

Review

# The Impacts of the African Growth Opportunity Act on the Economic Performances of Sub-Saharan African Countries: A Comprehensive Review

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**Abstract:** The African Growth Opportunity Act (AGOA) has been a crucial trade and development initiative, offering preferential access to qualified Sub-Saharan African (SSA) countries to the United States market since its enactment in 2000. This paper presents a comprehensive review of scholarly articles and policy reports that analyze the impact of AGOA on the economic performance of SSA countries. Employing various econometric methods and data analysis techniques, researchers have investigated the effects of AGOA on trade flows, foreign direct investment (FDI) inflows, employment, economic growth, and poverty levels. The findings reveal that AGOA has positively affected the region's trade, particularly in apparel, textiles, and agriculture. However, its influence on promoting export diversification and attracting FDI is nuanced, with substantial heterogeneity among the beneficiary countries and industries within each country. While some SSA countries have experienced substantial export growth and FDI inflows, others have not fully leveraged the benefits of AGOA due to absorptive capacity constraints and governance challenges. AGOA's effectiveness in promoting broad-based employment, GDP growth, and poverty reduction remains an active area of inquiry, necessitating further research to understand the policy's sustained impact and inform future trade policy designs for SSA countries.

**Keywords:** AGOA; trade; exports; investment; economic growth



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## 1. Introduction

Signed into law by the United States in May 2000, the African Growth Opportunity Act (AGOA) provides qualifying Sub-Saharan African (SSA) countries preferential duty- and quota-free access to the United States market [1]. The AGOA aims to stimulate the economic growth of the beneficiary countries through increased trade and investments by eliminating import tariffs on over 6500 products, including textiles, apparel, footwear, processed agricultural goods, minerals, and motor vehicle components [2]. As such, it can be argued that the AGOA represents a historic piece of non-reciprocal trade legislation.

Eligibility to participate is based on each SSA country's progress in establishing a market-based economy, implementing the rule of law, combating corruption, and devising policies to reduce poverty. Subject to these criteria, the decision to authorize each SSA country's utilization of AGOA preferences is at the discretion of the US president every year. Since its inception, over 40 SSA countries have qualified for AGOA with annual variation. As of 2024, 39 SSA countries are designated beneficiaries. The legislation was initially approved for eight years but has since been extended to 2025 through a series of renewals, most recently with the AGOA and MCA Modernization Act enacted in June 2020 [2].

A cursory review of US trade with AGOA-eligible SSA countries since AGOA's inception indicates that the US imported \$791 billion worth of goods, averaging \$37.7 billion annually from 2001 to 2021. The annual value of imports rose nearly three-fold, from \$8.15 billion in 2001 to \$21.8 billion in 2021. US foreign economic assistance to AGOA-eligible SSA countries totaled \$145 billion from 2001 through 2019, averaging about \$7.6 billion

annually [3]. The difference in magnitude is quite striking, indicating the significance of AGOA in the US–SSA economic relationship. The breakdown of the years of AGOA utilization and the average annual US imports from each of the AGOA-eligible SSA countries before and after AGOA is presented in Supplementary Table S1.

Considering the observed trend, it is plausible to assert that AGOA has played a crucial role in amplifying exports from eligible SSA countries to the United States. However, attributing the observed changes in the export flows to AGOA trade preferences as the primary cause presents a challenge. Productivity gains, trade liberalization, and global economic integration may also explain export fluctuations. Determining AGOA's precise impact requires rigorous empirical analysis controlling for other policy shifts and economic events influencing trade. Furthermore, even though more than two decades have elapsed since the passage of the act, identifying AGOA's effect on investment, employment, widespread growth, and poverty reduction remains an active area of scholarly inquiry.

At the core of the available empirical research on AGOA lies the desire to understand the causal effect of eligibility of the SSA countries on their exports to the US. Researchers have employed a range of analytical approaches, including reduced-form equations, time series analysis, and comparative policy evaluations, that have attempted to leverage the phase-in of AGOA relative to pre-existing programs like the Generalized System of Preferences (GSP) to quantify the incremental trade gains (intensive and extensive margins) and the increased dollar value of exports of various products induced by the policy.

