Statement before the

House Ways & Means

Subcommitee on Trade

"Looking Beyond 2025 for Trade with Sub-Saharan Africa, Haiti, and Others."

A Testimony by:

Daniel F. Runde
Senior Vice President; William A. Schreyer Chair; Director, Project on Prosperity and Development, Center for Strategic and International Studies

June 12, 2024

Chairman Smith, Ranking Member Blumenauer, and distinguished Members of the Subcommittee, thank you for asking me to testify before you today. It is a privilege and an honor.

Currently, I hold an endowed chair at the Center for Strategic and International Studies (CSIS), researching how we might use American soft power and influence around the world. CSIS does not take policy positions, so the views represented in this testimony are my own and not those of my employer.

I recently published a book, "The American Imperative: Reclaiming Global Leadership Through Soft Power," which argues that Great Power Competition will play out in Africa and the rest of the Global South through influence over trade and other nonmilitary means, such as foreign aid, telecommunication systems, and vaccines, and that America must develop a robust nonmilitary strategy for the Global South, especially Africa. I argue in my book that we cannot fight something with nothing. The African Growth and Opportunity Act (AGOA) is part of our "something."

Over the past year at CSIS, we have convened six roundtables and briefings on AGOA, hosted a public panel discussion, engaged the African diplomatic community, and published a series of reports on what to consider in renewing and, ideally, improving AGOA.

Let me make several key points with my time today.

There are three basic options for AGOA's future, which include: 1) no AGOA renewal, 2) a "copy/paste" renewal of the 2015 legislation, or 3) enhancing AGOA with a series of modernizations.

My two bottom lines: First, I am in favor of renewing AGOA with some updates to the legislation. Second, failure to renew AGOA would be a strategic disaster for the United States. AGOA is critical for U.S. national security in a sensitive region of the world; champagne corks will pop in Beijing and Moscow over our failure to renew AGOA. Our African partners will be enormously disappointed with us at a time when they have other options.

Failure to pass AGOA means that American businesses will be disadvantaged in a region that is going to be a big part of our economic future. Africa has an expanding middle class and consumer base. We want Africa to make America their partner of choice; we do not want Africa to choose the Chinese Communist Party or Russia as their preferred partner. Africans would like to partner with us. This means we have to show up. We have a lot of catching up to do in Africa.

Africa suffers from distortive negative press in the United States. U.S. engagement with Africa has, for the most part, remained a partnership around foreign assistance. U.S. development assistance programs in Africa have continued to emphasize basic human needs such as health and food security programs. It is the American interest to create a reliable and mutually beneficial partnership that will bring economic gains to the United States and to Africa.

We need a 21st-century partnership with Africa that is based on more trade and investment and moves beyond exaggerated risk perceptions. Risks, if anything, will be reduced with engagement, not by reining ourselves in.

For us to have a real partnership, African countries will need to continue making progress on economic and political reforms. Some African countries are in the process of adopting 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. AGOA can be an incentive to reform beyond the reforming successes already achieved.

What is AGOA, and why is it important?

AGOA has been the cornerstone of U.S.-Africa trade relations since it was first signed into law on May 18, 2000.[1] This unilateral trade agreement provides duty-free access to the U.S. market for select exports from eligible countries in Sub-Saharan Africa.[2] As both a trade and development bill, it was enacted with the aim of strengthening the United States' commercial ties with Africa while also promoting economic development, market liberalization, and democratic governance throughout the region.[3] By design, AGOA incentivizes Sub-Saharan states to undertake economic and political reforms in order to gain a competitive advantage in exports and manufacturing. Eligibility is awarded to countries that demonstrate continued progress related to the rule of law, human rights, labor protections, economic freedom, and poverty reduction.[4] As of 2024, this preference program extends to 32 nations across 6,500 product tariff lines.[5]

