Beyond 2025
The Future of the African Growth and Opportunity Act

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THE ISSUE
- When it expires in 2025, the African Growth and Opportunity Act (AGOA) will have enjoyed bipartisan support for over a quarter century and deepened the commercial partnership between the United States and sub-Saharan Africa.
- While some of the critical goals of transforming African nations into democratic and market-friendly ones remain unfulfilled, even critics admit that AGOA has had a net-positive impact on the region’s trade volume and economic diversification efforts.
- In this brief, CSIS highlights the progress that AGOA has achieved and reflects on the lessons for policymakers as Washington considers the next chapter in the U.S. relationship with sub-Saharan Africa.

BACKGROUND
Over the past two decades, the United States has provided assistance and support for sub-Saharan Africa’s efforts to transform its economic and trade relationships, centered around the African Growth and Opportunity Act (AGOA). First enacted into law on May 18, 2000, AGOA was designed to significantly enhance designated sub-Saharan African countries’ market access to the United States by providing duty-free treatment for specific import categories. The legislation’s primary goal was to promote economic growth through good governance and free markets. To qualify and remain eligible for AGOA, countries were expected to demonstrate progress toward market liberalization and to improve the rule of law, human rights protections, and core labor standards. More than 20 years later, AGOA continues to provide preferential treatment to 44 countries in the region, spanning over 6,500 tariff lines. Since May 2000, AGOA has been amended four times, mostly to clarify preferential treatment terms, technical standards, and sunset deadlines. The act was initially designed to be valid for eight years, expiring at the end of September 2007. In July 2004, however, President George W. Bush signed the AGOA Acceleration Act, extending it to 2015. Toward the end of his second term, in June 2015 President Barack Obama extended its validity by signing the Trade Preferences Extension Act, under which AGOA is set to expire in 2025.

The global political and economic landscape has changed profoundly since AGOA was enacted in 2000, even before the Covid-19 pandemic created new disruptions and accelerated several ongoing changes. The mobile telephony revolution has created new opportunities for millions to participate in the digital sphere, use mobile banking and payments systems, and receive commercial, educational, and medical services via the internet. Even as the sub-Saharan African region’s middle class continues to grow, it is also set to experience a youth population boom in the next three decades—which, under the right conditions, could pay a demographic dividend and avert a social crisis.
Meanwhile, the United States has also entered an era of great-power competition with China. With China’s influence in sub-Saharan Africa rising significantly, this competition is also playing out through the region’s political and economic institutions. Considering these opportunities and challenges, leaders in Washington (and their constituents across the United States) ought to look at Africa as a prospect for deepening commercial partnerships, not as a continent that needs to be “saved” through foreign assistance. Accordingly, the United States can consider one of the three following scenarios in response to AGOA’s current expiration timeline:

1. Keep It the Same and Renew AGOA

   **This scenario would be strategically unimaginative and remains politically unappealing because of the legislation’s lack of consistent, substantial impact.**

   Based on past practices, the default path would be to renew AGOA and extend the validity of the preferential trading system for sub-Saharan Africa for another 5–10 years. However, more than two decades after its inception, it is clear that AGOA has been necessary—but insufficient—to help the United States advance the central policy objective of fostering market-friendly and politically open societies in the region. And although Congress successfully passed the Trade Preferences Extension Act of 2015, extending AGOA another 10 years, there is a general lack of enthusiasm in Washington for the legislation at a time when free trade has become a politically sensitive issue.

2. Do Nothing and Let AGOA Expire

   **This scenario would be strategically short-sighted and potentially catastrophic to U.S. foreign-policy and national-security interests.**

   The politically easy yet strategically clumsy path would be to let AGOA expire as scheduled and not follow up with any alternative and substantive initiative(s). This would happen at a time when the continent is set to become one of the **largest regional markets of the twenty-first century**. But in an era of great-power competition, when China has been systematically stepping up its influence in the region (primarily through the **Belt and Road Initiative**), it would be unwise for the U.S. government to let AGOA and its system of trade preferences lapse without proposing a better and credible alternative.

