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# **African Continental Free Trade Area (AfCFTA): Overview and Issues for Congress**

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## African Continental Free Trade Area (AfCFTA): Overview and Issues for Congress

The African Continental Free Trade Area (AfCFTA) is a nascent goods and services free trade zone that African Union (AU) member states created to foster greater intracontinental trade and investment as means of spurring economic integration and growth in Africa. Fifty-four of 55 AU member states have signed a framework agreement establishing the AfCFTA, which covers a region with a joint gross domestic product of approximately \$3.4 trillion and a population of roughly 1.4 billion people. The agreement centers on the implementation and continuing phased negotiation of various commitments to reduce or eliminate tariffs, prospectively including up to 97% of all tariff lines, as well as nontariff barriers to trade. The agreement, which came into force in May 2019, is to be supplemented by additional protocols on particular trade issues. Some of these protocols have been provisionally agreed to, while others remain subject to negotiation.

AfCFTA's initial implementation phase, centering on trade in goods, began in January 2021. Little trading has occurred under the agreement to date, due to a need to finalize administrative processes and negotiations on certain issues, including rules of origin. Long-term AfCFTA goals are to create a single market for goods, services, and capital, including a single African customs union, and enable the intraregional free movement of persons. Many policymakers and economists view the AfCFTA as an ambitious trade policy initiative with considerable potential to stimulate economic development in Africa, if implemented as envisioned. The World Bank, for example, estimates that the AfCFTA could increase Africa-wide real income by 7% and potentially lift 30 million people out of extreme poverty by 2035. The ultimate success of the agreement may depend on the ability and political will of signatory countries to resolve the remaining issues under negotiation and effectively implement their AfCFTA commitments. Success will also be affected by private sector use of AfCFTA benefits.

Congress has enacted a range of measures that seek to improve African countries' ability to engage in international trade and align closely with the aims of the AfCFTA agreement, and has appropriated funds for such purposes. Through the African Growth and Opportunity Act (AGOA, P.L. 106-200, as amended), which sunsets in 2025, Congress has provided preferential U.S. tariff treatment to imports from eligible sub-Saharan African countries. Under AGOA, Congress has expressed support for African regional economic integration and directed the President to provide trade capacity-building assistance to Africa. Congress also has supported and encouraged African countries' accession and adherence to World Trade Organization (WTO)-administered agreements, including the WTO Trade Facilitation Agreement, which generally complements the AfCFTA. Selected U.S. executive branch agencies, under both the Trump and Biden Administrations, have expressed support for the AfCFTA and provided targeted technical assistance to directly aid ongoing AfCFTA negotiation and implementation activities. In the 117<sup>th</sup> Congress, some Members of Congress also backed efforts to support such goals (e.g., under H.R. 9364 and S. 5154), and several hearings examined the AfCFTA and related topics. In the 118<sup>th</sup> Congress, Representative Kamlager-Dove has introduced H.Res. 261, which would express "strong support" for AfCFTA.

The AfCFTA is primarily designed to foster trade-centered growth within Africa, but its successful realization could benefit the U.S. private sector and advance long-standing congressionally supported U.S. policy goals for the region. For instance, AfCFTA aims to promote trade liberalization, market-oriented reforms, and economic growth in Africa and to increase the size, diversity, and integration of African economies and markets—all longtime U.S. goals. Such outcomes could expand U.S. market access to and trade with Africa, decrease the need for U.S. development assistance in the region, diversify U.S. supply chains, and increase reciprocal opportunities for U.S.-African trade and investment expansion. Currently, there appears to be no comprehensive reporting on U.S. foreign assistance specifically allocated to support the AfCFTA, which may make it challenging for Congress to evaluate how such U.S. assistance compares to or complements that of other African trade partners or other U.S. economic development programs in Africa or elsewhere—or whether it is sufficient to address congressional objectives in the region.

The United States is not alone in expressing support for AfCFTA; multilateral organizations and other external actors, including the People's Republic of China, may seek to influence the nature of AfCFTA and aid its development in a manner that suits their own trade and foreign policy objectives, which may differ from U.S. ones. The European Union has provided substantial technical aid supporting the AfCFTA's development. China also has stated its support for the AfCFTA, and may be particularly interested in the agreement's ongoing negotiation and implementation given its prominent trade relations with Africa. (In 2021, China's trade with Africa [\$254 billion] was nearly four times larger than U.S. trade with the region [\$64 billion]).

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## Introduction

The African Continental Free Trade Area (AfCFTA) is a trade zone established in the late 2010s by African Union (AU) member states to foster greater intracontinental trade- and investment-based economic integration and growth. The AfCFTA was established under a framework agreement that has been signed by 54 of the 55 AU member states—all AU members except Eritrea—and came into force in May 2019. The AfCFTA (a term used in this report to refer both to the agreement and the trade zone that it establishes) centers on the phased negotiation and implementation of a range of commitments to reduce or eliminate as many as 97% of all tariff lines and to reduce nontariff barriers to trade within Africa. As of April 2023, 46 signatories had ratified the agreement.

Multiple U.S. administrations have sought to promote African economic development by helping countries expand intra-African and African-U.S. trade. Since 2019, the U.S. government also has supported the negotiation, implementation, and continuing development of the AfCFTA. Several U.S. agencies have provided ad hoc technical assistance and hosted dialogues seeking to advance such aims. In addition, the United States and the African Union’s AfCFTA Secretariat signed a Memorandum of Understanding (MOU) in late 2022 during the U.S.-Africa Business Forum, held as part of the Biden Administration’s U.S.-African Leaders Summit.<sup>1</sup> The MOU provides for annual high-level dialogues between U.S. and AfCFTA Secretariat officials, quarterly working group meetings, information exchanges on best practices, and forums to receive stakeholder input, among other aims.<sup>2</sup> Such ongoing or planned AfCFTA-specific support complements a range of other current and past U.S. trade capacity-building (TCB) efforts, which have been a focus of U.S. technical assistance activity for many years.

While the AfCFTA’s core goal is to increase trade-centered growth in Africa, the agreement’s successful implementation could advance long-standing, congressionally backed U.S. policy goals for the region to enhance economic development and promote security, as well as directly benefit the U.S. economy. The AfCFTA aims, for instance, to promote trade liberalization and market-oriented reforms within Africa; boost economic growth; and increase the size, diversity, and integration of African economies and markets. The AfCFTA, if substantially realized, could potentially contribute to U.S. economic growth by increasing opportunities for U.S.-African trade and investment. It might, for instance, enable U.S. firms active in African markets to more easily leverage aggregate regional growth, value chain integration, and economies of scale, expanding or creating new markets for U.S. goods and services, as well as U.S. imports. AfCFTA implementation also could eventually decrease the need for U.S. development aid in the region.

The AfCFTA has the potential to benefit the United States in other ways as well, including with respect to supply chain diversification and in the context of global power competition. The reduction or elimination of regional trade barriers and other improvements in African countries’ ability to engage in international trade could broaden U.S. and global supply chains, a prospect that aligns with the Biden Administration’s supply chain resilience initiatives. This may be

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<sup>1</sup> The signatories were U.S. Trade Representative Katherine Tai and AfCFTA Secretary-General Wamkele Mene during the 2022 U.S.-Africa Business Forum. See USTR, *Memorandum of Understanding on Cooperation for Trade and Investment Between the African Continental Free Trade Area Secretariat and the Government of the United States of America*, December 14, 2022.

