Paper No. 2

Policy Recommendations: Advancing Mutually Beneficial U.S.-Africa Economic Relations

September 2015

On September 10, 2015, the Wilson Center launched the Brown Capital Management Africa Forum initiative, a 5-year platform for substantive and solutions-oriented dialogue on key trade, investment, and development issues in Africa and in U.S.-Africa relations. The launch of the Forum coincided with the one-year anniversary of the historic U.S.-Africa Leaders Summit, held in August 2014, through which the Obama Administration sought to reposition U.S.-Africa relations by bringing business and economic issues squarely to the fore. The inaugural Forum consisted of a series of events assessing the progress made towards achieving the $33 billion in commitments that were established at the 2014 Summit, including $14 billion in trade and investments from U.S. companies and government.[1] More importantly, the Forum offered recommendations for building on this progress and further advancing mutually beneficial U.S.-Africa economic relations.The inaugural Forum brought together over 150 participants and stakeholders – including U.S. and African officials, as well as representatives from the business sector, non-governmental organizations, think tanks, academics, members of the African diaspora, and other interested parties – in an inclusive and forward-leaning dialogue on U.S.-Africa economic relations.

The Brown Capital Management Africa Forum provides a premier platform for substantive and solutions-oriented dialogue on key trade, investment, and development issues in Africa, and in U.S.-Africa relations. Convening business leaders and policymakers, as well as subject matter experts from the United States, Africa, and the broader international community, the Brown Capital Management Africa Forum includes a series of public events designed to support the development of economic engagement and policy options that advance mutually beneficial eco-nomic relations between Africa and the United States. The Africa Forum is made possible by the generous support of Brown Capital Management.

For more information please visit https://www.wilsoncenter.org/article/the-brown-capital-management-africa-forum.

Speakers included senior U.S. and African officials, business leaders, and subject matter experts, namely: Mr. Stefan Selig, Under Secretary of the U.S. Department of Commerce; Congresswoman Jane Harman, Director, President, and CEO, Wilson Center; Ambassador Donald Gips, Senior Counselor at Albright Stonebridge Group and Former U.S. Ambassador to South Africa; Mr. Solomon Asamoah, Vice President for Infrastructure, Private Sector, and Regional Integration at the African Development Bank (AfDB); Mr. Eddie C. Brown, Founder, Chairman, and CEO of Brown Capital Management and Cabinet Member of the Wilson Center; Dr. Raymond Gilpin, Academic Dean at the Africa Center for Strategic Studies (ACSS); Mr. Jay Ireland, President and CEO of GE Africa and Member of the President's Advisory Council on Doing Business in Africa (PAC-DBIA); Ambassador Serge Mombouli, Ambassador of the Republic of Congo to the United States, Dean of the African Ambassadors Group, and Vice Dean of the Diplomatic Corps; Dr. Witney Schneidman, Member of the Wilson Center Africa Program Advisory Council and Senior International Advisor at Covington and Burling LLP; Ambassador Richard Sezibera, Secretary General of the East African Community (EAC); and Dr. Monde Muyangwa, Director of the Wilson Center Africa Program.

U.S.-Africa Economic Relations: Progress Made and Recommendations for the Way Forward

In the year since the 2014 Summit, progress has been made towards realizing some of the key economic commitments. Several African countries have achieved significant economic growth, and there has been an appreciable increase in U.S. business engagement with Africa. However, there is still enormous room for improvement. Many economic opportunities remain untapped, as exemplified by the fact that trade with the entire African continent, including North Africa, roughly matches that of U.S. trade with Brazil.[2] Key areas of progress and improvement include the following:

1. Renewing the Africa Growth and Opportunity Act (AGOA):

Since 2000, AGOA has been the cornerstone of U.S.-Africa trade relations. This legislation was set to expire in September 2015. During the Summit, the Administration and other stakeholders called for the renewal and enhancement of AGOA. The renewal as achieved in June 2015 for another 10 years with bipartisan support in Congress. While the 2015 AGOA reauthorization did not provide for all the enhancements that had been called for, its renewal signals policy stability in U.S.-Africa commercial relations. The key question now is: What comes after AGOA? Building on the bipartisan and cross-sectoral support for U.S.-Africa economic engagement, stakeholders must work with African countries to take greater advantage of the current preferences afforded by AGOA, including by developing African country and regional strategies for AGOA, for example. More importantly, there is a need to look beyond the current AGOA framework to develop a vision of U.S.-Africa trade relations in 2025. In this regard, key areas of focus include defining a post-2025 AGOA plan, addressing market fragmentation and barriers to trade by fostering regional integration, and addressing infrastructure gaps. In looking beyond AGOA, Africa has also called for the development of a U.S.-Africa economic relationship that is anchored by more than just quotas and duty free access for African goods, to one that is based on real negotiation and partnership and that demonstrates that U.S. economic interest in Africa is predictable and for the long-term.