The primary objective of this review is to synthesize existing research on the impacts and effectiveness of AGOA on the beneficiary SSA countries' trade performance and related macroeconomic variables (foreign direct investment, employment, GDP growth, and poverty). The following research questions guided the review: Has AGOA influenced trade flows between the US and the beneficiary SSA countries? Did AGOA have other macroeconomic impacts on the beneficiary countries?

Our work has several contributions. First, it meticulously aggregates observations from the available studies, tracing the trajectory of empirical knowledge on AGOA and spotlighting the findings' patterns, convergences, and divergences. Second, it aids policymakers, practitioners, and stakeholders' holistic understanding of the impact of the provision while eliminating the need for researchers to parse through the dense literature on the topic. Finally, it helps identify areas lacking empirical evidence, guiding future research efforts. Highlighting these gaps can also help in formulating new research questions and methodologies.

The review is organized into five sections. Section 2 briefly summarizes the methodology used in the review. Section 3 details observations from the literature examining the impact of AGOA on the beneficiary countries' intensive (aggregate and sector-specific) and extensive (diversification of exports) trade margins. Section 4 examines the effect of AGOA on foreign direct investment (FDI) inflows into the beneficiary countries. Section 5 addresses the effects of AGOA on macroeconomic factors (employment, economic growth, and poverty) across the beneficiary countries. Section 6 concludes by highlighting the challenges and limitations.

## 2. Methodology

The review follows a systematic approach to minimize bias and examine the relevant literature thoroughly. The methodology was designed in accordance with the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines. A comprehensive search was conducted of electronic databases, including *Scopus*, *EBSCO*, *JSTOR*, and *Web of Science*. The search strategy included a combination of the following keywords and Boolean operators: "African Growth and Opportunity Act", "AGOA", "preferential trade policy", "extensive margin", "intensive margin", "economic impact", "export diversification", "Africa-US trade relations", "AGOA and FDI inflows", "AGOA and poverty levels", "AGOA and employment", and "AGOA and economic growth."

Hand-searching of key journals and conference proceedings in international trade and economic development complemented the electronic database search.

We follow clearly defined inclusion and exclusion criteria to maintain precision, consistency, and scholarly value in conducting the review. Our review seeks explicitly peer-reviewed articles published in English since 2000, offering quantitative and qualitative insights into how AGOA affects trade dynamics, FDI inflows, and critical macroeconomic performance indicators (employment levels, GDP growth, and poverty). We exclude articles without empirical data, including opinion pieces, editorials, and theoretical analyses.

The initial search yielded 16,400 records. After setting date restrictions and removing duplicates, 1056 titles were screened against the inclusion criteria. The screening produced 63 full-text articles that were assessed for eligibility (48 studies and 15 reports), meeting the inclusion criteria for the review. Each study was appraised with a focus on evaluating the robustness of the empirical evidence, the appropriateness of the methodologies used, and the reliability of the findings.

Relevant data were extracted using a standardized form, capturing information on the context of the studies, design (analytical approach), and observed effects related to trade performance, FDI inflows, and relevant macroeconomic outcomes. Given the variability of the designs used and outcomes observed across the reviewed articles, a narrative synthesis approach was employed. The results were categorized thematically, focusing on trade (inter-country and sectoral variations and diversification effects), FDI inflows, and selected macroeconomic effects of the initiative.

