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Thank you very much, Chair Karen Bass, Ranking Member Christopher Smith, and distinguished members of the subcommittee, for your extraordinary leadership on U.S.-Africa relations. I am incredibly honored by and grateful for the opportunity offered to me by the members of this committee to testify on "Understanding the African Continental Free Trade Area and How the U.S. Can Promote its Success." I am Landry Signé, Managing Director and Professor at the Thunderbird School of Global Management, Senior Fellow at the Brookings Institution's Africa Growth Initiative, Distinguished Fellow at Stanford University's Center for African Studies, and a member of the World Economic Forum's Regional Action Group on Africa, and the World Economic Forum's Global Future Council on Agile Governance.

The African Continental Free Trade Area (AfCFTA) was signed in March 2018, ratified by the required number of countries by May 2019, and came into force in January 2021.

The significance of the AfCFTA cannot be overstated. It is the world's largest new free trade area since the establishment of the World Trade Organization (WTO) in 1994. It promises to increase intra-African trade through deeper levels of trade liberalization and enhanced regulatory harmonization and coordination. Moreover, it is expected to improve the competitiveness of African industry and enterprises through increased market access, the exploitation of economies of scale, and more effective resource allocation.

My research[1] has shown that the AfCFTA—and its accompanying increased market access—can significantly grow manufacturing and industrial development, tourism, intra-African

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[1] This testimony builds from my extensive publications on African economies, the AfCFTA and US-Africa relations, including with co-authors, for whom I am grateful. Some of the key publications include Landry Signé. 2020. *Unlocking Africa's business potential: Trends, opportunities, risks, and strategies* (Washington, D.C.: Brookings Institution Press); Landry Signé and Colette van der Ven. 2019. "Keys to success for the AfCFTA negotiations." *The Brookings Institution* (https://www.brookings.edu/research/keys-to-success-for-the-afcfta-negotiations/); Landry Signé and Chris Heitzig. 2022. "Effective engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships." *The Brookings Institution* (https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf); Witney Schneidman and Landry Signé. 2018. "The Trump administration's Africa strategy: Primacy or partnership." *The Brookings Institution.* (https://www.brookings.edu/blog/africa-in-focus/2018/12/20/the-trump-administrations-africa-strategy-primacy-or-partnership/). I am grateful to Christina Golubski, Daniela Ginsburg, and Hannah Pontzer for their wonderful editorial work, and to Hippolyte Fofack, David Luke, and Tarek Ben Youssef for our fruitful conversations. I also express my appreciation to John Allen, Brahima Coulibaly, Aloysius Ordu, and Sanjeev Khagram.

cooperation, economic transformation, and the relationship between Africa and the rest of the world. **In fact, under a successfully implemented AfCFTA, Africa will have a combined consumer and business spending of $6.7 trillion by 2030 and $16.12 trillion by 2050, creating a unique opportunity for people and businesses**[2]—and meaning the region can be the next big market for American goods and services.

UNECA has predicted that by 2040 implementation of the AfCFTA will raise intra-African trade by 15 to 25 percent, or $50 billion to $70 billion.[3] The World Bank estimates that the AfCFTA will lift 30 million people out of extreme poverty and substantially increase the income of 68 million people who are just slightly above the poverty line.[4] The International Monetary Fund (IMF) similarly projects that, under the AfCFTA, Africa's expanded and more efficient goods and labor markets will significantly increase the continent's overall ranking on the Global Competitiveness Index.[5]

Although there is a great momentum behind the agreement, its successful implementation is dependent on smart choices and thoughtful policy options. The United States can and should play an extraordinary role in promoting the AfCFTA's success to increase intracontinental and global trade, as well as achieve mutual African and U.S. prosperity.

In this testimony, I will **first** briefly examine a few challenges to trade in Africa and their consequences for the continent's development. **Second**, I will explain why the AfCFTA can constitute a solution to these challenges. **Finally**, I will discuss how smart U.S. foreign policy and assistance (both financial and technical) can promote its success in increasing intracontinental and global trade.