3. Let AGOA Go and Reimagine the U.S.-Africa Relationship

   **This scenario would be bold and creative but require significant efforts from key congressional leaders and the Biden administration to gain legislative support on time.**

   While the hardest of the three scenarios, this approach would allow AGOA to expire as part of a newer, holistic strategy for the United States’ engagement with Africa. Given the likelihood that AGOA will not be renewed in its current form, the Biden administration—working closely with Congress, which has provided strong leadership on U.S.-Africa relations in the past—should reimagine the U.S. economic relationship with sub-Saharan African nations. Specifically, the U.S. government could bring together several aspects of its foreign-policy and global-development priorities to engage with Africa. For instance, the administration could use official development assistance and other development finance tools to help sub-Saharan African economies **diversify away from petroleum products**, which could grow (or even double) their non-petroleum trade and help achieve their carbon-transition goals. Similarly, given the abundance of **lithium and cobalt (primarily in Congo)** or **nickel and platinum (mainly in South Africa)**, the region could become the primary source for electric batteries as the world explores how to green the global economy. U.S. foreign assistance can play a vital role in promoting sustainable mining practices that create shared prosperity for the United States, Africa, and the rest of the world. Finally, a reimagined engagement should prioritize local workforce development, boost the digital trade and services sectors, and support country-level initiatives to strengthen their domestic resource-mobilization capabilities and formalize their economies.

With a population of 1.22 billion, Africa today is home to roughly every sixth person in the world. By 2050, half of the world’s population is expected to be concentrated in just nine countries, including five in sub-Saharan Africa (Nigeria, the Democratic Republic of Congo, Ethiopia, Tanzania, and Uganda), with the continent as a whole representing **20 percent** of the world’s population. Africa’s impending demographic boom, underpinned by rapid urbanization, presents enormous opportunities for its middle class in terms of sustained private-sector growth...
and newer commercial partnerships worldwide. Since 2010, the United States has provided official development assistance to sub-Saharan Africa to the tune of $83 billion, with $7 billion appropriated just in 2020. While significant room remains for countries to improve—especially regarding financial inclusion, access to credit, political openness, economic formalization, and workforce development—the region has made substantive progress in some areas.

With Africa about to emerge as a major economic powerhouse, the continent offers significant market-oriented business opportunities that can ensure shared global prosperity. It would be a strategic mistake for the United States to abandon its engagement with sub-Saharan Africa altogether—especially as U.S. adversaries and competitors are relentlessly increasing their investment in the region, positioning themselves to leverage its economic growth for their benefit. However, there are significant barriers to realizing gains from these opportunities. Countries across the continent need to adopt meaningful structural reforms that will liberalize their markets, build up domestic infrastructure and production capacity, attract investment, and foster deeper and diversified trade relationships worldwide. To that end, the United States should play a substantial role in steering sub-Saharan African countries toward a market-oriented future using targeted foreign aid.

**TRADE IN SUB-SAHARAN AFRICA**

Data on trade volume can best capture the consequential impact that AGOA has had on U.S. trade with sub-Saharan Africa. For instance, U.S. imports from AGOA-eligible countries (including those eligible under the Generalized System of Preferences Program) stood at $8.4 billion in 2019, an increase of 2.4 percent from 2001, the first calendar year AGOA was in effect. Petroleum products are responsible for $4.6 billion (more than half) of these imports. At 37 percent of non-petroleum imports, textiles and apparel formed the next most significant sector, followed by agricultural products (17 percent of non-petroleum imports) and minerals and metals (about 13 percent). In total, non-petroleum imports stood at $3.8 billion, double what they amounted to in 2001. South Africa and Kenya are among the top AGOA-eligible countries that send non-petroleum exports to the United States.

**Data** from the Office of the U.S. Trade Representative shows that the volume of trade between the United States and sub-Saharan Africa grew by 25 percent from 2000 to 2019. However, the trade relationship peaked in 2008, when the total value of goods traded stood at $104.7 billion, a 250 percent increase from $29.4 billion in 2000 (see Figure 1). In comparison, China—the United States’ chief strategic competitor—has made steady economic and commercial gains across the continent. Data from the China Africa Research Initiative at the Johns Hopkins University School of Advanced International Studies shows

![Figure 1: U.S. Trade with Sub-Saharan Africa in US$ (millions)](image-url)

that the volume of China-Africa trade jumped from about $8 billion in 2000 to $157 billion in 2019.

