools.
8. Promoting **U.S. domestic awareness about AGOA**.
9. Supporting **circular economy** development in Africa to drive further investment.
10. Strengthening sectoral initiatives:
    A. *Agriculture*
        i. Improving **phytosanitary certification** assistance and streamlining the process.
        ii. Encouraging growth of the **agriculture processing ecosystem** in Africa for strengthening the food value chain.
        iii. Encouraging U.S. processors to **source raw crops** from AGOA-eligible markets.
    B. *Digital and ICT*
        i. Adding certain **digital service exports** to eligibility list, complementing critical minerals and electric equipment.
        ii. Supplementing digital services eligibility with **capacity-building** and reduction of ICT **market barriers**.
        iii. Stimulating an enhanced climate for **investment into ICT infrastructure** and discouraging overregulation
    C. *Critical Minerals*
        i. Inviting certain AGOA markets to join the **Minerals Security Partnership**.
11. Linking **PGI projects** and AGOA-eligible markets/products for trade channel development.
12. Adding third-country partnership to **USTR-AfCFTA** Memorandum of Understanding.

Sincerely,

Peter Sullivan
Co-Chair

Rahama Wright
Co-Chair

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INTRODUCTION

AGOA renewal is paramount. U.S. imports of goods under the program were just $9.7 billion in 2023, primarily covering crude oil, textiles, and apparel[1,2,3], which suggests neither African countries nor the United States are maximizing the potential benefits of this valuable partnership. The untapped potential remaining to fully realize the economic benefits of AGOA reinforces the desirability to renew the Act, and failure to do so timely will deny both African and American businesses unique opportunities to expand trade, create jobs, and deepen critical commercial relationships in an ever-competitive global economy. Particularly given the lapse in other trade tools such as the Generalized System of Preferences and comprehensive new free trade agreements, the PAC-DBIA strongly urges Congress to renew AGOA now to cement the U.S.-Africa commercial relationship and set the stage for American businesses and workers to flourish alongside their partners throughout the African continent.

As American enterprises search for opportunities to de-risk global supply chains, African markets should be considered as potential 'friendshoring' destinations, including for investments that increase the production and trade of goods with value added on the continent. While AGOA currently focuses on goods trade, the PAC-DBIA sees an opportunity to capitalize on AGOA's renewal to expand this agreement to include services, particularly digital services. Accordingly, PAC-DBIA recommends particular attention to the agriculture, ICT/digital, and critical minerals sectors because they are key to the current and future growth and development of both the U.S. and African economies.

AGOA should be viewed as part of a wider toolkit with which the United States engages African partner countries. From financing mechanisms to export and investment promotion efforts, the array of existing U.S. government programs and initiatives should be aligned to support greater utilization of AGOA benefits on the continent, which can increase commercial opportunities on both sides of the Atlantic. Moreover, AGOA and other U.S. trade promotion tools should support intra-Africa trade, which supports the competitiveness of U.S. companies, given that the AfCFTA represents the world's largest free trade area with a market of over 1.3 billion people – larger than the EU and ASEAN combined.[4]

The importance of AGOA to American companies and the future of U.S.-Africa business was clearly illustrated by the participation of members of the PAC-DBIA at the 2023 AGOA Forum in South Africa, where they engaged both American and African government officials to discuss not only how AGOA is currently beneficial to both Americans and Africans, but also how this foundational agreement sets the stage for advancing a more robust and meaningful economic and commercial partnership.