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[2] Landry Signé, *Unlocking Africa's business potential: Trends, opportunities, risks, and strategies* (Washington, D.C.: Brookings Institution Press, 2020).
[3] Landry Signé and Colette van der Ven. 2019. "Keys to success for the AfCFTA negotiations." *The Brookings Institution.* (https://www.brookings.edu/research/keys-to-success-for-the-afcfta-negotiations/)
[4] The World Bank. 2020. "The African Continental Free Trade Area" (https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area#:~:text=Implementing%20AfCFTA%20would%3A,the%20rest%20of%20the%20world.)
[5] Landry Signé and Colette van der Ven. 2019. "Keys to success for the AfCFTA negotiations." *The Brookings Institution.* (https://www.brookings.edu/research/keys-to-success-for-the-afcfta-negotiations/)

I. Why is the AfCFTA so important for Africa and the rest of the world?

Without a continental market, Africa will remain a small player in global trade. In fact, Africa accounts for only about 2.4% of total global exports, and is even a relatively small player in its own region.[6] In 2017, intra-African trade only represented about 17% of total African exports (compared to 59% and 69% for Asia and Europe, respectively), although some regions (East & Southern Africa) outperform others (Central Africa).[7]

Barriers to trade are numerous: According to the World Bank,[8] whereas it only took four documents to export goods from France, it took 9 to 10 documents in Angola and the Republic of Congo. In terms of importing, while it took four documents in France, Central Africa Republic required 11 documents. The AfCFTA comes at a time when customs clearing times are trending in the wrong direction: firms across the continent are reporting increased delays in goods passing customs.[9] In fact, over the last decade or so, the average reported time for exports to clear customs increased from 8.5 days to 10.3 days, while the average for imports increased from 13.9 days to 16.8 days.[10] Ports and roads, while improving, remain in notoriously poor conditions in many places.

This limited intra-African trade affects industrial development, poverty levels, and job creation, especially for Africa's young population. In sub-Saharan Africa alone, over 70 percent of the population is below the age of 35.[11] Today, youth in Africa are twice as likely as

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[6] Landry Signé. 2018. "How can the new African free trade agreement unlock Africa's potential?" *OECD.* (https://oecd-development-matters.org/2018/10/22/how-can-the-new-african-free-trade-agreement-unlock-africas-potential/)
[7] UNCTAD. 2019. "Facts & Figures." (https://unctad.org/press-material/facts-figures-0)
[8] The World Bank. 2018. "Doing Business 2018." (https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf)
[9] World Bank. 2021. "Enterprise Surveys Database." *World Bank Group.* (https://www.enterprisesurveys.org/en/enterprisesurveys)
[10] This section comes from my previously published article with Chris Heitzig. Landry Signé and Chris Heitzig, "Effective Engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships" *The Brookings Institution*, April 2022, pp. 55-57. (https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf)
[11] Landry Signé. 2018. "Why has Africa's fast economic growth left more poor people behind and how do we fix it?" *The Brookings Institution.* (https://www.brookings.edu/wp-content/uploads/2018/01/foresight-2018_chapter-3_web_final1.pdf)

to be unemployed when they reach adulthood compared to those who are currently adults. In addition, 70 percent of Africa's youth live on less than $2 per day. Women, who represent about 70 percent of informal cross-border traders, face challenges when crossing borders, keeping many of them under poverty lines.[12] A successful implementation of the AfCFTA will contribute to solving some of Africa's biggest challenges.

II. The solution: the potential benefits of the AfCFTA could be transformational

The U.N. Economic Commission for Africa has calculated that the **AfCFTA has the potential** to **increase African economic output by $29 trillion by 2050**.[13] Business-to-business spending ($4.2 trillion) will be about $915.3 billion in agriculture and agricultural processing, $666.3 billion in manufacturing, $784.5 billion in construction, utilities and transportation, $665.1 billion in wholesale and retail, $357.6 billion in resources, $249.3 billion in banking and insurance, and $79.5 billion in telecommunications and IT.[14] Consumer spending ($2.5 trillion) will be about $740 billion in food and beverages, $397.50 billion in education and transport, $390 billion in housing, $370 billion in consumer goods, $260 billion in hospitality and recreation, $175 billion in health care, $85 billion in financial services, and $65 billion in telecommunications.[15] These numbers are important for understanding how spending patterns will change. It is also important to note that by **2030, more than half of Africa's population will reside in seven countries**: Nigeria, Ethiopia, the Democratic Republic of Congo, Egypt, Tanzania, Kenya, and South Africa.[16]