The United States was the single largest export partner for sub-Saharan Africa in 2001, ranking higher than intra-African trade partners. While the United States used AGOA to provide preferred access to its markets, making this contingent on various benchmarks of democratic governance and human rights, other trading partners also pursued strategies to increase engagement and access to markets in the region, helping its exports grow from a little over $70 million in 2001 to nearly $250 million by 2019.

For example, the European Union introduced the Everything But Arms initiative in 2001, which automatically exempted least developed countries from import duties and quotas. And while “preferred” status as a trading partner can be revoked for human rights and labor violations (as under AGOA), the onus is on the European Union to investigate such allegations, instead of on the countries to demonstrate that they meet each benchmark. As a result, sub-Saharan Africa has enjoyed higher levels of trade with the European Union. However, the most remarkable change in the region’s trading patterns in the past 20 years comes from China and its trading practices.

The growth of trade between China and sub-Saharan Africa has been extraordinary. In 2001, China received less than 3 percent of the region’s exports, compared to nearly 19 percent for the United States. Almost two decades later, China has emerged as the region’s single greatest export partner, holding an 11 percent share of exports in 2019, while the U.S. share dropped to 5 percent. Much of this stems from the transformation of the Chinese economy in the 1980s and 1990s, which led to its current status as a significant economic power. However, China’s bigger role as a trading partner in the region can also be explained by

**Figure 2: Sub-Saharan Africa Exports to the United States in US$ (millions)**

Source: Data from “USITC DataWeb,” United States International Trade Commission, dataweb.usitc.gov.

**Figure 3: Total Trade with Africa in US$ (billions)**

(inclusive of imports and exports)

Source: Compiled by the CSIS Project on Prosperity and Development drawing upon data from the U.S. Census Bureau, Johns Hopkins School of Advanced International Studies China-Africa Research Initiative, and Eurostat.
its unwillingness to consider its partners’ human rights records. China, which has a questionable track record itself, has pursued a policy of nonintervention in the domestic affairs of African countries regarding human rights, democratic stability, and corruption. Unlike several other trading partners, it seeks to form trade relationships with these countries based solely on mutual economic benefit. Moreover, China has used bilateral development assistance and investment platforms to entrench itself economically and commercially in the region’s developing nations.

Despite the 2008 global financial crisis, China’s trade outlook in the region remained unaffected. It continued to surpass the United States, which sharply reduced its energy imports as it pursued energy independence. But with the Chinese economy now showing signs of trouble, Chinese demand for sub-Saharan African imports has been waning. Several countries that depend on exports to China will likely experience economic pains. The Maritime Silk Road and other economic corridors planned as part of the Belt and Road Initiative may have a limited mitigating effect. However, these challenges come at a time when sub-Saharan Africa is under pressure to boost its economic growth and enter a post-pandemic stage. The Covid-19 crisis presents an opportunity for the United States to restore its status as the lead partner in the region, using the full breadth of its commercial, diplomatic, and foreign-aid resources to strengthen Africa’s markets and middle class.

U.S. FOREIGN AID AND ITS IMPACT ON AFRICAN ECONOMIES

The United States has made financial and technical-assistance commitments through various projects that have shaped sub-Saharan Africa’s economic growth and export prospects. Across Democratic and Republican administrations, the United States has remained engaged in the region, partnering with country governments to help reform their economies and make them more market-friendly, build up infrastructure capacity, and integrate intercontinental economic and commercial relationships.

One of the prominent ways the United States achieved these efforts was by establishing regional trade and investment hubs in sub-Saharan Africa. Operationally supported by the U.S. Agency for International Development (USAID), these hubs include the East Africa Trade and Investment Hub (EATIH), the Southern Africa Trade and Investment Hub (SATIH), and the West Africa Trade and Investment Hub (WATIH). Established in different years and under multiple administrations, the broader objectives of all three trade and investment hubs center around:

• fostering inclusive and sustainable economic growth that creates jobs in the private sector,
• increased investment in key economic sectors with high potential for growth, and
• better integration of economies within sub-Saharan Africa to improve regional and global exports

Only one of the three hubs has completed its performance period (EATIH), but a quick analysis of its data reveals the extent to which trade and development hubs can have a catalytic impact on economic growth, job creation, and private-sector development (see Table 1).

