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Securing a Development-friendly US Trade Policy: The Urgent Need for an AGOA Revamp

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Summary

In times of heightened uncertainty surrounding US trade policy, it is increasingly vital to secure a development-friendly approach toward African countries. They are among the most vulnerable to climate change, conflicts and pandemics, yet are also gaining geo-economic significance. Given the expiry of the US Generalized System of Preferences (GSP) in 2020 and the upcoming expiry of the African Growth and Opportunity Act (AGOA) in September 2025, Sub-Saharan African (SSA) countries urge policymakers to timely reauthorise and upgrade the non-reciprocal trade programme to improve market access to the US and ensure long-term support for sustainable development across the African continent. While the AGOA Renewal and Improvement Act of 2024 was introduced to Congress with bipartisan support, the election of Donald Trump and his "America First" approach have increased doubts about a swift extension of AGOA.

This policy brief examines the potential effects of the expirations of GSP and AGOA using a multi-region Computable General Equilibrium (CGE) model. By simulating the shift from duty-free to Most Favoured Nation (MFN) treatment, we find the following: All in all, aggregated effects over all countries are rather muted while some specific countries face strong losses. Whereas bilateral exports of AGOA-eligible countries to the US decline by 3.7%, their total exports fall by only 0.1%, with real GDP remaining almost unaffected. Looking more closely, specific SSA countries would face high bilateral losses: The most substantial reduction of exports to the US occurs in Lesotho (-35%), Malawi (-25%) and Kenya (-16%), while welfare decline is the highest in Lesotho and Mauritius. The most affected sectors are sugar, wearing apparel, leather, dairy products, and beverages and tobacco.

The limited aggregate effects of a loss in trade preferences are mainly driven by relatively weak ties of SSA to the US and rather low US MFN tariff rates. This highlights the limited effectiveness of the AGOA preference scheme, indicating that its renewal should go hand in hand with a comprehensive modernisation of the programme. While the AGOA Renewal and Improvement Act of 2024 acknowledges this, it still falls short of modernising the programme in some key areas. To ensure long-term benefits for SSA economies, we recommend:

- A swift reauthorisation for a longer period, incorporating continuation provisions to reduce future uncertainty.
- More transparent and predictable eligibility reviews, with a possibility of partial exclusion for non-compliance, would also help mitigate uncertainty.
- Expansion of rules of origin, which is crucial for stimulating intra-continental trade and enhancing value addition within SSA.
- Widening the programme's scope by addressing, for example, digital trade, services, non-tariff measures, regulatory cooperation and investment facilitation.

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Introduction

As Trump begins his new term as US President, attention shifts toward policy issues, with the renewal of the African Growth and Opportunity Act (AGOA) being high on the agenda of African policymakers. The programme is considered the cornerstone of US economic engagement in Sub-Saharan Africa (SSA). The AGOA preferential programme, originally enacted in 2000, provides eligible SSA countries duty-free access to the US market for over 1,800 products. It was modernised in 2015 and extended for 10 years with an expiry in September 2025 without new legislation.

The election of President Trump increases uncertainty about the future of AGOA. As part of his "America First" approach, Trump announced that he would increase tariffs across the board, particularly against China. Despite bipartisan support for extending AGOA, as evidenced by a recent bill introduced in April 2024, questions remain about the programme's continuity given past developments and current events. These concerns are underscored by the expiration of another development-friendly US preference programme: the US Generalized System of Preferences (GSP).

The US GSP expired in December 2020 after previously being extended 14 times. Since 1974 it had provided duty-free access to 119 developing countries' exports. Since January 2021, the Most Favoured Nation (MFN) tariffs have been applied to previously GSP-eligible goods. Despite recent debates and attempts to revive the programme, an official reauthorisation has yet to be made.

For eligible SSA countries, AGOA expands the number of duty-free goods beyond those covered by GSP and relaxes certain legal requirements for importation under GSP, such as with respect to rules of origin. Moreover, AGOA beneficiaries continue to benefit from preferential treatment for more than 5,100 goods comprised in the now-expired GSP.

In 2024, 32 low and middle-income SSA countries passed the AGOA eligibility review, thus benefit from preferential access to the US market without any reciprocal trade concessions. In the past, Burkina Faso, the Central African Republic, Ethiopia, Gabon and Niger, among others, lost their AGOA eligibility, as reviews found violations of statutory requirements relating to economic, social, rule of law or political conditions.

