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AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA): PROGRAM USAGE, TRENDS AND SECTORAL HIGHLIGHTS

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Outline

1. Summary of testimony and discussion

AGOA is a preferential trade program that gives countries in sub-Saharan Africa preferential access to U.S. markets, allowing them to export products tariff-free.[1] AGOA was created with the aim of increasing trade activity between the United States and sub-Saharan African countries and with a broader goal of fostering economic and political development in Africa.[2] To date, AGOA has greatly increased total exports to the United States, but data on utilization rates has caused some to question why certain countries are able to capitalize on AGOA more than others. Despite some successes, the continued dominance of oil and apparel exports along with the decline in AGOA exports after their peak in 2008 has lowered confidence among some leaders and experts in AGOA's ability to deliver on its promises. The potential of AGOA remains powerful to promote regional integration and diversified economies, but the data and experience of the past two decades must be examined to understand how the policy can be better structured and implemented in the future. While there is limited empirical evidence on the effects of these factors on AGOA implementation and success, this testimony suggests that they can be analyzed by comparing across commonalities and by using the lens of policy implementation theories. Themes that emerged from the discussion with Commissioners included the role that the AfCFTA can play in widening and deepening AGOA's successes, and the importance of value-adding activities being located in African countries.

[1] Felter, C. (2022, March 28). AGOA: The U.S.-Africa Trade Program. Council on Foreign Relations. (https://www.cfr.org/backgrounder/agoa-us-africa-trade-program).
[2] Felter, C. (2022, March 28). AGOA: The U.S.-Africa Trade Program. Council on Foreign Relations. (https://www.cfr.org/backgrounder/agoa-us-africa-trade-program).

2. Introduction[3]

Since the African Growth and Opportunity Act (AGOA) was created in 2000 and renewed in 2015, there has been a great deal of debate over its effectiveness in terms of achieving some of its goals of improving trade and investment between the U.S. and Africa and unlocking economic prosperity in Africa. For context, AGOA is a preferential trade program that gives countries in sub-Saharan Africa preferential access to U.S. markets, allowing them to export products tariff-free.[4] AGOA was created with the aim of increasing trade activity between the two countries and with a broader goal of fostering economic and political development in Africa.[5] AGOA has greatly increased total exports to the United States, but data on utilization rates, as seen in Figure 2, has caused some to question why some countries are able to capitalize on AGOA more than others. Despite some successes, the continued dominance of oil and apparel exports along with the decline in AGOA exports after their peak in 2008 has lowered confidence among some leaders and experts in AGOA's ability to deliver on its promises. The potential of AGOA remains powerful to promote regional integration and diversified economies, but the data and experience of the past two decades are worth examining to understand how the policy can be better structured and implemented in the future.

This testimony will focus on providing new insights on AGOA by focusing on two key questions in the request — 1c, which asks why certain countries utilize AGOA more than others; and 1d, which asks how AGOA has affected regional integration, underserved communities, and broader economic development on the continent. The ultimate conclusion is that while AGOA has successfully increased exports from some

[3] I am grateful to the United States International Trade Commission for the opportunity offered to testify on this extremely important and timely topic, and to Daniela Ginsburg, Hanna Dooley, Hannah Pontzer, and Sean Carver for their wonderful assistance and editorial work. I also express my appreciation to Brahima Coulibaly, Sanjeev Khagram, Aloysius Ordu, Esther Rosen, Jeannine Ajello, and Christina Golubski.

[4] Felter, C. (2022, March 28). AGOA: The U.S.-Africa Trade Program. Council on Foreign Relations. (https://www.cfr.org/backgrounder/agoa-us-africa-trade-program).

[5] Felter, C. (2022, March 28). AGOA: The U.S.-Africa Trade Program. Council on Foreign Relations. (https://www.cfr.org/backgrounder/agoa-us-africa-trade-program).

African countries to the United States with positive outcomes related to employment and investment among others, AGOA remains underutilized by most African countries due to a myriad of factors. The level of utilization is worth examining given AGOA's potential to create new economic opportunities across Africa and the diversity in utilization, types of exports, and benefit to underserved populations can be analyzed based on commonalities such as having a utilization strategy in place or not, as well as through various frameworks that explain why a policy might be more successfully implemented in certain contexts versus others.

3. Identification of countries and sectors where AGOA utilization rates are, respectively, high and low, and broad factors that explain this (corresponds to section 1.c. of the testimony request)

There is a growing consensus, even among critics, that AGOA has had a “net-positive” effect on trade throughout the region since its creation in 2000. The Center for Strategic and International Studies (CSIS) released a brief this past March that captured the measured success that AGOA has had in terms of trade volume. In 2019, AGOA-eligible countries exported to the U.S. $8.4 billion worth of goods, including petroleum products, textiles and apparel, agricultural products, minerals, and metals. This number shows an increase, from 2001, of 2.4 percent. The Center also identified that the total volume of trade between both partners increased, from 2000 to 2019, by 25 percent, peaking in 2008 when the total value of goods traded was $104.7 billion.[6]

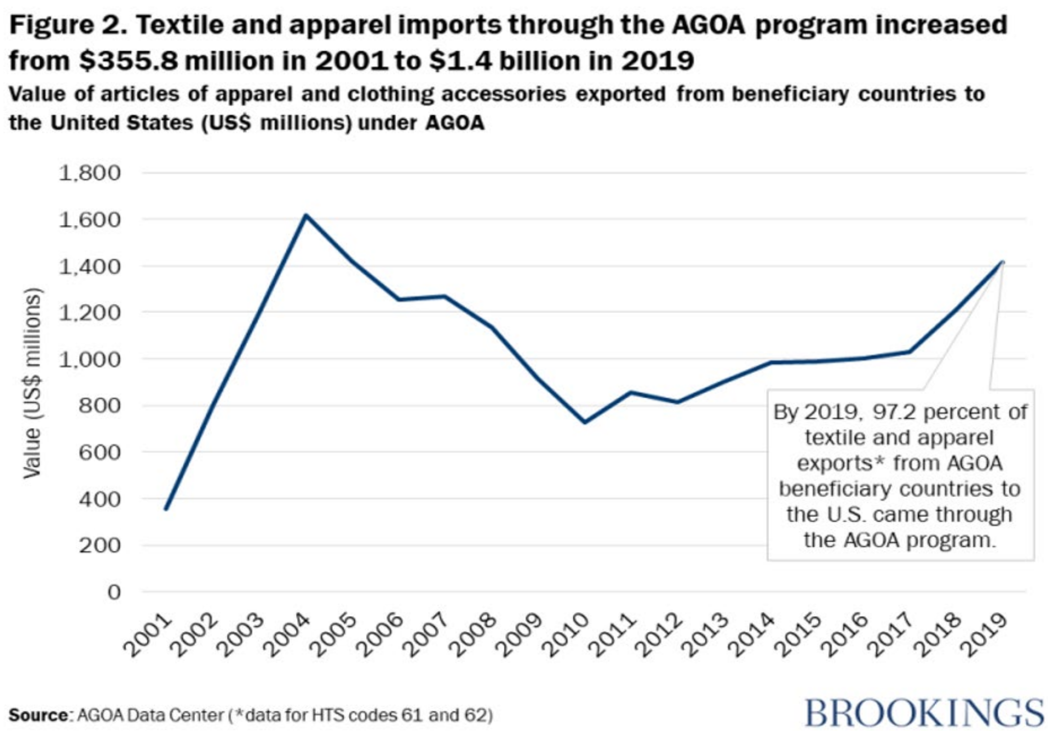
According to data from the United States Trade Representative, outperformers and top AGOA suppliers are categorized as follows: Nigeria (primarily crude oil; $3.1 billion), South Africa (mostly auto parts and automobiles; $2.0 billion), Angola (primarily crude oil; $605 million), Kenya (mainly apparel; $518 million), Ghana (mostly oil; $441 million), Republic of Congo (primarily crude oil; $410 million). Other beneficiaries whose exports consisted mostly of apparel were Lesotho ($301 million), Ethiopia (before being barred in 2022; $246 million), Madagascar ($240 million), and Mauritius ($143 million). For the U.S. the top import categories in 2019 were Crude oil ($4.6 billion) and Textiles and Apparel ($1.4 billion).[7]

