



Innovating U.S. Trade Policy to Drive U.S. Private Sector Leadership in Africa

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Trade and investment are crucial components of the relationship between the United States and Africa. On one hand, it spurs economic activity creating thousands of jobs in African countries and reduces overreliance on development assistance. On the other, it supports market demand for products in the U.S., provides new markets for U.S. companies and maintains U.S. economic stability and resilience.

U.S. trade and investment with Africa has lagged behind its potential with relatively fewer U.S. companies active on the continent compared to other regions. Data released in July 2022 by the U.S. Bureau of Economic Analysis on U.S. Direct Investment Abroad in 2021, placed investment in Africa last, valued at \$44.8 billion¹. This is against U.S. investment in other regions such as Europe valued at \$3.981 trillion and Asia valued at \$957.5 billion in that same year². U.S. goods and services traded with Africa on the other hand, totalled \$83.6 billion in 2021³.

Since its enactment in 2000, the African Growth and Opportunity Act (AGOA) has been at the core of U.S. economic policy and commercial engagement with Africa. 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 program⁴. AGOA has been instrumental in promoting trade, investment, and

¹ Bureau of Economic Analysis, "Direct Investment by Country and Industry, 2021", News Release, U.S. Department of Commerce, July 21, 2022, <https://www.bea.gov/sites/default/files/2022-07/dici0722.pdf>

² Bureau of Economic Analysis, "Direct Investment by Country and Industry, 2021", News Release, U.S. Department of Commerce, July 21, 2022, <https://www.bea.gov/sites/default/files/2022-07/dici0722.pdf>

³ The White House, "U.S.- Africa Partnership in Promoting Two-Way Trade and Investment in Africa", Fact Sheet, Last Modified 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/>

⁴ Office of the United States Trade Representative (2023) African Growth and Opportunity Act (AGOA). (<https://ustr.gov/issue-areas/trade-development/preference-programs/african-growth-and-opportunity-act-agoa>)



economic growth in Africa, although its effectiveness has varied across different countries.

Over the past 20 years, AGOA has led to the creation of hundreds of thousands of jobs in Africa, especially in Southern and Eastern Africa, and has also played an important role in increasing U.S. trade with Africa, increasing African integration into global value chains, and diversifying sub-Saharan African economies. Exports from AGOA beneficiaries increased over 500% under the first 10 years of the program, with total U.S. AGOA imports valued at \$9.4 billion in 2022, up 57% from \$6.0 billion in 2021⁵. This is against total two-way trade in goods and services between the United States and sub-Saharan Africa valued at \$83.6 billion in 2021⁶.

AGOA utilization rates vary significantly by country, and some benefits under the program have been used to a greater degree than others. Lesotho and Kenya for example, have had the highest AGOA utilization rates: “Between 2010 and 2020, apparel products from Kenya accounted for 88 percent of the country’s total exports to the United States under AGOA (\$3.6 billion in value); apparel products from Lesotho accounted for 99 percent of the same (\$3.2 billion)”⁷. Almost half of all beneficiary countries however, had a utilization rate of 2 percent or lower during the same time period⁸.

Africa has tremendous economic potential and offers rewarding commercial opportunities with some of the highest returns. With Africa’s integration into a single continent-wide market of 1.3 billion people and \$3.4 trillion under the African Continental Free Trade Area (AfCFTA), the continent is poised to become the fifth-

⁵ Congressional Research Service, “African Growth and Opportunity Act (AGO A)”, In Focus, Updated May 5, 2023 <https://crsreports.congress.gov/product/pdf/IF/IF10149#:~:text=of%20the%20program,-,U.S.%20Imports%20Under%20AGO A,industries%2C%20but%20diversification%20has%20grown.>

⁶ The White House, “U.S.- Africa Partnership in Promoting Two-Way Trade and Investment in Africa”, Fact Sheet, Last Modified 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/>

⁷ Schneidman, W., McNulty, K., & Dicharry, N. (2021, November 15). How the Biden administration can make AGOA more effective. (<https://www.brookings.edu/blog/africa-in-focus/2021/11/15/how-the-bidenadministration-can-make-agoa-more-effective/>)

⁸ Schneidman, W., McNulty, K., & Dicharry, N. (2021, November 15). How the Biden administration can make AGOA more effective. (<https://www.brookings.edu/blog/africa-in-focus/2021/11/15/how-the-bidenadministration-can-make-agoa-more-effective/>)



largest economy in the world⁹. It is estimated that with the successful implementation of the AfCFTA Africa will have a combined consumer and business spending of \$6.7 trillion by 2030 and \$16.12 trillion by 2050, creating a unique opportunity for people and businesses¹⁰ —meaning the region can be the next big market for American goods and services.

For this to happen however, a new innovative approach to commercial engagement with the continent beyond AGOA in its current form is critical.

Commercial Diplomacy

Commercial Diplomacy, a powerful strategic tool for enhancing commercial engagement, is the first cornerstone of an innovative trade policy framework to advance U.S. private sector leadership in Africa. Government – government engagement can support overcoming regulatory obstacles and help improve the competitiveness of American companies in the region.

This can take various forms from prioritization of commercial engagements in administration trips and delegations to technical assistance and capacity-building programs especially in development of policy and regulation that is aligned with international best practices and that nurtures, supports, and preserves business, new technologies and innovation.

The impact of greater government involvement in supporting private sector to identify and close deals is clear. Since 2021 the U.S. Government helped close more than 800 two-way trade and investment deals across 47 African countries for a total estimated value of over \$18 billion. In contrast, U.S. private sector driven investment deals in Africa closed during the same period were valued at \$8.6 billion¹¹.