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[1] https://www.usitc.gov/publications/332/pub5419.pdf, p. 18
[2] https://crsreports.congress.gov/product/pdf/IF/IF10149
[3] https://ustr.gov/about-us/policy-offices/press-office/press-releases/2024/june/ustr-releases-2024-biennial-report-implementation-african-growth-and-opportunity-act#:~:text=In%202023%2C%20U.S.%20imports%20under,AGOA%20beneficiaries)%20totaled%20%249.7%20billion
[4] https://www.census.gov/data-tools/demo/idb/#/dashboard?COUNTRY_YEAR=2024&COUNTRY_YR_ANIM=2024

DURATION AND ELIGIBILITY

Uncertainty around AGOA renewal is a significant constraint to realizing the benefits for African development and regional integration that should be a target market for American business in the future.[5] Consequently, the PAC-DBIA recommends a twenty-year reauthorization to maximize certainty for companies exporting under AGOA. Businesses need continuity and predictability to flourish, particularly in markets with skewed risk perceptions. Enshrining this commitment will likely have knock-on effects for African and American businesses alike. With greater certainty, African governments who are currently building and expanding special economic zones and industrial parks could attract more American investors who could utilize these sites for exports, incorporating African markets into their global value chains and attaining better financing for both.[6]

The yearly eligibility review is another constraint to certainty and minimizing perceived risk for African countries, and the PAC-DBIA supports extending the review period to at least three years. Such a review period will not only enable companies to better integrate the program into their business plans, but also better integrate the program into both American and African government plans designed to promote economic and commercial progress. Further, this will allow more space for geopolitical concerns to be managed and addressed over time, rather than have an immediate negative impact on the business climate. The U.S. government already has a suite of mechanisms to address these geopolitical concerns as they arise without impeding business and trade, similar to how systemic concerns are addressed with other regions, which are often more impactful than losing AGOA eligibility. Additionally, in cases where there is a national security impact to the United States, the PAC-DBIA supports out-of-cycle eligibility reviews, and Congress could also require update hearings from the Office of the U.S. Trade Representative (USTR), Department of Commerce, and Department of State on AGOA and geopolitical concerns as they arise.

One of the strongest assets of the United States are our capital markets. Investment from U.S. investors and banks could be a critical asset to helping scale companies that can benefit from AGOA while earning a return for U.S. investors. However, many U.S. investors investing in companies and projects base their investment decisions on the trade potential arising from AGOA, and the removal of a country's eligibility post-investment could undermine the utility of U.S. capital markets as a mechanism for facilitating American investment into firms into those countries. Flexibility on the review process is one way to help alleviate this risk and unleash U.S. capital.

In addition to changes in the annual review process, PAC-DBIA supports expanding AGOA benefits to North African countries to better align with continental integration. This change would also support intra-Africa investment and regional value chains that broaden markets for American business as well as encourage further integration through the AfCFTA. Similarly, changing the income eligibility requirements to five consecutive years of upper-middle income status, according to World Bank metrics, gives more certainty for those African markets which slip up and down these lending categories. Should concerns about the developmental impact arise, enshrining the option to target underserved areas within African countries could make the areas that need a trade preference mechanism more attractive to businesses and generate jobs where they are needed most.

[5] https://www.usitc.gov/publications/332/pub5419.pdf, p. 20
[6] https://african.business/2022/11/trade-investment/do-special-economic-zones-work-in-africa

UTILIZATION

To encourage greater utilization of AGOA and more diversity in the exports it delivers to the United States, eligible countries should be incentivized to develop more comprehensive AGOA strategies by targeting other U.S. economic and commercial initiatives towards those that enhance eligible countries' production capacity. Only half of the current AGOA-eligible countries have a public utilization strategy, several of which are in need of updating.[7] Research suggests those eligible countries, such as Mozambique, Togo, and Zambia, which have conducted robust internal discussions on AGOA policy implementation and developed well-conceived strategies, have benefited the most from AGOA.[8,9] These strategies should be developed with full and meaningful consultation of the private sector, including foreign-invested enterprises.

Another key impediment to more robust AGOA utilization is difficulty certifying that products meet AGOA eligibility requirements for the volume being shipped to the United States. In some cases, the tariff rate facing exporters is already low enough that the additional benefit from AGOA is not obvious when factoring in the effort required to undertake the eligibility process, suggesting that the process businesses must undertake to leverage the benefits should be simplified. A threshold volume under which businesses can automatically qualify for and receive AGOA benefit should be considered as another incentive for those countries who have an AGOA utilization strategy. Along these lines, PAC-DBIA also recommends repealing the textile visa requirement, which only applies to African countries and Haiti.