### 3. Impact of AGOA on Trade Flows

Scholars have adopted diverse approaches to examine the trade flow impact of AGOA. These include comparing the export performances of the beneficiary countries before and after the implementation of AGOA, the relative exports of AGOA-eligible and non-eligible African countries, and the average annual exports of products covered under AGOA vis-a-vis non-covered products. Utilizing a total of 47 million observations on highly disaggregated (the Harmonized System 8-digit tariff line) US trade and tariff dataset for a sample of 207 countries over the period 1992–2017, Fernandes et al. [4] quantified the long-term effects of US trade policy changes involving preferential market access: the expansion of GSP products to less developed countries in 1997, and the implementation of AGOA in 2001. Employing treatment and control-group estimates via a pseudo-maximum likelihood approach, the authors show a 260% boost, specifically in exports of apparel products from eligible SSA countries compared to the pre-AGOA levels. Using a panel data regression analysis of exports from 44 SSA countries to the US from 1996–2018, disaggregated by major product categories, Seyoum and Abraham [5] investigate the impact of AGOA preferences extended to the beneficiary countries. Comparing export growth trends before and after the implementation of AGOA and controlling for country and year-fixed effects, the authors report that the act had a statistically significant positive effect on total merchandise exports from SSA countries to the US, primarily driven by rising exports of apparel, agricultural goods, and manufacturing products that received duty-free access. Similarly, using data for the period 1998–2006 from 207 countries and 5120 products (6-digit SIC) and employing the difference-in-differences estimation approach for comparing the pre-and post-AGOA periods, Frazer and Van Biesebroeck [6] estimate a statistically significant 13% increase in US imports from typical SSA countries compared to the pre-AGOA period, with the effect ranging from 42% for apparel, 8% for agricultural goods, 16.6% for minerals, 73.5% for petroleum, and 14.6% for manufactured goods, respectively.

Based on results drawn from the gravity model of trade in which non-beneficiary African nations are used as a comparison group, Portugal-Perez [7] reported a 25% increase in exports of AGOA-eligible countries relative to other sub-Saharan countries with similar economic traits. Using bilateral trade data spanning 1962–2006 and the trade gravity model, Cooke [8] also reported that US trade preferences under AGOA and CBI preferences

increased the exports of covered products from eligible countries by around 25% relative to non-covered products.

Other studies estimate an 8–30% increase in exports across agricultural and manufactured goods due to AGOA during its early years of implementation [9–13]. Employing a price gap analysis on disaggregated trade data, Dean and Wainio [14] estimate the value of US trade preference programs for developing country beneficiaries at 5% or more of dutiable exports to the US in 2003. Using the flow and composition of US imports from 223 countries, including 36 AGOA-eligible countries over 23 years (1990–2012) and results derived from the generalized methods of moments (GMM) estimation of the gravity model of trade specification, Didia et al. [15] indicate that AGOA had a positive and statistically significant impact (elasticity estimate of 0.1844 and 0.1544) on the overall exports of eligible SSA countries. Using a Synthetic Control Method (a quasi-experimental approach) that addresses the central estimation problems prevalent in non-experimental studies, Kassa and Coulibaly [16] also show that most AGOA-eligible SSA countries registered gains in exports primarily driven by petroleum, minerals, and agriculture, while few expanded into manufacturing. These observations broadly indicate that AGOA has succeeded in boosting exports from the beneficiary SSA countries to the US.

The impact of AGOA has also been scrutinized in terms of its trade creation (diversion) effects relative to the effects of GSP preferences and reciprocal trade agreements. Conducting an econometric analysis of EU imports from Africa at the country and product levels from 2001–2015 to test whether AGOA has led to the diversion of trade away from the European Union by comparing trade flows from AGOA-eligible and non-eligible countries before and after the implementation of the act, Mahabir et al. [17] reveal that AGOA has not diverted African exports from the EU market. Assessing the impact of everything but arms (EBA) and AGOA on the beneficiary African countries' exports using propensity score matching, Sorgho and Tharakan [18] report that both AGOA and EBA policies had a positive impact on the beneficiary African countries' exports to non-reciprocal Trade Agreement (RPTA) providers. Comparing the effects of AGOA and EBA to the effects of reciprocal trade agreements using the gravity model analysis of bilateral trade data spanning 1996–2016, Admassu [19] concludes, albeit with a significant effect, the non-reciprocal preference schemes have lower trade creation effects than reciprocal trade agreements. Noting a structural break in African export trends to the US coinciding with AGOA's implementation in 2000, Seyoum [20] also provides robust evidence indicating the provision has bolstered the beneficiary SSA countries' exports beyond the GSP baseline, at least during its initial years of implementation.