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[12] ITC. 2013. "Unlocking the potential of informal women traders in East Africa." (https://www.tradeforum.org/article/Unlocking-the-potential-of-informal-women-traders-in-East-Africa/)
[13] Landry Signé and Ameenah Gurib-Fakim. 2019. "The high growth promise of an integrated Africa." *The Brookings Institution.* (https://www.brookings.edu/opinions/the-high-growth-promise-of-an-integrated-africa/)
[14] Landry Signé. 2018. "Capturing Africa's high returns." *The Brookings Institution* (https://www.brookings.edu/opinions/capturing-africas-high-returns/); Landry Signé and Ameenah Gurib-Fakim. 2019. "The high growth promise of an integrated Africa." *The Brookings Institution.* (https://www.brookings.edu/opinions/the-high-growth-promise-of-an-integrated-africa/)
[15] Landry Signé. 2018. "How can the new African free trade agreement unlock Africa's potential?" *OECD.* (https://oecd-development-matters.org/2018/10/22/how-can-the-new-african-free-trade-agreement-unlock-africas-potential/)
[16] Landry Signé. 2018. "Capturing Africa's high returns." *The Brookings Institution.* (https://www.brookings.edu/opinions/capturing-africas-high-returns/)

The AfCFTA will also allow countries to seize the opportunity offered by the Fourth Industrial Revolution in what we at Brookings call "industries without smokestacks." These largely services-based industries provide three key benefits of traditional manufacturing—**exportability, higher productivity, and the tendency to absorb large numbers of low-skilled labor**. The ongoing revolution in such industries, such as tourism, agro-industry, and some ICT-based services, **can serve as a development escalator.** In fact, between 1998 and 2015, **service exports grew about six times faster than merchandise exports** in Africa.[17]

The promise of the AfCFTA[18]

Although Africa has become increasingly regionally integrated, it has had less success integrating itself into the global economy and changing its portfolio of exports.[19] Indeed, Africa's share of global trade was just 2.8 percent in 2019.[20] Resources and commodities, which are susceptible to the shocks and whims of the global economy, still comprise a majority of African exports. But the AfCFTA could change all of that.

The idea of close economic and political integration in Africa dates back to the post-independence movements of the 1960s, which saw it as a way to safeguard independence.[21] In a very real sense, the implementation of the AfCFTA is a step toward a dream shared by policymakers across the continent of an African Economic Community boasting free movement of goods and people and a customs union.

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[17] Brahima Sangafowa Coulibaly and Karim Foda. 2020. "The future of global manufacturing" *The Brookings Institution.* (https://www.brookings.edu/blog/up-front/2020/03/04/the-future-of-global-manufacturing/)
[18] This section comes from my previously published article with Chris Heitzig "Effective Engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships" *The Brookings Institution,* April 2022 pp. 55-57. (https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf)
[19] Afreximbank. 2019. African Trade Report 2019: African Trade in a Digital Age. *African Export-Import Bank.* (https://www.afreximbank.com/reports/african-trade-report-2019/)
[20] Hippolyte Fofack. 2020. "Making the AfCFTA work for 'The Africa We Want'." *The Brookings Institution.* (https://www.brookings.edu/research/making-the-afcfta-work-for-the-africa-we-want/)
[21] UNECA. 2020. "Creating a unified regional market: Towards the implementation of the African continental free trade area in East Africa." *United Nations Economic Commission for Africa.* (https://archive.uneca.org/publications/creating-unified-regional-market-towards-implementation-african-continental-free-trade)