The United States has also addressed some structural challenges that hinder sustained growth, especially by

<table>
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<tr>
<th>Period</th>
<th>Funding</th>
<th>Countries Covered</th>
<th>Exports Facilitated</th>
<th>Jobs Created</th>
<th>New Investment</th>
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<tbody>
<tr>
<td>EATIH</td>
<td>2014–2019</td>
<td>Burundi, Ethiopia, Kenya, Madagascar, Mauritius, Rwanda, Tanzania, and Uganda</td>
<td>$600 million</td>
<td>46,700+</td>
<td>$171 million</td>
</tr>
<tr>
<td>SATIH</td>
<td>2016–2022</td>
<td>Angola, Botswana, Eswatini, Lesotho, Malawi, Mozambique, Namibia, South Africa, and Zambia</td>
<td>$90 million (September 2021)</td>
<td>1,400+ (September 2021)</td>
<td>$177 million (September 2021)</td>
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investing in the region’s infrastructure capacity. Launched during the Obama administration in 2013, the Power Africa initiative sought to change the energy prospects of sub-Saharan Africa at a time when two-thirds of its population lived without electricity. Today, Power Africa has positively impacted over 40 countries, generating over 4,000 megawatts of clean and reliable electricity, connecting more than 25 million homes, and bringing access to electric power for over 120 million people. Similarly, the Trump administration launched Prosper Africa in December 2018, an interagency business initiative that leverages U.S. foreign aid to create and enhance opportunities for U.S. business and commercial partnerships in Africa. The Prosper Africa initiative is well-aligned with broader U.S. strategic and foreign-policy objectives and ultimately seeks to grow Africa’s middle class, expand youth employment opportunities, improve the business climate, and create fairer trade conditions for countries in the region seeking commercial ties with each other.

Finally, the United States has seen modest success in improving the strength and quality of democratic governance in the region through AGOA. As mentioned earlier, human-rights and rule-of-law considerations were built into the conditions for sub-Saharan African countries to obtain preferred access to U.S. markets for exports under this legislation. Among other requirements, each country is expected to:

- abstain from activities that violate human rights
- take measures to enhance rule of law
- establish systems to combat corruption
- undertake reforms to pivot to a market-based economy
- increase access to credit, healthcare, and education
- eliminate trade barriers
- enact legislation to protect labor rights
- abstain from activities that undermine U.S. national security

Since AGOA became law, the United States has rescinded preferred status for countries that have experienced unconstitutional changes in government (like coups), consistently undermined human rights, or whose electoral proceedings have been undermined. These actions have helped the United States keep its policy of reserving the trade benefits that come with AGOA participation for countries that have embraced democracy and the rule of law. A side effect of the legislation, therefore, has been to encourage pro-democracy reform in sub-Saharan Africa. Sub-Saharan Africa saw the proportion of democracies in the region increase from 17.5 percent in 1990 to 37.5 percent in 2012, with much of the momentum taking place between 2000 and 2012. The region has also seen greater political participation overall since the authorization of AGOA in 2000.

**Figure 4: AGOA Countries’ Democratic Performance since 2000**

![Figure 4: AGOA Countries’ Democratic Performance since 2000](image)

Source: Data compiled by the CSIS Project on Prosperity and Development based on Freedom House scores.

