

## U.S. – AFRICA POLICY RECOMMENDATIONS

### FOR THE TRUMP ADMINISTRATION

The U.S.–Africa Business Center at the U.S. Chamber of Commerce firmly believes that the future of our export driven economy lies in Africa. This continent, which will be home to over 2.5 billion people by 2050, is a key battleground against terrorism and Chinese soft power.

Close to 70% of Africa’s population is under the age of 30 and is increasingly moving to urban centers in need of infrastructure. Africa’s middle class purchasing power is growing daily and many of these consumers desire U.S. goods and services. A 2016 report found that Africa’s businesses and consumers already spend \$4 trillion annually, and household consumption alone will total \$2.1 trillion by 2025<sup>1</sup>. At the same time, African governments are struggling to fight terrorism and looking to China and elsewhere for finance, trade and investment.

Much is at stake for the United States when it comes to security in Africa, whether it is competition for supplying the necessary equipment and training to African governments, or the risk that terrorism born in Africa will spread to the shores of the U.S. The rise of terrorist activities across Africa threatens the safety of millions of people as well as investments by U.S. based companies. The reality is that many of the people that are joining the ranks of terrorist groups are doing so out of desperation, not ideology. In fact, the majority would much rather have jobs that provide long term benefits and feed their families. If we can increase U.S. investments in the region and create jobs, we stop the growth of terrorist networks in Africa. We also help to build a new consumer base that desires American products and services, thus creating jobs here.

As detailed below, our top-line recommendations on the future of U.S. – Africa Policy include:

- (1) Enhancing U.S.-Africa bilateral and regional engagements
- (2) Improving the ease of doing business for U.S. companies
- (3) Focusing on infrastructure
- (4) Boosting Africa’s digital transformation
- (5) Adding value to Africa’s agricultural sector
- (6) Advancing trade facilitation and customs modernization

We urge this administration to work with the Chamber and our three million members to deepen our commercial ties throughout the continent while supporting U.S. jobs back at home, leveling the playing field for U.S. companies, and promoting U.S.-Africa security.

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<sup>1</sup> McKinsey Global Institute, *Lions on the Move II: Realizing the Potential of Africa’ Economies*. Summarized at <http://www.mckinsey.com/global-themes/middle-east-and-africa/realizing-the-potential-of-africas-economies>.

## **Enhancing U.S.-Africa bilateral and regional engagements**

African economies, especially those in Sub-Saharan Africa, have experienced surging economic growth in recent years. From 2000, the year that the United States adopted the African Growth and Opportunity Act (AGOA), until 2014, economic growth in Sub-Saharan Africa averaged 5.6%, outpacing the global average of 3.9%. While the recent slump in global commodity prices has hurt Sub-Saharan African economies that rely heavily on commodity exports, growth in many other economies in the region remains robust, and the IMF projects that growth across Sub-Saharan Africa will again outpace global growth by 2018.

The United States is not keeping pace with this growing opportunity. To give some context to how the U.S. is falling behind in Africa, Chinese exports to Africa in 2015 totaled \$102 billion, while the U.S. exported only \$17.8 billion in goods to the continent. The European Union has signed a reciprocal trade agreement with the Southern African Development Community—a regional body made up of six countries—and is in negotiations with the Economic Community of West African States' 15 nations and the East African Community's 5 countries. In contrast, the United States has only one free trade agreement in Africa, with Morocco, and nine bilateral investment treaties (BITs). Moreover, we have not concluded any BIT negotiations in Africa since 2005. Africa therefore presents a unique strategic and economic opportunity that the Trump administration should seize early—before our competitors shut the door on the U.S.

The United States lacks a developed network of trade agreements in Africa comparable to those in, for instance, the Americas. Furthermore, competition from the EU, Middle East, and Asia make it increasingly difficult for U.S. companies to operate on a level playing field. We need to carefully consider how to move beyond the African Growth and Opportunity Act (AGOA), the one-way trade preference program between the U.S. and qualifying African nations.

USTR has taken a wait and see approach when it comes to engaging African countries on anything beyond AGOA and Trade & Investment Framework Agreements (TIFAs). The new administration will need to look at the long-term impacts of the European Economic Partnership Agreements (EPAs) and develop a strategy in consultation with the private sector.

The U.S. government will have to dedicate considerable resources toward the development of official bilateral and regional trade agreements in order to level the playing field for American companies.

## **Improve the ease of doing business for U.S. companies**

The administration should push for an increase in focused bilateral dialogues with key markets and formalize a schedule with existing ones such as Nigeria, South Africa, and Morocco. These dialogues have proven to be beneficial to the business community, as they present opportunities to raise regulatory issues and allow for parties to voice challenges around the ease of doing business. Examples of successful dialogues can be found in the U.S.-India Strategic and Commercial Dialogue and the U.S.-China Joint Commission on Commerce and Trade.