The AfCFTA is still far from achieving this dream, but nonetheless promises to improve Africa's trade environment by eliminating tariff and non-tariff barriers (NTBs) alike.[22] Previous negotiations led to rules of origin that cover approximately 87.7 percent of product lines, which means that the AfCFTA's reduced tariffs already apply to these goods.[23] Importantly, the AfCFTA promises to usher in trade facilitation policies that reduce NTBs. For example, the AfCFTA launched an online mechanism (https://tradebarriers.africa) that allows businesses to report trade barriers and have them monitored, with engagements between national and continental players aiming at eliminating the barriers.[24] Another example is the Pan-African Payment and Settlement System (PAPSS), which facilitates payments across borders (https://papss.com/). UNECA estimates that the share of intra-African trade could increase by 6.4 percentage points—above and beyond the impact of AfCFTA itself—by introducing complementary trade facilitation policies such as standardizing procedures, formulating a common rule of origin, and installing one-stop border posts.[25]

The AfCFTA is also capable of securing longer-term prosperity for Africa by spurring investment in manufacturing. Indeed, a majority of the projected $560 billion increase in exports resulting from the AfCFTA's implementation will be in manufacturing.[26] Increased manufacturing will steer Africa away from a volatile commodity-dependent model of trade, to which many of its economies currently belong.[27]

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[22] UNCTAD. 2019a. "World Investment Report 2020: International production beyond the pandemic." *United Nations Conference on Trade and Development.* (https://unctad.org/webflyer/world-investment-report-2020)

[23] Around 87.7 per cent of product lines have been agreed to in the rules of origin negotiations. This will accord preferential treatment under the tariff liberalization scheme to those products that meet the rules of origin cumulation threshold.

[24] https://tradebarriers.africa

[25] UNCTAD. 2019a. "World Investment Report 2020: International production beyond the pandemic." *United Nations Conference on Trade and Development.* (https://unctad.org/webflyer/world-investment-report-2020)

[26] World Bank. 2020c. "The African Continental Free Trade Area: Economic and Distributional Effects." *World Bank Group.* (https://openknowledge.worldbank.org/handle/10986/34139)

[27] Rodrik, D. (2016). Premature deindustrialization. Journal of economic growth, 21(1), 1-33; UNECA. 2020. "Creating a unified regional market: Towards the implementation of the African continental free trade area in East Africa." *United Nations Economic Commission for Africa.* (https://archive.uneca.org/publications/creating-unified-regional-market-towards-implementation-african-continental-free-trade); Hippolyte Fofack. 2020. "Making the AfCFTA work for 'The Africa We Want'." *The Brookings Institution.* (https://www.brookings.edu/research/making-the-afcfta-work-for-the-africa-we-want/)

Much of the immediate benefit of the AfCFTA will come from the reduction of tariffs on AfCFTA imports (the majority of which are destined to phase out over the next five years) as well as the elimination of NTBs as a result of harmonizing trading frameworks. Projected reductions in tariffs vary substantially by sector.[28] Producers of chemical, rubber, and plastic products are expected to see an 85 percent reduction in tariffs by 2035, the largest of any sector. Additionally, wood and paper products, textiles and wearing apparel, and many sub-categories of manufacturing are all projected to experience tariff reductions of upwards of 75 percent. Tariffs on processed food and petroleum and coal products are projected to fall by 64 percent and 60 percent respectively. Tariffs on agricultural products and fossil fuels are expected to fall by 55 percent and 40 percent, respectively. The tariff reductions in other sectors are more modest, but still sizeable. Natural resources and minerals are not projected to experience a reduction in tariffs over this period.[29]

In the medium and long terms, however, tariff reduction will likely play a small role in spurring trade across Africa. Instead, if achieved, it is the reduction of NTBs that will play a major role in driving intra-regional trade. Projected NTB reductions display less variation across sectors, with most sectors projected to experience a reduction between 35 and 50 percent. The only sectors that are projected to experience a smaller degree of reduction are natural resources (34 percent) and services (21 percent).

The greatest benefit of the AfCFTA, however, could come from enhanced trade facilitation with African and global partners alike.[30] Expected and realized gains from trade could attract investment in physical infrastructure (e.g., new plants, new ports, transportation terminals, etc.) and digital infrastructure (software to facilitate transactions, improved internet connectivity, the development of digital processes, etc.). These investments could improve Africa's trade prospects with the rest of the world. A decade from now, Africa could develop new comparative

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[28] World Bank. 2020. "Africa's Pulse, No. 22, October 2020." *World Bank Group.* (https://openknowledge.worldbank.org/handle/10986/34587)
[29] Having said and if only considering the formal process, by 2031, there will be zero tariffs under the AfCFTA for 97 per cent of goods if the liberalization process proceeds as agreed under the modalities for tariff liberalization.
[30] World Bank. 2020c. "The African Continental Free Trade Area: Economic and Distributional Effects." *World Bank Group.* (https://openknowledge.worldbank.org/handle/10986/34139)

advantages vis-à-vis the world and will be in a better position to facilitate trade in these areas thanks to investments made possible by the AfCFTA.

