

# Sub-Saharan Africa Trade Relations

## Sub-Saharan Africa Expected to See Growth in 2023 Amid Global Uncertainty

- Sub-Saharan Africa will be 25% of the world's population by 2050.
- Sub-Saharan Africa is home to the world's second largest rainforest and 30% of the world's critical minerals.
- California exported \$705 million to the region in 2021.

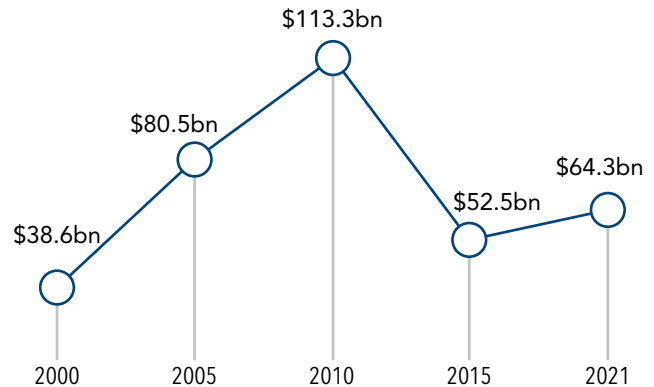
The World Trade Organization (WTO) reported in October 2022 that the sub-Saharan African region has exceeded expectations with 6% growth projected for the year, the second strongest export growth of the WTO regions. Sub-Saharan Africa has proven resilient amid the global uncertainty of the last year; high commodity prices inflating export revenues have allowed the region to import more. As a result, Africa also has had the third fastest trade volume growth in imports, amounting to 7.2% as of October 2022. In 2023, the WTO predicts real gross domestic product (GDP) to grow in the region by 3.6%, with imports seeing a 5.7% growth.

### AFRICAN GROWTH AND OPPORTUNITY ACT

The African Growth and Opportunity Act (AGOA) is a trade preference program, enacted in 2000, that has been the model behind U.S.-African trade and investment since. The AGOA provides duty-free entry into the United States for almost all African products. This has helped to expand and diversify African exports to the United States. In 2015, the U.S. Congress renewed AGOA through 2025.

The Act embodies a trade and investment-centered approach to development. Enactment of the AGOA has stimulated the growth of the African private sector and provided incentives for further reform. The AGOA is aimed at transforming the relationship between the United States and sub-Saharan Africa away from aid dependence to enhanced commerce by providing commercial incentives to encourage bilateral trade. Since 2000, AGOA has helped increase U.S. two-way trade with sub-Saharan Africa.

### TWO-WAY TRADE IN GOODS BETWEEN UNITED STATES AND AFRICA



Source: U.S. International Trade Commission; U.S. Department of Commerce.

As of January 2022, Ethiopia, Guinea and Mali were removed as beneficiaries under AGOA because the Biden administration identified the countries as falling out of compliance. In November 2022, the Biden administration announced the termination of Burkina Faso as a beneficiary under AGOA, to take effect on January 1, 2023.

### AFRICAN CONTINENTAL FREE TRADE AREA

The African Continental Free Trade Area (AfCFTA) was brokered by the African Union in 2018, with the pan-African free trade zone taking effect on January 1, 2021.

The AfCFTA will have far-reaching benefits for the region, representing the opportunity for countries in sub-Saharan Africa to boost long-term economic growth, reduce poverty and broaden economic inclusion. The AfCFTA creates the largest free trade area in the world by area and number of participating countries, connecting more than 1.3 billion people across 54 countries with a total GDP of \$3.4 trillion. As of November 2022, 54 of the 55 African Union member states have signed the AfCFTA agreement and 44 have deposited their instrument of ratification.

Supporters hope that the agreement will lift 30 million people out of extreme poverty and boost income in Africa by

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\$450 billion by 2035, a 7% gain. Over the next 5 to 10 years, 90% of tariffs for goods traded within the bloc will be liberalized. Intra-African trade is only a small portion of all African trade, making up about 15%–18%. According to the International Monetary Fund, eliminating tariffs could boost trade in the region by 15% to 20%. The World Economic Forum estimates AfCFTA will allow the area to generate \$4 trillion in investments and goods/services transactions.

### U.S.-KENYA TRADE AGREEMENT

On March 17, 2020 following the procedures laid out in the Trade Promotion Authority (TPA), the Trump administration notified Congress of the intent to enter into negotiations for a U.S.-Kenya trade agreement.