U.S. private sector can also play a huge role in supporting commercial diplomacy efforts. One of the recommendations contained in the President’s Advisory Council on Doing Business in Africa (PAC-DBIA) April 2023 report, is for U.S. government to engage and include U.S. private sector represented by PAC-DBIA in delegation trips utilizing their experience, expertise and positioning as representatives of U.S. private

⁹ The White House, “U.S.- Africa Partnership in Promoting Two-Way Trade and Investment in Africa”, Fact Sheet, Last Modified 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/>

¹⁰ Landry Signé, *Unlocking Africa’s business potential: Trends, opportunities, risks, and strategies* (Washington, D.C.: Brookings Institution Press, 2020).

¹¹ The White House, “U.S.- Africa Partnership in Promoting Two-Way Trade and Investment in Africa”, Fact Sheet, Last Modified 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/>



sector commitment to business in Africa, in mapping out how best to showcase and advance U.S. investment and engagement in Africa pre- and post-travel¹².

This engagement should also be expanded to include participation and engagement with other U.S. private sector companies operating in Africa, as represented by the American Chambers of Commerce (AmChams) present in the region. AmChams play an important role as links between the private sector and the governments in their host countries and in the United States. Their unique positioning enables them to effectively lobby for the interests and needs of their members and lead advocacy efforts to enhance the business environment for U.S. companies in their host countries.

Comprehensive Trade Frameworks

Learnings from AGOA demonstrate the challenge of ensuring lasting export diversification in African countries which has impacted AGOA utilization rates and sustainable economic growth and development, with exports of energy related products continuing to account for almost 90% of U.S. imports from Sub-Saharan Africa, at a value of \$30 billion¹³.

Comprehensive trade frameworks would, by allowing inclusion of other high potential sectors on the continent such as digital trade, trade in services including financial services and trade in industrial finished goods, drive diversification beyond exports, spurring commercial activity by U.S. companies on the continent.

The reciprocity obligations inherent in comprehensive trade frameworks would also expand opportunity for U.S. products on the continent, making U.S. goods and services more competitive compared to products from Europe that currently receive preferential treatment under various Economic Partnership Agreements on the continent.

AGOA by its nature and design also failed to ensure predictability, a critical driver of investment decisions, dampening U.S. investor interest in production of goods in African countries for both local consumption and export to the U.S. market. As of January 2023, 45 countries were eligible for the AGOA program. However, with eligibility determined on an annual basis, therefore unpredictable from year to year,

¹² The President's Advisory Council on Doing Business in Africa, Recommendations Report, April 13, 2023, https://www.trade.gov/sites/default/files/2023-04/PAC-DBIA%20Report_Apr%202023.pdf

¹³ Páez, Laura.; United Nations. Economic Commission for Africa.; United Nations. Economic Commission for Africa. African Trade Policy Centre (2010). A Decade (2000-2010) of African-US Trade under the African Growth Opportunities Act (AGOA): Challenges, Opportunities and a Framework for Post AGOA Engagement. ATPC work in progress;. N0.81, vii, 31 p.. Addis Ababa:. © UN. ECA,. <https://hdl.handle.net/10855/29212>"



16 AGOA eligible Sub-Saharan countries have in the past lost AGOA benefits for failure to meet one or more of the benefits eligibility requirements for various lengths of time¹⁴.

In addition, AGOA faces a looming expiration in 2025, if not renewed by the U.S. Congress. A comprehensive trade framework will enhance predictability in U.S.-Africa commercial relations, mitigating the uncertainty associated with the annual eligibility review process under AGOA.

Other issues related to the business environment in Africa that have hindered the participation of U.S. companies such as lack of transparency, unfavourable regulatory practices and limited intellectual property protections can also be addressed through comprehensive high-standard frameworks with obligations on anticorruption and better government procurement practices.

Enhancing Access to Market Information

Access to accurate and timely market information plays a crucial role in facilitating private sector investment. Limited access to reliable market information has posed significant challenges for U.S businesses seeking to invest in the continent, hindering investment decision-making processes and undermining the ability of U.S. companies to clearly assess opportunities and risks in African markets¹⁵. Without comprehensive market insights, potential investors face challenges in assessing demand, understanding the competitive landscape, identifying viable business models, conducting accurate risk assessments and securing financing.

Inadequate access to market information can also lead to increased transaction costs and operational inefficiencies due to lack of data on suppliers, distribution channels, and logistics. Such inefficiencies erode investor confidence, heightening perceived risk and as a result hinder market entry and impede expansion strategies.

A multistakeholder approach is necessary to bridge information gaps, with opportunity for the U.S. government to provide technical assistance to regional governments and supporting initiatives in improving data collection mechanisms and

¹⁴ African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights (Inv. No. 332-589, USITC Publication 5419, March 2023) is available on the USITC website at <https://www.usitc.gov/sites/default/files/publications/332/pub5419.pdf> .

¹⁵ U.S. International Trade Commission (USITC). (2020). Trade and Investment between the United States and sub-Saharan Africa: Recent Trends and New Developments. Retrieved from <https://www.usitc.gov/publications/332/pub5043.pdf>



disseminating market information. Collaboration with industry associations to develop comprehensive market reports providing insights on consumer behavior, market trends, and regulatory frameworks and leveraging technology-driven solutions such as online portals and databases can also significantly enhance access to market information.

Conclusion

By innovating its trade policy with Africa through more robust commercial diplomacy that involves and includes U.S. private sector operating in the region, as well as comprehensive trade frameworks, and multi-stakeholder collaborative efforts to enhance access to market information, U.S. commercial engagement with Africa can see more concrete outcomes, creating more robust opportunities for U.S. companies and expanding U.S. private sector participation and leadership in Africa.