Trade literature suggests that trade liberalization tends to reduce between-country inequality but increase within-country inequality.[31] Who gains from trade likewise depends on labor mobility, the sectors that will benefit most from trade liberalization, and the constitution of the labor force of those sectors. In the face of this evidence, the latest estimates by the World Bank suggest that the AfCFTA will reduce the number of Africans living in extreme poverty by 30 million and those living on $5.50 or less by 68 million.[32] The AfCFTA is also expected to raise incomes by $450 billion by 2035. Importantly, traditionally disadvantaged groups are expected to prosper the most from the agreement: the incomes of women are expected to increase by 10.5 percent (compared to 9.9 percent for men) and that of unskilled workers by 10.3 percent (compared to 9.8 percent for skilled workers).[33]

III. Recommendations: How the U.S. can best support the AfCFTA's missions and goals, promote its success, and increase intracontinental and global trade

When engaging Africa, the U.S. should ideally pursue multilateral agreements through the AfCFTA and the African Growth and Opportunity Act (AGOA). In addition, **internal institutional development and capacity building** are two key areas the U.S. can support in order to strengthen the AfCFTA and its implementation.

In order to successfully deliver, the AfCFTA needs to have a strong foundation from which to work, and this is directly related to the availability of resources. The AfCFTA needs both a sufficient operating budget and enough human capacity, especially in its operations and research departments. The U.S. could play a vital role here in lending support or resources to

[31] Nina Pavcnik. 2017." The impact of trade on inequality in developing countries (No. w23878)." *National Bureau of Economic Research.* (https://www.nber.org/system/files/working_papers/w23878/w23878.pdf)
[32] World Bank. 2020c. "The African Continental Free Trade Area: Economic and Distributional Effects." *World Bank Group.* (https://openknowledge.worldbank.org/handle/10986/34139)
[33] This section comes from my previously published article with Chris Heitzig "Effective Engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships." *The Brookings Institution,* April 2022 pp. 55-57. (https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf)

employ and recruit people. The U.S. could also lend trade experts to help in the negotiations process, which is of vital importance in seeing the AfCFTA succeed. Similarly, the U.S. could provide an expert to help monitor progress, assess areas for improvement, and propose solutions. Finally, the U.S. could provide the AfCFTA with advanced technologies to help with monitoring trade and the success of various implementations.

The U.S. should also engage with the AfCFTA at the highest level, which will help further legitimize the AfCFTA both on the continent and in the U.S. Regular meetings should also be held between African and U.S. trade representatives for updates and as a way to move forward in defining joint priorities and monitoring implementation. Such regular meetings could also promote experience sharing on both sides.

Next, the U.S. should support individual countries in the development and implementation of their AfCFTA strategies and roadmaps. Capacity building should happen on the continental, national, and regional levels – paying special attention to the countries that are the most challenged. The U.S. can also further promote the AfCFTA domestically and bring awareness of it and of the opportunities it presents to American business people, which it has so far done to a minor extent.

Reducing the cost of doing business on the continent will be another important measure to help ensure that the AfCFTA sees success. Thus, U.S. support in navigating NTBs, especially infrastructure, could be impactful. The U.S. could invest in economic governance projects which will in turn help to improve the business environment as well as the regulatory environment. With increased investment and encouragement, U.S. firms on the ground in Africa could promote a business environment that would improve the ease of doing business.

These are a few key recommendations that can be implemented regarding internal institutional development and capacity building. Now, we will take a more in-depth look at some additional recommendations with specific illustrations regarding implementation.