Although AGOA's impact has been uneven, it has been credited with fostering inclusive economic growth and political liberalization in beneficiary states and strengthening two-way U.S.-Africa trade.[6] The program generates business that sustains as many as 1.3 million African jobs – not to mention the 450,000 U.S. jobs linked to U.S.-Africa trade.[7] It has helped increase Africa's export base, create jobs in areas battling high unemployment, and improve wages and working conditions in beneficiary countries.[8] While AGOA has not been an overwhelming

[1] https://www.csis.org/analysis/beyond-2025-future-african-growth-and-opportunity-act
[2] https://ustr.gov/issue-areas/trade-development/preference-programs/african-growth-and-opportunity-act-agoa#:~:text=AGOA%20provides%20eligible%20sub%2DSaharan,Generalized%20System%20of%20Preferences%20program.
[3] https://www.cfr.org/backgrounder/agoa-us-africa-trade-program#:~:text=The%20African%20Growth%20and%20Opportunity,markets%20by%20eliminating%20import%20tariffs.
[4] https://agoa.info/about-agoa/country-eligibility.html
[5] https://ustr.gov/issue-areas/trade-development/preference-programs/african-growth-and-opportunity-act-agoa; https://agoa.info/about-agoa/product-eligibility.html
[6] https://agoa.info/about-agoa/product-eligibility.html; https://www.mcc.gov/initiatives/initiative/african-growth-opportunity-act-agoa/#:~:text=AGOA%20helps%20eligible%20nations%20diversify,Africa%20and%20the%20United%20States.
[7] https://panafricanvisions.com/2023/11/stakes-for-africa-at-agoa-trade-and-economic-cooperation-forum/; https://www.corporatecouncilonafrica.com/news/agoa-private-sector-forum-9f4ef
[8] https://www.brookings.edu/articles/us-africa-trade-relations-why-is-agoa-better-than-a-bilateral-free-trade-agreement/

success, it has certainly been a net benefit to eligible African economies and has furthered the interests of the United States.

For example, when excluding African exports of crude oil, which account for the largest portion of African exports under AGOA, the data show that the program has substantially improved the export competitiveness of certain African products, especially apparel. For instance, from 2010 to 2020, textile and apparel exports under AGOA grew by approximately 64 percent.[9] Textile and apparel exports grew to over $1.4 billion in 2021 – double the amount pre-2000.[10] AGOA non-oil imports were $5.7 billion in 2022—a record amount and quadruple that of 2001.[11] Several non-oil sectors experienced sizable increases during this period beyond textiles and apparel, including transportation equipment, agricultural products, minerals & metals, and jewelry and precious stones.

U.S. business associations consistently point to AGOA's renewal as a prerequisite for continued investment in the continent. An extension of AGOA for at least 10 years would be useful to provide predictability for businesses with 5–10-year time horizons.[12]

The Western-led push to diversify global value chains away from China underscores the urgency of reauthorization: As Western companies have sought to reduce their dependence on Chinese production, Africa has an opportunity to leverage AGOA benefits to move business from Chinese manufacturers. Because the window to capitalize on supply chain migration may narrow quickly, a timely and long-term renewal of AGOA will signal U.S. commitment to the region.[13] Offshoring from China to AGOA nations gives the United States a unique but fleeting opportunity to strengthen economic relationships with African countries in new ways across a variety of sectors, perhaps including energy/oil, infrastructure, transportation, fishing, mining, agriculture and food processing, finance, and space.

How has Africa changed over the 25 years since its enactment?

Like the rest of the world, the Africa of today is a different place than the Africa of 2000.[14] There have been dramatic technological, digital, and demographic shifts and AGOA has not kept up with these changes.

