Rock, Paper, Scissors: Navigating the Policy Trilemma between AGOA, Global Value Chains, and the AfCFTA

By:

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In 2000, the African Growth and Opportunity Act (AGOA) was enacted with a bold promise to serve as the bridge connecting Sub-Saharan Africa (SSA) to the U.S. market. AGOA was designed to offer unilateral, duty – free access to over 1800 products in the U.S., in addition to the more than 5,000 products that are also eligible for duty-free access under the Generalized System of Preferences (GSP) program, to catalyze export-led growth, attract foreign direct investment and accelerate industrialization across Africa. As AGOA was set to lapse in 2025 and following several negotiations for the Agreement's extension to December 2028, today the verdict is mixed, and the economic landscape tells a complicated story.

In 2015, AGOA was first renewed for a decade to 30 September 2025; where negotiations for another renewal resulted in a year's short-term extension to December 2026, and a subsequent extension granted to December 2028. While the extensions are welcome reprieves, legal and economic scholarship on trade law argue that AGOA will keep locking Africa in a game theory loop much like the classic game of Rock, Paper, Scissors; where optimizing for U.S. market unilateral preference actively undermines regional economic integration in Africa. Landé and Matanda warn that the one-way, non-negotiated character of the preferences, preserved through the 2015 renewal, leaves Africa negotiating from a position of dependence rather than partnership, while Kategekwa's verdict after seventeen years is blunter still: the utilization rate remains marginal, the export basket remains undifferentiated, and extensions of AGOA in and of themselves are not the solution for the continent's economic development.

Besides this, even in a situation where AGOA is renewed for a longer term, as sought by the African Ministers, SSA's have statistically demonstrated that specific sectors, notably low-margin textile and apparel in East Africa, have experienced localized growth, and the broader continent continues to overlook diversification of its export basket and fail to achieve deep industrialization. In this blog, I argue that the question before African policymakers is no longer whether AGOA is renewed, but what the repeated cycle of lapse and extension reveals: that a unilateral preference regime, however long its runway, cannot substitute for the regional integration, rules-of-origin harmonization, and mid-stream industrial capabilities that only Africans can build for themselves. The runway to 2028 should therefore be treated not as another reprieve, but as a deadline for strategic repositioning toward the AfCFTA and a reciprocal, rules-based U.S. – Africa relationship.

The Policy Trilemma and the Non-transitive Anatomy of AGOA

AGOA's promise rests on a linear theory of change: preferential market access attracts foreign investment, by mitigating the risk and uncertainty that deter investors from establishing production in the region; investment connects local producers to global supply chains; and these global linkages eventually deepen regional industrial capacity. Under AGOA, however, this linearity collapses into a non-transitive loop where optimizing for one vector erodes the other two. Like the cyclic dominance of rock, paper, scissors, each corner of the policy triangle defeats and is defeated by the others - in one corner, securing preferential access to the U.S. market pulls national focus away from building regional markets; in another corner, integrating into global supply chains requires importing specialized intermediate inputs that frequently violate AGOA's origin requirements, effectively undermining that tariff access; while regionally integrated sourcing built on local inputs is undercut by cheap global suppliers. This record confirms the loop. As Hoppe and Brenton conclude in their World Bank assessment, 'while stimulating export diversification in a few countries, AGOA has fallen short of the potential impetus that preferences could otherwise provide African exporters.'

AGOA Unilateral Preferences vs. Regional Integration

To understand U.S. - Africa trade, one must begin with the core architecture of AGOA: a unilateral preference framework built on non-reciprocal, duty-free access for eligible products from designated Sub-Saharan states. This setup bypasses standard Most-Favored-Nation (MFN) treatment - the baseline, non-discriminatory tariffs applied under World Trade Organization (WTO) rules. The non-reciprocal nature of AGOA means trade flows on a one-way street: the U.S. grants tariff-free access without requiring African nations to lower their own tariffs on U.S. imports.

However, this one-way access comes with significant structural costs. To qualify, beneficiary states must comply with strict criteria set unilaterally by Washington, spanning governance, market-based policies, and human rights. Tying market access to annual eligibility reviews creates a constant threat of regulatory fragility and sudden market exclusion. Major beneficiaries, including Ethiopia, Uganda, Gabon, Niger, and the Central African Republic, have seen their AGOA access revoked following political shifts or trade disputes, resulting in the rapid collapse of established domestic industrial ecosystems.

