

Increasing the utilisation of the Africa Growth and Opportunity Act (AGOA) can benefit firms in both Africa and the US. **Wilmot Allen** looks at the steps that need to be taken.

# AGOA and the US–Africa opportunity for accelerating shared prosperity

**T**he 2022 US–Africa Leaders Summit brings US–Africa economic relations into acute focus. The US aspires to become a premier economic partner to Africa and ranks as the top import market globally. Africa now represents the world's largest free-trade area by population with over 1.3bn people and, based on the Africa Free Continental Trade Agreement (Af-CTA) of 2018. More African countries view increasing intra-Africa trade as the critical path to realising sustainable economic development.

How can these priorities of both regions be advanced? One step in the right direction is by increasing the utilisation of the Africa Growth and Opportunity Act (AGOA) through the following approaches: i) AGOA support of intra-Africa trade through strengthening supply chains in Africa; ii) African Diaspora engagement as a first order approach and not an ancillary strategy; iii) and the integration of trade policy with investment and marketing for African businesses.

AGOA has been a key driver of the US trade relationship with sub-Saharan Africa for more than 20 years – increasing trade across sub-Saharan Africa with the US and creating hundreds of thousands of new jobs through duty-free purchase of over 6,500 qualified products from 39 countries. Tapping into the US market represents a better opportunity than selling in Africa especially for some boutique suppliers, according to Chebet Mutai, founder of Wazawazi, a Kenyan leather goods and handmade accessories company, because of “a more predictable buyer market and lower costs”. However, AGOA can provide access to lower cost, quality products from African markets for US buyers and a mechanism for facilitating greater global and intra-continental trade for Africa.



## AGOA support of intra-Africa trade

Reciprocal job creation, greater market access for small and women-owned businesses in both regions, increased access to trade finance and the harmonisation of tariffs in Africa are important pathways to strengthening value chains in Africa. Increasing AGOA trade can bolster supply chains in Africa and contribute to stronger market economies that can create more jobs through intra-Africa trade. Superinga, the South African producer of Think Drink recently launched sales of its natural, caffeine-free energy drinks and beverages made from moringa oleifera to the US. Superinga co-founder Subasen Naidoo sees a clear multiplier effect for African suppliers, “AGOA positively impacts our supply chain via sourcing moringa from Zambia and contract packing partners who manage canning and the logistics ecosystem responsible for trans-Atlantic transport.”

## African Diaspora engagement

The African Diaspora in the US comprises 47m people with a nominal purchasing power of over \$1.6 trillion. While this spending capacity should be leveraged as a sustainable buyer market for Africa, the Diaspora, in professional roles at institutions owning or managing capital, can also provide investment capital for large infrastructure projects, corporates, and smaller businesses. Financial institutions such as members of the National Association of Security Professionals and Harlem Capital are pioneering this approach as investors. The 2023 Diaspora Investment and Trade Deal Event, hosted by VentureLift Africa and the Dallas-based East Africa Business Network will convene stakeholders to develop more structured pathways for Diaspora economic engagement beyond remittances.

## Closing the knowledge gap

AGOA has exposed capacity gaps among some African suppliers to meet the demands of US buyers, including competitive transport and logistics cost and quality standards. Africa recently gained interest from US buyers for personal protective equipment (PPP), however in many cases these opportunities were never actualised because of inherent challenges.

The CEO of Bennett Wholesale Distributors, Jameel Bennett, observed that during 2021, “US companies were open to sourcing face masks, surgical gowns or nitrile gloves from Africa, but got cold feet in some cases because they were more familiar with other regional suppliers from Asia or Latin America and trade finance was more accessible for deals in non-Africa markets.” These dynamics suggest that not only should greater investment be made in Africa’s local industry and infrastructure but also in marketing and promotion of suppliers.

Better marketing and promotion of AGOA and buyer-supplier profiles could significantly close the information and knowledge gaps that have stymied greater AGOA trade. My firm, with a diverse team, will continue to build this awareness. We seek additional partners among capital providers, business associations, logistic companies, media companies, diaspora networks, and those who seek to engage in export-import trades. With the successful execution on the objectives outlined above under an extended AGOA policy, the US can better position itself as an economic partner of choice for the nations of Africa and Africa can strengthen its foundation for achieving economic transformation via intra-Africa and global trade. Join us in this enterprise.

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