This policy brief examines the potential impact of a scenario in which neither AGOA nor GSP are extended under the Trump administration. The findings offer important insights for policymakers, helping to assess the risks associated with ending development-friendly trade preferences and to evaluate AGOA's current effectiveness. The analysis is also relevant for policymakers globally to consider potential spillover effects. Moreover, the brief concludes with recommendations for enhancing AGOA's effectiveness, considering the provisions of the current extension bill. However, these recommendations can also serve as a broader blueprint for improving the effectiveness of other preference schemes, such as the EU's GSP set to expire in 2027.

Trade preferences for sustainable development

Non-reciprocal trade programmes with unilateral trade preferences like the US and EU GSPs and the EU's "Everything But Arms" (EBA) initiative aim to support developing countries' integration into global markets, promote export-led economic growth and reduce poverty. The AGOA programme was introduced amid the "aid versus trade" debate and emphasised strengthening the private sector to foster development in Africa.

Similar to the AGOA programme of the US, the EU provided additional tariff preferences for African, Caribbean and Pacific (ACP) countries on a geographical basis governed by the Cotonou Agreement. However, these arrangements must be extended regularly, could be retired by the granting nations at any time, and require a World Trade Organisation (WTO) waiver as they conflict with WTO principles of non-discrimination. To create a more stable trade environment, the EU replaced these uncertain preferences with asymmetrically

reciprocal trade agreements – the Economic Partnership Agreements (EPAs).

Today's challenges for low- and middle-income countries extend beyond tariffs as barriers to market access, especially given today's generally low MFN tariff levels. Instead, these countries often face hurdles such as insufficient productive capacity, inadequate infrastructure, unsustainable debt levels and limited integration into regional or global value chains. As a result, expectations for trade policies have broadened, prompting a shift from a narrow focus on tariff preferences to a more comprehensive approach that includes investment facilitation, regulatory issues and other supportive measures.

Beyond "classical" development challenges of fostering economic growth and reducing poverty, low and middle-income countries are often the most vulnerable to intensifying climate change, armed conflicts and pandemics. Trade can be a crucial tool to border sustainable development by enhancing food security, access to green technologies and the availability of medical goods. Likewise, in times of heightened geopolitical risk and the need for accelerated decarbonisation, low and middle-income countries are essential geo-economic partners. They are key in derisking value chains and providing critical raw materials and energy (intensive goods).

Research insights so far

In light of these evolving challenges for trade policy, the question arises: Are preferential trade programmes such as AGOA still important for beneficiary countries? AGOA shows a mixed track record. Studies found that the programme had rather limited success in increasing trade from SSA countries overall, with increases in beneficiaries' exports to the US, but with significant variation across countries and sectors (Tadesse, 2024). Moreover, its importance seems to be declining. While in 2008 over 80% of US imports from SSA countries used benefits from AGOA and GSP, the share greatly dropped to 24.7% in 2021 (UNCTAD, 2023).

Despite this, negative impacts from the expiry of AGOA are still anticipated. For instance, an ex-post econometric study by Edjigu et al. (2023) found that countries which lost their AGOA eligibility experienced, on average, a 39% drop in exports to the US, with high-utilisation countries facing declines of up to 65%. For South Africa, the largest AGOA exporter, Baskaran and Ramkolowan (2023) suggest a reduction of Gross Domestic Product (GDP) and total exports by around 0.1% if AGOA would end, while specific sectors like food and beverages, transport equipment, and textiles could see export declines exceeding 10%.

What if? Simulating the loss of US trade preferences

To understand the impact of a potential AGOA expiry, we analyse the loss of US trade preferences in the GTAP CGE model (Corong et al., 2017). This approach accounts for interactions among producers, households, and governments in multiple product markets and across different countries and regions of the world, while capturing the economy-wide responses to the policy shock. Given the importance of agriculture to many African countries, we extend the model by incorporating: (i) the Agro-Ecological Zone extension to model allocation decisions on land use (Lee, 2005), (ii) differentiated agricultural and non-agricultural households (Walmsley & Minor, 2013) and (iii) an expanded resolution for agricultural products (Britz, 2022).