Furthermore, AGOA incentivized African economies to construct isolated, hub-and-spoke export corridors directed almost exclusively toward North America. Kenya exemplifies the dependence: its exports to the U.S. under AGOA were valued at approximately US$450 million (KES 60.6 billion) in 2024, over 70 percent of its textile and apparel exports are bound for the U.S. market, and the sector sustains more than 75,000 workers in export processing zones, an industrial base whose demand structure points at a single external market.

By prioritizing unilateral U.S. compliance over cross-border harmonization, industrial zones were engineered to feed external demand rather than trade with immediate geographic neighbors, fragmenting regional initiatives and reinforcing Africa's historical economic isolation. In fact, in Kenya, the principal AGOA beneficiary sector saw over 90 percent of textile exports destined for the U.S., sustaining roughly 58,000 direct jobs, primarily held by women in export processing zones, an industrial base whose entire demand structure pointed at a single external market.

Global Supply Chains vs. AGOA Preferences and *Vice Versa*

The conflict between global value chains and AGOA preferences is embedded directly in the technical mechanics of AGOA's Rules of Origin (RoO). Rules of Origin dictate whether a product originates within a beneficiary country or contains disallowed foreign content subject to standard MFN tariffs. Under AGOA's baseline rule, an export qualifies for duty-free treatment only if at least 35% of its appraised export value consists of direct processing costs or materials originating in beneficiary SSA countries.

In modern manufacturing, creating 35% local value addition during basic assembly is exceptionally difficult. Competitive manufacturing requires importing specialized intermediate inputs, such as synthetic yarns, precision components, or advanced machinery, from primary industrial hubs in Asia or Europe. Integrating these low-cost global inputs directly conflicts with AGOA's strict origin and substantial transformation rules.

To address this in light manufacturing, AGOA incorporated the Third-Country Fabric (TCF) derogation. Under standard "yarn-forward" rules, apparel must be produced from yarn and fabric formed entirely within an AGOA beneficiary state or the U.S. In contrast, the Third-Country Fabric provision granted less-developed countries a special exemption, permitting them to import raw yarn and woven fabric from any global source, such as Taiwan or Vietnam and perform only the final cutting and sewing locally while retaining duty-free export status to North America. While export volumes soared in Ethiopia, Kenya, Lesotho, and Madagascar under the TCF derogation, the underlying industrialization remained shallow. Garment facilities function primarily as pass-through "cut-make-trim" assembly hubs, or as Kategekwa describes them, 'stitching hub(s) at the lower end of global production lines'. Stitching Asian fabrics together for North American consumers bypassed local value addition, leaving spinning mills, weaving infrastructure, and synthetic fabric plants unbuilt. Later, as many would applaud the special derogation, it invited the critical question: how has AGOA benefitted African countries, and who are the true beneficiaries of AGOA?

This lack of supply-chain depth stems from treating tariff elimination alone as a silver bullet for development, without providing the structural mechanisms needed to de-risk large-scale, long-term investments. Building modern manufacturing requires substantial private capital, insurance mechanisms, and technical assistance. Historically, U.S. initiatives like the U.S. Agency for International Development (USAID) and the Millennium Challenge Corporation (MCC), targeted localized infrastructure to open African markets rather than scale industrial output. It is only recently, through megaprojects like the Lobito Corridor, that U.S. policy has begun attempting to build the connectivity required to supercharge regional value chains.

Ultimately, the regulatory fragility embedded in AGOA's annual review mechanism acts as a structural disincentive to capital accumulation; fostering short-term assembly operations rather than multi-decade industrial development.

Regional Integration vs. Global Supply Chains

Because AGOA opened U.S. preferences to dozens of African nations simultaneously without requiring regional integration, it created a strategic environment defined by intra-regional competitive friction. In this environment, beneficiary states find themselves competing against one another for identical apparel or light manufacturing contracts. If a country chooses to prioritize regional cooperation, for instance, by insisting on sourcing higher-cost regional inputs to build shared industrial depth, it risks losing immediate buyer volume to a neighboring country that undercuts it.

For instance, the 2016 East African Community (EAC) plan to phase out second-hand clothing imports shows the mechanism at work. The ban was a coordinated regional industrial policy, adopted jointly by the EAC member states to rebuild domestic textile capacity; AGOA's eligibility machinery converted it into a bilateral compliance question, and the coordination collapsed in sequence. Kenya withdrew its proposed ban and reversed tariff increases to protect its apparel exports; Tanzania and Uganda committed not to implement the ban; and Rwanda, standing alone, saw its duty-free apparel access suspended in 2018, with analysts warning that continued AGOA access had tilted the playing field toward defecting neighbors and would pull firms across the border.