Condon & Stern (2011) conducted a systematic review analyzing 21 studies that revealed that although exports have increased overall after AGOA with an increasing share utilizing AGOA preferences, the exports are highly concentrated by country and

[6] Goods Trade between the United States and sub-Saharan Africa. (2019). U.S. International Trade Commission & U.S. Department of Commerce. (https://ustr.gov/sites/default/files/gsp/agoa/USSaharanGoodsAfrica2019.pdf).
[7] U.S. Imports under the African Growth and Opportunity Act (AGOA). (2019). United States Trade Representative. (https://ustr.gov/sites/default/files/gsp/agoa/USImportsUnderAGOA2019.pdf).

by product.[8] All of the studies reviewed found that African exports to the United States are dominated by apparel, which is highly concentrated in exports from Lesotho, Malawi, and Madagascar. None of the studies found a significant correlation between increased exports and AGOA for any product, except for apparel. All four of the studies that measure this effect find a strong positive correlation between increased apparel exports and AGOA, with estimates ranging from 53.1 percent (Frazer & Van Biesebroeck, 2007) to 43 percent (Fayissa & Tadesse, 2007) of the increase in apparel exports directly attributable to AGOA from 2000-2006.[9]

Figure 1: Textile and Apparel Imports Through AGOA[10]



[8] Condon, N., & Stern, M. (2011). The effectiveness of African Growth and Opportunity Act (AGOA) in increasing trade from Least Developed Countries: A systematic review. (https://assets.publishing.service.gov.uk/media/57a08ad1e5274a27b20007b7/AGOA-Report.pdf).
[9] Condon, N., & Stern, M. (2011). The effectiveness of African Growth and Opportunity Act (AGOA) in increasing trade from Least Developed Countries: A systematic review. (https://assets.publishing.service.gov.uk/media/57a08ad1e5274a27b20007b7/AGOA-Report.pdf).
[10] Baskaran, G. (2020, September 24). US-Africa trade relations: Why is AGOA better than a bilateral free trade agreement? Brookings. (https://www.brookings.edu/blog/future-development/2020/09/24/us-africa-trade-relations-why-is-agoa-better-than-a-bilateral-free-trade-agreement/).

While Fayissa and Tadesse (2007) also confirm the finding that the trade intensification effect (raising the volume of U.S. imports) has been overall minimal, the study finds that AGOA has had a statistically significant trade initiation effect (the extent to which AGOA has resulted in the export of new products). A report from the African Development Bank explains, "South Africa exports the widest range of AGOA products including luxury automobiles, citrus fruit, wine, and footwear; Lesotho has become the leading SSA exporter of apparel to the United States; Kenya's AGOA exports include fresh cut roses, sporting fishing supplies, nuts, plastic products, jewelry, and essential oils, as well as apparel; Ghana's value-added export under AGOA include chocolates, jewelry, baskets, and preserved pineapple. Furthermore, numerous African businesses, which prior to AGOA had never considered the US market, are attending trade shows and receiving export orders for various products ranging from Ugandan organic cotton T-shirts to Mauritian seafood, Malian tote bags, and Ethiopian flowers."[11]

Excluding crude oil, the data shows that AGOA has improved the competitiveness of apparel among other types of African exports. A recent estimation found that "from 2010 to 2020, textile/apparel exports under AGOA grew by approximately 64 percent. Moreover, apparel exports from Lesotho, Ethiopia, Mauritius, Madagascar, and Kenya have not only led to the creation of tens of thousands of jobs but these countries have become reliable producers for the U.S. market and American consumers."[12]

Yet lasting export diversification is still a major problem for improving AGOA utilization rates and translating gains into sustainable economic growth and development; energy-related products account for almost 90% of U.S. imports from SSA, at a value of $30 billion.[13] Successful diversification relies on a multitude of factors, but the existence and

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[11] Páez, L., Karingi, S., Kimenyi, M., & Paulos, M. (2010). A Decade (2000-2010) of African-U.S. Trade Under the African Growth Opportunities Act (AGOA): Challenges, Opportunities and a Framework for Post AGOA Engagement. (https://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/Session%20II.2.2_2.%20A%20decade%20(2000-2010)%20of%20African-US%20Trade%20under%20the%20AGOA.pdf).
[12] 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-biden-administration-can-make-agoa-more-effective/).
[13] Páez, L., Karingi, S., Kimenyi, M., & Paulos, M. (2010). A Decade (2000-2010) of African-U.S. Trade Under the African Growth Opportunities Act (AGOA): Challenges, Opportunities and a Framework for

usage of AGOA was found by Cook and Jones (2015) to positively contribute to diversification in sub-Saharan Africa. Their study also cites evidence from economic development literature that relates greater export diversification to higher per-capita income.[14]

The high concentration of exports by country and by product can also be seen through the differences in utilization rates, displayed in Figure 2. Lesotho and Kenya 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)."[15] Others have not experienced this success -- almost half of all beneficiary countries had a utilization rate of 2 percent or lower during the same time period.[16] In 2014, over half of all beneficiary countries exported less than $1 million to the U.S.[17]

Nigeria is an example of a country that has not been able to capitalize and optimize benefits from AGOA due to specific barriers including "weak adherence to international products packaging and standards, weak manufacturing base, and inadequate

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Post AGOA Engagement. (https://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/Session%20II.2.2_2.%20A%20decade%20(2000-2010)%20of%20African-US%20Trade%20under%20the%20AGOA.pdf).

[14] Cook, Nathaniel P. S., and Jason C. Jones. "The African Growth and Opportunity Act and Growth in Sub‐Saharan Africa: A Local Projection Approach." World Economy 44, no. 1 (2021): 234‐61. (https://brookings.idm.oclc.org/login?url=https://search.ebscohost.com/login.aspx?direct=true&db=eoh&AN=1900258&site=eds-live&scope=site).

[15] 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-biden-administration-can-make-agoa-more-effective/).

[16] 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-biden-administration-can-make-agoa-more-effective/).

[17] Ismail, F. (2017). The AGOA Extension and Enhancement Act of 2015, the SA–US AGOA negotiations and the Future of AGOA. World Trade Review. (https://www.cambridge.org/core/journals/world-trade-review/article/agoa-extension-and-enhancement-act-of-2015-the-saus-agoa-negotiations-and-the-future-of-agoa/6C9C751C2A84C204558859B99E8D87D3).

infrastructural provision, among others."[18] Osabohien et. al (2021) conclude that Nigeria's export performance can improve due to AGOA's potential in the country.