The model is applied in the CGEBox (Britz & van der Mensbrugghe, 2018) using the most recent GTAP 11 database (Aguiar et al., 2022). Utilising the latest available year, 2017, as the benchmark year, our analysis aligns with AGOA eligibility as of that year. Thus, we include 38 AGOA-eligible countries and 56 countries with GSP preferences only.

We simulate two scenarios. First, we increase US tariffs to the 2017 weighted average MFN level based on ITC (2024) for the non-AGOA GSP beneficiaries due to the programme's expiry, which was still in force in our benchmark year

2017. There is no change in tariffs for AGOA-eligible countries in this first scenario since they continue to enjoy GSP preferences (hereafter, the term *GSP-eligible countries* refers to countries that are exclusively US GSP-eligible and not also AGOA-eligible). Second, we increase US tariffs to their respective MFN level additionally for AGOA countries, assuming the programme's expiry.

US GSP expiry

With the expiration of the US GSP, exports from GSP-eligible countries to the US decline considerably by 3.2%, equivalent to over $8.4 billion (Table 1). However, the overall reduction in their exports is only about $3.2 billion (−0.2%), as these countries increase exports to other regions due to trade diversion. While the discontinuation of the preference scheme leads to notable bilateral changes in export values, its impact on GDP and welfare is negligible.

On the US side, imports increase from all other regions without fully offsetting the losses resulting from higher tariffs, such that total US imports decrease by $2.6 billion (−0.1%). As a result, US households experience a welfare reduction of $5 per capita. Still using the US GSP preferences, AGOA countries see a very modest (0.3%) bilateral export increase to the US in this scenario, which is not relevant to their total exports.

Additional AGOA expiry

When both AGOA and GSP end, exports from AGOA-eligible countries to the US fall by 3.7% or $1.2 billion, relative to the benchmark. While this represents a measurable change, total exports from AGOA-eligible countries decline by only 0.1% or $510 million. Here, too, trade diversion mitigates some of the effects of the US tariff change.

These effects are comparable in relative terms to the effects of the US GSP expiry in the respective countries. For world trade, the effects of additional AGOA expiry are limited. In the scenario with only GSP expiry, world exports decrease by $3.1 billion (which is a negligible change in relative terms). Adding AGOA expiry reduces world exports by only an additional $400 million. The larger absolute changes due to GSP expiry are expected given GSP's broader coverage across countries and goods, as well as its larger share of total US imports.

While the aggregate impact of AGOA expiry on eligible countries is modest, Figure 1 highlights notable country-specific effects. In relative terms, Lesotho (−34.7% or −$169 million), Malawi (−24.7% or −$22 million), Kenya (−16.1% or −$208 million), Mauritius (−11.5% or −$102 million), Tanzania (−9.6% or −$33 million) and Ethiopia (−9.3% or −$57 million) experience the largest export declines to the US. South Africa undergoes the steepest absolute reduction of combined expiry, with exports to the US shrinking by $467 million (−4.8%).

Turning to overall exports to the world (Figure 1), the moderating effect of trade diversion from the US to other countries becomes apparent. For example, Lesotho is the hardest-hit exporter in relative terms among AGOA countries, with its exports reducing overall by 3.7% (−$47 million). This is followed by Madagascar (−1% or −$50 million) and Kenya (−0.9% or −$88 million), while South Africa faces the highest absolute export loss (−0.1% or −$188 million) considering total trade. These small relative changes translate into negligible effects on countries' real GDP, where a higher decline of 0.3% is found solely for Lesotho.