2. Establishing the President's Advisory Council on Doing Business in Africa (PAC-DBIA):

In 2014, President Obama directed Secretary of Commerce Penny Pritzker to establish the PAC-DBIA to advise the Secretary of Commerce and the President on ways to facilitate U.S. business engagement with the Africa, to reduce barriers to trade and investment, and to encourage the continued growth of U.S.-Africa trade.[3] In April 2015, just nine months after its creation, the PAC-DBIA issued a set of concrete recommendations focusing on key issues in U.S.-Africa economic relations.[4] Key recommendations included increasing investment and access to capital, expanding trade and supply chain development, addressing the infrastructure deficit, and improving marketing and outreach. The PAC-DBIA has become an influential new voice for advocacy for U.S. business engagement with Africa and is playing a key role in strengthening the United States' commercial relationship with the African continent.

3. Expanding the Presence and Capacity of the U.S. Department of Commerce in Africa:

As recently as five years ago, there was little concerted effort by the U.S. government to support U.S. businesses in Africa, while business competitors in Europe, China, and other parts of the world had more support from their governments. This picture has been changing for the better over the last few years. For example, in order to help U.S. businesses become more successful in Africa, the Department of Commerce has ramped up its presence in Africa, including increasing the number of commercial attachés in Africa; opening offices in Angola, Ethiopia, Mozambique, and Tanzania; and expanding its operations Ghana. The United States Agency for International Development (USAID) has also re-fashioned its commercial hubs in Ghana, Kenya, and South Africa into trade and investment hubs that seek to help both African and U.S. companies take advantage of the opportunities. As a result, trade promotion and support is available in ways it was not even a few years ago, reducing barriers to market entry and increasing the competitiveness of U.S. companies on the continent. However, more still could be done, including bolstering the institutional capacities of USAID, the Department of Commerce, and U.S. embassies in Africa to enhance U.S. engagement and competitiveness. More can also be done to alert U.S. small and medium-sized enterprises (SMEs) to opportunities on the continent, and to improve their abilities to do business in Africa.

4. Addressing Fragmented U.S. Economic and Commercial Engagement with Africa:

There are numerous U.S. government agencies and entities implementing a multiplicity of economic-related programs and activities in Africa, including the departments of Commerce, State, and Agriculture, as well as USAID and the Millennium Challenge Corporation. However, the U.S. government has not realized the full synergies among and impact of these programs due to weak inter-agency coordination. Since its creation in 2012, the Doing Business in Africa Campaign has resulted in better coordination of the trade efforts of 27 U.S. departments, and has helped to support and increase understanding of U.S.-Africa trade opportunities. However, more still needs to be done to improve coordination and collaboration on implementation of the many different economic-related programs that reside across multiple agencies. To this end, the DBIA and PAC-DBIA should continue their efforts to enhance inter-agency coordination.

5. Promoting Good Governance as the Foundation for Economic Engagement:

As the U.S. government makes strides in its economic engagement with Africa, it should remain cognizant of the imperative of good governance to economic growth and development. Over the last two decades, Africa has made tremendous progress on the democratic front, but challenges remain, including democratic backsliding in some countries. The U.S. government should increase its support for democratic governance, the rule of law, and human rights in Africa, even as it expands its economic relationship with Africa. Furthermore, human rights and rule of law considerations should be part of the corporate ethics framework for U.S. businesses seeking to operate in Africa.

6. Tracking the Status of Economic-Related Commitments:

One year after the Summit, it is difficult to find comprehensive, readily accessible information on the status of the commitments. By failing to provide regular progress reports, the U.S. government risks both losing the momentum generated from this Summit and raising the potential for future summits to be dismissed as mere "talk-shops." Going forward, the Department of Commerce's Doing Business in Africa website should serve as the "one stop shop" for tracking progress on all economic commitments, including the number of jobs created, the number of SMEs supported, and the number of women brought into the formal sector.

7. Managing Expectations for Power Africa:

Several countries in Africa are facing major power deficits and/or crises, and expectations around Power Africa are unrealistically high. Power Africa recently tripled its scope, now focusing on extending 60 million new connections across the continent.[5] Achieving this objective will be no small feat. However, it is further complicated by the fact that there is a disconnect between public expectations that electricity will be available shortly and the actual length of time it will take for the projects to be completed and for the lights to be turned on, which is approximately 7 to 10 years from now. To avoid the perception that Power Africa is failing, the Administration must do a better job of managing expectations, including revisiting how it measures progress towards realizing Power Africa.