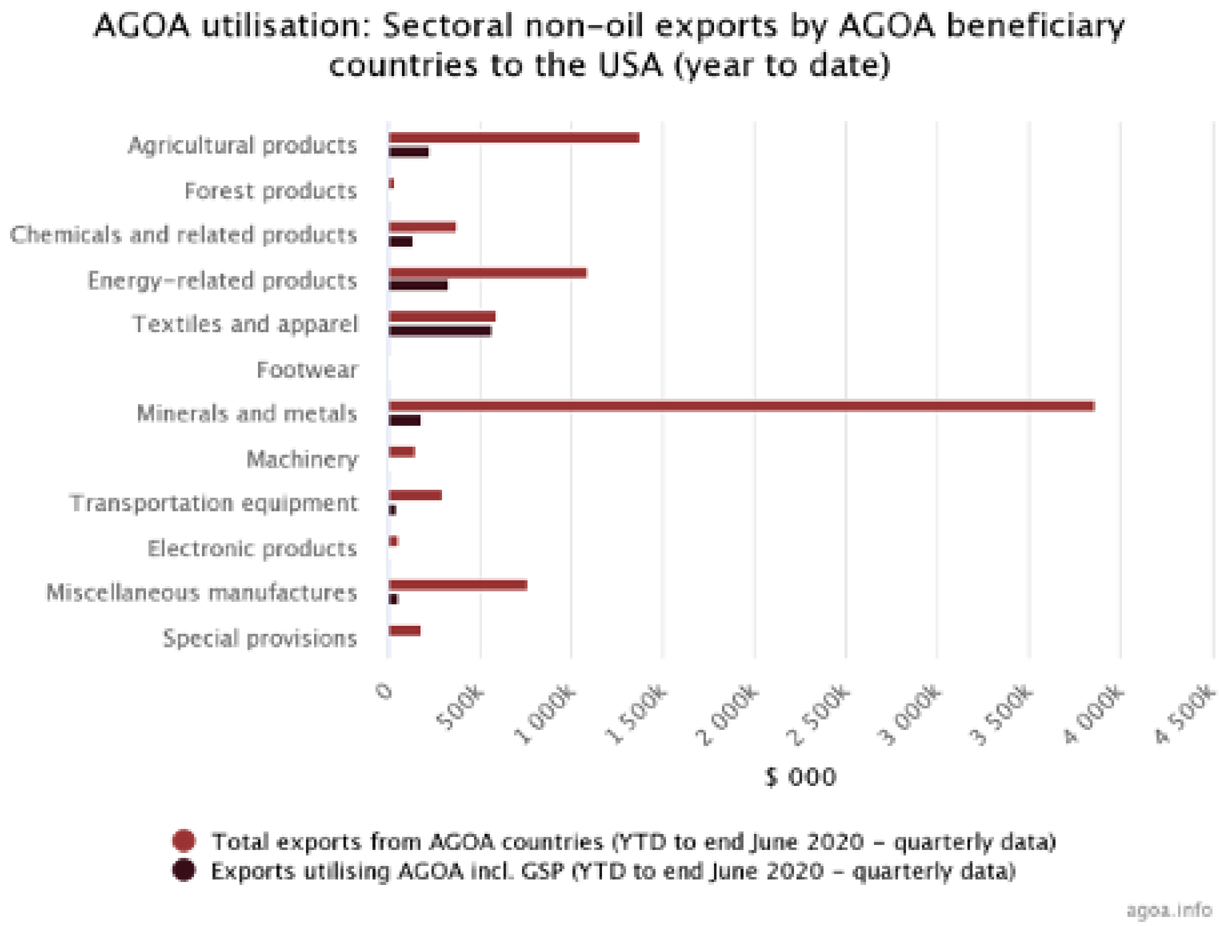
[18] Osabohien, Romanus, Ngozi Adeleye, and Evans Osabuohien. "African Growth and Opportunity Act and Trade Performance in Nigeria." *Heliyon* 7, no. 3 (2021): e06410. (https://www.sciencedirect.com/science/article/pii/S2405844021005156).

Figure 2. AGOA UTILIZATION (NON-ENERGY-RELATED EXPORTS)

Non-energy-related exports to the U.S. under AGOA/GSP in 2014, (thousands of US$)		Value of AGOA imports per capita (US$)	Value of AGOA imports per capita labor force (US$)	AGOA imports share of per capita income (%)
(1)	(2)	(3)	(4)	(5)
South Africa	1,889,907	35.67	97.10	0.50
Kenya	423,271	9.54	24.54	0.82
Lesotho	288,809	139.22	331.42	9.28
Mauritius	226,698	174.88	371.83	1.88
Swaziland	77,176	61.76	173.05	2.07
Côte d`Ivoire	70,460	3.47	8.78	0.24
Malawi	46,456	2.84	6.25	1.05
Ethiopia	40,988	0.44	0.91	0.09
Ghana	19,100	0.74	1.73	0.04
Tanzania	18,280	0.37	0.76	0.06
Cameroon	12,990	0.06	1.46	0.005
Botswana	9,461	0.47	9.18	0.006
Mozambique	8,704	0.03	0.73	0.006
Zambia	5,014	0.03	0.81	0.002
Nigeria	4,092	0.02	0.08	0.0008
Madagascar	3,378	0.15	0.29	0.03
Uganda	1,505	0.04	0.10	0.01
Republic of the Congo	932	0.21	0.52	0.01
Sierra Leone	656	0.11	0.27	0.02
Rwanda	631	0.05	0.11	0.01
Djibouti	562	0.64	1.87	N/A
Namibia	407	0.18	0.47	0.003
Cape Verde	338	0.68	1.42	0.02
Senegal	253	0.018	0.04	0.002
Togo	178	0.03	0.06	0.005
Mali	158	0.01	0.03	0.002
Benin	65	0.006	0.02	0.0008
Guinea	53	0.005	0.01	0.001
The Gambia	52	0.09	0.07	0.006
Burkina Faso	41	0.002	0.005	0.0003
Niger	37	0.002	0.006	0.0005
Gabon	29	0.027	0.04	0.0002
Liberia	16	0.004	0.01	0.0009
Angola	7	0.003	0.009	0.00006
Burundi	4	0.0004	0.0009	0.0002
Mauritania	3	0.0007	0.002	0.0007
Seychelles	0	0.00	0.00	0.00

Figure 3: Leading AGOA Exporters:

AGOA Utilization by sector



Páez et. al (2010) explain that even when the structure of African exports to the United States has not changed, some countries, such as Lesotho, Kenya, Madagascar, and Swaziland have been able to benefit by diversifying their exports, increasing employment, and attracting FDI. Some have been able to create regional value chains despite difficult conditions, including “the case of cotton exports from Tanzania to Kenya for textile production, or the example of South Africa and Mauritius which have invested in the textile sector in other African countries, in addition to other countries such as France, Taiwan, China, Hong Kong, Singapore, India, Bahrain and Israel. Finally, some countries have also managed to diversify their exports to include agricultural products, such as South Africa, Kenya and Mauritius."[19]

Despite having access to the same conditions under the same policy, it is clear there is a wide range of utilization rates and results from AGOA across the continent. These differences are likely the result of the interaction of various factors including business environment, competing interests, lack of credit, lack of internet, capacity building, lack of a structured framework at the national level, lack of government investment, costs, bottlenecks, etc.

<u>Why?</u>

While there is limited empirical evidence on the effects of these factors on AGOA implementation and success, they can be analyzed by comparing across commonalities and by using the lens of different policy implementation theories.

One factor that should be considered is whether or not a country has developed a specific and unique AGOA utilization strategy. Given the large differences in utilization rates across the continent, the 2015 reauthorization of AGOA included a recommendation from Congress for countries to develop "utilization strategies" that would maximize their ability to use and benefit from AGOA. 18 of the 39 beneficiaries have developed a utilization strategy thus far, including Botswana, Eswatini, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Rwanda, Senegal, Sierra Leone, Tanzania, Togo, and Zambia. "Out of the 16 countries [as of 2021] reporting data since the publication of a national AGOA utilization strategy, 14 have seen an increase in non-crude exports. These increases in exports range from 2 percent to more than 3,000 percent. In particular, Mali, Mozambique, Togo, and Zambia, which had very low utilization rates, experienced an increase in exports of over

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[19] Páez, L., Karingi, S., Kimenyi, M., & Paulos, M. (2010). A Decade (2000-2010) of African-U.S. Trade Under the African Growth Opportunities Act (AGOA): Challenges, Opportunities and a Framework for Post AGOA Engagement. (https://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/Session%20II.2.2_2.%20A%20decade%20(2000-2010)%20of%20African-US%20Trade%20under%20the%20AGOA.pdf).

90 percent following establishment of a utilization strategy."[20] Although this positive correlation is noteworthy and bears further examination, the relationship between having a developed strategy and seeing positive outcomes is complex and likely not linear or directly causal. A country that already has the resources, political will, private sector support, or other factors may be more likely or inclined to support AGOA and therefore more likely to develop a utilization strategy. Even though the relationship may not be directly causal, having a developed utilization strategy may be a way to align perspectives and reduce ambiguity, which could have an effect on implementation and results, as discussed in the theoretical frameworks below.

Policy Implementation Frameworks

Matland (1995) explains whether and why policies succeed or fail using his ambiguity-conflict model.[21] Broadly speaking, he claims, there are two primary factors that help explain success or failure in implementing various policies. These factors are the degree of policy ambiguity and the degree of policy conflict. The degree of policy conflict is based on an understanding of humans as rational and self-interested actors. Since interests regularly diverge, this usually leads to conflict. Policy ambiguity arises when goals or means related to a policy are unclear. The four main scenarios that can arise are presented below along with brief implications for the AGOA context.