Furthermore, the standout beneficiaries of AGOA, such as Lesotho—whose exports under the program represent 80 percent of all its exports to the United States—are the countries that have taken steps to promote stable democracy in tandem with economic reform. Trade and investment through AGOA have also strongly promoted a democratic and market-oriented economy based on the rule of law in sub-Saharan Africa. However, given the mixed track record of the region (and despite AGOA’s strong emphasis on these values), it is evident that the United States will have to maintain significant efforts. As Washington considers post-AGOA opportunities, the United States should remain committed to safeguarding democratic principles, strengthening the rule of law, combating corruption, and protecting the rights and dignity of individuals. With more robust enforcement and increased accountability, the United States can ensure that its use of conditions-based trade and investment programs remains successful and facilitates sustainable economic growth in the region.
RECOMMENDATIONS FOR SHIFTING THE U.S. ENGAGEMENT STRATEGY WITH AFRICA

The Biden administration has announced its decision to hold the second U.S.-Africa Leaders Summit in September 2022. As statespersons and heads of government join U.S. leaders, the administration has an opportunity to use the summit to announce a substantive and meaningful shift in the U.S.-Africa engagement strategy, linking trade, foreign assistance, and global development efforts. If it so intends, then the Biden administration should act swiftly, for time is of the essence. Realizing this objective will require the United States to examine how it invests in sub-Saharan Africa, linking foreign assistance with trade facilitation and prioritizing strategic, targeted initiatives that improve the overall enabling environment for private-sector-led investment. To do so, the administration should consider the following recommendations:

INVEST TO BUILD RESILIENCE IN THE PRIVATE SECTOR

A robust commercial partnership requires a vibrant and resilient private sector in sub-Saharan Africa. The stronger private firms are, the more economic value they can generate. The private sector will also be vital to creating job opportunities for a population set to triple in the next three decades. Even as the Covid-19 pandemic destroyed lives and livelihoods for countries worldwide, its economic impact was felt particularly strongly in sub-Saharan Africa’s small businesses sector, which creates 80 percent of all jobs in the region and is a significant driver of economic growth. Even before the pandemic, the sector was facing a significant financing gap, and the health crisis has turned the sector’s financial vulnerabilities into existential threats.

Investors and development actors should prioritize financing small business enterprises in the private sector to create millions of new and high-quality employment opportunities, thereby meeting a burgeoning middle class’s aspirations. In tandem, U.S. government tools such as USAID and the U.S. International Development Finance Corporation (DFC) could play a catalytic role by creating new financing platforms for small businesses. Specifically, development actors could lean on tools such as concessional loans, equity instruments, credit guarantees, first-loss capital, impact bonds, and other blended-finance tools to help small businesses access capital. In partnership with impact investors, development actors could also promote the use of innovative financial tools like revenue-based financing, invoice factoring, and crowdfunding platforms to help small businesses remain solvent, access new sources of finance, and stay resilient in the face of external shocks. USAID and the DFC already play a significant role in this space, but more can and should be done.

In the long term, development actors should steer the private sector toward prioritizing domestic (or local-currency-based) capital mobilization to ensure that their business and growth models remain sustainable. However, efforts to mobilize local capital will remain ineffectual if development partners do not address the region’s broader institutional and market-governance concerns. To that end, development agencies should offer technical assistance to help countries create fair and reasonable regulatory structures, strengthen the rule of law and justice systems, and augment the private sector’s ability to access financial capital without relying on foreign assistance or blended finance.

STRATEGICALLY SCALE AREAS OF MUTUAL BENEFIT

The preferential treatment offered by AGOA has yielded numerous benefits for both the United States and partner countries in sub-Saharan Africa. AGOA has led to
increased and more diverse exports from the region to the United States, particularly in the textiles and apparel industry, creating thousands of new jobs. According to the Office of the U.S. Trade Representative, the sector could very well continue to create an additional half a million new jobs over the next few years, with textile and clothing exports to the United States quadrupling to over $4 billion in value.

As the United States considers a post-AGOA economic relationship with sub-Saharan Africa, policymakers should consider not only preserving these mutual benefits (i.e., diversified and increased exports for economies in the region and new investment opportunities in an improved business climate for the United States) but also scaling such efforts up by instituting new projects aimed at targeting deficiencies in priority regions. Initiatives such as Prosper Africa should serve as an example of how these mutually beneficial aspects can continue to enjoy bipartisan support in Washington. An interagency initiative, Prosper Africa has created new opportunities for U.S. businesses to form commercial partnerships in Africa, aligning with U.S. foreign-policy objectives in the region and promoting youth employment opportunities in partner countries.

