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Economic Insight
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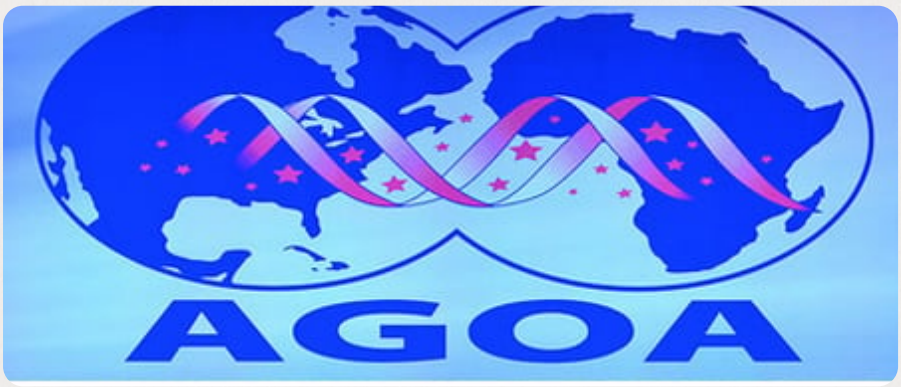
Trade under AGOA:What Next?



The African Growth and Opportunity Act (AGOA), enacted by the United States Congress under the Trade and Development Act of 2000, grants eligible Sub-Saharan African (SSA) countries duty-free and quota-free access to the US market for thousands of products, subject to governance and market-oriented reform criteria. Designed as a unilateral and non-reciprocal trade preference programme under the US Generalized System of Preferences (GSP), AGOA aimed to stimulate export growth, encourage job creation, and support economic and governance reforms.

Over the past two decades, AGOA has been a central pillar of US–Africa trade relations. It contributed to export expansion in several sectors, particularly apparel, agriculture, and selected manufactured goods, and supported industrial clusters in a few countries.

However, its benefits have varied significantly across the region. Oil-exporting countries, especially Nigeria and Angola, accounted for the majority of AGOA trade, creating a pattern dominated by hydrocarbons rather than diversified productive growth.

With AGOA recently expired, there is an ongoing debate regarding its renewal, redesign, or replacement within a broader US–Africa trade strategy. The discussion raises important questions about how African economies can sustain trade gains and reposition themselves in a post-AGOA environment.

This insight examines AGOA's contribution, the challenges that limited its impact, and the strategic steps SSA countries must take going forward.

Significant jump in exports from SSA to the U.S. in the first decade

Between 2000 and 2010, exports from AGOA-eligible countries to the U.S. nearly tripled (from about US$22 billion to US$61 billion).

Automotive exports from Africa under AGOA

Vehicle exports from South Africa increased from about US$150 million in 2000 to about US$2.2 billion in 2013.

Stimulating agricultural export diversification

In 2022, AGOA beneficiaries exported about US$2.9 billion in agricultural goods to the U.S., from about US$750 million in 2000.

Extension and modernization of the Act

In 2015, the U.S. Congress extended and modernised AGOA, recognizing it as a long-term trade instrument rather than a short-term preference.

