

African exports face immediate damage from lapse of US trade initiative

The lapse of a flagship US trade initiative with Africa that expired overnight is putting so of businesses on the continent and hundreds of thousands of jobs at risk, raising fears even a promised extension may come too late.



Source: Reuters.

There is bipartisan support in Washington for a renewal of the African Growth and Opportunity Act (Agoa), which waived US duties on thousands of goods from sub-Saharan African countries for the past 25 years.

But companies that invested in factories and farms to take advantage of duty-free access say even a temporary lapse will harm operations they built over many years, especially as they already face country-specific tariffs Trump imposed in August.

Pankaj Bedi, chairman of Nairobi-based apparel company United Aryan, which supplies Target and Walmart, predicted some immediate layoffs as tariffs as high as a third of the value of textiles exports snap back into place.

"Companies do not have the sustainability to take any kind of losses," Bedi noted.

He said some "responsible buyers" have agreed to absorb temporary losses in hopes that Agoa will be renewed retroactively but that if an extension is not agreed by November, "such support will no longer be possible".

Fears China will 'take our place'

In 2023, the last year for which data is available, Africa exported \$9.7bn in goods to the US under the pact. Hundreds of thousands of African jobs are estimated to depend on it.

Some analyses question the initiative's effectiveness, noting beneficiary countries' share of US imports has fallen since it was enacted in 2000, but it continues to enjoy political support.

Republican and Democratic lawmakers describe it as a pillar of US diplomatic relations and a counterweight to Africa's main trade partner, China, which announced in June it would remove all tariffs on 53 out of 54 African states.

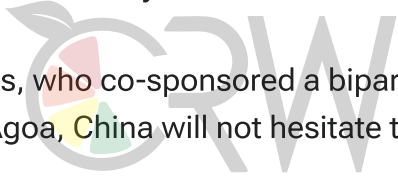
Adrian Smith, a Republican on the House Ways and Means Committee that oversees Agoa, noted the law countered China's influence, and demonstrated "America's commitment to Africa's young, growing population".



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The US Chamber of Commerce also told Congress in a letter last month that renewal would encourage businesses to diversify supply chains away from China.

Democratic Senator Chris Coons, who co-sponsored a bipartisan bill in 2024 to extend it by 16 years, said: "If we fail to re-authorise Agoa, China will not hesitate to take our place."



That bill, however, was overshadowed by other priorities in the final months of Joe Biden's Democratic administration, while the Trump administration has focused on leveraging tariffs in bilateral trade deals, raising doubts about the pact's future.



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Attaching a renewal proposal to other legislation would be the fastest way to secure an extension, but the Trump administration has opposed adding "extraneous" provisions to larger bills, according to sources involved in the discussions.

The administration, after a long silence on the matter, said this week it supported a one-year extension.

Responding to questions about Agoa, the White House said it backed a temporary extension, with elaborating. The Office of the US Trade Representative did not respond to requests for comment.

For some countries, Trump tariffs negate much of Agoa impact

The bilateral US tariffs in place since August mean the impact of Agoa will vary highly from country to country.

For example, South Africa, the continent's most advanced economy accounting for half of exports under Agoa, was hit with a 30% across-the-board tariff. That means that even with the pact's waiver, many goods - especially wine, citrus and cars - became too expensive to export to the US, rendering a renewal a moot point.

"These tariffs have pretty much changed the narrative completely," said Maryna Calow, Wines of South Africa spokesperson. She said the industry was now looking to increase sales to Canada to exploit a 25% retaliatory tariff the country has placed on the US, as well as to China and Japan.

For automakers, export volumes to the United States have tumbled by 83% so far this year, National Association of Automobile Manufacturers of South Africa chief economist Paulina Mamogobo said.

"Any benefits the industry previously derived from Agoa have essentially been nullified," she said.

However, for countries such as Kenya, which has the minimum 10% tariff, or Madagascar and Mauritius, which have 15%, otherwise exportable goods become unprofitable without Agoa, jeopardising tens of thousands of jobs.

In aggregate, Agoa is projected to have limited mitigating effect on Trump's tariffs, data from the backed International Trade Centre shows.

An ITC analysis shows that without Agoa bilateral tariffs will slash exports from the 32 Agoa-eligible countries to the US by 8.7% by 2029, a figure which only decreases to 8% with the pact back in place.

Moreover, experts say Agoa needs major reforms to live up to its promise. Some companies flag the requirement that eligible countries be re-certified each year as a source of uncertainty that deters long-term investments.

"The question for me is not whether Agoa should be simply renewed," said Aude Darnal, a research fellow on US foreign policy. "It's ... what are the steps that are being taken to actually address the challenges?"