First, when the levels of both conflict and ambiguity are low, policy implementation is administrative. This means that implementation depends on administrative or institutional capacity and will be successful if resources are available. Additional determinants of success in this context include motivation, learning, staff competency, and quality of processes. The combination of a well-developed utilization strategy and political and private sector support for AGOA can still lead to implementation failure if resources – whether financial or human skills and capabilities – are not available.

[20] 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-biden-administration-can-make-agoa-more-effective/).
[21] Signé, L. (2017, December 1). Why Do Development Policies Often Fail in Africa? Perspectives on the World Development Report 2017 | Africa Up Close. (https://africaupclose.wilsoncenter.org/why-do-development-policies-often-fail-in-africa-perspectives-on-the-world-development-report-2017/).

Second, when the levels of both conflict and ambiguity are high, policy implementation is symbolic, and successful implementation will depend on the strength of the coalition. Additional factors impacting success include incentives and constraints, network management, and communication. It is questionable how such policies solve any serious development problems (high ambiguity). What is certain, however, is the high level of conflict they generate. AGOA's eligibility requirements have often led to uncertainty and conflict when a country is penalized and taken off the beneficiary list, causing greater complexity and conflict between countries that trade with each other utilizing AGOA and conflict between the public and private sectors once AGOA preference is taken away. The private sector may have a range of power depending on the country and may have the resources to lobby governments to attempt to reduce this risk.

Third, when conflict is high and ambiguity low, implementation takes a political form, with power as the prime determinant of successful implementation. Additional factors for success include autonomy, governance, and leadership, and those with power are in the strongest position to impose their vision. Although governments may have clearly defined goals for AGOA, such as through a utilization strategy, if the goals are incompatible, decisions will likely be made based on whether an actor or actors such as the private sector, political party, etc. has enough power to implement their vision and desires.

Finally, when conflict is low and ambiguity high, implementation tends to be experimental, and success will depend on contextual conditions. Additional factors for success include institutional factors, organizational structure, and culture. Poverty eradication policies provide an excellent illustration. Although most actors would agree on pursuing such a goal (low conflict), the policy for addressing such a multifaceted issue is complex (high ambiguity). Most African countries are facing such a challenge.[22] In the context of AGOA, high ambiguity, especially ambiguity of goals, could be mitigated by a well-developed utilization strategy and evaluation process. Countries that do not have much to export that fall under AGOA preferences may belong in this category and therefore AGOA is not seen as an effective strategy or solution to the problem.

In addition to Matland's policy implementation model, John Kingdom's three stream policy window also provides a framework for understanding why certain countries differ in utilization and implementation of AGOA. Kingdom's framework says that while each stream – the problem, the politics, and the policies – is independent, they must all converge to form a window of opportunity for a policy to be implemented. In the case of AGOA, the problem is the low level of trade between the United States and Africa, and the policy is AGOA. The politics in the African context is a combination of political will and preference eligibility, while the politics in the U.S. context has to do with knowledge of and support for the investment opportunity. If the private sector in a country is aware, supportive, and a promoter of AGOA, that country may have a better window of opportunity to create a utilization strategy and therefore have higher utilization rates. Strategies to further increase beneficiaries' utilization of AGOA could include the U.S. working with entrepreneurs and the private sector in those countries to encourage political convergence.

Other political factors might include the relationship of a country to other trading partners. In the beginning, in 2001, the United States was the African continent's most significant export partner (surpassing intra-African trade partners). However, once the European Union passed its "Everything But Arms" initiative and China became a major player internationally, the landscape changed dramatically for the United States, as the African continent has developed increased levels of trade with the EU and China. A 2013 report found that EU imports are more diversified than US imports and utilization

[22] Signé, L. (2017, December 1). Why Do Development Policies Often Fail in Africa? Perspectives on the World Development Report 2017 | Africa Up Close. (https://africaupclose.wilsoncenter.org/why-do-development-policies-often-fail-in-africa-perspectives-on-the-world-development-report-2017/).

rates are higher for EU preferences than US preferences.[23] China is now the African continent's largest export partner, due predominantly to the fact that China has developed a policy of nonintervention, which allows them to form trade relationships with countries regardless of how those countries handle issues such as human rights, democratic stability, corruption, and others (unlike other trading partners).[24] If politics are more aligned with other trading partners and AGOA is not perceived as complementary to existing policies, this may cause a divergence in the pillars.

[23] Nilsson, L., & Davies, E. (2013). A comparative analysis of EU and US trade preferences for the LDCs and the AGOA beneficiaries. (https://www.researchgate.net/profile/Lars-Nilsson-6/publication/256297981_A_comparative_analysis_of_EU_and_US_trade_preferences_for_the_LDCs_and_the_AGOA_beneficiaries/links/00b7d5224358b77da6000000/A-comparative-analysis-of-EU-and-US-trade-preferences-for-the-LDCs-and-the-AGOA-beneficiaries.pdf).
[24] Runde, D. (2022, March 4). Beyond 2025: The Future of the African Growth and Opportunity Act. Center for Strategic & International Studies. (https://www.csis.org/analysis/beyond-2025-future-african-growth-and-opportunity-act).

4. **A qualitative examination, including a review of the available literature, of the role that AGOA has played in regional integration, and the extent to which AGOA has impacted workers and underserved communities, and contributed to economic development—including job growth and poverty reduction—in SSA countries (corresponds to section 1.d. of the testimony request)**

AGOA & Regional Integration

Regional integration under AGOA has improved since its onset, but since the start of the new phase in 2015, not enough is happening at a deeper level between countries on the continent. Given that less than 17 percent of Africa's commercial value is generated through intra-African trade,[25] experts agree that AGOA should do more when it comes to regional integration. Without meaningful and effective regional integration, Africa will continue to be overlooked and outpaced in sectors like manufacturing, IT, and agriculture and therefore unable to compete globally on the scale that it must in order to ensure its long-term economic development.[26] AGOA, however, could help to foster the development of regional value chains in cooperation with the now-implemented AfCFTA. Increasing intra-African trade will drive African countries to participate in "production sharing" at a higher rate, which will build up regional integration significantly.[27]

One notable challenge to regional integration among African countries is AGOA's eligibility criteria. These criteria, which determine eligibility on a country-by-country basis, can be detrimental in working against regional integration – one of AGOA's intended goals. This is because one country's removal can have a ripple effect on a

[25] Runde, D. (2022, March 4). Beyond 2025: The Future of the African Growth and Opportunity Act. Center for Strategic & International Studies. (https://www.csis.org/analysis/beyond-2025-future-african-growth-and-opportunity-act).
[26] Moyo, N., & Page, J. (2010). AGOA and Regional Integration in Africa. (https://www.brookings.edu/wp-content/uploads/2016/06/07_agoa_africa_page.pdf).
[27] Moyo, N., & Page, J. (2010). AGOA and Regional Integration in Africa. (https://www.brookings.edu/wp-content/uploads/2016/06/07_agoa_africa_page.pdf).

country that has become a trading partner, once their input is not AGOA-eligible, and there is no tool currently in place to lessen these effects. For example, when Madagascar was removed from the AGOA-eligible beneficiary list due to an undemocratic change in government, the five regional partners from whom they sourced their apparel inputs from were punished as well, hindering opportunity for regional value chains that do not carry this investor risk.[28]

AGOA's Effects on Workers, Underserved Communities, and Economic Development

Part of the original intention of AGOA was to both improve regional integration and contribute to sustainable economic development by supporting underserved communities and workers. After two decades of AGOA, experts have agreed that there have been positive effects for these groups, yet the promises and opportunity have not been met or seized. Critical to achieving poverty reduction is decent employment creation. The general trend given the trade and employment data shows that AGOA-related jobs have increased, adding 350,000 direct jobs and another 1 million indirect jobs.[29] It has generally provided a tool to alleviate poverty, as well as provide development and growth for countries. For example, between 2010 and 2020, textile exports to the U.S. under AGOA grew by approximately 64 percent, which has created, conservatively, thousands of jobs.[30]

The experience of Lesotho provides a useful example. Lesotho had a 36% increase in total employment in the first year after AGOA as new textile, clothing, and footwear companies developed. These companies create jobs that are labor-intensive and are