Table 1: Changes in trade values

Importer / *Exporter*	US		AGOA-eligible[1]		US GSP-eligible[2]		EU-27		China		Rest of the world		World	
Programme expiry	GSP	GSP + AGOA	GSP	GSP + AGOA	GSP	GSP + AGOA	GSP	GSP + AGOA	GSP	GSP + AGOA	GSP	GSP + AGOA	GSP	GSP + AGOA
World	-2.64 -0.1%	-2.91 -0.1%	+0.03 +0.0%	-0.66 -0.2%	-3.66 -0.2%	-3.59 -0.2%	+0.88 +0.0%	+1.00 +0.0%	+0.63 +0.0%	+0.74 +0.0%	+1.66 +0.0%	+1.93 +0.0%	-3.10 -0.0%	-3.50 -0.0%
AGOA-eligible	+0.09 +0.3%	-1.20 -3.7%	+0.00 +0.0%	+0.05 +0.1%	-0.13 -0.2%	+0.01 +0.0%	+0.01 +0.0%	+0.20 +0.3%	+0.01 +0.0%	+0.16 +0.2%	+0.01 +0.0%	+0.27 +0.3%	-0.01 -0.0%	-0.51 -0.1%
US GSP-eligible	-8.41 -3.2%	-8.25 -3.1%	+0.15 +0.3%	+0.01 +0.0%	+0.33 +0.1%	+0.32 +0.1%	+1.38 +0.3%	+1.37 +0.3%	+0.83 +0.3%	+0.83 +0.3%	+2.54 +0.3%	+2.54 +0.3%	-3.18 -0.2%	-3.18 -0.2%
US			-0.02 -0.1%	-0.06 -0.2%	-0.41 -0.2%	-0.42 -0.2%	-0.10 -0.0%	-0.11 -0.0%	-0.08 -0.0%	-0.09 -0.0%	-0.51 -0.0%	-0.54 -0.0%	-1.11 -0.0%	-1.20 -0.1%
EU-27	+1.06 +0.2%	+1.16 +0.2%	-0.02 -0.0%	-0.17 -0.2%	-0.69 -0.2%	-0.68 -0.2%	+0.02 +0.0%	+0.05 +0.0%	+0.06 +0.0%	+0.08 +0.0%	+0.15 +0.0%	+0.22 +0.0%	+0.58 +0.0%	+0.66 +0.0%
China	+1.24 +0.2%	+1.51 +0.3%	-0.05 -0.1%	-0.30 -0.4%	-0.83 -0.2%	-0.84 -0.2%	-0.15 -0.0%	-0.17 -0.0%	-0.02 -0.0%	-0.03 -0.0%	-0.33 -0.0%	-0.32 -0.0%	-0.13 -0.0%	-0.16 -0.0%
Rest of the world	+3.38 +0.2%	+3.87 +0.3%	-0.04 -0.0%	-0.20 -0.2%	-1.94 -0.2%	-1.98 -0.2%	-0.29 -0.0%	-0.35 -0.0%	-0.17 -0.0%	-0.21 -0.0%	-0.19 -0.0%	-0.24 -0.0%	+0.75 +0.0%	+0.89 +0.0%

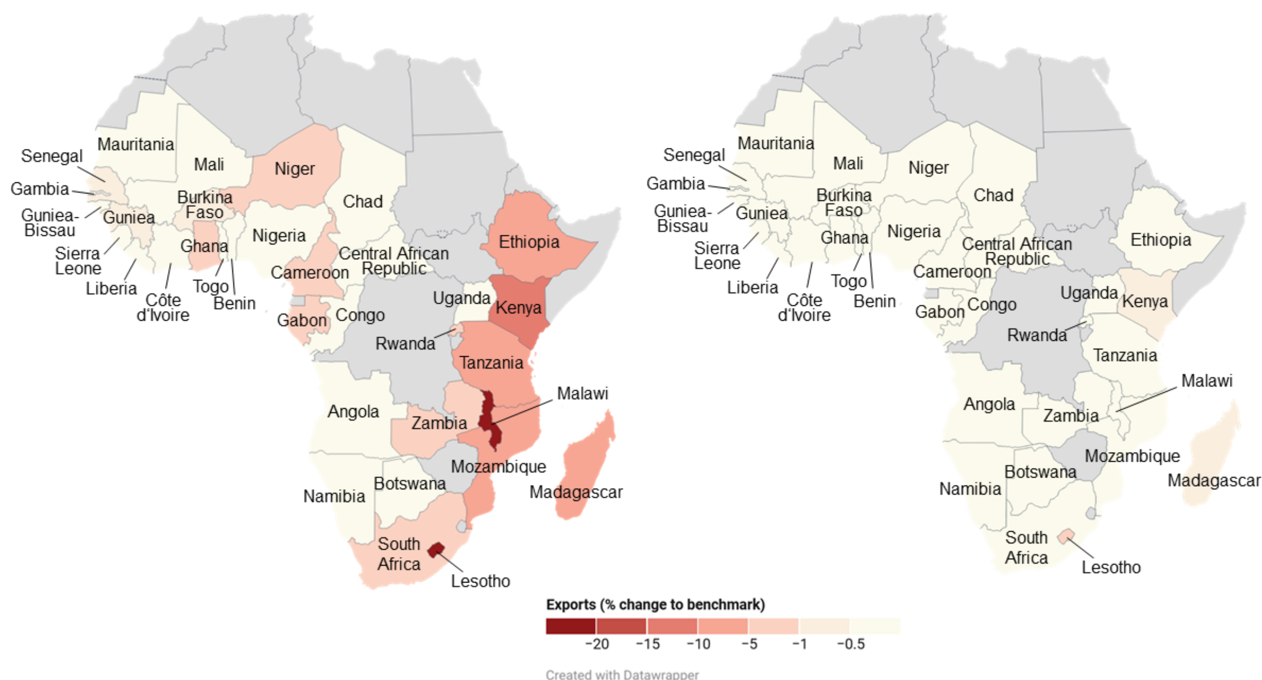
Notes: The upper value represents absolute changes of bilateral trade in billion 2017 dollars. The lower value represents corresponding relative changes against the benchmark with both preference programmes in force.