Eligible countries which have seen the greatest benefit from AGOA also appear to have the most well-developed manufacturing and production capability, having attracted significant investment. South Africa, with sub-Saharan Africa's most diversified export list, is the top AGOA supplier to the United States with $3.6 billion in goods sent in 2022, primarily vehicles and parts.[10] The value of its automotive sales to the United States has increased by 447.3% between 2001 and 2022 under AGOA. U.S. industry should be encouraged to perceive AGOA-eligible markets as a potential theater for emerging 'friendshoring' initiatives to diversify supply chains.[11] The U.S. government has tools available now to increase AGOA utilization and diversify supply chains as part of its efforts to increase two-way trade and investment between the United States and African countries.

Congress also could better support utilization with budget appropriations to expand and operationalize these efforts. For example, USAID trade facilitation hubs, which are funded separately from AGOA, could be improved to increase their reach, particularly for those countries with low utilization rates and with a focus on trade facilitation activities. These hubs should also redouble efforts to create enabling environments for underserved and underrepresented stakeholders, most of whom are women in micro, small, and medium-size enterprises (MSMEs). Preferences for capacity building and technical assistance through the hubs and other U.S. agencies should be considered to enhance the opportunities afforded to these entrepreneurs. Data suggest that the assistance these hubs provide is already working: the East Africa Trade and Investment Hub facilitated $600 million in exports and $171 million in new investment between 2014 and 2019, suggesting that more success is possible with increased resources. Gender disaggregated data, and perhaps a gender-specific report issued every three to five years, would further ensure that women entrepreneurs, especially MSMEs, have more equitable

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[7] https://agoa.info/downloads/national-strategies.html
[8] https://www.brookings.edu/articles/heres-why-us-africa-trade-under-agoa-has-been-successful-for-some-countries-but-not-others/
[9] https://www.brookings.edu/articles/how-the-biden-administration-can-make-agoa-more-effective/
[10] https://ustr.gov/sites/default/files/AGOA%20Trade%20Fact%20Sheet_final.pdf
[11] https://www.weforum.org/agenda/2023/11/africa-us-trade-agoa-deal-expires-2025/#:~:text=South%20Africa%20has%20sub%2DSaharan,to%2014%2C873%20units%20in%202001

access to training, capacity building and other resources that facilitate their increased inclusion in economic and trade opportunities with the United States

Additionally, the U.S. government could support greater regulatory cooperation with key African markets to support sound science- and risk-based regulatory frameworks. In addition to trade facilitation, regulatory certainty is another element to ensure that products can enter markets, both in Africa and the United States. Certainty and ease of application is essential especially for MSMEs and emerging entrepreneurs (particularly women and youth), to enable them to take full advantage of the American market. Further, incorporating financing via the U.S. International Development Finance Corporation and Export-Import Bank, plus macroeconomic policy and technical assistance via the Department of Treasury, with commercial advocacy tools of the Department of Commerce and U.S. Trade and Development Agency, would fully and consistently leverage the entire suite of interagency tools to elevate the business ecosystem in African markets and thereby increase AGOA utilization, rather than limiting it to USTR and USAID alone.

This combination of targeted investment by U.S. industry and introducing inducements (including amending eligibility criteria) to encourage the development of AGOA-focused policy strategies by eligible countries could converge to encourage a deeper integration of AGOA-eligible countries into global, U.S.-led production supply chains. This would inevitably bolster people-to-people relationships as the U.S. private sector partners with AGOA exporters. The PAC-DBIA recommends a robust domestic U.S. marketing campaign targeting firms that might be persuaded to diversify their supply chains into AGOA-eligible countries, articulating to them the benefits of the AGOA access channel.