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[9] https://www.brookings.edu/articles/how-the-biden-administration-can-make-agoa-more-effective/
[10] https://www.cnbcafrica.com/2023/african-apparel-industrys-future-hangs-on-a-u-s-thread/
[11] https://ustr.gov/sites/default/files/AGOA%20Trade%20Fact%20Sheet_ls.pdf
[12] https://agoa.info/news/article/16232-american-apparel-and-footwear-association-renew-agoa-for-10-years-restore-ethiopia-s-benefits-in-2024.html
[13] https://www.sustainablesupplychains.org/blog/automation-versus-relocation-in-clothing-global-value-chains-will-investments-shift-from-china-to-africa-at-a-big-scale/
[14] https://www.csis.org/analysis/reimagining-agoa-deepen-us-african-economic-partnership; https://www.economist.com/leaders/2000/05/11/hopeless-africa

Sub-Saharan countries are freer than in 1990: 61 percent of African countries are “free” or “partly free” today, according to Freedom House.[15] Africa’s middle class has tripled to over 350 million people and is expected to grow to 1.1 billion by 2060.[16]

Technology has been a key driver of democratization and economic growth by providing Africans with access to the internet and mobile phones. As in the rest of the world, government and commercial shifts toward digitalization accelerated during the Covid-19 pandemic. There are more smartphone users in Africa than in the United States.[17]

Another major milestone was the 2018 creation of the African Continental Free Trade Area (AfCFTA), which includes almost all African Union members and established the largest free-trade area in the world after the World Trade Organization.

The AfCFTA will also make AGOA more important and impactful than it has ever been. If the U.S. government focuses on making the agreement as effective as possible, AGOA and the AfCFTA can be mutually reinforcing. The AfCFTA will encourage greater U.S. commercial investment in the sub-Saharan region, because U.S. companies will be able to tap into suppliers across the continent by investing in a single country as its base or hub.

Africa’s current population of 1.3 billion is expected to nearly double within the next 25 years, reaching 2.5 billion people.[18] The sub-Saharan region needs tens of millions of new jobs for young people to prepare for a looming youth population boom, which, under the right conditions, could create a so-called “demographic dividend” where a growing, educated, and healthy population coupled with good governance are able to accelerate economic growth. The alternative – a massive under-employed African youth population – is a recipe for crisis and destabilization. It is in our economic and national security interest to help make that “demographic dividend” a reality. AGOA, in conjunction with the other U.S. initiatives and programs built up around it, can help bolster U.S. investment and trade with the region, which can help avoid the prospect of large-scale youth unemployment in Africa.

How has China’s involvement in Africa changed, and what are its implications?

China’s engagement with African countries has increased significantly over the past decade under the Belt and Road Initiative (BRI), a global infrastructure development project launched by the Chinese government in 2013.[19] To date, 52 out of 54 African countries have signed an agreement or understanding with the BRI.[20] China has invested at least 2.5 times as much in African infrastructure projects as the entire Western world combined. The Chinese have ownership in about 23 ports in Africa, most of which have enough depth to potentially host naval

[15] https://freedomhouse.org/countries/freedom-world/scores
[16] https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Tracking_Africa%E2%80%99s_Progress_in_Figures.pdf
[17] https://www.statista.com/statistics/1133777/sub-saharan-africa-smartphone-subscriptions/
[18] https://www.mckinsey.com/mgi/our-research/reimagining-economic-growth-in-africa-turning-diversity-into-opportunity
[19] https://www.cfr.org/blog/countries-chinas-belt-and-road-initiative-whos-and-whos-out
[20] https://www.geopoliticalmonitor.com/the-lobito-corridor-washingtons-answer-to-belt-and-road-in-africa/

vessels.[21] Africa is home to a substantial share of the world's critical mineral deposits–essential inputs for low-carbon and renewable energy technologies, and China is consolidating global influence over mining, processing, and minerals supply chains.[22] Areas of investment also include emerging critical technology fields such as internet services, where Chinese tech giant Huawei has provided internet for hundreds of millions.[23] Today, Huawei subsidiaries own up to 70% of all 4G networks in Sub-Saharan Africa.[24]

China surpassed the United States as Africa's largest individual country trade partner in 2009. Today, one-fifth of the region's total goods exports go to China, mainly consisting of raw metals, mineral products, and fuel.[25] The current volume of U.S. trade with African states is just one-fifth the size of China-Africa trade.[26]