8. Re-Authorizing the EX-IM Bank, the Missing Tool in U.S. Commercial Diplomacy:

The EX-IM Bank is a key part of U.S. economic diplomacy, and the recent failure by Congress to reauthorize EX-IM Bank has left a deep void in U.S.-Africa commercial engagement. Both U.S. companies and African countries benefited from the EX-IM Bank, and African governments in particular viewed engagement with the Bank as a much sought after a stamp of approval from the U.S. government. Without the EX-IM Bank, the U.S. will likely be less competitive on the continent, especially since Africa's major economic partners have their own EX-IM equivalents. Congress must move quickly to restore the EX-IM Bank.

9. Promoting Regional Integration in Africa, Especially Free Trade Areas:

U.S. businesses are often reluctant to engage in Africa because the 54 individual countries represent small and fragmented markets that are often bound by strict localization laws. Likewise, poor national and regional infrastructure increases the difficulty of moving goods and people across borders. However, Africa is making significant progress towards regional integration. These efforts have so far led to the expansion of intra-Africa trade, to larger markets, and to more harmonized regulations across member countries.

For example, the East African Community (EAC) is taking concrete steps towards the creation of a political federation in the sub-region: Currently, the EAC has a customs union and a common market, and is moving towards a single currency in 2023, all with the goal of creating a single market. The EAC is also working with the Southern African Development Community (SADC) and the Common Market of Eastern and Southern Africa (COMESA) in order to create a tripartite free trade area spanning several sub-regions in Africa. The EAC-U.S. trade agenda also feeds into the Africa's regional integration efforts as it includes a facilitation agreement and commercial dialogue, and the two parties are currently working to negotiate a regional investment treaty. The EAC-U.S. trade agenda could serve as model for U.S. engagement with other African regional economic communities (RECs).

10. Defining a U.S. Role in Addressing Africa's Infrastructure Deficit:

Africa has a major infrastructure deficit. While the U.S. has traditionally shied away from infrastructure development, it is important to note that infrastructure across the transportation, education, health, agriculture, water management, and power sectors is a prerequisite for business expansion on the continent, and U.S. companies must play a role in this expansion. Helping U.S. companies to compete for infrastructure projects helps Africa to address its infrastructure deficit, while delivering major contracts to U.S. companies and triggering a network effect that further advances U.S.-Africa economic engagement. A U.S.-Africa Infrastructure Center, as proposed in the PAC-DBIA report, would be one way of improving the competitiveness of U.S. companies to compete for major infrastructure projects in Africa.

11. Enhancing U.S. Engagement with Francophone and Lusophone Africa:

There is a strong perception in some African quarters that commitments at the 2014 Summit across the economic, security, and governance realms favored Anglophone countries. For example, none of the six initial Power Africa partners were French- or Portuguese-speaking countries. Going forward, the U.S. government – across the inter-agency – should do more to engage Francophone and Lusophone Africa.

12. Improving Business Climate in African Countries and Building African Civil Service Capacities:

Increasingly, more African countries are taking measures to create business-friendly environments. According to the World Bank's 2015 Ease of Doing Business report, Sub-Saharan Africa accounted for 5 of the top 10 countries with the most improvements in regulatory reforms. However, more still needs to be done to address fragmented markets, infrastructure deficits, supply chain challenges, and civil service capacities to support international business engagement. And, while corruption is not a uniquely African problem, more needs to be done to identify, root out, and punish corruption, as too many African countries are still clustered at the lower end of Transparency International's Corruption Index. Also, there is need for greater consistency and predictability of government policies in Africa, with the goal of ensuring that such policies withstand changes in government or ministers. This would provide more confidence to investors. There is also a need to build greater capacity within government departments that manage international trade and investments. Although ministerial positions in many countries are occupied by technocrats and qualified politicians, the technical capacity of the civil service staff, who most directly interact with foreign companies seeking to invest, is still often lacking. Likewise, project development capacities need to be bolstered such that projects can be financed and become bankable. Additionally, African governments need to do more to address inclusive growth and development. If left unaddressed, this is a ticking time bomb, as instability and conflict are often rooted in exclusion.