A key element of aligning policy and financing would be to support African country efforts to develop circular economy markets. To illustrate, African countries have significant potential in developing waste management practices and infrastructure (collection, sorting, recycling) that advance circularity and would address environment challenges from waste (i.e., plastic, electronics, textiles) and turn these materials into value-added feedstock. Support for investment in recycling waste collection, sorting, and recycling (either directly in-country or as an export opportunity to countries with significant recycling technology) would increase investment and grow high-standard value chains. Recycling creates more formal opportunities for steady income, safety practices, and skills training for the waste collection community, and encourages investment in innovative manufacturing to turn recycled materials into next generation products. This represents investment, job creation, technology development, as well as economic and environmental sustainability, but requires significant engagement on the policy agenda, including recycling targets and standards for recyclability and recycled material.

SECTORAL COVERAGE

The PAC-DBIA suggests greater attention to the following sectors to maximize AGOA and other policy initiatives intended to bolster trade and investment ties with African countries. With AGOA renewal as the primary aim, the measures recommended could further enhance the agreement and be incorporated as the legislation evolves.

Agriculture

Agriculture forms a significant portion of trade under AGOA and is one of the top sectors under which African governments seek to increase trade with American firms, meaning it should be among the priority areas of focus under a renewed AGOA. AGOA beneficiaries exported a combined $2.9 billion worth of agriculture products during 2022, up from $750 million in 2000.[12] South Africa has been the largest exporter of agriculture products under AGOA, accounting for half of the total AGOA agriculture trade for the continent. The expiration of AGOA would hurt not only African agriculture exporters but would adversely impact the American businesses that rely on raw citrus, dairy, nuts, spice, fruit, and other inputs needed for sectors such as pharmaceuticals and cosmetics. Many of the agriculture products that are brought to the United States under AGOA are often unique to Africa and tend to not compete with U.S. crops, while reinforcing diversity in sourcing to strengthen supply chains. Further, many of these products serve the growing market of the African diaspora and other U.S. consumers seeking to satisfy certain culinary, health, and other needs. Therefore, maintaining AGOA is not inherently harmful to American farmers. There is also the salient topic of food security: even if AGOA products are exported by U.S. firms, the ecosystem of agricultural production, spurred by the benefits of AGOA, helps promote greater agriculture sector development and productivity in general, to the benefit of local communities and stronger African food systems that will need less global support in periods of crisis.

The PAC-DBIA recommends tools for increased AGOA utilization specific to agriculture, should the program be renewed. The full potential for agricultural exports from Africa to the United States is largely untapped due to various factors:

1. Sanitary and Phytosanitary procedures are important to prevent the introduction of pests and diseases to U.S. crops. However, the importation of agricultural products under AGOA is subject to a host of requirements including pest risk analyses, risk mitigation measures, a “systems approach” for importation (i.e., quarantine and other prophylactic methods), and pre-clearance inspections. In the absence of free trade agreements that would provide countries with more opportunity for phytosanitary assistance, the U.S. government should work with African counterparts (through the U.S. Department of Agriculture, U.S. Food and Drug Administration, and U.S. Customs and Border Protection) to improve the import process. Smoother processes result in greater utilization of AGOA.[13]

2. In addition to exporting raw products, the boost of agriculture production spurred by AGOA opens the door to significant growth in the processing ecosystem in Africa for those crops, helping to move certain markets up the value chain. Implementing and prioritizing capacity-building programs, as was previously offered under the USAID Trade Hubs, would help ensure that these potential ripple effects in African economies are realized. Emphasis could be placed on addressing impediments, such as access to resources and capital, enhancing technical capacity to achieve export-ready status, and knowledge on how to access U.S. markets.

[12] https://agoa.info/data/sector-data-agriculture.html
[13] https://agoa.info/images/documents/15612/agoa-horticulturalproductimportstotheus.pdf

3. Agriculture represents the most promising opportunities under AGOA, and we encourage the U.S. government to leverage the momentum of AGOA reauthorization to launch programs that increase awareness of the program's benefits, both to African exporters whose products can reach the U.S. market duty-free and to U.S. processors who are searching for more efficient sources of inputs.