<sup>2</sup> The USTR reports that the MOU “will establish annual high-level dialogues between U.S. and AfCFTA Secretariat officials, as well as quarterly working group meetings, to exchange information on best practices, receive stakeholder input, and have an open dialogue to enhance the relationship between the United States, the AfCFTA Secretariat, and AfCFTA member states.” USTR, “In Year 2, Ambassador Katherine Tai and USTR Continued to Execute President Biden’s Vision for Worker-Centered Trade Policy” (Fact Sheet), March 2022; and text of the MOU, op. cit.

especially true with respect to a possible expansion of U.S.-African trade in critical minerals and other natural resources that the Administration has identified as important to U.S. economic growth and security.<sup>3</sup> U.S. support for the AfCFTA also has the potential to demonstrate the depth and scope of the U.S. commitment to deepening U.S.-African economic and institutional collaboration relative to similar activity by U.S. global economic competitors, such as the People's Republic of China (PRC). In the longer term, the AfCFTA may help Africa better withstand external shocks, making the region more resilient to the types of challenges (e.g., food and fuel inflation and supply chain disruptions) it has faced as a result of Russia's war against Ukraine or the Coronavirus Disease 2019 (COVID-19) pandemic.

Congress has enacted a range of measures that seek to improve African countries' ability to engage in international trade and that align closely with the aims of the AfCFTA, and some Members of Congress have expressed interest in considering how to further integrate U.S. support for the AfCFTA into existing U.S. trade capacity-building programs in Africa.<sup>4</sup> In the 117<sup>th</sup> Congress, the prospective success of AfCFTA implementation featured in several hearings. In addition, the then-chairpersons of the foreign affairs subcommittees with principal jurisdiction over Africa in the House and the Senate introduced bills that would have supported the implementation of AfCFTA; they were, respectively, H.R. 9364 (Bass) and S. 5154 (Van Hollen).<sup>5</sup> In the 118<sup>th</sup> Congress, Representative Kamlager-Dove has introduced H.Res. 261, which would express "strong support for the successful implementation of the African Continental Free Trade Area," among other aims. Whether the 118<sup>th</sup> Congress more broadly may pursue activity relating to the AfCFTA remains to be seen, but there is arguably substantial complementarity between the further development of the AfCFTA and themes of stated interest to some Members (e.g., U.S. strategic global power competition in Africa, the development of trade relations with the region, and mineral sector development in the region).

## **Background on U.S. Trade Initiatives in Africa**

For many years, the U.S. government has supported a wide range of programs to help stimulate economic development and growth in Africa, as well as to expand U.S. economic and trade relations with the region, which is one of the world's poorest. Such programs, which align with goals established by Congress in legislation (e.g., the African Growth and Opportunity Act [AGOA, Title I, P.L. 106-200, as amended, including under the Trade Preferences Extension Act of 2015, P.L. 114-27]), have sought to expand Africa's overall ability to trade internationally, with a focus on U.S.-African trade; improve African countries' global trade competitiveness; increase intraregional African economic integration; and foster greater U.S. investment in Africa. Major initiatives include

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<sup>3</sup> White House, *Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-based Growth: 100-Day Reviews under Executive Order 14017*, June 2021, and "America's Supply Chains," Executive Order 14017, February 24, 2021.

<sup>4</sup> See, e.g., Representative Bass, "House Foreign Affairs Committee Passes Bass, Smith Resolution Reaffirming the U.S.-African Union Relationship and Encouraging Greater Trade Partnership with Africa," September 14, 2022.

<sup>5</sup> Such hearings have included House Ways and Means Committee/Trade Subcommittee, "Strengthening the U.S.-Africa Trade and Investment Relationship," November 17, 2021; Senate Foreign Relations Committee/Subcommittee on Africa and Global Health Policy, "U.S. Trade and Investment in Africa," July 28, 2021, at <https://www.foreign.senate.gov/hearings/us-trade-and-investment-in-africa-072821>; and House Foreign Affairs Committee/Africa, Global Health, and Global Human Rights Subcommittee (HFAC/Africa), "Understanding the African Continental Free Trade Area and How the U.S. Can Promote Its Success," April 27, 2022.

- U.S. trade preferences under the AGOA, as amended;<sup>6</sup>
- trade capacity-building (TCB) assistance, as required under AGOA and as provided under various U.S. presidential initiatives, other agency programs, and World Trade Organization (WTO)-related support activities over the past two decades;
- trade and investment promotion programs providing finance, insurance, technical assistance, and other support for specific transactions or projects; and
- efforts to establish various U.S. trade and investment agreements in the region.

AGOA, enacted in 2000, provides duty-free access to the U.S. market for most U.S. imports from eligible sub-Saharan African (SSA) countries, building on similar benefits provided by the United States under the Generalized System of Preferences (GSP).<sup>7</sup> The President annually reviews and determines each country’s AGOA eligibility based on statutory criteria (e.g., the beneficiary country’s trade and investment policy, governance, and worker rights). In 2015, Congress extended AGOA’s authorization for 10 years, until September 2025 (P.L. 114-27).<sup>8</sup> AGOA also directs the President to provide TCB assistance to African countries. Historically, for most of the 2000s and 2010s, three trade and investment “hubs” located in Africa and administered by the U.S. Agency for International Development (USAID) hosted programs to increase use of AGOA, foster intraregional economic integration, attract investment to Africa, and support U.S.-Africa trade and investment. One of these hubs, covering East and Central Africa, was phased out several years ago, and another, for Southern Africa, ended its activities in late 2022. A third Nigeria-based West Africa hub continues to operate.

A range of other U.S. agencies also carry out TCB activities and engage in broader trade and investment promotion efforts related to Africa. These include the Millennium Challenge Corporation (MCC); the departments of Agriculture, State, Labor, and the Treasury; the Trade and Development Agency; the Office of the U.S. Trade Representative (USTR); the U.S. International Development Finance Corporation; and the Export–Import Bank of the United States.<sup>9</sup> Since 2019, Prosper Africa, a presidential initiative, has sought to better coordinate such efforts. The initiative, launched by the Trump Administration and maintained by the Biden Administration, seeks to link U.S. firms with economic opportunities in Africa and African firms with U.S. opportunities, facilitate access to U.S. trade promotion services, and foster market-oriented reforms.<sup>10</sup> Prosper Africa also supports a range of trade and investment capacity-building efforts in Africa, including under the Africa Trade and Investment (ATI) program, a mechanism providing technical expertise which USAID country missions can tap to carry out Prosper Africa-related project work.

The United States also has completed or made efforts toward negotiating several types of trade and investment agreements with countries in the region, including 16 Trade and Investment Framework Agreements (TIFAs) and nine bilateral investment treaties (BITs). TIFAs aim to provide a forum for high-level engagement on trade and investment issues with the goal of

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<sup>6</sup> See CRS In Focus IF10149, *African Growth and Opportunity Act (AGOA)*.

<sup>7</sup> GSP expired at the end of 2021 and Congress continues to debate its potential reauthorization. See CRS In Focus IF11232, *Generalized System of Preferences (GSP)*.

<sup>8</sup> For an overview of AGOA and other U.S. trade and investment programs and activities across Africa, see USTR, *2022 Biennial Report on the Implementation of the African Growth and Opportunity Act*, June 2022.

<sup>9</sup> CRS In Focus IF11016, *U.S. Trade Policy Functions: Who Does What?*; see also, USAID, “What Is TCB?,” TCB database, <https://tcb.usaid.gov/about.html>.

<sup>10</sup> See CRS In Focus IF11384, *The Trump Administration’s Prosper Africa Initiative*, and the Prosper Africa website (<https://www.prosperafrica.gov>).



reducing barriers and expanding market opportunities. BITs aim to protect U.S. foreign direct investment and promote economic growth by advancing nondiscriminatory rules and other market-oriented policies.<sup>11</sup> The United States has a free trade agreement (FTA) with Morocco, but there are no U.S. FTAs with SSA countries.<sup>12</sup> In 2020, the Trump Administration launched FTA talks with Kenya. The Biden Administration did not continue these negotiations. Instead, in July 2022, the U.S. and Kenyan governments established a more limited trade initiative, the U.S.-Kenya Strategic Trade and Investment Partnership (STIP), which provides for bilateral cooperation on 11 targeted trade-related issues, including digital trade and regulatory practices.<sup>13</sup>

While AfCFTA is itself a region-wide FTA, it privileges preexisting subregional FTAs, as well as FTAs that provide countries with greater free trade benefits than those established under the AfCFTA; the AfCFTA agreement regards Regional Economic Community (REC) FTAs “as building blocks for the AfCFTA.”<sup>14</sup> However, how the AfCFTA may interface with FTAs between individual African countries or country blocs and foreign governments or blocs—such as the formerly envisioned U.S.-Kenya FTA—is unclear.<sup>15</sup>

## **AfCFTA: Overview and Implementation**

The AfCFTA is a framework agreement signed by 54 of the 55 members of the African Union (AU) that aims to remove barriers to intra-African trade and investment through the phased negotiation and implementation of various commitments (**Figure 1**). As of April 2023, 46 of the 54 signatories had ratified the agreement.<sup>16</sup> AfCFTA members seek to eventually create a single market for goods, services, and capital, and to enable the intraregional free movement of persons. A long-term goal of AfCFTA is to lay the foundations for the establishment of a unitary African customs union, which, like the European Union (EU), would require a common external tariff structure (i.e., the same customs duties and other import rules would apply to all goods entering the AfCFTA area).