Furthermore, nations such as China and Brazil have had success in Africa because their presidents lead business missions to key partner countries. We recommend the following as a way to strengthen our commercial ties across Africa:

- In partnership with the U.S. Chamber of Commerce lead an executive trade mission to Africa to strike new deals and to help existing ones come to closure. Commercial advocacy needs to be driven out of the White House, not just the State and Commerce Departments.
- Continue the work of the President's Advisory Council on Doing Business in Africa and find a way to administer the recommendations that the members have made.
- Mandate that once a year, each cabinet secretary with an international portfolio make a multicountry trip to Africa, ideally with a business delegation.

### **Focus on infrastructure development**

While President Obama's Power Africa initiative has helped boost the recognition that power generation is critical for economic development, the program has taken much longer to produce results than many expected. It has improved investor sentiment in the sector but still lags when it comes to deal completion. If the Trump administration wants to improve the investment climate in Africa, it will need to continue with programs such as Power Africa. It will also need to realign the focus of the program and have it be led by energy industry experts who can move the program forward and help deals come to completion at a much quicker rate.

In addition, greater attention needs to be paid to the United States' role in building out Africa's infrastructure. African nations are leaning hard on China, Korea and Turkey to develop their infrastructure. We suggest that the administration elevates the U.S.'s engagement in infrastructure development as they have with Power Africa.

We also need to work with Congress to strengthen the roles that MCC, USTDA, EXIM and OPIC have in Africa. MCC, for instance, should be allowed to engage in regional compacts. In doing so, MCC needs to look at their procurement mechanisms and move away from awarding tenders to lowest cost bidder and instead award ones that bring the best life cycle value. We believe that by utilizing tools such as USTDA's Global Procurement Initiative, more U.S. companies will be able to compete and win MCC projects.

### **Boosting Africa's digital transformation**

Information technology powered by cross-border data flows is enabling companies across every industry to more efficiently manage operations, create innovative products and services, and reach new customers. It is also enabling governments to more effectively serve citizens. Africa has witnessed great technological change in recent years, and there have been notable success stories: Internet-connected phones and applications are widespread; governments have been working with technology companies from the US and elsewhere on innovative solutions to expand broadband access; and developers in Kenya, South Africa, Senegal and other countries have developed path breaking mobile applications for financial services, retailing, health, and other activities.

Nevertheless, progress has been uneven due to factors including limited broadband connectivity, market access barriers for goods and services in some markets, data localization policies that limit access to innovative goods and services, and widely varied approaches to policy in areas such as data protection and cyber security.

We urge the incoming Administration to pursue a forward-leaning digital agenda in Africa that addresses these constraints through existing agreements and dialogues, potentially through new ones, such as new post-AGOA agreements. Doing so will both strengthen African economies and create important new opportunities for US businesses.

### **Adding value to Africa's agricultural sector**

The global population is expected to grow from 7 billion today to 9.7 billion people by 2050, with Africa's population alone expected to increase 54% in that time period. Given the mounting demands for safe, nutritious food by a rapidly growing population, it is imperative that a focus on strengthening food security remain a top priority for all those who have a stake in a stable, prosperous Africa and world.

Africa's largely subsistence-level agricultural production will not meet future needs in its current form. Encouraging the incorporation of American know-how, technology, investment and products into African supply chains will have a positive impact on food security, as well as economic growth – particularly in rural areas, where employment and opportunity are scarce. A comprehensive approach will be required—one that encompasses action on productivity, training, access to finance, trade, standards, and the business environment.

We suggest that the administration work with the private sector, development institutions, financing partners and other stakeholders to identify areas of opportunity. A focus on launching actionable programs, in appropriate geographies that can be expanded over time will help to achieve scalable success, thereby making tangible progress towards a food secure Africa.

### **Advancing trade facilitation and customs modernization**

Customs modernization and trade facilitation will ease the burden on U.S. exporters by lowering the unforeseen costs at the boarder attributed to outdated computer systems, porous track and trace measures, and non-tariff barriers including corruption. In addition, improvements to the supply chain will have tangible benefits on the health systems across the continent by ensuring that lifesaving medicines reach their intended recipients. Finally, improvements in customs modernization and trade facilitation will lead to greater inter-regional trade amongst African nations and expand markets for U.S. companies. For instance, the World Trade Organization predicts that access to foreign markets tagged as least developed countries will see an increase of over 60% if the Trade Facilitation Agreement is fully implemented. We ask that the administration help to push for the improvement of these barriers that are limiting U.S. companies' ability to do business in the region.