Digital and ICT

The digital and ICT sectors are among the most exciting areas for growth in African economies and present significant opportunities to both American and African enterprises. Africa's fast-growing, youthful population holds the promise of making digital/ICT potential a significant and long-lasting market opportunity. The Global System for Mobile Communications Association estimates that the mobile economy directly supported 1.4 million jobs in and contributed $170 billion dollars, about 8% of GDP, to sub-Saharan African economies in 2022. By 2030 the economic contribution is predicted to grow to $210 billion.[14]

Digital acceleration has helped integrate African nations into the global communications architecture, creating democratized access to information, inclusive connectivity, and a diverse array of economic potentialities. Accordingly, the African continent has witnessed rapid growth of investment in digital infrastructure and a mushrooming venture-driven technology ecosystem. Closing the digital divide in Africa will require foreign investment in infrastructure that will form the foundation for ensuring that connectivity is brought to the unconnected. This must be supported by solid public-private partnerships, and certainty created by ensuring that regulation is only introduced if pursuing a legitimate policy goal and in the least restrictive manner.

However, this dynamism and increasing economic centrality is not reflected in digital and ICT's share of AGOA exports. While the incorporation of digital services and ICT sectors should not be an impediment to renewing AGOA, we think it is imperative to seriously consider incorporating these objectives into a renewed AGOA to reflect the modern market opportunities across the African continent. The world has changed dramatically since AGOA's enactment almost 25 years ago, and we need an enhanced AGOA that reflects a 21st century partnership with African countries that is based on the United States' holistic approach to increasing trade and investment across Africa. Accordingly, we recommend the following objectives:

1. To enhance the content of digital and ICT products realized via the AGOA channel, it is advisable to modernize AGOA by allowing it to cover not only goods, but also services. At a minimum, AGOA renewal should explore the possibility of adding certain digital service exports to the eligible list to promote increased development of the digital and ICT sectors in eligible countries. Digital services – including software development, telecommunications, computing services, ICT consulting, and digital marketing – should be considered for coverage under AGOA while existing eligible categories relevant to digital supply chains, such as minerals and electric equipment, should be promoted more vigorously.

2. Expanding the digital export categories open to AGOA could be paired with eligibility criteria that promote economic development and increased technology adoption, such as accession to the WTO Information Technology Agreement (ITA) which eliminates customs duties on over 90% of ICT products traded globally. Similarly, eligibility criteria should mirror items that have been highlighted by the U.S. government, including barring source code as a condition of market access, nondiscriminatory treatment for digital goods and services, open cross-border data flows, and discouraging localization

[14] https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-economy/wp-content/uploads/2023/10/20231017-GSMA-Mobile-Economy-Sub-Saharan-Africa-report.pdf

requirements. Eligibility criteria could also be calibrated to promote an emphasis on cybersecurity, privacy, customs duties, and other provisions in trade agreement digital trade chapters. Policy interoperability and harmonization across these priorities should also be leveraged to discourage discriminatory approaches on tax, data localization, and technological regulation.

3. Similarly, progress towards increased digital skills adoption should be encouraged to support African partners and boost employment, technological transfer, innovation, and, therefore, economic growth. To achieve broader trade objectives with Africa, AGOA should be leveraged to stimulate an enhanced climate for investment into ICT infrastructure and discourage over regulation and continued market penetration of less secure and less open alternatives from strategic competitors of the United States. This encouragement of the adoption of digital skills to help stimulate a vibrant market for digital services and products could further support the consideration of adding select services to AGOA-eligible exports.

Critical Minerals

AGOA has the potential to improve the contributions of eligible countries to the critical mineral supply chains of sectors of high importance to the American economy. At present, many critical minerals consumed by U.S. industry are beneficiated in third countries outside of Africa before their import into the United States, reducing both the efficiency of U.S. value chains and the benefits to the African economies from which they originate. Leveraging AGOA's architecture, U.S. industry can be encouraged to extend burgeoning 'friendshoring' initiatives to AGOA-eligible countries and increase investments in value addition activities in those markets.