Several, if not as many, studies also show that AGOA has had no statistically discernible effects on exports or the export growth of eligible SSA countries. Employing the GMM and the difference-in-differences estimation techniques and a gravity trade model in which aggregate exports from AGOA-eligible SSA countries were regressed on an AGOA dummy variable and several control factors, Kulu and Bentum-Ennin [21] report that AGOA trade preference has not increased exports from SSA countries. Several authors [22–27] also make similar observations.

### 3.1. *Inter-Country Variation in the Observed Effects*

In addition to revealing that AGOA had a statistically discernible effect in increasing exports from the beneficiary SSA countries to the US, results from the available studies also underscore the presence of considerable heterogeneity in the effects across the beneficiary SSA countries. For example, Coulibaly and Kassa [28] re-evaluated the influence of AGOA on bilateral export data involving 41 African countries and the US from 1981 to 2015 by creating a synthetic counterfactual for each AGOA beneficiary. Using weighted averages from non-beneficiary nations and estimating the treatment effect show that AGOA has boosted the average eligible country's trade with the US by approximately 60% over 15 years. However, the impact varies significantly among beneficiaries, depending on

utilization rates and initial conditions (such as ICT infrastructure, legal frameworks, labor regulations, and macroeconomic stability).

Frazer and Van Biesebroeck [6] indicate that South Africa, Kenya, Lesotho, Mauritius, Madagascar, Ethiopia, and Ghana have benefited the most from the preferential treatment afforded by AGOA. According to the authors, Kenya experienced significant increases in apparel exports and foreign direct investment under AGOA. Lesotho saw rapid export growth and job creation in the apparel sector, with over 50,000 new manufacturing jobs attributed to AGOA. Substantiating this observation, Lall [29] asserts that AGOA was pivotal in positioning Lesotho as the leading SSA apparel exporter to the US. According to Staritz [30], Mauritius was able to utilize AGOA to expand and upgrade its export-oriented textile and apparel sector. Kaplinsky and Morris [31] similarly note that Madagascar recorded over \$1 billion in apparel exports under AGOA at its peak, becoming a top clothing supplier to the US, while Ghana increased exports of products like processed cashews and cocoa under AGOA preferences [32].

Using disaggregated trade data spanning 1992–2017, Fernandes et al. [4] sums up the regional and country-level variations in the performances of the beneficiary countries: Central and West African countries did not take meaningful advantage of the opportunities offered by AGOA. Southern African countries had seen a significant positive impact early on but declined later. Eastern African countries presented a significant and growing positive impact during the early and latter periods, with Kenya standing out as a country whose exports responded positively throughout. Ethiopia, Rwanda, and Tanzania experienced little impact early on but have had a solid positive impact lately.

### 3.2. Sectoral Variation in the Effects

Researchers have assessed product-level exports of the beneficiary countries to the US. For example, a report by UNCTAD [3] indicates that during the three years (1998–2000) preceding AGOA, 30 primary products accounted for 53% of US imports from AGOA-eligible countries. In the most recent three-year period (2019–2021), these products constituted 76% of US imports from AGOA-eligible countries, highlighting the growing importance of specific products in US trade with AGOA beneficiaries over time. Not surprisingly, results from available empirical studies indicate considerable variations in the effects across sectors, with the most substantial impacts (notable growth and trade expansion) being in the apparel and textile industries.

According to Lamprecht and Tolmay [33], AGOA has substantially increased two-way automotive trade between South Africa and the US. Edwards and Lawrence [1] note that apparel exports accelerated under AGOA, especially following the enactment of the regional input flexibility provision, such as the special rule enabling fabric from any AGOA country rather than just US fabric. Seyoum [20] finds a 300% increase in apparel exports under AGOA relative to the pre-policy period. Collier and Venables [34] find that the AGOA apparel provision significantly boosted trade, a result echoed and expanded upon by Frazer and Van Biesebroeck [6], who confirm the significant and robust effect of AGOA, not its increasing impact over time. Specifically, they observed a 53% surge in apparel exports. Complementing these findings, Portugal-Perez [7] documents even more striking growth (a 96% increase in apparel exports for 22 countries eligible for the third-country fabric provision and a 303% increase among the top seven beneficiaries of the program), while Fernandes et al. [4] report a 22% increase in apparel exports from the eligible SSA countries to the US from 2001 onwards relative to pre-AGO levels.