AfCFTA members have committed to eliminate tariffs on 90% of tariff lines over 5 years, or 10 years for the least developed countries, as of the nominal official start of trading under the

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<sup>11</sup> See CRS In Focus IF10052, *U.S. International Investment Agreements (IIAs)*. For a listing of U.S. BITs, see U.S. State Department website. For a listing of U.S. TIFAs, see USTR website.

<sup>12</sup> FTAs include commitments to eliminate barriers to goods and services trade and establish enforceable trade rules on a range of issues (e.g., services, agriculture, intellectual property rights (IPR), investment, worker rights, and the environment). U.S. FTA negotiations with the South African Customs Union (SACU), held in the early 2000s, were unsuccessful. USTR, “Background Information on the U.S.-SACU FTA,” June 2, 2003.

<sup>13</sup> Other areas of focus include agriculture; anti-corruption efforts; environment and climate action; micro, small, and medium size enterprises; workers’ rights protections; services domestic regulation; standards collaboration, trade facilitation and customs procedures; and the participation of women, youth, and others in trade. CRS In Focus IF11526, *U.S.-Kenya FTA Negotiations*; and USTR, “Launch of the U.S.-Kenya Strategic Trade and Investment Partnership,” July 14, 2022, and “United States and Kenya Conclude Opening Round Under the U.S.-Kenya Strategic Trade and Investment Partnership,” February 10, 2023.

<sup>14</sup> Quote from AfCFTA. See also TRALAC, Gerhard Erasmus, “Making the AfCFTA and the RECs work,” June 3, 2021, and “How the AfCFTA fits into Africa’s existing regional integration scheme,” November 23, 2022, both in TRALAC Blog.

<sup>15</sup> Witney Schneiderman and Brionne Dawson, “The US and Kenya launch negotiations on a free trade agreement. Will they succeed?,” *Brookings Africa in Focus*, July 29, 2020.

<sup>16</sup> These member states include the Sahrawi Arab Democratic Republic or Western Sahara, which the U.S. government does not recognize as a state. For the ratification status and text of the agreement, see AfCFTA Secretariat “Creating One African Market,” November 2022 and other ratification data on the AfCFTA Secretariat’s website (<https://au-afcfta.org>); and Tralac, “Status of AfCFTA Ratification,” February 20, 2023.

AfCFTA in early 2021.<sup>17</sup> Of the remaining 10% of tariff lines, 7% are for “sensitive” products, to be phased out over a longer period, while 3% of lines may be excluded. The agreement is designed to complement and build upon existing integration efforts pursued by Africa’s eight AU-recognized regional economic communities (RECs). RECs that have already formed full customs unions with a common external tariff among their members, such as the East African Community (EAC), are to provide joint tariff offers to the other AfCFTA parties.<sup>18</sup>

### **Boosting Intra-regional Trade to Increase Value-Added Production**

An underlying goal of the AfCFTA is to increase intraregional trade in Africa, which lags behind that of most other world regions. In 2020, 17% of African exports were to other African countries, compared to intraregional trade shares of 30% in North America, 61% in Asia and Oceania, and 68% in Europe.<sup>19</sup> The World Bank estimates that implementation of the AfCFTA could increase intra-African trade by 81%, elevate Africa-wide real income by 7% (worth a projected \$450 billion), and potentially lift 30 million people out of extreme poverty by 2035.<sup>20</sup> However, the World Bank study and others suggest that the agreement’s tariff reduction effects will be limited unless they are accompanied by significant reductions in various nontariff barriers (NTBs), including improved trade facilitation (e.g., more efficient and transparent customs procedures).<sup>21</sup> Rules on NTBs are included in the agreement, but they may be more challenging to implement than tariff modifications. The World Bank study estimates that of the 7% potential increase in real income resulting from the agreement, 0.2% would be due to tariff reductions, whereas 6.8% would be due to removal of NTBs and improved trade facilitation. The AfCFTA Secretariat has established an online mechanism for monitoring, reporting, and elimination of NTBs.<sup>22</sup>

The first stage of AfCFTA implementation, which technically took effect on January 1, 2021, focuses on lowering barriers to trade in goods and services and establishes a dispute settlement mechanism, though little trade enjoying AfCFTA tariff reductions has taken place to date. This is because significant parts of the overall AfCFTA remain under design or have yet to be implemented, and as some countries have yet to enact their AfCFTA commitments into their national legal codes. In addition, regulatory forms or online compliance systems and other practical tools necessary to implement AfCFTA have yet to be rolled out.

African trade ministers sought to speed implementation progress in October 2021 by adopting a provisional tariff schedule legally permitting preferential trade between countries that had already agreed to tariff concessions.<sup>23</sup> This phase also covers trade facilitation, sanitary and phytosanitary (SPS) standards, nontariff and technical barriers to trade, and trade remedies.<sup>24</sup> AfCFTA Secretariat officials reported in mid-2021 that some trade began under the preferential AfCFTA

<sup>17</sup> AfCFTA Secretariat Secretary-General, *Briefing on the State of Play of the AfCFTA Negotiations and Steps Towards the Start of Commercially Meaningful Trade under the AfCFTA to Group of African Ambassadors/High Commissioners in the UK*, March 28, 2022

<sup>18</sup> At least four RECs submitted their members’ offers in this manner. For more on regional integration efforts, see AU, *2019 African Regional Integration Report: Towards an Integrated and Prosperous and Peaceful Africa*, 2019.

<sup>19</sup> United Nations Conference on Trade and Development (UNCTAD), “Merchandise: Intra-trade and extra-trade of country groups by product, annual,” at [https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS\\_ChosenLang=en](https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS_ChosenLang=en) and CRS calculations.

<sup>20</sup> World Bank, *The African Continental Free Trade Area: Economic and Distributional Effects*, 2020, at <https://openknowledge.worldbank.org/server/api/core/bitstreams/ef1aa41f-60de-5bd2-a63e-75f2c3ff0f43/content>.

<sup>21</sup> For example, a 2019 study by the IMF found that trade logistics/customs procedures and infrastructure are the most binding constraints on greater intra-African trade. IMF, *Sub-Saharan Africa Regional Economic Outlook*, p. 47.

<sup>22</sup> AfCFTA Secretariat, “AfCFTA Non-Tariff Barriers Reporting Mechanism,” at <https://tradebarriers.africa>.

<sup>23</sup> AfCFTA Secretariat, “The AfCFTA Guided Trade Initiative,” October 7, 2022.