FORMALIZE THE ECONOMY FOR AN INCLUSIVE FINANCIAL SYSTEM

Today, more than two out of three jobs in sub-Saharan Africa are created outside the formal economy, making the rate of informality in the region one of the highest in the world. Informal economies indicate low levels of state capacity and weak enforcement of contracts and the rule of law. Not only does informality hurt private investments (with investors often looking for reliable institutions that can govern business agreements), it also hurts national and sub-national governments’ ability to collect tax revenues, provide quality infrastructure, and protect the labor force from unproductive working conditions. Finally, informal economies mostly rely on a cash-only ecosystem, which results in a significant portion of an economy’s wealth existing outside the banking system. This has knock-on effects on the larger financial capacity of a country, since bank deposit levels determine how much credit can be created in the form of loans and (subsequently) how likely banks are to lend to a business or consumer.

USAID has a long and successful record of instituting programs to help developing and transitional countries formalize their economies, some of which can be scaled up to support African countries in reducing their informality. Most notably, USAID could draw upon its success in helping El Salvador reform its tax administration systems. Doing the same in Africa would boost domestic resource-mobilization efforts in the region (leading to increased investments in human and production capacity), close gaps in tax-collection systems, increase state capacity, and reduce the level of tax fraud. Second, the U.S. government could provide technical assistance for countries to help them reform their regulatory and commercial legal environments. With this assistance, countries could strengthen their ability to enforce contract and property rights, provide fair working environments, and make exploring opportunities in sub-Saharan African countries more attractive to private investors. In tandem with efforts to formalize the economy, countries should also tackle the endemic political and bureaucratic corruption that significantly inhibits private investment. The Biden administration recently released a whole-of-government anti-corruption strategy—under which it should prioritize helping African nations fight corruption to help facilitate greater economic engagement in the region.

However, reforms to the administrative and regulatory system are only part of formalization efforts. To ensure that sub-Saharan Africa accelerates its growth, USAID and other U.S. government development agencies should emphasize the need for the region to create inclusive financial and banking systems for its citizens and businesses. To meet the growing demands of their rapidly increasing populations, countries could use modern financial technologies to leapfrog over the hurdles to expanding traditional banking systems and bring access to formal financial services to the nearly 66 percent of the region’s population that is unbanked. Development actors and other stakeholders could look to services such as M-Pesa, which provides mobile-based money-exchange systems, and invest in initiatives that can replicate such efforts across the rest of the region. At the same time, the lack of official identity documents continues to be a significant barrier to entry for individuals seeking access to technology-enabled financial services. Development partners and stakeholders could address such obstacles by enabling reliable, secure, and inclusive digital identification systems. Public-private partnerships could power these systems at the national level, bringing in firms from the technology sectors, key government agencies (such as ministries of justice, internal security, and
finance), development agencies, and civil society actors advocating for human rights and privacy protection.

**BUILD INTRA-AFRICA TRADING LINKS**

Presently, less than 17 percent of Africa’s commercial value is generated through intra-African trade. In contrast, intra-East Asia trade accounts for 35–40 percent of all economic value in that region. To boost intra-Africa trading links in the coming years, the United States should leverage the strong foundation laid by existing trade and investment hubs. Focused on integrating economies within sub-Saharan Africa, these hubs align closely with the broader U.S. objective of strengthening regional partnerships. While two of the three hubs (SATIH and WATIH) have yet to complete their performance period, the collective impact thus far shows a clear, positive correlation with economic growth through job creation and promoting investment from the private sector. EATIH supported roughly $600 million in exports through AGOA and created more than 46,700 new jobs by promoting trade, improving the policy environment, and facilitating the flow of information. WATIH offers African organizations and institutions $250,000–$2,000,000 co-investments, which have been used in the past to support small and medium-sized enterprises (SMEs) and agribusinesses. The United States could build on existing hubs by creating similar initiatives at the country level to allow for more targeted strategies that are tailored to individual contexts. In particular, country-level initiatives could include trade-adjustment assistance, a creative foreign-aid tool that can absorb the transitional costs for countries seeking to reduce their tariffs on goods exchanged within African regional markets.