Take advantage of the AfCFTA and enhanced regional integration.[34] Africa's trade landscape will change, and potentially rapidly, under the AfCFTA, and partners will have to stay ahead of the curve. The U.S. can simultaneously take advantage of and support the implementation of the AfCFTA and expanding the Regional Economic Communities by using regular events to disseminate information and targeted investment and lending to help U.S. multinationals to prepare for the change in demand for regionally sourced products and inputs that will accompany recent trends. The U.S. can also target and expand its infrastructure and electrification projects in Africa to support industries under the AfCFTA.[35] Analysis shows that industrial and manufactured products demonstrate the most regional trade potential under the AfCFTA.[36]

The U.S. must start considering right now what the future of U.S.-African trade will look like after 2025, given the fact that the cornerstone of U.S.-Africa trade—AGOA—will expire in 3 short years. It is my recommendation that U.S. policymakers aim for another iteration of AGOA that focuses on bilateral trade concessions with the region as a whole. The U.S. has already announced support for the AfCFTA, but needs to commit to using trade and investment to facilitate enhanced integration.[37]

That many U.S. companies have neglected to invest in Africa is, in part, an information issue. The limited interaction between U.S. senior officials and their African counterparts has not facilitated an improvement of U.S.-Africa relations. As a result, U.S. agencies have not always communicated clearly with U.S. firms about ways in which they may prosper in dealing with Africa, which accentuates the information problem many U.S. firms face when doing business in Africa. Prosper Africa could further be empowered to fix some of these coordination and

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[34] This recommendation is an adapted excerpt from my previously published article with Chris Heitzig "Effective Engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships." *The Brookings Institution,* April 2022, pp. 62. (https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf)
[35] Cook et al. 2020. "U.S. Assistance to Sub-Saharan Africa: An overview." *Congressional Research Service.* (https://crsreports.congress.gov/product/pdf/R/R46368)
[36] Afreximbank. 2021. "Africa's 2021 Growth Prospects: A puzzle of many pieces." *Afreximbank*. (https://www.afreximbank.com/reports/africas-2021-growth-prospects-a-puzzle-of-many-pieces/)
[37] Laird Treiber, 2021. "Suggestions for the Biden Administration on Promoting U.S.-Africa Trade and Investment." *The Center for Strategic and International Studies.* (https://www.csis.org/analysis/suggestions-biden-administration-promoting-us-africa-trade-and-investment)

information challenges, while the United States International Development Finance Corporation (USIDFC or DFC) and the U.S. Trade and Development Agency (USTDA) have the resources to support U.S. companies doing businesses in Africa.[38] Another way to address the information problem would be to follow other nations in having annual meetings of key players in bilateral relations with the African continent.

Facilitate investments in Africa, leveraging foreign aid and targeting areas that facilitate U.S.-Africa business integration.[39] The real value of foreign assistance (technically funding from the State Department and the U.S. Agency for International Development [USAID]) to Africa has decreased slowly but steadily since 2009.[40] The U.S. spent more than $7 billion in aid each year to Africa from 2009 to 2019, accounting for roughly one quarter of overall U.S. foreign assistance during that time. Very little of this aid, however, is devoted to economic sources of development: in 2019, for instance, only 8 percent (or $751 million) of $7.1 billion U.S. aid to Africa was allocated specifically to economic areas. To put this in perspective, the U.S. spent more in 2019 on contractors to construct a border wall with Mexico than they did on economic interests in Africa.[41] Moreover, only a fraction of this money is devoted to facilitating economic integration between the U.S. and Africa. The U.S.'s aid targeting economic programs is instead focused on agriculture development assistance, such as bolstering agricultural value chains, land tenure systems, and rural road development.[42] The U.S. already has programs in place that facilitate expanding trade capacity, infrastructure development, and microenterprise growth, but U.S. involvement in these areas is declining. Expanding assistance to extant projects in these areas could reverse the U.S.'s declining trade and foreign direct investment (FDI) in Africa.

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[38] Landry Signé, *Unlocking Africa's business potential: Trends, opportunities, risks, and strategies* (Washington, D.C.: Brookings Institution Press, 2020).