Evidence also points to exporters from Kenya, Lesotho, and Mauritius—countries with the requisite infrastructure to leverage the preferences, geographic proximity, and extensive cultural ties with the US—enjoying higher prices and capturing a portion of the tariff rents created by the preferences under AGOA [12,35]. The impact of AGOA on exports from other sectors is mixed. While agriculture and food products experienced modest export gains for a handful of countries such as Ghana, Kenya, and Cote d'Ivoire [11], the results differ across agricultural sub-sectors, with products like fruits, nuts, and vegetables

increasing more than staple commodities [16,36]. Similarly, while documenting increased exports from resource-exporting nations benefiting from AGOA, Collier and Venables [34] note the lack of significant or consistent growth across all sectors.

Using dynamic shift-share analysis of disaggregated export data (product-level) for 49 countries from 2001–2018 and decomposing growth into competitiveness, export mix, and AGOA preference effects, Yeboah et al. [37] reveal that AGOA had a statistically significant effect in increasing total agricultural exports, with considerable variation of gains across product categories, specifically the exports of processed food, which saw a robust growth compared to raw commodities. Highlighting the need for policies that improve agricultural productivity and export capabilities that have the potential to enable more countries to benefit from preferential access, the authors attribute the muted effects of AGOA on raw commodities to supply-side weaknesses. The observed variations across sectors and product subcategories corroborate that reduced trade barriers extended to beneficiary SSA countries under AGOA have generated more robust export supply responses in some sectors (e.g., light manufacturing) than others.

### 3.3. AGOA and Export Diversification

Export diversification, broadly defined as expanding the range of goods and services a country exports, is relevant for economic growth and development. Export diversification provides resilience, learning spillovers, and transformative, productive opportunities essential for development [38–40]. It creates avenues for realizing scale economies, exploiting untapped comparative advantage, and discovering new areas of specialization [41]. Increasing the sophistication and variety of exports facilitates the transfer of knowledge and technologies from participation in global value chains [42]. Hence, the research on the impact of AGOA rightly includes analyses of the extensive margin of trade.

Estimating a fixed-effects Poisson quasi-maximum-likelihood regression of the total number of products (at HS-8 level) exported from SSA countries to the US under AGOA-GSP and AGOA-apparel provision over 15 years (1997–2011), Cook and Jones [43] report a statistically significant 23% increase in the total number of products exported to the US, indicating that AGOA has contributed to export diversification, specifically through its apparel provision. According to Brenton and Ikezuki [44], during the first three years of AGOA, the extensive product margin increased noticeably for leading exporters like Kenya, Madagascar, Lesotho, and South Africa.

Employing the difference-in-differences approach on data from 42 African countries spanning 1995–2006, Frazer and Van Biesebroeck [6] report that while AGOA had an overall positive effect on the extensive margin across all beneficiaries in the short run, the gains have decreased in magnitude and significance over time for non-apparel exporters. Using data on export concentration ratios and share of non-resource exports spanning the years 1990–2005, Collier and Venables [34] observe that while AGOA has succeeded in increasing non-resource-based exports, its diversification impacts are limited to a few product categories, indicating preference schemes alone are insufficient to achieve widespread diversification without complementary productivity-enhancing policies. Tadesse and Fayissa [13] observe a relatively higher import initiation effect than intensification in manufactured and non-manufactured goods and several product categories of US imports from eligible SSA countries during 1991–2006. UNECA [45] and Eicher and Kuenzel [46] note that, like other preferential schemes, while AGOA enabled the introduction of new export products, AGOA has not helped Africa diversify its export products, with energy commodities still constituting the bulk of AGOA eligible countries' exports.