Research has shown that diversified economies help build resilience to shifting export demands. Yet eight of the fifteen least diversified economies in the world are in sub-Saharan Africa, including Nigeria and Angola (where oil dominates exports) and Botswana (where diamonds dominate exports). Diversifying these economies will help the region tap into its full potential and foster a resilient and inclusive trading system. It could also help countries achieve their carbon-transition plans and increase the effectiveness of the global response to climate change. Finally, diversification can also mean tapping into the rapidly growing digital economy and expanding digital trade and services within the region. U.S. foreign assistance should enable critical countries to diversify their economies and exports by boosting their domestic production and distribution capacity through two kinds of strategic investments. First, the United States could offer technical assistance to help countries in the region move beyond the planning and feasibility-study stage of new infrastructure projects and attract new investments in telecommunications and transportation networks to boost their productivity. Second, U.S. development finance could also aim to de-risk vital economic sectors—such as small-business lending, microfinance, and emerging technology firms—given that the success of such sectors can lead to catalytic growth in the wider private sector.

Lastly, and in addition to trade and investment hubs, the African Union’s Boosting Intra-African Trade (BIAT) initiative could serve as a framework to strengthen commercial ties within the region. BIAT provides guidelines covering seven facets of commercial activity, including trade policy, trade facilitation, productive capacity, trade-related infrastructure, trade finance, trade information, and factor market integration. The United States should leverage these existing programs and frameworks to improve intra-African trade links.

**SUPPORT INVESTMENT IN PHYSICAL INFRASTRUCTURE**

While regulatory frameworks governing export practices and economic policy are important, the United States should not neglect sub-Saharan Africa’s infrastructure needs. The cost of transportation in Africa is estimated to be up to 175 percent higher than average due to poor-quality infrastructure—expenditures that wipe out up to one-fifth of export earnings, cut overall productivity by up to 40 percent, and create a deadweight loss in the economy. Consequently, investments that strengthen and expand the region’s road and railway transportation system will be vital to developing intra-continental trade links and ensuring sustained growth in commercial partnerships. Moreover, building up the region’s energy production, water infrastructure, and telecommunications systems will also be critical to expanding economic output in specific sectors such as the textiles and apparel industry.

According to the Global Infrastructure Hub (an entity dedicated to driving the Group of Twenty’s infrastructure agenda), Africa as a whole needs over $6 trillion in new investments between 2022 and 2040 to meet its infrastructure demand. As it considers strengthening its partnership with sub-Saharan Africa beyond 2025, the United States could continue its efforts to help the region meet this demand by leaning on the Build Back Better World (B3W) partnership. Announced in June 2021, the
B3W partnership—to which the leaders of the Group of Seven (G7) countries committed—aims to mobilize $40 trillion to finance the developing world’s infrastructure needs. The United States could leverage a range of development finance tools and technical-assistance programs available through the DFC, the Export-Import (EXIM) Bank of the United States, the Millennium Challenge Corporation (MCC), the U.S. Trade and Development Agency, and USAID to de-risk infrastructure investment in Africa and mobilize private capital. Given how critical Africa is to improved trading links, EXIM and MCC have a particularly significant role to play that could build upon MCC’s existing portfolio of infrastructure investment across the continent. Meanwhile, EXIM remains underutilized; the Biden administration should explore how its role can be further expanded as part of a new economic partnership with sub-Saharan Africa.

**UTILIZE BILATERAL AND REGIONAL TRADE AGREEMENTS**

By leveraging bilateral and regional trade agreements, the United States could strengthen existing markets and open new ones, building capacity and increasing commercial activity in the region. Bilateral trade agreements and bilateral investment treaties (BITs) serve as a crucial step in achieving heightened commercial activity. They provide a legal framework for U.S. companies to do business, which reduces investor risk and ultimately promotes investment. One scalable example is the U.S.-Rwanda BIT, which established investor-state dispute-settlement mechanisms and environmental and labor provisions. Under the U.S.-Rwanda BIT, Rwanda attracted significant investment from businesses such as Starbucks, Costco, and Google—partnerships that have created jobs and export activity in the country.