<sup>24</sup> Trade facilitation refers to efforts to make cross-border transfers and customs procedures more efficient, faster, and less costly and administratively burdensome. SPS measures relate to food, animal, and plant health, and safety. AfCFTA Secretariat, *Compiled Annexes to the on the Establishment of the Continental Free Trade Area [sic]*, n.d.



rules, but was limited due to ongoing negotiations on certain Phase I protocol issues.<sup>25</sup> Issues that remained under negotiation included services trade commitments and rules of origin, which determine whether goods originate from within the AfCFTA and are eligible for preferential treatment.<sup>26</sup> The AfCFTA Secretary General, Wamkele Mene, noted that logistical difficulties caused by COVID-19 and varying institutional capacities among members had contributed to delays in negotiating these outstanding issues.<sup>27</sup> Negotiations have also begun on Phase II commitments covering investment, intellectual property rights (IPR), competition policy, and digital trade.<sup>28</sup>

In 2022, AfCFTA officials and signatory governments met to finalize an AfCFTA rules of origin manual, and to discuss AfCFTA regulations and the creation of an online “e-tariff” tool.<sup>29</sup> In October 2022, the AfCFTA Secretariat also initiated the AfCFTA Guided Trade Initiative, which aims to foster “commercially meaningful” levels of AfCFTA-mediated trade in a selection of goods among eight initial countries; test in practice various applied operational, institutional, legal, and trade policy components of the AfCFTA; and, along with other Secretariat efforts, promote private-sector awareness of the AfCFTA.<sup>30</sup>

To help facilitate AfCFTA trade, AfCFTA officials, in collaboration with Afreximbank—a public-private trade finance institution—launched the Pan African Payment and Settlement System (PAPSS), a regional platform for settling intra-African trade payments.<sup>31</sup> The AU Assembly also has mandated the negotiation of an AfCFTA Protocol on Women and Youth in Trade and the establishment of an AfCFTA Adjustment Fund to address potential disruptions (e.g., tariff revenue reductions) from AfCFTA trade liberalization.<sup>32</sup> The AfCFTA Secretariat, jointly with the World Bank, has also carried out an audit of barriers to trade in services among African states.<sup>33</sup>

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<sup>25</sup> Protocols are akin to investment agreement chapters in U.S. trade agreements. Pepina Gappah, “African Free Trade Area: 8 Months In,” event comments, Peterson Institute for International Economics, August 18, 2021.

<sup>26</sup> As of early 2022, 46 countries had made services trade commitment offers and rules of origin were agreed for 88% of tariff lines, with automobiles, textiles, and clothing still pending. Gerhard Erasmus and Trudi Hartzenberg, “Trade in Services Negotiations Update,” *Tralac Blog*, April 11, 2022; and AfCFTA AU Assembly, *Decision on the African Continental Free Trade Area (AfCFTA)*, Assembly/AU/Dec. 831(XXXV), February 5-6, 2022.

<sup>27</sup> Kingsley Ighobor, “One Year of Free Trading in Africa Calls for Celebration Despite Teething Problems,” *Africa Renewal*, January 5, 2022.

<sup>28</sup> AfCFTA Secretariat, press release, January 29, 2022, at <https://twitter.com/AfCFTA/status/1487806904881582085>.

<sup>29</sup> WCO, “AfCFTA, EU and WCO Join Forces to Support Digital Transformation of Customs Work,” January 31, 2022; and Desiderio Consultants, “AfCFTA e-tariff book, what’s the state of play?,” May 19, 2022.

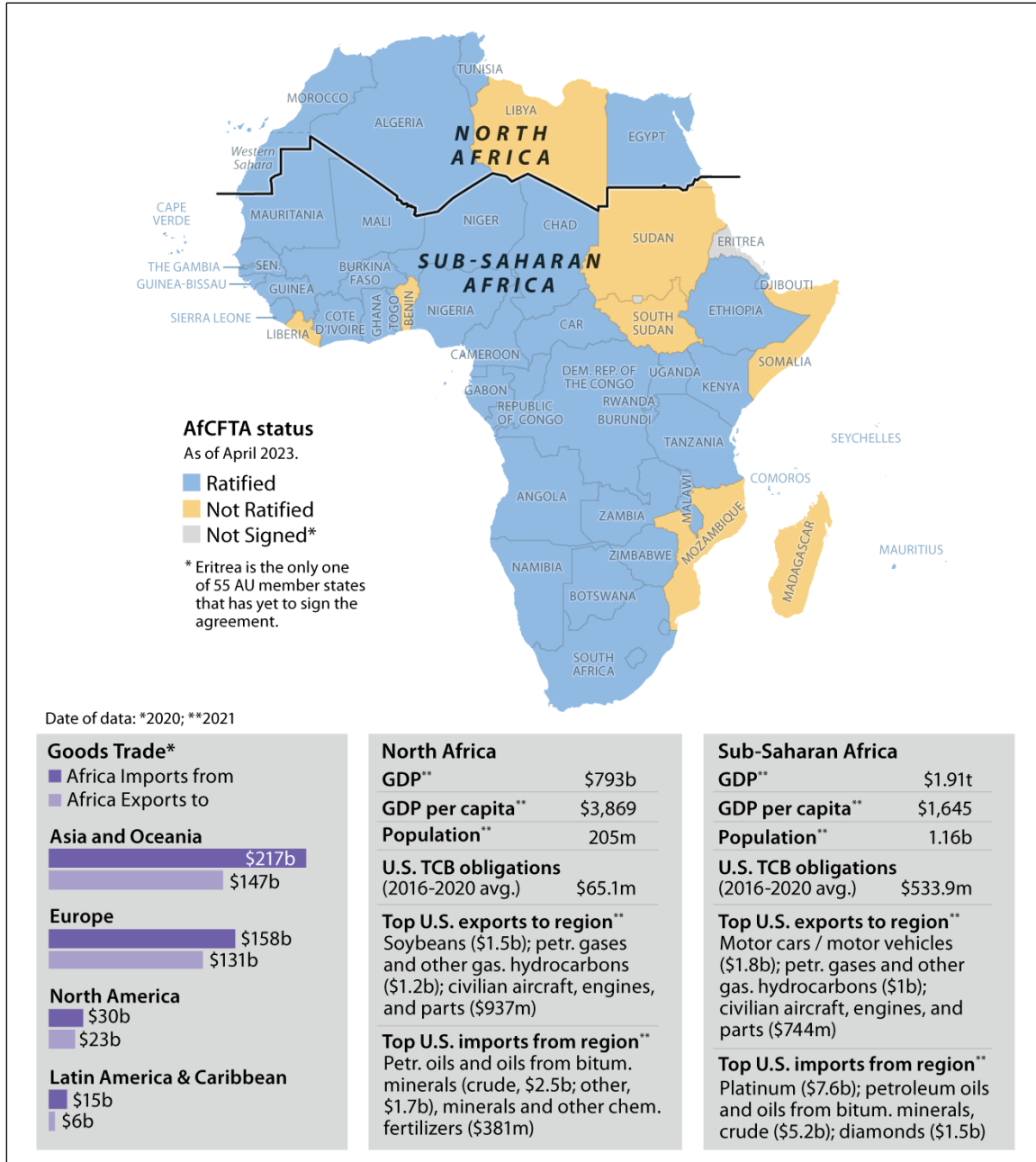
<sup>30</sup> AfCFTA Secretariat, “The AfCFTA Guided Trade Initiative,” October 7, 2022, and “Launch of the AfCFTA Private Sector Mapping and Glossary,” November 27, 2022.

<sup>31</sup> PAPSS is designed to enable cross-border payments in local currencies without requiring the use of intermediary exchanges of hard currency. AfCFTA Secretariat, “AfCFTA Press Briefing,” press release, July 9, 2021; and Afreximbank, “Afreximbank and AfCFTA Announce the Operational Roll-out of PAPSS,” press release, September 28, 2021.

<sup>32</sup> AfCFTA Secretariat, *The Futures Report: Making the AfCFTA Work for Women and Youth*, 2020. AU Assembly, February 5-6, 2022, op. cit.

<sup>33</sup> AfCFTA Secretariat, “AfCFTA Trade in Services Regulatory Audit Reports launched,” December 1, 2022.

Figure I. AfCFTA Ratification Status and African Trade Overview



**Source:** CRS, based on World Bank Development Indicators, USAID Trade Capacity Building (TCB) database, Trade Data Monitor, African Union, and U.N. Conference on Trade and Development (UNCTAD).