A trade agreement between the United States and Kenya would be the first between the United States and a sub-Saharan African country and would complement Africa's regional integration efforts, which include the landmark AfCFTA.

From its location on the eastern coast of Africa, Kenya serves as a gateway to the region and a major commercial hub that can provide opportunities for U.S. consumers, businesses, farmers, ranchers and workers. Kenya receives benefits under the AGOA with the objective of expanding U.S. trade and investment with sub-Saharan Africa, to stimulate economic growth, to encourage economic integration, and to facilitate sub-Saharan Africa's integration into the global economy.

In July 2022, the Biden administration launched the U.S.-Kenya Strategic Trade and Investment Partnership (STIP) to take the place of the U.S.-Kenya Free Trade Agreement that never materialized. The new STIP agreement will pursue high standard commitments on a wide range of subjects to increase investment and promote sustainable and inclusive economic growth.

U.S.-Kenya bilateral trade currently exceeds \$1.24 billion annually. In 2021, U.S. exports to Kenya totaled \$562 million, while imports into the United States from Kenya totaled \$685 million. Apparel manufacturing product imports into the United States made up almost 65.5% of the total. California is the second largest exporting state and the largest importing state of Kenyan goods, with exports totaling \$32 million in 2021. Imports to California from Kenya totaled \$85 million, with agricultural products making up almost 50% of the total.

### U.S. STRATEGY TOWARD SUB-SAHARA AFRICA

In August 2022, the Biden administration announced the new U.S. Strategy Toward Sub-Saharan Africa to reframe the importance of the region to U.S. national security interests. The strategy aims to advance U.S. priorities together with regional partners over the next five years outlining four objectives: foster openness and open societies; deliver democratic and security dividends; advance pandemic recovery and economic opportunity; and support conservation, climate adaptation and a just energy transition.

### U.S.-AFRICA LEADERS SUMMIT 2022

The Biden administration hosted leaders from across the African continent in December 2022 in Washington, D.C. to demonstrate the United States' enduring commitment to the region, with goals that include building on shared values and fostering new economic engagement. All 50 invited delegations, representing 49 countries and the African Union, attended.

### U.S.-AFRICA POLICY TOOLS

- **Power Africa** aims to add more than 30,000 megawatts of cleaner, more efficient electricity generation capacity and 60 million new home/business connections through private-public partnerships.
- **Millennium Challenge Corporation (MCC)** provides large grants (in the hundreds of millions of dollars) to promote economic growth, reduce poverty and strengthen institutions.
- **The U.S. International Development Finance Corporation (DFC)** replaced the Overseas Private Investment Corp. in 2021 and has an expanded mandate and greater resources. The DFC marked its largest fiscal year in 2022 with \$7.4 billion committed to address the world's greatest challenges.
- **Prosper Africa** is a one-stop shop to facilitate increased trade and investment between U.S. and African businesses.

### AGENDA 2063

Agenda 2063 is Africa's blueprint and master plan for transforming itself into the global powerhouse of the future. AfCFTA is one of the flagship projects. Agenda 2063 has been described as "a concrete manifestation of the pan-African drive for unity, self-determination, freedom, progress and collective prosperity pursued under Pan-Africanism and African Renaissance."

In affirming their commitment to Agenda 2063, African leaders called for reprioritizing Africa's agenda from the struggle against apartheid and attaining political independence for the continent, to inclusive social and economic development, continental and regional integration, democratic governance, and peace and security, among other issues.

In February 2022, the African Union released the Second Continental Report on the Implementation of Agenda 2063 marking progress made thus far, noting the continent performed strongly, making progress since 2019.

#### ANTICIPATED ACTION

It is hoped that the Biden administration will continue with negotiations for a U.S.-Kenya Strategic Trade and Investment Partnership, and that the African Continental Free Trade Area will continue to reap benefits for the region.

#### CALCHAMBER POSITION

The California Chamber of Commerce believes that it is in the mutual economic interest of the United States and sub-Saharan Africa to promote stable and sustainable economic growth and development in sub-Saharan Africa and that this growth depends in large measure upon the development of a receptive environment for trade and investment.

The CalChamber is supportive of the United States seeking to facilitate market-led economic growth in, and thereby the social and economic development of, the countries of sub-Saharan Africa.

In particular, the CalChamber is supportive of the United States seeking to assist sub-Saharan African countries, and the private sector in those countries, to achieve economic self-reliance.



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