Regional partnerships and trade agreements serve as an additional avenue to boost economic activity. For example, the U.S.–Economic Community of West African States (ECOWAS) Trade and Investment Framework Agreement (TIFA) has promoted economic development and expanded trade and investment between the United States and the 15 ECOWAS member states. In 2017, the United States traded $14.1 billion in goods with ECOWAS partners, including $9.3 billion in imports. Building upon the ECOWAS TIFA and similar regional trade partnerships such as the U.S.–Common Market for Eastern and Southern Africa (COMESA) TIFA—or others outside the African context such as the Association of Southeast Asian Nations (ASEAN) TIFA—can strengthen the foundations of future economic activity and private-sector investment.

**STRATEGICALLY DIVERSIFY ECONOMIC SECTORS TO BUILD RESILIENCE IN GLOBAL SUPPLY CHAINS**

Trade diversification plays a crucial role in building resilience and supporting economic growth. Diversification allows SMEs to participate in the economy, leading to more sustainable and high-productivity jobs, encouraging innovation, promoting knowledge transfer, and creating more value. A diverse economy also buttresses severe economic shocks from external events like natural disasters, which will only become more prevalent due to climate change. Unfortunately, most countries in Africa have been excluded from the global move toward greater economic diversification, and the continent is home to eight of the fifteen least diversified countries, making economic growth more difficult to achieve. Future U.S. activity in sub-Saharan Africa should prioritize this critical component of economic growth by taking steps to promote product diversification.

Trade and investment hubs are a key driver of product diversification, which also entails moving away from an economy dependent on natural resources. In addition, the United States should support the integration of African countries into regional and global value chains in key sectors, helping them move away from commodity-based economies and lessen their reliance on natural resources (petroleum products made up roughly half of all imports under AGOA in 2019). Strengthening incentive frameworks through clear, transparent, and predictable regulations and removing logistical and transportation cost barriers can attract private-sector investment and foreign direct investment (FDI), which also carry significant economic benefits. Enacting policies prohibiting anti-competitive practices can foster diversification while protecting sectors from getting cartelized and firms from engaging in unfair competition. In a post-AGOA era, the United States should play a central role in supporting both political and financial reforms that advance product diversification. Continuing to support structural-transformation efforts in the region will be important in a post-AGOA future. Notably, efforts to improve diversification also require taking steps to redress capacity shortcomings and strengthen relevant institutions.

Having diversified export economies could also open sub-Saharan African countries as strategic links within global supply chains. The onset of Covid-19 revealed that global supply chains are most vulnerable when export hubs and
distribution routes are not sufficiently diversified. Rather than succumbing to bipartisan calls for nearshoring (which are understandable yet unhelpful), policymakers in Washington could instead consider sub-Saharan African countries with sufficiently diversified economies (and which have implemented the World Trade Organization’s Trade Facilitation Agreement) as critical potential partners in building a secure and resilient global supply-chain system.

A CALL FOR RENEWAL

As Washington contemplates a new phase in its relationship with sub-Saharan Africa—a region that will soon see a significant demographic dividend in the form of its youth population—it should remain mindful of Beijing’s efforts. China continues to expand its global footprint, going beyond the Indo-Pacific and using non-kinetic sectors to undermine the interests of the United States and its liberal democratic partners. Compared to newer actors in the global development space, the United States has a unique value proposition that aligns its business objectives and interests with partner countries’ commercial and economic needs. While far from perfect, U.S. businesses increasingly promote social responsibility and economic development alongside democracy, human rights, transparency, and free-market principles. Moreover, the United States should impart the institutions and tools to help businesses become more competitive and foster skills development. These tools stand to benefit several African countries seeking to build back an inclusive post-pandemic economy. To signal their seriousness and commitment, senior U.S. leaders in the executive branch should also increase their official engagements and presence in Africa—ideally taking it back to the levels of the Clinton administration, when at least 14 cabinet secretaries made visits to Africa, some of them multiple times. Given authoritarians’ increased influence in developing markets and the threats this poses to global stability and security, the United States should not lose sight of the fact that its commercial partnerships with the developing world can serve as a bulwark against such actors.