Overall, the literature on AGOA's impact on the extensive margin underscores that the preferential treatment extended under AGOA has not substantially altered the composition of existing exports nor induced an extensive number of new products, indicating the need for complementary policies (e.g., addressing absorptive capacity constraints) to enable the beneficiary countries to move beyond the intensification of their existing export products.

#### 4. Impact of AGOA on FDI Inflows

Preferential access to large markets, such as the US or EU, confers distinct risk mitigation advantages that have the potential to attract export-oriented foreign direct investment (FDI) inflows [47]. Under the provisions of AGOA, eligibility requires SSA governments to protect private property rights, national provisions for resolving bilateral trade and investment disputes, expansion of physical infrastructure, and protection of worker rights. These provisions and AGOA's assurance of market access address the prevailing uncertainties often encountered by prospective investors seeking to establish production, processing, and export operations within SSA [48]. Thus, by fostering an environment conducive to investors, AGOA may help draw increased FDI flows into the beneficiary SSA countries.

Before AGOA, FDI flows to SSA countries were relatively low; the region attracting less than 1% of global FDI inflows during the 1990s [49]. At the onset of AGOA in 2001, FDI stock in SSA countries stood at \$69 billion [50]. During the early years of AGOA, FDI flows to SSA countries increased significantly [29,51], with FDI stock rising to \$246 billion in 2008 [52,53], with much of the growth driven by investment in extractive industries and resource-rich countries receiving the dominant share [54]. While there was a dip in FDI flows to SSA countries after the 2008 global financial crisis, they have since rebounded, reaching \$418 billion in 2014 [55] with increased investment in infrastructure, manufacturing, and services [56]. However, the distribution of FDI among countries in the region remains uneven, with lower-income countries lagging [57]. Thus, the empirical literature on AGOA includes analyses of the interplay between the preferential access afforded by the act and FDI flows into the SSA nations.

Among these studies, one group of literature seeks to estimate the overall effect of AGOA eligibility on FDI flows into the beneficiary SSA countries using macroeconomic data. Using cross-country regressions, Asongu and Tchamyou [47] observe a positive association between AGOA status and net FDI as a percentage of GDP. Based on results from a modified gravity model applied to panel data of FDI flows to 39 SSA countries from 2002–2018, utilizing a Probit and Heckman selection model and a modified gravity model on panel data spanning from 2002–2018 across 39 SSA countries, Yeboah et al. [57] report that AGOA participation status positively influences FDI flows into SSA countries. ILO [58] leverages case studies of top apparel exporters, including Lesotho and Kenya, to document how FDI in the sector expanded rapidly after 2000, noting growth in the US FDI in the Kenyan apparel industry from \$2 million in 1999 to over \$150 million by 2004 following AGOA eligibility.

Comparing the export and FDI performances of Lesotho with several AGOA-eligible countries, Lall [29] notes that the launch of AGOA has contributed to the inflow of FDI into Lesotho, particularly in the apparel sector. On the contrary, using the gravity model analysis of AGOA's effect in attracting FDI and enhancing export growth in SSA countries, Obembe [59] concludes that AGOA had no impact on the FDI flows to eligible SSA countries.

In addition to highlighting the potential synergies between trade opening, investment in infrastructure, and integration into global apparel value chains under AGOA, these observations pinpoint the heterogeneity in the observed effects depending on country-specific conditions. Underscoring this view, based on a cross-country analysis, Asongu and Tchamyou [47] note that while AGOA-eligible SSA countries with quality infrastructure were able to attract higher FDI inflows, the responses of investors to those with governance challenges were muted. Amendolagine et al. [48] similarly attribute higher FDI inflow effects to stable governance, indicating the relevance of political stability in the beneficiary countries' ability to attract more FDI. Researchers have utilized firm-level survey data that provides micro-evidence indicating accelerated investment spending by exporting firms in the AGOA-covered industries. For example, after accounting for reporting biases in survey data, Fernandes et al. [4] report that apparel firms covered under AGOA have higher capital expenditures than non-eligible firms.