China's economic foothold in Africa has placed Beijing in a position to exert political influence over African states, develop a military presence on the continent, and advance its diplomatic goals on the world stage, which include enlisting African support for the diplomatic isolation of Taiwan.[27]

Beijing's no-strings-attached approach to export credit and development financing risks undoing decades of Western efforts to promote good governance, revenue and contracting transparency, labor protections, and responsible natural resource development in Africa.[28] There are many documented cases linking African-based Chinese firms to human rights violations, poor labor conditions, job displacement, corruption, and environmental degradation.[29]

Unfortunately for the West, the BRI is an ambitious and hopeful project that speaks to the aspirations of China's friends and potential friends in Africa and elsewhere. As many countries have become wealthier, their interests have progressed beyond basic human needs (things the United States prefers to fund with our foreign aid dollars) to issues like energy, trade, and investment. China has tapped into these interests by offering large amounts of government financing with few questions asked, working bilaterally, and promising to deliver projects quickly. It has been successful largely because it is willing to assume risks that other investors have not, whether legal or illegal. In too many cases, China's offer is the only option for developing countries. Chinese-built infrastructure can be of mediocre quality, requiring early maintenance, and the debt financing that the Chinese banks extend at times outlasts the quality of the infrastructure built.

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[21] https://www.cfr.org/tracker/china-overseas-ports

[22] https://carnegieendowment.org/research/2023/10/how-can-african-countries-participate-in-us-clean-energy-supply-chains?lang=en

[23] https://www.csis.org/analysis/china-and-smes-sub-saharan-africa-window-opportunity-united-states; https://foreignpolicy.com/2019/03/19/for-africa-chinese-built-internet-is-better-than-no-internet-at-all/

[24] https://www.voanews.com/a/china-s-huawei-launches-innovation-center-in-south-africa/7179836.html

[25] https://www.imf.org/-/media/Files/Publications/REO/AFR/2023/October/English/china-note1.ashx

[26] https://asia.nikkei.com/Economy/Trade/China-Africa-trade-soars-on-spike-in-commodity-prices#:~:text=The%20annual%20value%20of%20U.S.,as%20the%20Western%20world%20combined.

[27] https://ceias.eu/taiwan-and-africa-a-comprehensive-overview/

[28] https://media.defense.gov/2023/May/04/2003215882/-1/-1/0/2193.PDF

[29] https://www.usip.org/events/chinas-critical-mineral-supply-chains-africa; https://www.csis.org/analysis/window-opportunity-build-critical-mineral-security-africa

What is our Alternative Offer to Africa?

We can only compete with the BRI by improving our own offer. AGOA is part of our "offer" to Africa to counter China's advances and reposition itself as the continent's leading partner of choice. The United States is not going to displace China on the continent or match its investment dollar-for-dollar – but we can certainly compete in key sectors. Failure to act would be a gift to Beijing – and it would convey to the world's poorest continent that it is barely part of the global economy and that the United States has no time for it. This would be catastrophic not only for Africa's development trajectory but also for our foreign policy and national security interests.

There are a series of other initiatives that complement AGOA, including:

1) The Prosper Africa initiative seeks to open markets for American businesses, grow Africa's middle class, promote youth employment opportunities, improve the business climate, and increase two-way trade between Africa and the United States. Since June 2019, the U.S. government via Prosper Africa has helped close 1,852 deals across 49 countries for a total estimated value of $86 billion – in addition to $9.8 billion in non-country-specific, regional investment.[30]

2) USAID has a number of foreign assistance programs that complement AGOA. USAID's Trade and Investment Facilitation Hubs, located in East, West, and Southern Africa, were launched to deepen economic integration, promote two-way U.S.-Africa trade under AGOA, and attract commercial investment. These hubs have created investment opportunities worth upward of $600 million and have facilitated more than $1.3 billion in African exports under AGOA.[31] For every $1 dollar of public money spent on trade programs in Africa, the Hubs leverage $9 in private investment.[32]