Patterns and Trends

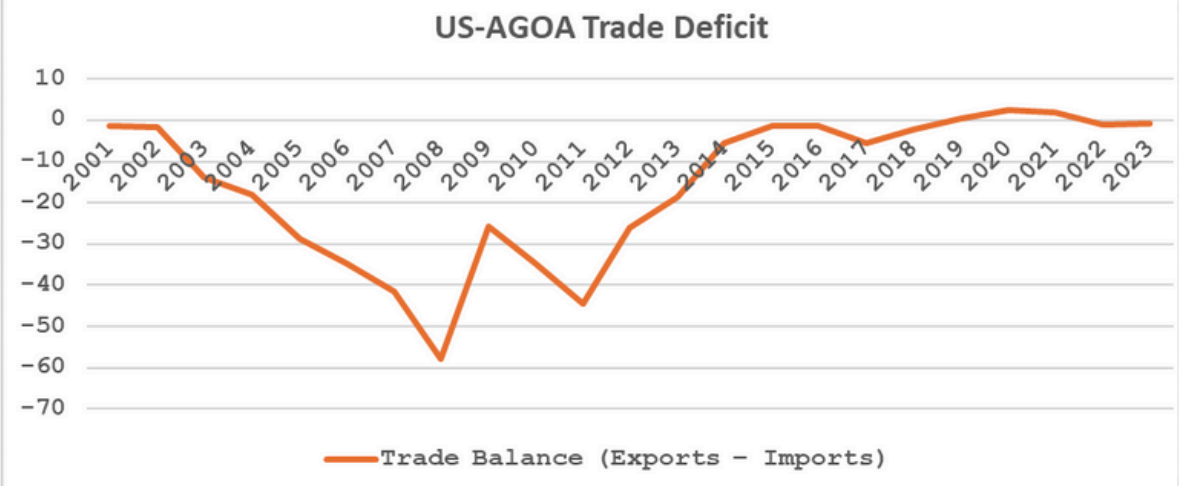
Trade patterns under AGOA reflect strong dependence on commodity exports, particularly hydrocarbons. Between 2001 and 2008, US imports from Sub-Saharan Africa rose from USD 8.2 billion to USD 66.3 billion, driven largely by crude oil exports from Nigeria, Angola, and Chad during a period of high global oil prices. At its peak, mineral fuels accounted for over 85% of total AGOA exports. Following the 2008 global financial crisis and the subsequent US shale oil boom, demand for African crude declined.

AGOA trade volumes fell to USD 14.3 billion in 2014 and have remained subdued. While US exports to the region held steady (between USD 6–10 billion annually), African exports did not substantially diversify. Although some progress occurred in apparel and agricultural goods — notably in Kenya, Ethiopia, Lesotho, and Madagascar — non-oil exports were not sufficient to offset commodity dependence.

The result is a long-term pattern of volatility tied to global oil prices rather than structural transformation.

The US Trade Balance under AGOA

The United States recorded a persistent trade deficit with Sub-Saharan Africa during AGOA's high-oil-import years, reaching a peak deficit of USD 57.8 billion in 2008. As oil imports declined, the deficit narrowed and, in some recent years (2019–2021), shifted into a modest surplus. However, this balance reflects reduced imports, not increased African competitiveness or diversification. The trade relationship remains vulnerable to commodity cycles rather than underpinned by robust industrial production.