[1] Among AGOA-eligible countries we include Benin, Botswana, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Republic of Congo, Côte d'Ivoire, Ethiopia, Gabon, Ghana, Guinea, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, South Africa, United Republic of Tanzania, Togo, Uganda and Zambia as well as two GTAP rest regions (the Rest of South and Central Africa as well as the Rest of Western Africa) covering Angola, Sao Tome & Principe, Cabo Verde, the Gambia, Guinea-Bissau, Liberia, Mauritania and Sierra Leone.

[2] The US GSP-eligible group excludes countries that are eligible for AGOA. It includes Afghanistan, Albania, Armenia, Azerbaijan, Bolivia, Brazil, Algeria, Democratic Republic of the Congo, Eswatini, Ecuador, Egypt, Georgia, Indonesia, India, Iraq, Kazakhstan, Kyrgyzstan, Cambodia, Lebanon, Sri Lanka, Mongolia, Nepal, Pakistan, Philippines, Paraguay, Serbia, Thailand, Tunisia, Turkey, Ukraine, Uzbekistan and Zimbabwe as well as the following countries from GTAP rest regions: Burundi, Djibouti, Somalia, South Sudan, Eritrea, Cook Islands, Fiji, Niue, Pitcairn Islands, Papua New Guinea, Tokelau, Tonga, Kiribati, Solomon Islands, Tuvalu, Vanuatu, Samoa, Wallis and Futuna, Moldova, Bhutan, Maldives, Burma (Myanmar), Timor-Leste and Yemen. Djibouti is the only country that also had AGOA preferences, but it is part of the GTAP rest region that qualifies for GSP preferences.

Source: Authors

Figure 1: Export changes of AGOA-eligible countries to the US (left) and to the world (right) due to the expiry of GSP and AGOA



Note: Countries marked in grey were not eligible for AGOA preferences in 2017. The only exception is Djibouti, which was AGOA-eligible in 2017 but is not separately available in the GTAP dataset and, therefore, is not covered here.

Source: Authors

Where the reality is not so sweet

Looking at the sectoral composition, larger changes occur only in a few sectors. Sugar is the hardest hit commodity with a tariff increase of over 23 percentage points, resulting in a 61.6% or $44 million drop in sugar exports from AGOA-eligible countries to the US. There are also major reduction in bilateral exports in wearing apparel (−57.1% or −$695 million) and leather products (−42.1% or −$25 million). The two are affected by tariff hikes of 13 and 7 percentage points, respectively. Other sectors facing a significant reduction of bilateral exports are dairy products (−21.2% or −$3 million), beverages and tobacco (−19.4% or −$24 million), petroleum and coal products (−14.2% or −$34 million), and chemical products (−13.7% or −$92 million). This heterogeneity is even more pronounced at the country-level. One example is the decline in exports from the South African motor vehicle sector to the US by 9.8% or $123 million, which cannot be compensated by trade diversion. Turning to household welfare, Lesotho is most affected country with households losing over $28 per capita when both GSP and AGOA expire. Mauritius follows, with a $17 per capita loss for households. As agricultural production is particularly important for AGOA-eligible countries and several key agricultural sectors are among those losing, we also decompose households into agricultural and non-agricultural households. While for most countries this decomposition is not important, South African agricultural households lose over $5 per capita, compared to the lower losses for the aggregate household of $1 per capita. Overall household welfare remains largely unaffected due to the limited overall impact of GSP and AGOA expirations.