Overall, the mixed evidence on whether AGOA has stimulated foreign investment flows into beneficiary SSA countries suggests the need for complementary policies that ensure a positive spillover effect. Workforce development and value chain integration emerge as pivotal. While preferential access may draw some foreign investors, local conditions like infrastructure, human capital, governance, and absorptive capacities remain crucial in determining the scale of FDI inflows.

## 5. Other Macro-Economic Variables

### 5.1. On Employment

Each country in the region is committed to stimulating economic growth, generating job opportunities for its growing workforce, and combating poverty. However, even though periods of economic growth do occur, they are often disrupted by political instability and internal challenges [60]. Efforts to reduce poverty have succeeded in certain regions, yet the challenge remains widespread in disadvantaged and rural areas [61]. Unilateral preferential trade agreements like AGOA, by providing better market access and lowering trade barriers, may drive up production and employment levels [1]. Therefore, assessing the macroeconomic impacts of AGOA, specifically on employment, economic growth, and poverty reduction, constitutes an area of research interest for scholars.

While results from country-specific studies (e.g., Kenya and Lesotho) show rising apparel exports under AGOA substantially contributing to net job growth contingent on national conditions and firm capabilities [62], the effect does not appear broad-based. For example, using data spanning 2004–2014, and accounting for the effect of international demand shocks on the ready-made garment (RMG) industry in Lesotho, Grogan [63] observes that under AGOA, while the employment of women in RMG factories significantly increased, the phase-out of the Multi-Fiber Agreement and the 2008 financial crisis led to the fall in well-paid RMG work opportunities. Similarly, a study by the Central Bank of Lesotho [64] indicates the creation of over 44,000 new apparel manufacturing jobs in Lesotho during the 2000s and marginal employment gains in non-apparel light manufacturing industries, such as leather goods and processed foods. Agribusiness linkages to smallholder farmers also remain limited due to infrastructure challenges [32,58].

Given these observations, it is reasonable to deduce that although AGOA has spurred employment, particularly in sectors like apparel, its overall effect on job creation remains subtle.

### 5.2. On Economic Growth

On the central objective of fostering economic growth and uplifting living standards, studies pointing out discernible impacts of AGOA are scant. A cursory observation of the economic growth performance of SSA countries shows that since AGOA was signed into law in 2000, SSA economic growth has averaged over five percent. While some econometric studies pinpoint a positive nexus between AGOA eligibility and GDP growth [34,65,66], others suggest more muted and, at times, inconclusive outcomes [11]. For instance, Cook and Jones [66] employ the local projection method to analyze the evolving link between AGOA eligibility and economic growth across 41 SSA countries from 1980 to 2017. Their findings suggest that being eligible for AGOA correlates with an eventual increase in a country's per capita GDP growth. According to the authors, the impact is initially modest; per capita GDP grows and becomes statistically significant in the third to fifth year following a country's eligibility for AGOA, highlighting a dynamic rather than a contemporaneous relationship between AGOA eligibility and economic growth.

Using the difference-in-differences estimations, Balié et al. [65] report a modest 0.2 percentage point increase in per capita GDP growth of eligible countries, albeit the statistical significance disappears under certain model specifications. Collier and Venables [34] report average annual per capita GDP gains of 1.3 percentage points for eligible countries. However, during its early years of implementation, controlling for macro trends, Nouve and Staatz [11] report no statistically significant growth effect post-AGO. Supplementing these

observations, findings from simulation models also project highly variable growth effects. For instance, UNECA [67] predicts a modest 0.1–0.2% increase in GDP for beneficiaries over 5–10 years, increasing substantially when accounting for absorptive capacities. Thus, the broader economic growth effect of AGOA remains marginal.

### 5.3. On Poverty Levels

In theory, by boosting trade and investment in eligible SSA countries, AGOA would facilitate export-led economic growth and job creation. Higher growth and employment levels translate into rising income levels, lifting households out of poverty. However, the empirical evidence suggests that the impacts of AGOA have been narrowly concentrated in a few sectors (e.g., apparel), the positive effects on trade and jobs also appearing temporary rather than sustained. Therefore, while AGOA has likely reduced poverty for some workers linked to beneficiary export industries in the short term, the lack of broad, long-lasting impacts suggests underwhelming effects on national poverty rates.