[39] This recommendation is an adapted excerpt from my previously published article with Chris Heitzig "Effective Engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships" *The Brookings Institution,* April 2022, pp. 63. (https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf)

[40] Cook et al. 2020. "U.S. Assistance to Sub-Saharan Africa: An overview." *Congressional Research Service.* (https://crsreports.congress.gov/product/pdf/R/R46368)

[41] Perla Trevizo and Jeremy Schwartz. 2020. "Records Show Trump's Border Wall Is Costing Taxpayers Billions More Than Initial Contracts." *ProPublica.* (https://www.propublica.org/article/records-show-trumps-border-wall-is-costing-taxpayers-billions-more-than-initial-contracts)

[42] Cook et al. 2020. "U.S. Assistance to Sub-Saharan Africa: An overview." *Congressional Research Service.* (https://crsreports.congress.gov/product/pdf/R/R46368)

Don’t forget about traditional aid. Over the last two decades, U.S. assistance in Africa has centered on health care, with emphasis on HIV/AIDS. Now that the pandemic has become the most pressing health care issue facing the region, the U.S. should invest aggressively in vaccine diplomacy. As evidenced by the emergence of more contagious and deadly COVID-19 variants, the pandemic will remain a grave threat to the entire world so long as there remain countries without widespread access to vaccines. Securing vaccines for Africa will also provide economic benefit for the U.S. because many vaccine producers are U.S. companies (Pfizer, Moderna, Johnson & Johnson, for instance).

The U.S. government should unlock the potential of cross-border investment by developing new regional or continental investment vehicles that offer sovereign guarantees beyond specific national borders, as cross-border investment is one of AfCFTA’s priorities. Agencies of particular interest that should develop cross-border, sub-regional, and continental approaches include the USIDFC, the U.S. Export Import Bank (Exim), the Trade and Development Agency (USTDA), and the Millennium Challenge Corporation (MCC). The US. government can increase the agility and speed of investments of U.S. businesses in Africa by developing specific partnerships between U.S. financial institutions such as USIFDC, Exim, and the USTDA, and African finance institutions such as the African Development Bank and the African Export-Import Bank, so that each institution capitalizes on its areas and territories of strengths to facilitate the speed and agility of investment operations while ensuring compliance.

Unlock the potential of U.S. small and mid-size enterprises (SMEs) in Africa, including but not limited to the African-American and diaspora communities. The U.S. government should expand outreach to engage more closely with SMEs, in campaigns promoting cross-country and continental business and investment opportunities available in Africa, and the services (including financial) offered by the government in supporting exports activities. For example, in partnership with the African Union Representational Mission to the U.S., Prosper Africa has organized engagements with numerous U.S. agencies, the AfCFTA, and the African diaspora, sharing specific tools available for U.S.-Africa trade and investments. Such efforts should be sustained and enhanced.

The U.S. should expand its investment in sectors that support Africa's integration agenda.[43] Helping close physical and digital infrastructure gaps could boost U.S.- African trade, benefiting not only African exporters but also offering business opportunities for U.S. companies. The U.S. should pay close attention to private sector efforts such as Facebook's partnership with MTN (South Africa), Orange (France), China Mobile, and Vodafone (Britain) to build a 37,000 km underwater fiber-optic cable to enhance broadband coverage in Africa, supporting efforts that yield especially high benefits to society.

Related, much of that investment should be in the digital economy and digital infrastructure.[44] The U.S. has already had programs for advancing technological developments on the continent, specifically to promote a more stable electricity grid and increased internet penetration, such as Connect Africa—which invested $1 billion in projects in the three key areas of transportation and logistics, information and communications technology, and value chains[45]—and Power Africa.[46] The BUILD Act, which converted the Overseas Private Investment Corporation (OPIC) into the nimbler USDFC, raised the spending cap of investments in lower-income and lower-middle-income countries to $60 billion, doubling the agency's current funding cap for emerging market infrastructure projects.[47] The USTDA also has the opportunity to advance its "Access Africa" initiative, which was developed to stimulate entrepreneurship and help those underserved by traditional banking, to now assist in the creation of information and communication technology infrastructure (USDFC, 2019). Prosper Africa, a

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[43] This recommendation is an adapted excerpt from my previously published article with Chris Heitzig "Effective Engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships." *The Brookings Institution,* April 2022, pp. 67. (https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf)