**Notes:** The AfCFTA member states include the Sahrawi Arab Democratic Republic or Western Sahara, which the U.S. government does not recognize as a state (see CRS Report R45387, *Morocco: Background and U.S. Relations*). TCB data shown for North Africa exclude regional funding for the Middle East and North Africa region, totaling \$64 million between 2011 and 2020. GDP and GDP per capita data were not available for South Sudan, Eritrea, and Western Sahara and are excluded from calculations. Population data for Eritrea and Western Sahara were not available and are excluded from totals.

Some analysts have raised concerns over the difficulties in finalizing Phase I negotiations and the lack of progress on implementation to date.<sup>34</sup> To expedite implementation, some observers have urged AfCFTA members to move forward with trading under AfCFTA rules and tariff concessions for the products for which negotiations have concluded and to facilitate AfCFTA trade among the largest African trading firms, which account for much of the region's trade.<sup>35</sup> Others also have called for expanded public awareness campaigns, as well as the creation of AfCFTA-specific customs forms and registries for trade logistics and supply chain firms.<sup>36</sup>

## **U.S. Assistance for AfCFTA's Development**

The United States has provided technical support for the AfCFTA under both the Trump and Biden Administrations. Such activity generally has taken the form of ad hoc workshops, trainings, and dialogue-type events, and there appears to be no current comprehensive source of data on funding for or tracking of U.S. activities specifically in support of AfCFTA's development and implementation. In 2019, Trump Administration and AU representatives signed a joint statement describing the AfCFTA as a common U.S.-AU goal.<sup>37</sup> The Office of the U.S. Trade Representative (USTR) and State Department officials hosted AU Commission (AUC) officials who were part of a 2019 International Visitors Leadership Program on U.S. trade policy approaches and U.S.-AU cooperation on the AfCFTA. The USTR and delegation also held talks as part of the U.S.-AU High-Level Dialogue, during which "both sides reaffirmed their support for AfCFTA as a strategic means to increase Africa's competitiveness and attractiveness to U.S. business."<sup>38</sup>

The 2019 AUC visit led to U.S.-sponsored workshops in 2020 on IPR, SPS rules, and digital trade pertaining to AfCFTA negotiations.<sup>39</sup> USAID, jointly with the nonprofit American National Standards Institute, also supported the AUC by providing a technical advisor, on a virtual basis, to aid the negotiation and implementation of commitments on technical barriers to trade and e-commerce issues. In 2020, USTR, the U.S. Patent and Trademark Office (USPTO), and the U.S. Copyright Office hosted a workshop for AfCFTA IPR negotiators and public- and private-sector stakeholders. USAID also sponsored a 2020 digital trade workshop for AUC staff, and the U.S. Department of Agriculture (USDA) aided implementation of the AfCFTA SPS policy framework, including by facilitating an AfCFTA SPS Committee. This followed USDA support for the development of a possible SPS-focused AU Food Safety Agency.

In October 2021, USTR Katherine Tai took note of several U.S. programs being developed to support the AfCFTA, including IPR negotiation workshops for African officials and efforts "to help prepare African entrepreneurs for the upcoming digital trade negotiations."<sup>40</sup> U.S. and AfCFTA officials have also expressed support for U.S.-AU collaboration in support of the planned AfCFTA protocol on the inclusion of women and youth in trade.<sup>41</sup> Other reported U.S. assistance includes USDA support for a technical advisor embedded with the AUC to assist with

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<sup>34</sup> For example, see Jamie MacLeod and David Luke, *Breathing Life into the AfCFTA: Why the Details Matter*, International Institute for Sustainable Development, March 2, 2022.

<sup>35</sup> Gerhard Erasmus and Trudi Hartzenberg, "Expediting the Start of Trade under the AfCFTA," Tralac, May 25, 2022.

<sup>36</sup> Francis Mangeni and Andrew Mold Monday, "7 ways to accelerate implementation of the AfCFTA," *Africa in Focus* Brookings Institution blog, June 13, 2022.

<sup>37</sup> USTR, "Remarks of Ambassador Mahoney at the 2019 AGOA Forum in Abidjan, Côte d'Ivoire," August 5, 2019.

<sup>38</sup> USTR, *Congressional Budget Submission*, FY2022, May 2021.

<sup>39</sup> USTR, *2021 Trade Policy Agenda and 2020 Annual Report*, March 2021.

<sup>40</sup> USTR, "Readout of Ambassador Tai's Participation in the Virtual AGOA Ministerial Meeting," October 20, 2021.

<sup>41</sup> USTR, "Readout of Ambassador Tai's Meeting with AfCFTA Secretary General," December 13, 2021.

the SPS policy framework, and plans to develop cross-border trade infrastructure projects in the region under the Millennium Challenge Corporation's (MCC's) regional compact initiative.<sup>42</sup>

Further U.S. AfCFTA support activities are envisioned under the late 2022 U.S.-AfCFTA Secretariat memorandum of cooperation noted above. Such activities may include exchanges of “knowledge, experience, and training” relating to a range of efforts to foster AfCFTA implementation and broader U.S.-Africa trade and investment activity expansion. Foci include trade facilitation, digital trade promotion, an inclusive AfCFTA trading environment that promotes the participation in trade of women, youth, and underserved groups, and efforts to promote partnerships between U.S. and African firms in various sectors.<sup>43</sup>

## **U.S. AfCFTA Support in Context of Broader U.S. TCB Efforts**

U.S. support for the AfCFTA is an element of broader U.S. efforts to foster trade capacity-building (TCB), which refers to a range of activities that support foreign countries' ability to engage in international trade. The United States uses TCB activities to encourage market-based economic development and reform and to increase U.S. opportunities for trade and investment abroad. USAID is a lead administrator of U.S. TCB assistance, though some 20 agencies also administer TCB funding or implement TCB programs. USTR manages interagency U.S. support for the AfCFTA through its coordinating role in the interagency Trade Policy Staff Committee.<sup>44</sup> Coordination of U.S. TCB efforts has been a focus of concern for Congress (see Division J, Title VII, Section 708 of P.L. 116-94).

The original AGOA legislation directed the President to provide specific technical assistance to enhance SSA countries' ability to participate in international trade and noted congressional support for African regional integration efforts (see Sections 102 and 122 of P.L. 106-200). Through reauthorizations of and amendments to AGOA, Congress renewed this directive (see Section 10 of P.L. 108-274 and Section 104 of P.L. 115-167). U.S. assistance to the AfCFTA may address such mandates. Historically, much of this mandated TCB support was provided through the three USAID-administered trade hubs noted above (see “Background on U.S. Trade Initiatives in Africa”).

USAID maintains a database documenting U.S. government funding for TCB activities, though it does not break out AfCFTA-specific funding.<sup>45</sup> During 2011-2020, Africa accounted for the largest regional share (45%) of U.S. TCB obligated assistance, which annually averaged \$486 million (**Figure 2**).<sup>46</sup> Agencies providing the largest shares of funding for the region included MCC (43%) and USAID (34%), and nearly two-thirds of all such TCB aid supported trade-related infrastructure and agriculture activities. TCB support for trade integration, the category most akin to the types of U.S. assistance provided to support the AfCFTA, accounted for \$2.6 million annually from 2011 to 2020 (i.e., less than 1% of total TCB funding to Africa during that period).

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<sup>42</sup> USTR, *2022 Trade Policy Agenda and 2021 Annual Report*, March 2022.