COVID-19 demonstrated the fragility of the global production supply chain, as well as a recognition of inefficiencies and bottlenecks. It became clear that some countries processing critical minerals originating in African countries do not always prioritize the security of input supplies to U.S. industry. Over a similar period, African leaders and their governments have steadily increased calls to locate processing and production capability on African soil. They argue that locating value addition proximate to the point of origin will increase the efficiency of supply chains and enhance the share of value creation retained in source countries to increase export earnings, foster resilient job creation, improve domestic stability, and accelerate economic development.

These desires from AGOA-eligible countries, and those that aspire to eligibility, coincide with growing concern in the U.S. private sector, particularly in fast-growing sectors such as battery storage and electronic mobility manufacture, consumer electronics, and other industries heavily reliant on critical minerals, regarding security of access to supplies of these of important production inputs. Replicating existing policy approaches, like the Critical Minerals Agreement signed by the USTR with Japan, for Africa and/or establishing a dedicated framework for American and allied firms to process African critical minerals on the continent for export to the United States could result in benefits for the United States, African countries, and third-country allies alike.[15]

As a start, the PAC-DBIA recommends inviting certain AGOA-eligible countries to join the Minerals Security Partnership (MSP). Doing so would avail those countries of the "financial and diplomatic support for strategic projects along the value chain" offered by the Department of State for key sectors including clean energy technologies and emerging computing and connectivity sectors such as semiconductors and mobile telephony.[16]

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[15] https://carnegieendowment.org/posts/2024/04/how-the-agoa-reauthorization-process-could-help-diversify-us-critical-mineral-supplies?lang=en
[16] https://www.state.gov/minerals-security-partnership/

Ultimately, as the United States and African countries look to move beyond the trade preferences that AGOA provides, the AfCFTA must be considered as AGOA is renewed. USTR has already set the stage for the future trade relationship with its MOU signed with the AfCFTA during the U.S.-Africa Leaders Summit in 2022.[17] To accelerate mutually beneficial trade, the MOU already identifies target areas that build upon AGOA, including advancing value chains, digital trade, and promoting trade facilitation. Additionally, the global infrastructure finance initiative, the Partnership for Global Infrastructure and Investment (PGI), designed to help strengthen value chains and trade corridors, could target sectors which African countries want to increase trade with the United States under AGOA and coordinate trade facilitation efforts with those of the AfCFTA.

Furthermore, existing PGI resources could be intentionally and proactively linked to projects with an explicit AGOA access channel motivation. Coordinated PGI related tools plus AGOA market access could then be marketed to U.S. firms who have evident potential to redistribute portions of their PGI-eligible supply chains to AGOA-eligible nations. It has been observed that physical infrastructure in the form of access to telecommunication services and other ICT technologies are critical to expanding the export capacity of countries in the effort to take advantage of the preferential access created by AGOA. As such, continued U.S. focus and policy prioritization for investment in telecommunications is key to strengthening the efforts to enhance export capacity in African countries.

As an interim step to the maturation of the USTR-AfCFTA MOU, constraints on preferences arising from AGOA eligible countries hitting the income cap could potentially be addressed through third African country strategies to leverage the AfCFTA framework. The PAC-DBIA recommends USTR add third-country partnership to its MOU workplan with the AfCFTA. In this framework, firms operating in countries that have hit or are approaching the income limit can direct a portion of their value chain to a third African country with sufficient headroom under the income limit and benefit from their onward export to the United States.

As African countries deepen their trade ties to other regions and via other mechanisms, the United States should enable and promote an environment that positions American firms to participate in these new trade partnerships. Strengthening policy engagement in international fora that set and enforce global regulations and standards, minimize excessive taxes, support the free flow of data, and promote sustainable investment practices will help more African businesses utilize AGOA and expand international trade while also positioning American businesses to compete throughout Africa and the world now and into the future.

[17] https://ustr.gov/sites/default/files/2022-12/United%20States%20AfCFTA%20Secretariat%20MOU%20December%2014%202022.pdf, p.2