3) PEPFAR, a government initiative to address the global HIV/AIDS pandemic, has been going on for 20 years. PEPFAR has provided medicine for 20 million people in 54 countries, including 30 African nations, saving an estimated 25 million lives.[33] PEPFAR has gained the United States friends and favor in Africa, and its impact has contributed to economic turnarounds in parts of Africa – but after 20 years, there has been little progress in getting African countries to "pick up the tab" for the costs of these medicines, there has been limited capacity building, and there is no exit strategy for PEPFAR. The vast majority of our foreign aid spending in Africa goes to cover the costs of medicine related to PEPFAR.

[30] https://www.prosperafrica.gov/results/
[31] https://2017-2020.usaid.gov/africa/trade-and-investment/hubs
[32] https://2017-2020.usaid.gov/africa/trade-and-investment/hubs#:~:text=The%20Hubs%20are%20spearheading%20a,for%20American%20goods%20and%20services.
[33] https://www.nytimes.com/2023/03/14/health/pepfar-hiv.html#:~:text=That%20Brought%20H.I.V.-,Treatment%20to%2020%20Million%20People,to%20slow%20the%20AIDS%20pandemic.; https://www.state.gov/pepfar-supported-countries-and-regions/

4) Power Africa, another USAID initiative launched in 2013, is a public-private partnership focused on addressing the region's energy poverty and harnessing its renewable energy potential.[34] More than 180 companies have joined forces with Power Africa, committing over $40 million toward African energy markets and connecting more than 57 million people in Sub-Saharan Africa to the power grid.[35]

5) The Millennium Challenge Corporation (MCC) helps low-income countries achieve economic growth through large, time-limited grants. Two-thirds of MCC's portfolio is invested in African countries with a demonstrated commitment to good governance, economic freedom, and prosperous citizens.[36] Since its founding in 2004, MCC has invested over $10 billion in 24 countries across Africa, primarily in support of large-scale infrastructure projects.[37]

6) The Build Act, passed by Congress in 2018, consolidated several development finance initiatives and activities into a new agency, the Development Finance Corporation (DFC). The DFC's mandate is (1) to make development-focused investments around the world with a focus on countries most in need and (2) to advance the foreign policy interests of the United States.[38] The agency has invested more than $10 billion across Sub-Saharan Africa in key sectors since 2018, including infrastructure, energy, digital, economic empowerment, healthcare, agriculture, and climate adaptation.[39]

7) PGII: Most recently, as the G7's response to the BRI, the Biden administration spearheaded the launch of the Partnership for Global Infrastructure and Investment (PGII), a $600 billion lending initiative to fund infrastructure projects in the developing world, with a particular focus on Africa.[40] The first sub-region of focus is the Lobito Corridor in Southern Africa. PGII is a work in progress.

What about our allies?

Like the CCP, our allies have also taken note of the tremendous opportunity offered by Africa and have sought to capitalize on it by developing significant economic partnerships within the region– particularly the European Union. As a single body, the EU is Africa's largest investor, largest source of official development assistance, and largest trading partner – although China is on track to overtake it in trade by 2030.[41] In 2020, the EU accounted for 33% of total African

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[34] https://www.usaid.gov/sites/default/files/2024-03/2023-Power-Africa-Annual-Report-Eng.pdf
[35] https://www.usaid.gov/powerafrica/privatesector
[36] https://www.mcc.gov/where-we-work/region/africa/
[37] https://www.mcc.gov/where-we-work/region/africa/
[38] https://www.dfc.gov/sites/default/files/media/documents/FY25%20Congressional%20Budget%20Justification.pdf
[39] https://www.dfc.gov/our-work/sub-saharan-africa
[40] https://www.whitehouse.gov/briefing-room/statements-releases/2023/05/20/fact-sheet-partnership-for-global-infrastructure-and-investment-at-the-g7-summit/
[41] https://www.consilium.europa.eu/en/meetings/fac/2024/05/30/#:~:text=The%20EU%20is%20Africa's%20largest,official%20development%20assistance%20(ODA).; https://www.theafricareport.com/229297/china-to-overtake-the-eu-as-africas-biggest-trade-partner-by-2030/#:~:text=China%20is%20aiming%20to%20overtake,may%20increase%20expenditure%20on%20agriculture.