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[28] Moyo, N., & Page, J. (2010). AGOA and Regional Integration in Africa. (https://www.brookings.edu/wp-content/uploads/2016/06/07_agoa_africa_page.pdf).
[29] ShareAmerica. (2015, April 4). African Growth and Opportunity Act creates jobs, benefits entrepreneurs. ShareAmerica. (https://share.america.gov/agoa-creates-jobs-benefits-entrepreneurs/).
[30] Schneidman, W. (2021, November 17). Committee on Ways and Means U.S. House of Representatives: Witney Schneidman Testimony. Committee on Ways and Means U.S. House of Representatives. (https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/Witness%202%20Witney%20Schneidman%20Testimony.pdf).

typically female-dominated.[31] Lesotho's garment industry contributes 20 per cent to the country's GDP and 40,000 (out of 50,000 total in the country) mainly female workers are employed in 40-odd modern factories -- AGOA has been vital for this increase to women's employment. [32] Lesotho's gains from AGOA were estimated in a report by the World Bank that found that "If [AGOA] preferences were suspended in 2018, Lesotho would face a loss of 1 percent in income by 2020, relative to the baseline, and exports of textiles and apparel would drop by 16 percent."[33]

Looking forward, in terms of agriculture specifically, opportunities for sub-Saharan African agriculture exports to the U.S. will produce a range of benefits such as driving growth and employment in the agriculture sector in sub-Saharan Africa, which is responsible for 30 percent of GDP and 70 percent of employment. This growth will also create employment opportunities for women, as they comprise about 50 percent of the agricultural labor force in the region.[34] Agriculture growth is two to four times more effective at directly reducing poverty than growth originating in other sub-Saharan Africa sectors, and "for every 10 percent increase in farm yields, there has been a 7-percent reduction in poverty in Africa."[35]

Although it may be difficult to assess the direct impact of AGOA on job creation, analyzing the employment trends in a country that has had their AGOA preference rescinded can provide an illustration of the potential impacts of AGOA. Ethiopia, which

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[31] Páez, L., Karingi, S., Kimenyi, M., & Paulos, M. (2010). A Decade (2000-2010) of African-U.S. Trade Under the African Growth Opportunities Act (AGOA): Challenges, Opportunities and a Framework for Post AGOA Engagement. (https://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/Session%20II.2.2_2.%20A%20decade%20(2000-2010)%20of%20African-US%20Trade%20under%20the%20AGOA.pdf).
[32] Keletso. (2015, February 25). Is Lesotho's garment industry an 'ethical alternative'? Equal Times. (https://www.equaltimes.org/is-lesotho-s-garment-industry-an).
[33] Maliszewska, M., Engel, J., Arenas, G., & Kotschwar, B. (2019). Small African Economies in a More Uncertain Global Trade Environment: The Potential Impact of Post-AGOA Scenarios for Lesotho. World Bank. (https://doi.org/10.1596/1813-9450-8861).
[34] Meltzer, J. P. (2015, February 23). Reforming the African Growth and Opportunity Act to grow agriculture trade. Brookings. (https://www.brookings.edu/blog/africa-in-focus/2015/02/23/reforming-the-african-growth-and-opportunity-act-to-grow-agriculture-trade/).
[35] The African Growth and Opportunity Act (AGOA): Hearing before the Subcommittee on Africa and Global Health Policy of the Committee on Foreign Relations, United States Senate, One Hundred Fourteenth Congress, First Session, April 23, 2015. https://www.govinfo.gov/content/pkg/CHRG-114shrg20687/pdf/CHRG-114shrg20687.pdf).

was an AGOA country since 2000, was recently sanctioned, effective in January of 2022,[36] due to its “gross violations of internationally recognized human rights” related to the ongoing war in the northern Tigray region. As a result of this disqualification, an estimated 100,000 people lost their jobs.[37] This trend is confirmed in the case of Madagascar, which, after having its AGOA preferences rescinded in 2009, lost an estimated 100,000 jobs, primarily due to the sharp decline of the textile industry, and experienced an 11 percent drop in GDP.[38] An estimated 50,000 of the people who lost their jobs in AGOA-related industries were women who paid the price for a coup that they were not involved in. Although AGOA’s impact on workers is more complex to evaluate, given the presence of other factors and context related to the conflict, the negative trend between employment levels and AGOA preferences in place implies that the presence or absence of the preferences makes a difference in how many jobs were supported by trade generated by AGOA.

Of the estimated 100,000 people who lost their job in Ethiopia after the withdrawal of AGOA benefits, the majority are women working in textile factories who live in the southern part of the country and are not connected to the conflict in the north.[39] The withdrawal of AGOA preferences therefore can have adverse effects on underserved communities. Prior to Ethiopia’s AGOA status being rescinded, 200,000 people were employed in Ethiopia’s two largest AGOA sectors – apparel and leather – 80% of whom were young women.[40] Over 1 million low-income citizens were estimated to be

[36] Ethiopia—Agoa.info—African Growth and Opportunity Act. (2022). AGOA.Info. (https://agoa.info/profiles/ethiopia.html).
[37] Schneidman, W. (2021, November 17). Committee on Ways and Means U.S. House of Representatives: Witney Schneidman Testimony. Committee on Ways and Means U.S. House of Representatives. (https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/Witness%202%20Witney%20Schneidman%20Testimony.pdf).
[38] Madagascar—Agoa.info—African Growth and Opportunity Act. (2022). AGOA.Info. (https://agoa.info/profiles/madagascar.html).
[39] Felbab-Brown, V. (2021, October 1). The exemplary U.S. sanctions regime for Ethiopia’s Tigray conflict and its limitations. Brookings. (https://www.brookings.edu/blog/order-from-chaos/2021/10/01/the-exemplary-u-s-sanctions-regime-for-ethiopias-tigray-conflict-and-its-limitations/).
[40] Mihretu, M. (2021, October 13). Ending Ethiopia’s AGOA Eligibility Would Hurt Poor Women the Most. (https://foreignpolicy.com/2021/10/13/ethiopia-agoa-trade-biden-abiy-dont-remove-eligibility/).

supported by the surrounding supply chain, from raw materials to service providers.[41] The employment and support benefits generated from AGOA-related economic activity are greatest for underserved communities, making their perspective and position of critical importance in determining AGOA rules and implementation going forward.

While tying human rights compliance to AGOA eligibility may be a tool to incentivize conflict prevention and resolution, which is essential to long-term development, the possibility of having AGOA preferences abruptly rescinded may create more risk for companies and investors. This can lead to job volatility, to the detriment of workers, limiting the ability to create and sustain decent employment opportunities and introduce or expand certain sectors such as manufacturing or new technological sectors. The presence and availability of other trading partners such as China may hinder the U.S.'s long-term relationship with African countries as well. The United States should consider the effects on underserved communities that have effects on overall economic development when thinking about AGOA in the future to better achieve the goals of human rights preservation and greater economic trade with African countries.

Beyond employment creation, AGOA has also been found to reduce infant mortality. Although the effect is heterogenous between countries and households, a recent study by Panda (2020) estimated the implementation of AGOA has reduced infant mortality of the sample mean by 9%.[42]

AGOA has also been linked to greater FDI inflow. Yeboah et. al (2021) found a significant effect of AGOA participation and per capita GDP on FDI inflows, with AGOA participants estimated to experience a 9.7% increase in FDI compared to non-

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[41] Mihretu, M. (2021, October 13). Ending Ethiopia's AGOA Eligibility Would Hurt Poor Women the Most. (https://foreignpolicy.com/2021/10/13/ethiopia-agoa-trade-biden-abiy-dont-remove-eligibility/).
[42] Panda, Pallavi. "Does Trade Reduce Infant Mortality? Evidence from Sub-Saharan Africa." *World Development* 128 (2020). (https://www.sciencedirect.com/science/article/abs/pii/S0305750X19305005#:~:text=Identification%20in%20this%20analysis%20is,as%20mother's%20time%20invariant%20characteristics).

participants.[43] Yet an increase in jobs and FDI does not necessarily mean an increase in decent work or improved working conditions. Subcontracting, revolving short-term work agreements, and benefit-free "precarious work" often leads to lower pay and lower access to benefits.[44] The apparel sector's increase in jobs has been significant, however a large proportion of textile and apparel companies are foreign-owned, leading to profits often exiting the region and continent which minimizes the capital investment and value to the local community.[45] The benefits of FDI inflows for economic development depend on various factors as well. In Africa, FDI inflows have been concentrated in the primary sectors of the economy which may limit the effect FDI can have—as opposed to investments in manufacturing or technical goods.