In summary, our simulation results indicate rather limited aggregate impacts of the change from duty-free to MFN treatment, with some notable adverse effects on specific sectors, households and countries. Our findings indicate limited effectiveness of the US non-reciprocal trade preferences as of 2017, with potential trade losses for SSA

countries upon GSP and AGOA expirations amounting to only $510 million or 0.1%. In its current format, AGOA falls short of achieving its broader policy objective of driving substantial export-led growth to support large-scale economic development in SSA.

Limited effectiveness

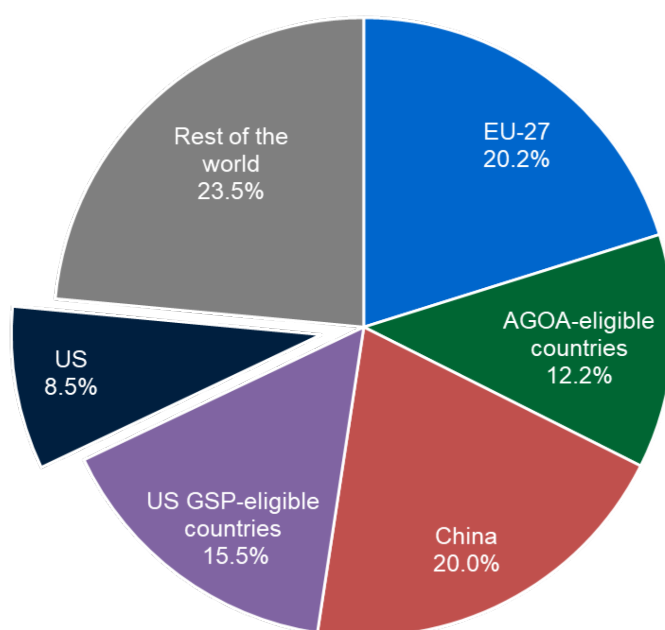
Why does the AGOA expiry have rather limited aggregate impacts? First of all, other trading partners became more important. Figure 2 shows that the exports of AGOA countries to the US accounted for only 8.5% in 2017. The EU, China and other AGOA and GSP-eligible countries are now more important markets.

Furthermore, fewer SSA exports to the US benefit from the programme compared to the past as utilisation rates dropped significantly according to UNCTAD (2023). UNCTAD data also show that the uptake of AGOA benefits varies significantly by country. However, it is doubtful that low utilisation is only an outcome of too few or not fully implemented utilisation strategies. It is also evidence of limited AGOA attractiveness in beneficiary countries.

One reason may be the generally low US MFN rates. The simple average US MFN rate in 2017 was 3.3%. Over 76% of all tariff lines have rates under 5%, with notable exceptions for sectors like sugar, tobacco, wearing apparel, and dairy products. As a result, the preferential margin is small and may not justify the costs of adhering to the rules of origin with its high value-added requirement making it harder to integrate into value chains. This could change with the imposition of Trump-era tariffs, potentially making AGOA preferences more attractive and thus effective. However, Trump's announcements about increasing MFN rates globally also cast doubt on whether his administration will be interested in extending AGOA.

Beyond low MFN tariffs, high uncertainty surrounds AGOA benefits and lowers its attractiveness. Whenever the programme nears expiry, the short-term planning horizon negatively impacts investment and supply chain decisions. Additionally, nine countries have lost AGOA eligibility since 2020. With the ongoing risk of removal and immediate loss of all preferences – alongside complaints about the lack of transparency for eligibility review – uncertainty is further heightened.

Figure 2: Export destination shares of AGOA-eligible countries in 2017



Source: Authors' calculation based on Aguiar et al. (2022).

AGOA at a crossroads: revamp or retire?