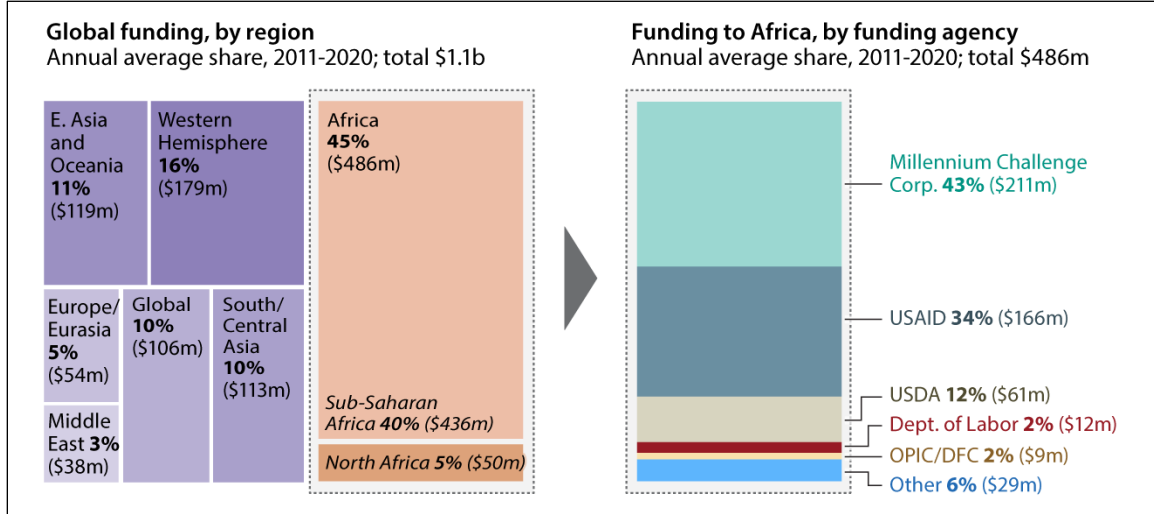
<sup>43</sup> USTR, *Memorandum of Understanding on Cooperation for Trade and Investment Between the African Continental Free Trade Area Secretariat and the Government of the United States of America*, December 14, 2022.

<sup>44</sup> USAID response to CRS inquiry, December 2021.

<sup>45</sup> USAID, Trade Capacity Building Database, at <https://tcb.usaid.gov/dashboard.html>.

<sup>46</sup> All data on TCB assistance are from USAID's TCB database and values are in constant 2020 dollars.

**Figure 2. United States TCB Funding by Region and for Africa by Agency**



**Source:** CRS with data from USAID TCB database.

**Notes:** U.S. TCB obligations shown for North Africa exclude funding allocated to the overall Middle East and North Africa region, totaling \$64 million between 2011 and 2020. OPIC refers to the Overseas Private Investment Corporation, which the U.S. International Development Finance Corporation succeeded in 2019. Totals may not sum to 100% due to rounding.

**Table I. U.S. TCB Funding to Africa, by Category**  
(millions of constant 2020 \$, FY2011-FY2020)

Category	Total	Annual Average
Trade-Related Infrastructure	\$1,722.8	\$172.3
Trade-Related Agriculture	\$1,288.8	\$128.9
Competition Policy, Business Environment, and Governance	\$500.7	\$50.1
Trade-Related Labor	\$295.7	\$29.6
Trade Promotion	\$165.9	\$16.6
Enterprise Development	\$162.2	\$16.2
Financial Sector	\$131.7	\$13.2
Other Trade Capacity Building	\$130.2	\$13.0
Sanitary and Phytosanitary Measures (SPS)	\$100.0	\$10.0
Environmental Standards and Trade	\$98.9	\$9.9
Customs Operations	\$87.3	\$8.7
Trade-Related Tourism	\$67.7	\$6.8
Technical Barriers to Trade (TBT)	\$45.3	\$4.5
FTAs and Trade Integration	\$25.8	\$2.6
WTO Accession and Compliance	\$15.9	\$1.6
Intellectual Property Rights (IPR)	\$10.3	\$1.0
Trade-Related Services (excluding Tourism)	\$9.0	\$0.9
Trade-Related Procurement	\$4.3	\$0.4

**Source:** CRS with data from USAID TCB Database.

**Notes:** Excludes funding allocated to the overall MENA region, totaling \$64 million from 2011 to 2020.

## International Support for the AfCFTA

Multiple donor governments and international organizations have provided support to the AU and AfCFTA member countries to assist with AfCFTA negotiations and implementation. The U.N. Economic Commission for Africa (UNECA), for instance, published a guide on AfCFTA national utilization strategies, and has partnered with the AfCFTA Secretariat to promote trade as a stimulus for post-COVID-19 economic recovery efforts.<sup>47</sup> The International Trade Centre (ITC), a multilateral agency with a joint mandate with the World Trade Organization (WTO) and the U.N., established SheTrades AfCFTA, a program to build the capacity of women-owned businesses to use the AfCFTA.<sup>48</sup> The AU also launched an African Trade Observatory, with EU assistance, to help track AfCFTA implementation, regional integration, and tariff negotiations.<sup>49</sup>

The EU, a major donor to AfCFTA support efforts, provided €74 million (approximately \$79.9 million) for such initiatives during 2014-2020, and further assistance remains ongoing.<sup>50</sup> This aid has supported AfCFTA negotiation facilitation; AfCFTA advocacy and country ratification; tariff classification harmonization; IPR strengthening; development of AfCFTA national implementation strategies; rules of origin implementation by African customs services; SPS system capacity-building; and the creation of regional geographical indications for products.<sup>51</sup>

Other international support for the AfCFTA has included the following:

- The September 2021 signing of a UK-AfCFTA Secretariat Memorandum of Understanding (MOU) in support of AfCFTA implementation and African intraregional trade and investment.<sup>52</sup> Funding for this initiative totals £35 million (~\$45.5 million) between 2021 and 2026.<sup>53</sup>
- Programs administered by the German-government-owned development corporation, GIZ, to assist with AfCFTA negotiation preparation and implementation, policy research and advice, and stakeholder outreach and

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<sup>47</sup> AU, “African Trade Observatory”; UNECA, et al., *Guidelines for Developing African Continental Free Trade Area National Strategies*, 2021, at <https://repository.uneca.org/handle/10855/43060>; and AfCFTA press release, March 29, 2021.

<sup>48</sup> This project is one of a wider array of ITC female trade participation promotion projects, including a number in Africa. See ITC web resource “SheTrades AfCFTA,” at <https://intracen.org/our-work/projects/shetrades-empowering-women-in-the-afcfta-phase-ii>.

<sup>49</sup> African Union, “African Trade Observatory,” at <https://ato.africa/en>.

<sup>50</sup> Africa-EU Partnership, *African Continental Free Trade Area (AfCFTA): Ongoing EU Support* [Factsheet]. Exchange rate calculations based on exchange rates sourced through FRED, Federal Reserve Bank of St. Louis.

<sup>51</sup> European Economic and Social Committee, *7<sup>th</sup> EU-Africa Economic and Social Stakeholders' Network*, March 2, 2021, at [https://www.eesc.europa.eu/sites/default/files/files/madame\\_synowiec\\_.pdf](https://www.eesc.europa.eu/sites/default/files/files/madame_synowiec_.pdf); European Commission, *EU Aid for Trade Progress Report 2021*, at [https://ec.europa.eu/international-partnerships/system/files/eu-aid-for-trade-progress-report-2021\\_en.pdf](https://ec.europa.eu/international-partnerships/system/files/eu-aid-for-trade-progress-report-2021_en.pdf); and Pan-African Geographical Indications Information Hub (<https://africa-gi.com/en>).

<sup>52</sup> *Business & Financial Times* (Ghana), “AfCFTA Secretariat Signs Landmark Agreement with UK Government,” September 13, 2021, at <https://thebftonline.com/2021/09/13/afcfta-secretariat-signs-landmark-agreement-with-uk-government/>.

<sup>53</sup> UKAid Development Tracker, “African Continental Free Trade Area Support Programme,” September 20, 2021, at <https://devtracker.fcdo.gov.uk/projects/GB-GOV-1-301220/summary>.



training.<sup>54</sup> Funding for such activities totals €34.5 million (~\$37.3 million) between mid-2020 and mid-2024.