A report from the AFL-CIO suggests that the continued dominance of the energy sector within African exports has shown that tariff reduction alone is not sufficient to sustainably diversify exports and spur the growth of higher-skilled sectors and jobs. On its own, the job growth resulting from AGOA will not be sufficient to sustain wider social and economic development without a targeted and holistic effort focused on local investment and regional integration.[46] Cook and Jones (2021) found that overall, "after an initial period of adjustment, AGOA eligibility is associated with significantly higher rates of *future* per-capita GDP growth in eligible countries in sub-Saharan Africa. In short, AGOA *does* contribute to growth in sub-Saharan Africa, although not necessarily immediately or permanently.[47]

[43] Yeboah, O., Shaik, S., & Wuaku, M. (2021). AGOA: Economic and Political Effects on FDI Flows Into Sub-Saharan Africa. Journal of Applied Business and Economics, 23(5). (https://doi.org/10.33423/jabe.v23i5.4578).
[44] Building a Strategy for Workers' Rights and Inclusive Growth—A New Vision for the African Growth and Opportunity Act (AGOA). (2014, July). AFL-CIO. (https://aflcio.org/sites/default/files/2017-03/AGOA%2Bno%2Bbug.pdf).
[45] Building a Strategy for Workers' Rights and Inclusive Growth—A New Vision for the African Growth and Opportunity Act (AGOA). (2014, July). AFL-CIO. (https://aflcio.org/sites/default/files/2017-03/AGOA%2Bno%2Bbug.pdf).
[46] Building a Strategy for Workers' Rights and Inclusive Growth—A New Vision for the African Growth and Opportunity Act (AGOA). (2014, July). AFL-CIO. (https://aflcio.org/sites/default/files/2017-03/AGOA%2Bno%2Bbug.pdf).
[47] Cook, Nathaniel P. S., and Jason C. Jones. "The African Growth and Opportunity Act and Growth in Sub‐Saharan Africa: A Local Projection Approach." World Economy 44, no. 1 (2021): 234‐61. (https://brookings.idm.oclc.org/login?url=https://search.ebscohost.com/login.aspx?direct=true&db=eoh&AN=1900258&site=eds-live&scope=site).

5. **Conclusion**

As this testimony has shown, AGOA's benefits for the U.S. and Africa have been unevenly distributed across countries, regions, communities, and sectors. A variety of factors have led to these unequal benefits, and among these, this testimony has highlighted the problems created some countries' failure to develop utilization strategies, insufficient investment in manufacturing leading to insufficient export diversification, and the unintended consequences that one country's loss of AGOA eligibility can have on other countries when this leads to the disruption of fragile and much-needed regional value chains. Overall, it will be crucial to take a holistic view of the factors and context within which AGOA operates in order to refine its structure in the future, and the two theoretical models of policy implementation discussed here can provide roadmaps for doing so.

6. Post-hearing briefs and statements: Questions asked by the commissioners, and complementary answers provided by Professor Landry Signé, Ph.D.

In this section, I provide complementary answers to specific questions asked by the commissioners during the panel 2 on June 9, 2022.

Questions by Commissioner Amy A. Karpel directed at Mosa Mkhize

You had mentioned in your testimony that AGOA should be refocused to place more emphasis on value chains and how those value chains can be linked between AGOA beneficiaries, and I wondered if participants could speak to that issue? Like, how do you suggest that AGOA be refocused to place more of an emphasis on value chains and linkages between countries?

Complementary answer by Professor Landry Signé, Ph.D.

Value creation is critical — when African countries trade with one another, 40% of the products are manufactured goods, compared to when African countries trade with the rest of the world, only 17% are manufactured goods.[48] With greater regional integration through value chains, Africa will have an overall larger supply market, manufacturing specialization will accelerate, and Africa's industrialization will become more globally competitive.[49] Stronger manufacturing industries will provide jobs for a number of low-skilled workers – particularly who that are not integrated in the formal economy – which then increases average household incomes, boosts domestic demand, and more broadly stabilizes economies against external shocks and contributes to innovation and

[48] Signé, L. (2019, June 4). Africa's industrialization under the Continental Free Trade Area: Local strategies for global competitiveness. Brookings. (https://www.brookings.edu/blog/africa-in-focus/2019/06/04/africas-industrialization-under-the-continental-free-trade-area-local-strategies-for-global-competitiveness/).

[49] Signé, L. (2019, June 4). Africa's industrialization under the Continental Free Trade Area: Local strategies for global competitiveness. Brookings. (https://www.brookings.edu/blog/africa-in-focus/2019/06/04/africas-industrialization-under-the-continental-free-trade-area-local-strategies-for-global-competitiveness/).

diversification.[50] Industrial development represents one-quarter to one-third of job creation in other regions, meaning that greater development in Africa, the continent with the highest projected population growth, will create new opportunities and jobs leading to poverty alleviation.[51] Our previous Brookings report assessing AGOA in 2012 found that: “AGOA has contributed to Africa’s efforts to further regional integration, mostly through the creation of regional value chains and corresponding increases in intra-African trade partnerships. Most of these chains have been concentrated in the apparel sector, because the legislation allows for multiple countries to provide inputs via its special ‘rules of origin’ provision. One example of highly inclusive regional integration is the apparel industry in Madagascar, before the revocation of its AGOA benefits. Its apparel exports increased from $53 million in 1992 to $469 million in 2004 (before the expiration of the Multi-Fiber Agreement), and its apparel industry was part of an extensive regional supply chain— with zippers from Swaziland, denim from Lesotho and cotton yarn from Zambia and South Africa.”[52]

These value chains can be developed by supporting American investors interested in doing business with Africa by addressing the information and coordination challenges. For example, communication to U.S. investors needs to increase and improve to provide them with information about how U.S. firms may prosper in Africa and help prepare multinationals for the change in demand for regionally sourced products and inputs.[53] The U.S. can help ensure successful implementation of AGOA and the AfCFTA and develop value chains by engaging with the AfCFTA at the highest level, supporting individual countries in the implementation of their strategies, and by promoting a business environment in Africa that would reduce the cost of doing

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[50] Signé, L. (2018, September 20). The potential of manufacturing and industrialization in Africa. Brookings. (https://www.brookings.edu/research/the-potential-of-manufacturing-and-industrialization-in-africa/).

[51] Signé, L. (2018, February 19). Tutu Fellow: The CFTA and industrialisation go hand in hand. African Business. (https://african.business/2018/02/energy-resources/tutu-fellow-cfta-industrialisation-go-hand-hand/).

[52] Schneidman, W., & Lewis, Z. (1 C.E., November 30). The African Growth and Opportunity Act (AGOA): Looking Back, Looking Forward. Brookings. (https://www.brookings.edu/research/the-african-growth-and-opportunity-act-agoa-looking-back-looking-forward/)

[53] Signé, L. (2022, May 17). Understanding the African Continental Free Trade Area and how the US can promote its success. Brookings. (https://www.brookings.edu/testimonies/understanding-the-african-continental-free-trade-area-and-how-the-us-can-promote-its-success/).

business.[54] To create sustainable value chains, as mentioned in my testimony, it will be important for AGOA to be mindful that sanctions, if not framed in a way that takes into consideration a holistic understanding of their implications, can not only penalize countries at fault, but may also have inadvertent consequences on other countries who are sourcing products, which can deter from the effectiveness of AGOA from both the U.S. and African perspectives.

Question by Commissioner Amy A. Karpel on linking AfCFTA to AGOA

I mean, I can certainly see how regional integration under the African FTA would then create linkages that AGOA beneficiary countries could use or take advantage of, but is there more than that?

Complementary answer by Professor Landry Signé, Ph.D.