Empirical studies exploring the direct influence of AGOA on poverty are surprisingly sparse, and results from the indirect studies predominantly underscore a tenuous link between the implementation of AGOA and discernible poverty reduction [65]. Computable General Equilibrium (an economic model used to analyze the economy-wide impact of policy changes, market shocks, or other external changes)-based simulations suggest that AGOA may confer income and welfare gains for unskilled and generally poor workers [68]. Researchers also hypothesize potential poverty reduction impacts based on observed employment gains and growth effects. For example, given the low-skill requirements of apparel jobs, many infer that rapid employment growth under AGOA has likely reduced poverty. However, critics argue that AGOA failed to stimulate rural development or support marginalized groups, entailing a limited poverty reduction effect [3]. For example, Whitfield and Staritz [69] find that 70% of apparel workers in Madagascar remained below the poverty line despite employment, reflecting low pay and high living costs.

Due to the lack of empirical evidence, especially on the effects of the AGOA on poverty levels, critics argue that despite its achievements in export growth, sectoral employment, and limited growth effects, a tangible transition of AGOA's benefits toward widespread poverty alleviation remains elusive. While it offers potential, channels through which AGOA reduces poverty differ across countries, indicating that realizing AGOA's poverty alleviation objectives may hinge on national strategies for comprehensive development, skill enhancement, and inclusive growth.

## 6. Conclusions

The African Growth Opportunity Act (AGOA) represents a groundbreaking piece of non-reciprocal trade legislation signed into law by the United States in May 2000. AGOA offers qualifying Sub-Saharan African (SSA) countries preferential access to the US market through duty- and quota-free trade on over 6500 products. Over the years, AGOA has played a crucial role in stimulating economic growth in beneficiary countries by facilitating trade and investment. The act's impact on trade flows, foreign direct investment (FDI) inflows, and export diversification has been the focus of extensive research.

Empirical studies have consistently demonstrated that AGOA has boosted trade flows between beneficiary countries and the US. It has significantly increased total merchandise exports, particularly apparel, textiles, and light manufacturing. However, the effect on trade has varied across countries, with some SSA nations benefiting more than others. Countries like Kenya, Lesotho, Mauritius, Madagascar, Ethiopia, and Ghana have witnessed substantial growth in apparel exports and FDI inflows under AGOA. Despite its positive impact on trade, AGOA has faced challenges in promoting export diversification. While existing exports have seen remarkable growth, the act has had limited influence in increasing the exports of new products. Complementary policies and improvements in absorptive capacity are necessary to foster diversification fully.

The act's impact on FDI inflows has been notable, especially in light manufacturing industries, such as apparel and textiles, and eligible SSA countries with quality infrastructure and stable governance. However, sectoral variation exists, with the apparel industry showing the most substantial FDI growth.

As AGOA approaches its 25th anniversary, assessing its effectiveness in promoting broad-based growth and job creation in SSA countries remains essential. Further research is needed to understand the reasons for the waning utilization of AGOA preferences and its inability to foster trade growth that translates to wider overall economic growth, employment creation, and poverty reduction. Econometric studies and rigorous empirical analyses will continue to play a vital role in isolating AGOA's impact from other economic forces and policy changes.

In conclusion, AGOA has undeniably provided increased trade and investment opportunities in SSA countries. Its impact on the economy and development of beneficiary nations has been positive, but challenges such as trade diversification and poverty reductions persist. As the act moves forward, addressing these challenges and identifying new avenues for economic growth will be crucial for ensuring its continued success in fostering economic development in Sub-Saharan Africa.

**Supplementary Materials:** The following supporting information can be downloaded at: <https://www.mdpi.com/article/10.3390/sci6010014/s1>, Table S1: AGOA Utilization Status and Decennial Average Annual US Imports from SSA Countries.

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