exports and 31% of its imports.[42] More than 90% of exports from African countries enter the EU duty-free.[43]

Similar to the PGII, the EU also recently launched the Global Gateway initiative, which is essentially the European-made response to the BRI.[44] Between 2021 and 2027, the European Commission, EU member states, the European Investment Bank (EIB), and the European Bank for Reconstruction and Development will mobilize up to €150 billion for sustainable and high-quality projects in Africa, with a particular focus on the digital, transport, healthcare, education, and energy/climate sectors.[45]

Recommendations:

1. **Renew AGOA and Make Some Improvements.**
   The default path would be to "copy/paste" the 2015 AGOA and extend the validity of the preferential trading system for sub-Saharan Africa for another 10 to 16 years.

   Alternatively, revise AGOA as part of a newer, holistic strategy for the United States' engagement with the African continent. This would require addressing gaps in the program's coverage and broadening its scope to accommodate a wider range of fast-growing sectors.[46] Recently proposed bipartisan legislation in the Senate would offer a set of improvements to AGOA that would be an excellent starting point for such a strategy.[47]

2. **Special Considerations for Digital and Minerals:**
   a. **Digital**

   Although there are no barriers to African digital trade exports to the United States, Congress has an opportunity to recognize the growing importance of digital trade to both the United States and Africa.

   Digitalization – particularly the expansion of African mobile markets – has emerged as a major catalyst for growth across the continent.[48] Failing to capitalize on the digital transformation of Africa has allowed China to take the lead in a domain where the United States holds a strong competitive advantage, with the added consequence of Beijing gaining leverage over African governments as the only viable provider of internet connectivity in the region. Chinese firms currently dominate Africa's fledgling digital

[42] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:Africa-EU_-_international_trade_in_goods_statistics
[43] https://www.eeas.europa.eu/delegations/eswatini/actions-speak-louder-words-%E2%80%93-how-eu-au-partnership-really-works-africa_en?s=123
[44] https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway_en
[45] https://international-partnerships.ec.europa.eu/policies/global-gateway/initiatives-region/initiatives-sub-saharan-africa/eu-africa-global-gateway-investment-package_en; https://international-partnerships.ec.europa.eu/policies/global-gateway/initiatives-region/initiatives-sub-saharan-africa_en
[46] https://agoa.info/news/article/16214-how-the-us-can-support-the-african-trade-that-matters-for-the-continent-s-goal-of-economic-transformation.html
[47] https://www.foreign.senate.gov/press/rep/release/risch-coons-introduce-legislation-to-renew-trade-partnership-between-us-and-sub-saharan-african-countries
[48] https://www.gsma.com/mobileeconomy/sub-saharan-africa/

landscape, but there is still room for U.S. technology companies to catch up before Africa reaches full digital bloom.

Language can be included in AGOA's reauthorization to develop a partnership that builds on emerging international standards and reduces barriers to digital trade in African countries, including cross-border data flows and internet access. Updating AGOA to be more digital-friendly– alongside robust policy dialogues on information and communications technology (ICT) and investments in electrification and digital infrastructure via initiatives like Power Africa – can help jumpstart the development of Africa's digital marketplace, facilitate commercial partnerships and knowledge-sharing, and allow African businesses to better leverage the preference program, as well as encourage openness and transparency in the digital sector, which China will not support.[49]

b. Electric Batteries, Electric Vehicles (EVs), and their Components.

There are no countries in Africa currently making EVs or electric batteries, and there are no tariffs on basic raw materials and minerals. Because of the ever-increasing strategic value of EVs, batteries, and their components in the future economy, the United States is now in an era where it must confront those questions of, "Where do we source materials and where do we source processing for batteries and EVs and their critical components?"