Successful implementation of AfCFTA is likely to contribute to successful implementation of AGOA. AfCFTA, AGOA, and industrialization all go hand in hand, but the challenge is finding the right configuration to make them mutually beneficial.

As mentioned in my testimony to the U.S. Senate Foreign Relations Committee Subcommittee on Africa and Global Health Policy, "by 2050, Africa will be home to an estimated USD 16.12 trillion of combined consumer and business spending. Africa's prosperity can be good for the U.S.: Such growth will offer tremendous opportunities for U.S. businesses in household consumption (USD 8 trillion) in areas such as food and beverages, housing, hospitality and recreation, health care, financial services, education and transport, and consumer goods, but also business to business spending (construction, utility, and transportation, agriculture and agri-processing, wholesale and retail, etc.)"[55] This growth will happen by removing some of the barriers for trade and

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[54] Signé, L. (2022, May 17). Understanding the African Continental Free Trade Area and how the US can promote its success. Brookings. (https://www.brookings.edu/testimonies/understanding-the-african-continental-free-trade-area-and-how-the-us-can-promote-its-success/).
[55] Signé, L. (2021, July 28). US trade and investment in Africa. Brookings. (https://www.brookings.edu/testimonies/us-trade-and-investment-in-africa/).

investment, creating a large market for scale economy, and addressing barriers for industrialization so countries can trade with one another.

The World Bank estimates that the AfCFTA will lift 30 million people out of extreme poverty and substantially increase the income of 68 million people who are just slightly above the poverty line. The International Monetary Fund (IMF) similarly projects that, under the AfCFTA, Africa's expanded and more efficient goods and labor markets will significantly increase the continent's overall ranking on the Global Competitiveness Index.[56] The AfCFTA will create a continental market which will likely further U.S. investors who can manufacture products in Africa that can be sold on local, U.S., and global markets. This represents a unique opportunity for U.S. investors with potential for a much higher return due to the larger market while also contributing to establishing Africa as a base for global markets. AGOA has already done so with many countries using Africa as a base, meaning these opportunities will be enhanced with the successful implementation of the AfCFTA.

Questions by Commissioner David S. Johanson on the topic of cocoa – Part 1

It is our understanding that multinational corporations and their local subsidiaries are responsible for the large share of investment in the regional processing sector for cocoa. To what extent is this investment benefitting African economic development versus benefitting the foreign countries where these multinational corporations are headquartered?

In terms of paths out of poverty, is employment in the cocoa growing or processing sector more important in alleviating poverty?

[56] Signé, L. (2022, May 17). Understanding the African Continental Free Trade Area and how the US can promote its success. Brookings. (https://www.brookings.edu/testimonies/understanding-the-african-continental-free-trade-area-and-how-the-us-can-promote-its-success/).

Complementary answer by Professor Landry Signé, Ph.D.

While there are asymmetrical benefits to local communities versus foreign multinational companies, the underlying principle is still relevant – having investment is better than not having investment. Even acknowledging that sometimes there can be asymmetrical benefits, investment in general will benefit locals as well, not just global partners. Typically, the asymmetry comes when most of the value addition is made outside the continent versus within the continent, so creating local value chains or transforming the product locally is one of the best ways to have a more inclusive and less asymmetrical benefit distributed amongst various players. Extractive investment that adds value in other places is less fair and impactful than other types of investment that is inclusive and creates a product locally that can be sold locally as well. Productive investment will generate much more value than simply extracting and exporting natural resources. However, investment overall, despite asymmetry, can have positive effects given that often when an economic sector grows, intermediate inputs may contribute to the growth of other sectors which can further diversify products and employment opportunities.[57]

The cocoa sector already has a strong link to economic impact, especially in the top two countries for cocoa production. A recent study found that "in the two main cocoa producing countries, Côte d'Ivoire and Ghana, cocoa has a central influence on the wellbeing of the nation. Of their respective populations of 23 and 26 million people approximately 1 million farmers in each of the countries manage cocoa plantations and an even much higher number of family members depends on the income from cocoa. In these two countries cocoa production is also a very important export product and the sector generates a significant part of the governments' tax income."[58] If multinational companies invest in a way that shares AGOA's goal of positively affecting economic development and regional value chain development, their return on investment can

[57] Usman, Z., & Landry, D. (2021). What Are the Various Dimensions of Economic Diversification? Economic Diversification in Africa. Carnegie Endowment for International Peace. (https://www.jstor.org/stable/resrep31123.5).

[58] Hutz-Adams, F., Huber, C., Knoke, I., Morazán, P., & Murlebach, M. (2016, December 31). Strengthening the competitiveness of cocoa production and improving the income of cocoa producers in West and Central Africa—Südwind. (https://www.suedwind-institut.de/alle-verfuegbaren-publikationen/strengthening_the_competitiveness_of_cocoa_production_and_improving_the_income_of_cocoa_producers_in_west_and_central_africa.html).

greatly increase while contributing to economic prosperity. This will require a “focus on targeted U.S. investments and interventions to create an *agricultural, industrial, and services revolution* in Africa” through laws, regulations, and practices that incentivize investment in Africa.[59]

Ghana, the second-largest cocoa-producing country, has seen the sector play an important role in its economic growth. Although cocoa exports have increased, value added to cocoa products locally is low, but the value of cocoa-based exports has increased. In Cote d’Ivoire, the share of the cocoa value remaining in the country is low as well, which shows that the best way to improve its share is to be able to create more value “and enable the achievement of successive stages of the value chain on the Ivorian domestic market.”[60] In terms of poverty reduction, in Ghana, the poverty rate was 60.1 percent among cocoa farmers in 1991/92, but in 2008 it was down to 23.9 percent, or 112,000 cocoa-farming households.[61] Poverty reduction has also been seen in Cote d’Ivoire but even greater poverty reduction is possible through greater employment if the manufacturing and distribution of cocoa-based products is done in the producing country.[62]

Questions by Commissioner David S. Johanson on the topic of cocoa – Part 2

What are the factors that have incentivized firms to build cocoa processing facilities in sub–Saharan Africa, particularly in Cote d'Ivoire and Ghana? And do you know what are the barriers to further investment?

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[59] Kategekwa, J. (2017). Rethinking the AGOA Model: How to Create a Pro-Structural Transformation of the U.S.-Africa Trade Partnership. AJIL Unbound, (https://www.cambridge.org/core/journals/american-journal-of-international-law/article/rethinking-the-agoa-model-how-to-create-a-prostructural-transformation-of-the-usafrica-trade-partnership/4EA5B20A541C04A1B136F840DA64BBA7*).*

[60] Malan, B. (2014). Reconfiguration of the Cocoa Industry and Poverty Reduction in Cote D’Ivoire. Presented at the 17th Annual Conference on Global Economic Analysis, Dakar, Senegal (http://www.gtap.agecon.purdue.edu/resources/res_display.asp?RecordID=4365).

[61] Breisinger, C., Diao, X., Thurlow, J., & Kolavalli, S. (2008, January 1). The Role of Cocoa in Ghana’s Future Development. Africa Portal; International Food Policy Research Institute (IFPRI). (https://www.africaportal.org/publications/the-role-of-cocoa-in-ghanas-future-development/).

[62] Malan, B. (2014). Reconfiguration of the Cocoa Industry and Poverty Reduction in Cote D’Ivoire. Presented at the 17th Annual Conference on Global Economic Analysis, Dakar, Senegal (http://www.gtap.agecon.purdue.edu/resources/res_display.asp?RecordID=4365).

How much of deciding to do the actual processing in other countries is the desire to do the value added somewhere else?

Complementary answer by Professor Landry Signé, Ph.D.

While it is difficult to know for certain why individual firms decide to build cocoa processing facilities within a sub-Saharan African country, there are various possible factors. One main factor is the abundance of cocoa and the already-existing prevalence of cocoa production in countries such as Ghana and Cote d'Ivoire. Other incentives, and potential barriers if not developed, include human capital, administrative resource availability, and the overall local market quality. Similarly, the failure of value-added activity within the producing country could also be due to the technical, human, and infrastructural capacity limits of the business sector within the country. On the other side, if a company decides to produce locally, it is likely a very intentional strategy outlined in their overall goals. More established or larger multinational firms may already have global operations, keeping their motivation to change their production and export strategies low.