Consequently, the dominant individual choice for each nation becomes undercutting its neighbors by offering lower wage floors, deeper tax concessions, or isolated free zones. This collective dynamic trigger a race to the bottom, leaving all participating states trapped in low-margin assembly with minimal technology transfer or domestic capacity building. Kenya's experience with second-hand clothing illustrates the parallel undercutting by cheap external inputs. Being Africa's largest *mitumba* (Swahili for second-hand clothing) importer at nearly 180,000 tons in 2022, Kenya has seen its own trade policy blame the inflow for the collapse of a textile sector that once employed over 200,000 workers. When individual African states remain dependent on cheap external imports to supply basic assembly operations, local manufacturers are routinely undercut. As long as national trade policies prioritize quick integration into global supply chains over long-term regional sourcing, intra-continental supply chains remain uncompetitive, and consolidation is the only durable exit from that incentive structure.

Consolidating regional markets through the African Continental Free Trade Area (AfCFTA) is vital for creating an African-led commerce. According to Davis in *The AGOA and the AfCFTA*, a single African market would allow an investor in one African country to sell to, or invest in, the entire continental market, making Africa a substantially more attractive destination for market-seeking foreign direct investment, with the GDP gains the AfCFTA is expected to generate compounding that attractiveness. The same consolidation would ease frictions that currently penalize continental production, since harmonized rules of origin and coordinated disciplines on non-tariff measures such as sanitary and phytosanitary standards would make it easier for foreign firms to trade with, and source from, African suppliers rather than bypassing them. These are not only defensive gains; Davis's modeling shows the AfCFTA would more than offset the losses Africa is projected to suffer from the mega-regional agreements reshaping world trade, with the offsetting export gains concentrated in industry.

However, consolidation is a necessary than sufficient condition. Davis' analysis of AGOA's utilization record demonstrates that market access alone does not move exports where productive capacity is absent, since binding constraints on the capacity side, and on production inputs for selected sectors, have limited what beneficiaries can supply. Building integrated regional value chains therefore, still requires developing domestic processing and intermediary capabilities, access to capital, and diversification investments across the continent, with the lesson of the AGOA years being that – countries that diagnosed and targeted those binding constraints systematically outperformed those that did not.

Escaping the Game: From Preference to Reciprocity

To exit this non-transitive loop, African trade policy must pivot away from a paradigm of unilateral preference dependence, characterized by isolated hub-and-spoke export corridors, annual eligibility shocks, and low-margin assembly. The costs of that dependence are no longer hypothetical: the 2025 lapse produced rising import costs, congested supply routes, rising freight prices, and currency volatility across the continent, reversing momentum in the building of resilient African value chains. Ultimately, the continent must move toward a reciprocal integration architecture built on enforceable rules-based agreements and integrated regional supply networks.

The implementation of the AfCFTA offers the primary mechanism to break this cycle. By consolidating 55 fragmented national markets into a single trading bloc of 1.3 billion people, with a combined GDP of US$3.4 trillion, African economies can create internal economies of scale that reduce structural vulnerability to external trade preferences. Moving from passive preference-receivers to unified trade negotiators requires executing three core policy imperatives:

First, harmonizing regional rules of origin: To prevent external value chains from undercutting regional industrialization, the AfCFTA must enforce clear, pragmatic rules of origin that incentivize cumulative origin across African borders. Intermediate inputs produced in one African state must integrate seamlessly into finished goods in another without facing administrative tariffs.

Second, Africa must shift from preference to reciprocal Free Trade Agreements (FTAs): As negotiations around the future of post-AGOA trade evolve, African trade teams must leverage their collective market weight under the AfCFTA to negotiate binding, reciprocal agreements that guarantee multi-decade regulatory stability for investors. The alternative, country-by-country bargaining under tariff pressure, is already visible, with the U.S. pursuing transactional bilateral deals that exploit the asymmetrical bargaining power between it and any single African state, a dynamic some analysts warn will deepen inequality.

Third, Africa must prioritize mid-stream regional value chains: Industrial policy must focus on intermediate manufacturing, such as textile weaving, metal refining, chemical processing, and machinery component production. Securing these mid-stream linkages within the continent satisfies both regional integration objectives and global export standards. Contemporary Kenyan analysis reaches the same conclusion from practice: the loss of preferential access should push Kenya to shift from exporting raw or semi-processed goods to higher value-added products, and to strengthen intra-African trade under the AfCFTA, not as a replacement for the U.S. market but as strategic diversification of export destinations.

By utilizing the AfCFTA to aggregate regional supply networks, African economies can break free from the structural traps of the past two decades, transforming from preference-dependent exporters into strategic trade partners capable of shaping the global economic agenda.

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