Given the presented results, we argue that AGOA in its current form is overall of limited effectiveness. A mere continuation of the status quo offers only limited upsides. Thus, retiring the programme and redirecting efforts toward other approaches, such as bilateral FTAs or even a broad Africa-US trade agreement, might be a more attractive option. While a broad-based Africa-US agreement, in whatever form is achieved, is attractive because it could modernise trade relations and include more policy areas, negotiations on such an agreement would take a long time and the need for a rapid AGOA extension remains.

Ending AGOA would also generate indirect negative effects, including lower foreign direct investment, weakened supply chain integration, increased unemployment, or even setbacks in areas such as human rights and good governance, which are incentivised for countries to achieve or retain eligibility. Additionally, the trade capacity-building support currently provided by the US within the AGOA framework would be at risk. All of this could ultimately exacerbate poverty levels across SSA. As illustrated by Olekseyuk and Rodarte (2019), even small losses in trade preferences can sharply increase poverty. For example, losing EBA access to the UK market could push up to 1.7 million people into extreme poverty. Therefore, a revamped AGOA that tackles its current weaknesses, especially regarding the certainty of preferences, is essential. Modernising the programme could become a significant accelerator of supporting African export-led growth. This is particularly true if MFN tariffs were to increase.

The suggested AGOA renewal bill (Coons & Risch, 2024) recognises the need to update and improve the programme. Proposed changes include extending AGOA for 16 years until 2041 and shifting eligibility reviews to every two years instead of annually. The bill introduces options beyond full termination if a country fails to meet eligibility criteria, such as suspending benefits for specific products or issuing warnings that provide a year for corrective action. It also seeks to enhance transparency around eligibility criteria, suspension processes and reinstatements. To support the African Free Continental Trade Area (AfCFTA), the bill proposes allowing AfCFTA member inputs to count toward the 35% local value-creation requirement stated in the AGOA rules of origin regulations. It also provides for a smoother transition for countries graduating from AGOA when reaching high income status. The bill would link trade capacity assistance to the effective execution of AGOA utilisation strategies and calls for a study on whether the range of eligible goods should be expanded.

The proposal already includes valuable amendments to the current framework, yet it still falls short in modernising the programme in some key areas. Below, we present recommendations for ongoing discussions that align with today's trade priorities, aiming to ensure long-term benefits for SSA economies.

Recommendations for an effective AGOA extension

- ***Increase long-term certainty***
  A **swift extension** of the programme is crucial. Investment and value chain decisions are taken well in advance. Continued uncertainty on the programme's future diminishes its effectiveness, even if it were prolonged at a later stage. Moreover, the extension bill should consider continuation provisions to prevent a similar situation when the next expiry is approaching.

  Enacting a **longer extension** of the programme would also provide much-needed stability and encourage investors to engage in long-term commitments. The current proposal to extend AGOA for 16 years is a good starting point.

  Similarly, **more transparent and predictable eligibility reviews** would reduce the programme's uncertainty. Proposed options, such as allowing for partial exclusion due to non-compliance and less frequent reviews, are a

sound way forward, especially as past exclusions rarely had the desired political impact.

- ***Expand rules of origin***
  AGOA's current rules of origin mandate that at least 35% of value-added must originate within the beneficiary country and regional cumulation is only allowed with other AGOA countries. In today's globalised value chains, fewer exports from AGOA countries meet this threshold. **More generous rules of origin** should reflect the new reality of global trade to increase exports benefiting from AGOA and to foster SSA's integration into global value chains.

  One viable approach, also featured in the proposed renewal bill, is to align AGOA's rules of origin with those included in the **AfCFTA**. This AfCFTA cumulation would support Africa's regional integration, stimulate intra-continental trade and encourage greater value addition within Africa before exporting beyond the continent.

- ***Widen the scope***
  A renewal of AGOA also provides an opportunity to address increasingly important trade issues, such as **digital trade and services**. The programme could enhance cooperation on regulatory issues to address the growing significance of digitalisation and services for economic growth in SSA. By including these sectors, AGOA could support a more diversified and forward-looking economic partnership.

  Moreover, today's barriers to market access are increasingly driven by Non-Tariff Measures (NTMs) rather than tariffs. AGOA should **address the growing relevance of NTMs**, consider measures to improve standards compliance and support capacity-building initiatives in SSA countries. This would also help facilitate foreign direct investment for promoting long-term economic growth and development in the region.

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