Question by Commissioner Amy A. Karpel on AGOA utilization strategies

Several of you have mentioned the AGOA utilization strategies that several AGOA and Trade countries have adopted, and some of you indicated some relative success with those plans in terms of boosting AGOA exports. I wondered if you could talk about what are some of the features of those plans that have been successful in leading to that boost in exports?

Complementary answer by Professor Landry Signé, Ph.D.

"He who never knows where he is going, will never know whether he had arrived"

African proverb

The idea behind developing a utilization strategy is that the countries which develop an AGOA strategy are more successful because this can both reduce policy ambiguity, reduce political conflict, and help mobilize resources needed for success. Policy ambiguity is reduced since the strategy contains details and a clear implementation plan aimed at addressing country-specific challenges such as market development, supporting SMEs, capacity building, etc. Political conflict is reduced given that the development of the strategy requires the engagement of broader stakeholders that will develop the implementation plan and make difficult decisions related to resources and priorities. For example, Botswana developed a utilization plan that identified specific barriers including cost of production, transportation costs, and level of investment. Botswana also decided on evaluation criteria and an institutional structure that can be used to track key metrics of their specific priorities, such as gender mainstreaming.[63] Ethiopia also developed a utilization strategy that led to the creation of a one-stop technical and information hub for AGOA to assist the five priority areas they identified in their strategy (textiles and garments, leather and leather products, horticulture, handcrafts, and agro-processing).[64] Such broader stakeholder engagement along with their posting on the Office of the United States Trade Representative's website will likely spark greater collaboration within the country and between the country and the United States to identify and address specific barriers.

Questions by Commissioner David S. Johanson on cotton

Do you all have any information on why cotton is not used in the regional supply chain, including information on how cotton is processed in sub-Saharan Africa and how increased value-added processing might be possible?
Do you all know to what extent cotton production has impacted the economic development of the cotton-producing regions and what the potential impact could be?

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[63] USAID, SATIHUB, & Botswana MITI. (2021, March 15). Botswana—UPDATED National AGOA Strategy (2021)—Agoa.info (https://agoa.co.za/downloads/national-strategies/15847.html).
[64] Davis, W. (2017). The African Growth and Opportunity Act and the African Continental Free Trade Area. AJIL Unbound. (https://www.cambridge.org/core/journals/american-journal-of-international-law/article/african-growth-and-opportunity-act-and-the-african-continental-free-trade-area/97EA74BDB57036A2CD9C546C36F14AE4).

Complementary answer by Professor Landry Signé, Ph.D.

When we think about cotton, we think about national level impact, but a key element to consider is the impact on the subnational level because in many regions where cotton is being produced — Cameroon has 3 regions out of 10 where cotton is a prominent part of the culture – it is a key economic activity for the region with people depending on it for their incomes and livelihoods.[65] In West and Central Africa, an estimated 1-2 million family farms produce cotton with an estimated 10-16 million people involved in the cotton sub-sector in the region overall.[66] The impact of such a large sector likely varies by region but a study from the International Fund for Agricultural Development noted correlation between regions that produced cotton and other positive effects. They note: "analytical work by the SWAC/OECD has demonstrated that there is a correlation between cotton production, particularly in the CFA zone, and: (i) access to upstream and downstream agricultural services and innovation by small family farms [..] (ii) increased cereals production (iii) institutional development / producer organisations (iv) existence of infrastructure and (v) access to services such as schools, health centres, pharmacies, etc."[67] Yet there exists greater potential for regional and international trade if countries can promote regional markets for sub-Saharan cotton, given that the vast majority of WCA cotton (some estimates show up to 98%) are exported without any value added.[68] The fact that the artisanal textile industry is the second-largest employer in West Africa also shows the potential for cotton production and value-added for the regional market.[69] Greater development of cotton production will also have an effect on women, as women contribute up to 80 percent of total agricultural production and are

[65] For these three regions, an estimated 150,000 to 200,000 producers, 2 million people, 60% of the net farm income, 6% of exports apart from oil: https://www.wto.org/english/tratop_e/agric_e/item_3_e_v_cameroun_pesentation_sodecoton_omc_2020.pdf
[66] Hussein, K. (2009). Cotton in West and Central Africa: Role in the regional economy & livelihoods and potential to add value. (https://www.fao.org/docrep/pdf/011/i0709e/i0709e05.pdf).
[67] Hussein, K. (2009). Cotton in West and Central Africa: Role in the regional economy & livelihoods and potential to add value. (https://www.fao.org/docrep/pdf/011/i0709e/i0709e05.pdf).
[68] Hussein, K. (2009). Cotton in West and Central Africa: Role in the regional economy & livelihoods and potential to add value. (https://www.fao.org/docrep/pdf/011/i0709e/i0709e05.pdf)
[69] Hussein, K. (2009). Cotton in West and Central Africa: Role in the regional economy & livelihoods and potential to add value. (https://www.fao.org/docrep/pdf/011/i0709e/i0709e05.pdf).

often employed as labor on cotton farms – due to obstacles that prevent them from accessing the land and inputs for cotton production – and are heavily involved in the processing and trade of textiles.[70]

Question by Commissioner David S. Johanson on AGOA and Africa's integration into global value chains

A recent publication of the OECD characterizes Africa's performance in global value chains as being relatively weak, averaging at eight percent of GDP over 2000 to 2015, compared to 11 percent in developing Asia and 14 percent in high-income countries. What impact does AGOA play in Africa's integration into global value chains?

Complementary answer by Professor Landry Signé, Ph.D.

The clusters and sectors that have seen success utilizing AGOA have attracted more investment from global players overall. This fact alone shows that proper policies can contribute to creating both regional and global value chains.

For example, in Lesotho and Swaziland, AGOA led to an influx of Taiwanese-owned firms whose aim was to export almost exclusively to the U.S. under preferential trade terms. Survey data from these firms show that their main motivation for investing in these countries was a combination of the benefits of AGOA and the special FDI incentives put in place by each country – over 90% of the clothing exports by Taiwanese-owned firms manufactured in Lesotho and Swaziland used AGOA preferences.[71] Most of these firms have global operations, source from multiple countries, and follow a global strategy of exporting a narrow range of products in a generally inflexible operating environment. The production plants in Lesotho and

[70]Hussein, K. (2009). Cotton in West and Central Africa: Role in the regional economy & livelihoods and potential to add value. (https://www.fao.org/docrep/pdf/011/i0709e/i0709e05.pdf).
[71] Staritz, Cornelia & Gereffi, Gary & Cattaneo, Olivier. (2011). Shifting End Markets and Upgrading Prospects in Global Value Chains. International Journal of Technological Learning Innovation and Development. 4. 1-13. (https://www.researchgate.net/publication/281900635_Shifting_End_Markets_and_Upgrading_Prospects_in_Global_Value_Chains).

Swaziland are mostly responsible only for manufacturing, with just one company in each country integrating backwards into fabric and yarn production.[72] The dynamics of this integration can lock countries such as Lesotho and Swaziland into low value-added activities unless companies are incentivized specifically to relocate other functions locally. Therefore, the challenge for this type of investment is not only to develop capabilities for higher value-added activity, but to create incentives and share information and best strategies to make the relocation more lucrative. Although the decision-making and higher-value functions take place at the headquarters rather than locally, this type of investment has still led to greater access to global sourcing and entry into global value chains as a direct result of AGOA.[73]

[72] Staritz, Cornelia & Gereffi, Gary & Cattaneo, Olivier. (2011). Shifting End Markets and Upgrading Prospects in Global Value Chains. International Journal of Technological Learning Innovation and Development. 4. 1-13. (https://www.researchgate.net/publication/281900635_Shifting_End_Markets_and_Upgrading_Prospects_in_Global_Value_Chains).

[73] Staritz, Cornelia & Gereffi, Gary & Cattaneo, Olivier. (2011). Shifting End Markets and Upgrading Prospects in Global Value Chains. International Journal of Technological Learning Innovation and Development. 4. 1-13. (https://www.researchgate.net/publication/281900635_Shifting_End_Markets_and_Upgrading_Prospects_in_Global_Value_Chains).