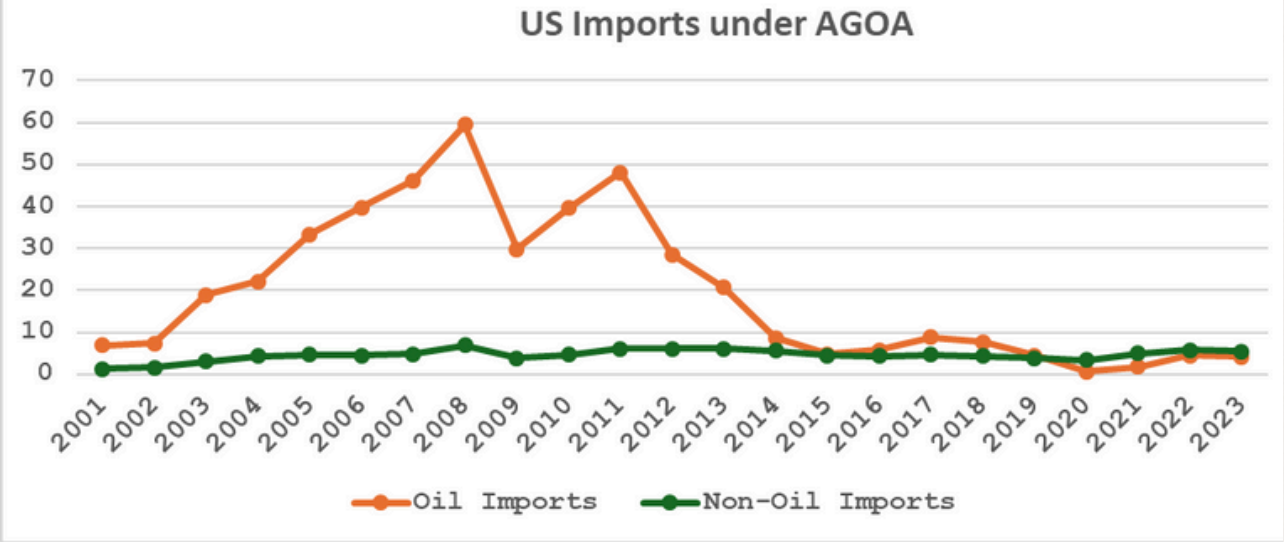


Between Oil and Non-Oil Trade

The trade pattern under AGOA shows a clear dichotomy between oil and non-oil imports to the United States from Sub-Saharan Africa. Oil imports dominated throughout the early and mid-2000s, rising steeply from about 8 billion USD in 2001 to nearly 60 billion USD in 2008, reflecting high global oil prices and heavy US dependence on African crude, especially from Nigeria and Angola. However, after the 2008 financial crisis and the subsequent US shale oil boom, oil imports declined sharply, reaching near parity with non-oil imports by 2015. In contrast, non-oil imports; mainly textiles, apparel, and agricultural goods, remained relatively stable between 3 and 6 billion USD annually, showing resilience despite commodity volatility.

This contrast underscores both:

- **The fragility of oil-led export growth**, and
- **The potential for scalable expansion** in non-oil sectors if structural challenges are addressed.



Observed Challenges

1. **Overreliance on Oil and Limited Diversification**

Most AGOA-eligible countries did not significantly diversify exports. Only a handful, particularly Kenya, Lesotho, Ethiopia, and Madagascar, developed sustained apparel and agro-processing export bases. This limited the programme's developmental impact.

2. **Structural and Infrastructure Constraints**

High production costs, unreliable electricity, inefficient ports, logistics bottlenecks, and limited access to industrial input markets weakened competitiveness relative to Asian exporters.

3. Standards and Compliance Barriers

Weak quality infrastructure and limited certification capacity hindered compliance with US sanitary, phytosanitary, and technical standards, particularly in agriculture and textiles.

4. Policy Coordination Challenges

Many SSA countries lacked coherent national AGOA strategies, with fragmented regulatory frameworks and insufficient export promotion support for SMEs.

What Next? Policy Priorities

With AGOA's renewal under discussion, SSA countries must reposition themselves to maximize its potential benefits — or transition effectively should the framework evolve. This requires:

1. **Developing Integrated National Trade and Industrialisation Strategies**
Policies should link AGOA opportunities to sector-specific value chain development, skills upgrading, and SME export readiness.

2. **Investing in Productive and Trade Infrastructure**
Reliable power supply, efficient ports, logistics corridors, and industrial zones are essential for competitive production.

3. **Strengthening Quality Infrastructure**
Accredited laboratories, certification bodies, and standards agencies should be scaled to support exporters in meeting US market requirements.

4. **Supporting SMEs through Market Intelligence and Finance Access**
Export promotion agencies must deliver targeted training, resource hubs, and financing pathways for smaller firms.

5. **Aligning AGOA Strategies with AfCFTA Industrialisation Goals**
The same constraints that limited AGOA's impact could also undermine AfCFTA implementation. Addressing them serves both agendas.

Conclusion

Africa's challenge is not simply whether AGOA is renewed, but whether the region strengthens the structural and productive capabilities necessary to utilize such preferential access meaningfully. The future of Africa–US trade will be shaped less in Washington, DC, and more in African production hubs, industrial parks, farms, ports, and policy institutions.

With targeted reforms and strategic alignment with AfCFTA's industrialization agenda, SSA countries can shift from a commodity-dependent model to one driven by value addition, competitiveness, and sustainable growth.

- Charts and graphs produced by the BACITI team.
- Data sources: United States International Trade Commissions (USITC) DataWeb

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