13. Addressing the "Mental Block" in the U.S. about Doing Business in Africa:

Business opportunities in Africa remain largely hidden from most Americans due in part to a poor understanding of the continent and tendency to conflate its 54 different countries with the continent as a whole. For example, conflict in one part of Africa is interpreted as conflict all over Africa. This mental block obscures the fact that as a collective, Africa is high-growth region: in 2014, Foreign Direct Investment (FDI) rose for the third year in row, and remittances from the African Diaspora surpassed both FDI and Official Development Assistance (ODA). Likewise, the growing African middle class, with its readiness to spend on quality goods, represents a huge untapped market, and the demographic dividend in Africa presents a long-term opportunity for companies that position themselves appropriately. As noted above, there has been an increased commitment by many African governments to the private sector in recent years, regulatory frameworks continue to be improved, and the private equity industry is growing. Although climate change poses challenges for most African countries, it also creates business opportunities to leapfrog "dirtier" technologies and develop more environmentally friendly policies and investments. Yet U.S. engagement with these opportunities remains low. It is therefore important to educate the U.S. business community about the distinctiveness of the 54 countries of Africa, including their different economic and security situations and trajectories. Likewise, it is essential to stress the scope and scale of U.S. trade in Africa, as well as highlight existing and potential opportunities. Trade missions to Africa should become a regular part of U.S. economic engagement with Africa. To this end, the Department of Commerce's upcoming Trade Winds mission – the largest trade mission to Africa in U.S. history, involving over 100 companies ranging from Fortune 500 companies to SMEs – is to be applauded. The U.S. must do more to build on and sustain such efforts. Additionally, more U.S. companies need to base their regional headquarters in Africa – instead of Europe or the Middle East, as is currently the norm – in order to better understand the continent, build relationships, and do business more effectively.

14. Building African Capacities to Weather the Ups and Down of the Global Economy:

Africa has become more and more embedded in the global economy. In light of the recent downturn and upheavals in the Chinese economy, the fall in energy and commodity prices, and the potential of the United States to raise its interest rates, some African economies will be seriously challenged. It is therefore imperative for African governments to move expeditiously on national and sub-regional regulatory reforms in the economic sphere, develop and expand value-added industries at the national and regional levels, and consolidate progress towards regional integration. By increasing intra-Africa trade and becoming more competitive globally, African countries can reduce the spillover effects from downturns in the economies of individual bilateral trading partners.

15. Looking Ahead - Consolidating Progress and Providing Long-Term Stability and Predictability in U.S.-Africa Economic Relations:

The announcement by President Obama that the next U.S.-Africa Business Summit will take place in Washington in 2016 signals the White House's interest in continuing, consolidating, and expanding U.S.-Africa economic relations. The Business Summit should take place under the broader umbrella of a second U.S.-Africa Leaders Summit in 2016, as this will serve to institutionalize and affirm the 2014 Summit, and solidify its place within U.S.-Africa relations. Furthermore, the 2016 U.S.-Africa Business Forum should take place during the same week as the AGOA forum, thus allowing for better alignment of U.S. trade and investment strategies for Africa. Likewise, the Obama Administration should create a White House Policy Coordinator for Economic and Commercial Engagement with Africa in order to bring coherence to U.S. economic policy towards the continent; track the commitments across the economic, governance, and security realms; and advocate for another visit by the President before he leaves office in 2016. In his last Presidential trip to Africa, President Obama should visit Nigeria, as well as both a Francophone and Lusophone country.

For more information, on the Brown Capital Management Africa Forum, please visit: https://www.wilsoncenter.org/article/the-brown-capital-management-africa-forum

For background and analysis of the 2014 U.S.-Africa Leaders Summit, please see Paper #1 by Dr. Witney Schneidman at https://www.wilsoncenter.org/publication/paper-the-us-africa-leaders-summit-one-year-progress-challenges-and-the-way-forward-for, as well as the Special Report by Dr. Monde Muyangwa at https://www.wilsoncenter.org/publication/reflections-the-summit-whither-us-africa-relations

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1 https://www.wilsoncenter.org/publication/paper-the-us-africa-leaders-summit-one-year-progress-challenges-and-the-way-forward-for

2 https://www.census.gov/foreign-trade/balance/index.html

3 http://www.trade.gov/pac-dbia/

4 http://www.trade.gov/pac-dbia/docs/PAC-DBIA-Report_Final.pdf

5 https://www.whitehouse.gov/the-press-office/2015/07/25/fact-sheet-power-africa

The Africa Program

The Africa Program works to address the most critical issues facing Africa and U.S-Africa relations, build mutually beneficial U.S.–Africa relations, and enhance understanding about Africa in the United States.

The Program achieves its mission through in-depth research and analyses, including our blog Africa Up Close, public discussion, working groups, and briefings that bring together policymakers, practitioners, and subject matter experts to analyze and offer practical options for tackling key challenges in Africa and in U.S.-Africa relations.

The Africa Program focuses on four core issues:

i. Inclusive governance and leadership

ii. Conflict prevention and peacebuilding

iii. Trade, investment, and sustainable development

iv. Africa's evolving role in the global arena

The Program maintains a cross-cutting focus on the roles of women, youth, and technology, which are critical to Africa's future: to supporting good governance, to securing peace, to mitigating poverty, and to assuring sustainable development.

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