Now would be the time to engage African countries via the Minerals Strategic Partnership. There has been some initial work on that front in Zambia and the Democratic Republic of the Congo (DRC), but a lot more could be done.

Recent Chinese restrictions on graphite exports illustrate the danger: The United States is 100 percent dependent on foreign graphite imports, and China currently controls 80 percent of global production.[50] AGOA beneficiaries Tanzania, Madagascar, and Mozambique together have enough raw graphite to rival Chinese reserves, offering a potential alternative supply that can be tapped with greater investment in mining and processing.[51] The United States' interest in reducing its mineral dependence on China is aligned with African countries' interest in ensuring value addition in the development of their mineral resources. Africa has the raw minerals and would like to move up the chain to produce electric batteries and electric vehicles.

Regardless of whether or not Congress determines if AGOA eligibility is the equivalent of an FTA for the purposes of the Inflation Reduction Act (IRA), the U.S. government should increase its financial support for the mining sector through USAID, the DFC, USTDA, and the EXIM Bank. The U.S. government should launch a comprehensive initiative along the lines of Power Africa for mining and minerals in Africa to support the development of sound regulatory and tax regimes, provide downside protection to U.S. investors, and ensure transparency around the proceeds.

[49] https://www.csis.org/analysis/role-agoa-accelerating-africas-digital-transformation; https://www.usaid.gov/powerafrica/aboutus
[50] https://www.csis.org/analysis/chinas-new-graphite-restrictions
[51] https://www.csis.org/analysis/adding-critical-minerals-agreement-agoa-reauthorization

While AGOA's nature prevents it from executing a critical minerals strategy, its renewal grants Congress a platform to recognize Africa's importance in this theater of great power competition. The legislation can direct the administration to develop a critical minerals strategy--without worrying about changing tariffs-- and can work in conjunction with other initiatives to facilitate a more sweeping strategy.

There has also been some discussion about adding language for mining and minerals, given the IRA and our need for critical minerals and electric batteries. For example, my colleague at CSIS, Gracelin Baskaran, has argued that AGOA's upcoming renewal can be used to reimagine the program as the basis of a trade deal for the U.S. to source critical minerals from African countries, modeled on precedents such as the U.S.-Japan Critical Minerals Agreement.[52] Other options would be to include a separate AGOA eligibility category for the critical minerals sector, as was done for the textile and apparel sector, or to incorporate AGOA beneficiary countries into the IRA's provisions for battery metals.[53] Again, as of now, Africa is not currently building electric batteries or electric vehicles, but this could change in the medium term.

3. **Fix "Graduation" Eligibility.**
Renewal should involve reassessing eligibility and graduation criteria so that countries that benefit from AGOA are not punished for their success by being "graduated" out of the program and having our trade disrupted. When AGOA was first envisioned, there was a belief it would serve as a vehicle for developing African countries into middle-income status and then creating free trade agreements with them. Since then, there has been a drop in interest for FTAs in the United States, while African countries have simultaneously risen to middle-income status. Becoming a middle-income country means that these countries graduate from AGOA to essentially nothing, and these countries lose their AGOA benefits.

For instance, Mauritius has been able to leverage the program to great success but is now getting dangerously close to graduation. This is far from a one-country issue, and the loss of AGOA benefits is not only a setback for the affected country but a disruption to regional value chains. We ought to adjust the rules on eligibility so these countries can remain eligible for AGOA until we are able to develop free trade agreements with these middle-income countries.