- Canadian funding of a \$15 million program for UNECA's African Trade Policy Centre to support AfCFTA development.<sup>55</sup>
- Danish funding of a \$3.8 million program for AU AfCFTA-implementing institutions and UNECA.<sup>56</sup>

In addition to AfCFTA-specific assistance, other institutions provide estimates of African countries' broader trade facilitation progress and gaps. For example, the WTO maintains a database on WTO member countries' implementation of WTO Trade Facilitation Agreement (TFA) commitments, which share AfCFTA's goals of lowering trade costs and improving customs operations.<sup>57</sup> Forty-four of the 55 AU members are members of the WTO, and 40 have ratified the TFA.<sup>58</sup> The WTO also provides technical assistance and capacity building for developing and least-developed country members to aid with TFA implementation.

## China's Engagement with the AfCFTA

Over the past two decades, increasing Africa-China trade and investment ties have drawn concern from U.S. policymakers (**Figure 3**).<sup>59</sup> At issue are concerns over lost U.S. export opportunities, potential effects on U.S. economic ties with the region, and U.S.-China global strategic competition. U.S. officials have emphasized economic linkages and potential dependencies resulting from the People's Republic of China (PRC) Belt and Road Initiative (BRI) and its trade-centered infrastructure loans in the region.<sup>60</sup> At \$254.0 billion (\$148.1 billion in exports and \$106.0 billion in imports), PRC-Africa trade in 2021 was nearly four times as large as U.S.-Africa trade, at \$64.1 billion (\$26.6 billion in exports and \$37.5 billion in imports).<sup>61</sup> Bills introduced in the 117<sup>th</sup> Congress included measures to address concerns over U.S. strategic competition with the PRC globally, including in Africa (e.g., H.R. 3524 and S. 1260, among others). While many non-African countries and businesses may benefit from the AfCFTA, some experts view China's government and state-owned firms as particularly well positioned to do so.<sup>62</sup>

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<sup>54</sup> GIZ stands for Deutsche Gesellschaft für Internationale Zusammenarbeit (German Corporation for International Cooperation). GIZ, "The African Continental Free Trade Area: Development and More Economic Resilience through a Unified African Market," [project summary] July 2021; see also country or sub-region-specific project summaries (e.g., for Ethiopia, Ghana, and the EAC) and GIZ AU Office, *Annual Report 2020*, at [https://www.giz.de/de/downloads/giz2020\\_en\\_African\\_Union\\_Annual\\_Report\\_2020.pdf](https://www.giz.de/de/downloads/giz2020_en_African_Union_Annual_Report_2020.pdf).

<sup>55</sup> Canadian Government, "Prime Minister Trudeau Announces Additional Support for Hard-Hit African Economies," press release, May 18, 2021, at <https://pm.gc.ca/en/news/news-releases/2021/05/18/prime-minister-trudeau-announces-additional-support-hard-hit-african>.

<sup>56</sup> Danish Foreign Affairs Ministry, *Support to the African Continental Free Trade Area*, December 6, 2019.

<sup>57</sup> See CRS Report R44777, *WTO Trade Facilitation Agreement*; and WTO, "Trade Facilitation Agreement Database," at <https://tfadatabase.org/members/>.

<sup>58</sup> WTO, *Strengthening Africa's Capacity to Trade*, 2021, at [https://www.wto.org/english/res\\_e/booksp\\_e/strengthening\\_africas\\_capacity\\_to\\_trade\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/strengthening_africas_capacity_to_trade_e.pdf); and WTO TFA Database, "Ratifications," April 19, 2022.

<sup>59</sup> See for example, "China in Africa: Unequal Partnership," *The Economist*, special report, May 29, 2022.

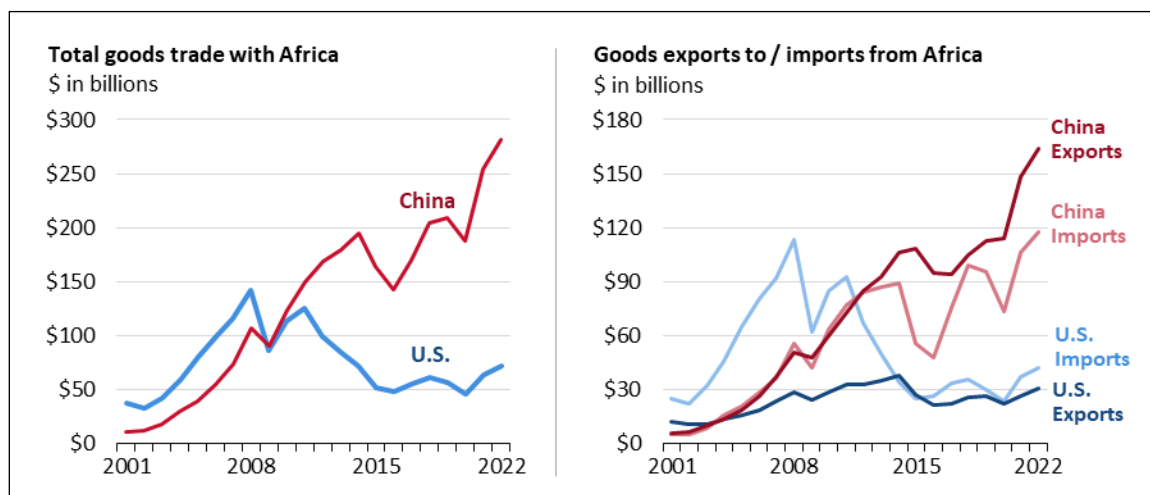
<sup>60</sup> See CRS In Focus IF11735, *China's "One Belt, One Road" Initiative: Economic Issues*.

<sup>61</sup> Data from U.S. Census Bureau and China Customs Statistics sourced via Trade Data Monitor.

<sup>62</sup> Linda Calabrese, "China-Africa Economic Relations: The BRI, the AfCFTA, and the Rest of the World," Italian Institute for International Political Studies, July 29, 2021, at <https://www.ispionline.it/en/publicazione/china-africa-economic-relations-bri-afcfta-and-rest-world-31179>, among others.

To date, PRC public statements on the AfCFTA have been limited, but supportive. In October 2021, the AfCFTA Secretariat and the Chinese government signed an MOU establishing an expert group on cooperation. A statement on the MOU asserted that the group “is expected to collaborate in areas that will include experience-sharing on intellectual property rights, customs procedures, digital trade and competition policy.”<sup>63</sup> In the same statement, AfCFTA Secretary-General Mene said that “China has been providing financial assistance to the AfCFTA Secretariat since its establishment, and support on aspects touching on IPR, investment, competition policy, and digital trade would be critical for the impending AfCFTA Phase II negotiations.” Mene also asserted that the “AfCFTA will produce new trading and investment opportunities for China in various economic sectors, including agro-processing, automobiles, and financial technology.”

**Figure 3. U.S. and Chinese Trade in Goods with Africa**



**Source:** CRS with data from U.S. Census Bureau and China Customs Statistics via Trade Data Monitor.

## Outlook and Selected Issues for Congress

Many policymakers and economists view the AfCFTA as an ambitious trade policy initiative with considerable potential to stimulate economic development in Africa if fully realized in alignment with U.S. trade and foreign policy goals in the region. In previous legislation, Congress has endorsed efforts to spur Africa’s global and regional trade, including through Africa-specific trade facilitation programs and preferential tariff treatment under AGOA, and efforts to expand U.S.-Africa trade and investment ties, as through Prosper Africa. Should Congress maintain and seek to build on such goals, Members may see utility in examining the roles that AfCFTA and U.S. support for its ongoing implementation and further development could play in advancing this policy agenda; the issues involved may include the following.