4. **Create Bilateral Free Trade Agreements on the African Continent.**

The U.S. government should develop a strategy to transition African countries from preference programs to trade agreements, perhaps on a regional basis with groupings for West, East, and Southern Africa, along the lines of the Bush administration's

[52] https://www.brookings.edu/articles/quantifying-the-impact-of-a-loss-of-south-africas-agoa-benefits/; https://www.csis.org/analysis/adding-critical-minerals-agreement-agoa-reauthorization; https://www.csis.org/analysis/adding-critical-minerals-agreement-agoa-reauthorization
[53] https://www.controlrisks.com/our-thinking/insights/revisiting-agoa-us-africa-ties-at-critical-juncture?utm_referrer=https://www.bing.com

CAFTA/DR in Latin America. The United States currently only has one free trade agreement in Africa with Morocco.

5. **Adjust the Timelines: Aim for at least a 10-year Renewal and Make Country Assessments Less Frequent.**

   We should have a 10 year renewal or even a 16 year renewal given to provide certainty to American investors.

   Country eligibility assessments currently occur on an annual basis. This is too often. Making country assessments less frequent – say, reviewing eligibility every 3 years instead of every year – can ensure that AGOA benefits reach as many countries as possible.

6. **Use Foreign Aid and Other Instruments to Support AGOA.**
   With the exception of Humanitarian/Disaster Response and several aspects of health programming, our foreign assistance should prioritize increasing trade and investment between the United States and African countries.

   This will entail making targeted increases in economic policy reform programs, digitization of trade/investment services, E-Government (E-Gov) and transparency, expanding capital markets, access to finance programs, and judicial reform.

   In the next presidential term, Congress and the executive branch should develop: (1) a major foreign assistance and development finance initiative similar to Power Africa for mining and minerals, (2) a major foreign assistance and development finance initiative on closing the digital divide, and (3) a major foreign assistance and development finance partnership with others on creating 20-230 private universities in Africa as we did in India and in Costa Rica in the past.

7. **The Executive Branch Needs more than a Binary "On/Off switch" for AGOA.**

   AGOA is a trade mechanism, not a political mechanism. When the United States experiences tensions or disagreements with certain African countries, it is tempting to treat AGOA as a "stick" we can use for leverage. If there is a coup, that understandably ends eligibility, but when looking at case studies like South Africa, we should employ a variety of political tools to address political disputes. There is already bipartisan Senate legislation that would provide a larger menu of enforcement options, including formal warnings, probationary periods, and partial termination of benefits for certain products.

   a. **Should we use AGOA as a "Stick" Against South Africa and Other Countries?**

   Recently, South Africa has created a number of challenges for the United States. It has increased its military partnerships with Russia and China, voted against Ukraine at the United Nations, and has an increasingly hostile position towards Israel. We have a large partnership with South Africa: we have provided more than $500 million a year for more than a decade for HIV/AIDS medicine in South Africa and South Africa is AGOA eligible. One "tempting" way to demonstrate our displeasure has been to consider ending South Africa's participation in AGOA. Ending participation in AGOA should be a matter reserved entirely to its internal eligibility requirements, and we should instead handle these disputes through a reevaluation of our political relationship.

8. **Beyond AGOA: A 21st Century Partnership with Africa.**

   AGOA is not a free trade agreement, it is a unilateral trade agreement that provides duty-free access to the U.S. market for select exports from eligible countries in Sub-Saharan Africa. It is a necessary tool, but it can only do so much. The continent has access to new partners that it did not have 25 years ago—partners that are geopolitical competitors with the United States. Unless we want to lose out on the burgeoning economic opportunity of Africa, we first need to pass AGOA, and then we need the Congress and executive branch to come to bipartisan consensus on a greater strategy for a 21st-century U.S.-Africa partnership: a strategy spanning trade deals, investment, capacity building, and integration of new digital realities. If we do not wholly revitalize our relationship with Africa, Africa will partner with the Chinese Communist Party.

Concluding Remarks

I urge Congress to at least renew the existing AGOA and, preferably, make some updates. Failure to renew has steep geopolitical and economic costs.

AGOA provides a basis for the United States to do what the Chinese have not: generate inclusive opportunities for African entrepreneurship, boost foreign investment in local value-added manufacturing, and offer a sustainable path to prosperity under a framework of good governance and free market principles.