**Prospects for AfCFTA and Related U.S. Engagement.** The ultimate success of the AfCFTA likely depends on its members’ ability and political will to resolve remaining issues under negotiation and fully implement their commitments. The region faces significant challenges in

<sup>63</sup> Foreign Affairs Ministry of China, “AfCFTA to Gain from Chinese expertise,” press release, October 29, 2021, at [http://www.focac.org/eng/zfzs\\_1/202110/t20211027\\_10282233.htm](http://www.focac.org/eng/zfzs_1/202110/t20211027_10282233.htm). The MOU was signed in the context of ongoing Chinese-African relations pursued through the Forum on China-Africa Cooperation (FOCAC), which comprises China and all African countries except Eswatini. FOCAC via Foreign Affairs Ministry of China, “Forum on China-Africa Cooperation Dakar Action Plan (2022-2024),” November 30, 2021, at [https://www.fmprc.gov.cn/mfa\\_eng/wjdt\\_665385/2649\\_665393/202112/t20211202\\_10461183.html](https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/202112/t20211202_10461183.html).

this regard, including participants' vastly divergent institutional capabilities and economic interests, and ongoing regional tensions unrelated to trade. African countries' slow past implementation of commitments under the WTO's TFA suggests the region could face similar difficulty in implementing the AfCFTA.<sup>64</sup> Congress may seek to assess the relative capacity of AfCFTA members to fully realize its ambitious objectives and the role that U.S. assistance might play in helping them do so. Congressional monitoring of U.S. engagement with the development and progress of AfCFTA could be achieved through periodic congressional consultations with U.S. agencies involved in the annual high-level U.S.-AfCFTA Secretariat forum and technical working groups planned under the late 2022 U.S.-AfCFTA Secretariat MOU.<sup>65</sup> Some in Congress may also seek to participate in that high-level forum and may see a need for periodic reporting by the USTR to Congress on such activity, whether informally or through a legislative requirement.

**U.S. Funding for AfCFTA Support.** There appears to be no current comprehensive source of data on funding for U.S. activities specifically in support of AfCFTA's development and implementation. This gap may present a challenge to congressional oversight. Based on the types of assistance U.S. agencies report to have provided to the AfCFTA (e.g., ad hoc workshops and advisors), U.S. funding in support of the AfCFTA is likely significantly lower than that provided by some other donor governments (notably the EU). Congress may see benefit in requiring reporting from the executive branch on U.S. AfCFTA assistance, and using such data to determine whether current funding is sufficient and appropriately targeted to meet U.S. objectives, which could potentially include promoting alignment between new AfCFTA rules and processes and those of the WTO, applicable WTO agreements, and U.S. trade policy priorities.

**International Assistance Coordination.** Multiple foreign development partners—and competitors, like the PRC—support the AfCFTA. To avoid duplication of efforts, efficiently utilize scarce resources, elevate the representation of U.S. views, and promote effective collaboration with like-minded donor governments, Congress may consider how to foster greater coordination among and with U.S.-aligned partners. While such coordination reportedly exists on an ad hoc basis, an official cooperative forum, formally involving AfCFTA and development partner (e.g., EU and U.S.) officials, could act as a channel to clarify African needs and address capacity gaps. Such coordination may be important in areas in which the United States and other AfCFTA development partners may have differing trade regimes and policy priorities.<sup>66</sup>

**Expertise and Education Needs.** A deficit of expertise reportedly exists among many AfCFTA signatories regarding highly technical matters in the negotiations, which may affect these countries' ability to implement AfCFTA commitments.<sup>67</sup> In addition, extensive education may be needed if private-sector actors, including entrepreneurs in Africa's large informal microenterprise sector, are to take advantage of the AfCFTA and comply with its new trade rules. Reportedly,

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<sup>64</sup> WTO members in Asia and Latin America have implemented roughly three-quarters of their TFA commitments to date, in line with the global implementation rate, compared to half of commitments implemented among African WTO members. The TFA allowed developing countries to set their own implementation schedules. WTO, "Trade Facilitation Agreement Database," at <https://tfadatabase.org/implementation/comparisons>, accessed July 13, 2022.

<sup>65</sup> The USTR reports that the MOU "will establish annual high-level dialogues between U.S. and AfCFTA Secretariat officials, as well as quarterly working group meetings, to exchange information on best practices, receive stakeholder input, and have an open dialogue to enhance the relationship between the United States, the AfCFTA Secretariat, and AfCFTA member states." USTR, "In Year 2, Ambassador Katherine Tai and USTR Continued to Execute President Biden's Vision for Worker-Centered Trade Policy" (Fact Sheet), March 2022; and text of the MOU, op. cit.

<sup>66</sup> For example, EU and U.S. trade policy approaches often differ with regard to geographical indications and certain digital trade issues. For more, see CRS Report R44556, *Geographical Indications (GIs) in U.S. Food and Agricultural Trade* and CRS Report R46732, *EU Digital Policy and International Trade*.

<sup>67</sup> Kingsley Ighobor, "One Year of Free Trading in Africa Calls for Celebration Despite Teething Problems," *Africa Renewal*, January 5, 2022.

technical assistance to date has focused heavily on the AfCFTA Secretariat and various AUC departments, rather than on efforts at the national and regional levels.<sup>68</sup> Congress might see benefit in assessing the roles that targeted U.S. advisory or other assistance or engagement at the national and regional levels might play in better addressing AfCFTA implementation challenges.

**Automation and Digital Infrastructure.** Enhanced automation and online processing of trade-related tasks could reduce cross-border transaction costs, and potentially decrease the administrative discretion of low-level officials, which could lower the risks of corruption in such contexts. Efforts to achieve greater customs automation also align with multilateral trade obligations and goals under the WTO TFA. U.S. digital resource firms may be well placed to help build the technological infrastructure needed for such improvements. Congress may consider the adequacy and focus of existing U.S. government tools to support U.S. businesses in accessing such opportunities in the region.<sup>69</sup> Some Members also may see a need for greater U.S. government support for such activities to act as a counterweight to Chinese firms' roles in building African information technology networks and infrastructure.<sup>70</sup>

**Relation to AGOA.** The AGOA preference program has been a primary congressional vehicle for enhancing U.S.-African trade relations. Participation in AGOA, however, is statutorily limited to SSA countries, while the AfCFTA also includes the countries of North Africa. This divergence in regional focus between the AfCFTA and AGOA could impede AGOA's potential to contribute to the growth of intra-African supply chains and greater intra-African trade. Congress might see utility in considering whether reforms to AGOA's regional focus might better leverage AfCFTA's continent-wide growth potential. Examples might include changes in AGOA's rules of origin to allow certain qualifying inputs from North Africa to be used in AGOA-eligible goods production, or a broadening of the program to include eligible North African countries or industry sectors—though this might require changes in AGOA eligibility criteria, such as per capita income levels.

**U.S. Influence in Establishing Trade Rules and U.S. Trade Negotiations in Africa.** The United States historically has led in establishing trade rules through the WTO and through U.S. FTAs with various global trade partners, including on issues such as services trade liberalization, IPR protection and enforcement, worker rights, environmental protections, and digital trade. The Biden Administration's ongoing trade and economic negotiations with the Indo-Pacific and Western Hemisphere aim to address those issues without including traditional market access provisions (e.g., lowering tariffs) typical in previous U.S. free trade agreements, raising questions about Congress's role in the negotiation and consideration of final agreements that may result from those negotiations. Congress may see a need to assess its role in setting negotiating priorities for trade agreements and initiatives, including potential initiatives in Africa. Congress has directed the President to seek reciprocal trade liberalization agreements in SSA (e.g., P.L. 106-200, P.L. 114-27), but the United States has yet to successfully conclude such an agreement.

**Effectiveness of U.S. TCB.** The United States obligated an annual aggregate average of \$486 million in general TCB funding to African countries during 2011-2020. Congress may wish to consider whether sufficient tools and metrics exist to evaluate the effectiveness of this foreign assistance in achieving congressional goals.

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<sup>68</sup> CRS discussions with U.S. trade officials.

<sup>69</sup> See CRS In Focus IF10673, *U.S. Trade and Development Agency (TDA)*, and CRS In Focus IF11436, *U.S. International Development Finance Corporation (DFC)*.

<sup>70</sup> Aubrey Hruby, "Africa's digital infrastructure is the next playing field for great-power competition," Atlantic Council *AfricaSource* blog, November 29, 2021, at <https://www.atlanticcouncil.org/blogs/africasource/africas-digital-infrastructure-is-the-next-playing-field-for-great-power-competition/>.

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