[44] This recommendation is an adapted excerpt from my previously published article with Chris Heitzig "Effective Engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships." *The Brookings Institution,* April 2022, pp. 48. (https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf)

[45] USDFC (U.S. International Development Finance Corporation). 2018. "OPIC Launches Connect Africa Initiative to Invest more than $1 Billion Supporting Infrastructure, Communications, and Value Chain Connectivity." (https://www.dfc.gov/media/opic-press-releases/opic-launches-connect-africa-initiative-invest-more-1-billionsupporting)

[46] Emilia Columbo. 2020. "Leveraging Africa's Technology Boom to Protect U.S. Interests." *Lawfare.* (https://www.lawfareblog.com/leveraging-africas-technology-boom-protect-us-interests)

[47] Daniel Runde and Romina Bandura. 2018. "The Build Act Passed: What's Next." *Center for Strategic and International Studies.* (https://www.csis.org/analysis/build-act-has-passed-whats-next)

$50 million program, was designed not to act as a foreign aid program but to organize the resources and capabilities of existing U.S. agencies and departments to help U.S. business expansion overseas.[48] With further refinement and a new set of priorities, this program could distribute resources and personnel to aid in the development of strategic technologies to support businesses in this area, as many are still under the radar.[49] The U.S. government should also build on the Power Africa initiative that has resulted in past successes for both the U.S. and its African partners. The Biden administration has a chance to greatly enhance this program's effectiveness, which could, at the same time, help to repair the damaged relationship between the U.S. and sub-Saharan Africa.[50]

Bridge the digital skills and human capital gap.[51] There are educational opportunities between the U.S. and Africa that could help bridge the gap with competitors like China. U.S. policy needs to provide support that incentivizes more American universities to open more campuses and degree programs throughout Africa. Currently, over half of African developers are either self-taught or pay for online programs through various schools. U.S. universities could establish programs that create win-win scenarios for everyone involved. For example, Carnegie Mellon University opened a campus in Rwanda that offers master's degrees in information technology and in electrical and computer engineering.[52] Another university that has followed suit is Morgan State University, which, after unanimous board approval, will offer three different degree programs in Ghana.[53] The university even has plans to establish a more physical presence in Africa if this pilot program is successful.

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[48] Landry Signé and Eric Olander. 2019. "Can Trump's Prosper Africa make America greater than China and other partners in Africa*?" Brookings Institution*. (https://www.brookings.edu/blog/africa-in-focus/2019/06/26/can-trumps-prosperafrica-make-america-greater-than-china-and-other-partners-in-africa/)
[49] Emilia Columbo. 2020. "Leveraging Africa's Technology Boom to Protect U.S. Interests." *Lawfare.* (https://www.lawfareblog.com/leveraging-africas-technology-boom-protect-us-interests)
[50] Katie Auth, Todd Moss, Rose Mutiso, Nilmini Rubin, Kate Steel, and Judd Devermont. 2021. "Going Big on Power Africa: Fortifying the Initiative for Today's Urgent Challenges." *Energy for Growth Hub.* (https://www.energyforgrowth.org/report/goingbig-on-power-africa-fortifying-the-initiative-for-todays-urgent-challenges/)
[51] This recommendation is an adapted excerpt from my previously published article with Chris Heitzig "Effective Engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships." *The Brookings Institution*, April 2022, pp. 48-49. (https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf)
[52] Gyude Moore, W. 2021. "Biden already has Africa's early goodwill, here's how to deliver on its promise." *Quartz Africa.* (https://qz.com/africa/1961323/how-joe-biden-can-revamp-us-africa-policy-with-an-eye-on-china/)
[53] Morgan State University. 2020. "Morgan State University to Offer Three Degree Programs in Ghana Following Board Approval." *Morgan State University*. (https://news.morgan.edu/degree-programs-in-ghana/)

Support reforms aimed at improving the business environment, which can increase competitiveness.[54] The U.S. government has an opportunity to support institutions that develop indexes which could be a credible complement or alternative to the World Bank's "Ease of Doing Business rankings," which ranks economies based on the ease of performing business there.[55] While the rankings provided useful insights into the regulatory environment in specific countries, it has been suspended due to irregular data and altered statistics—providing an opening for the U.S. to fill. Another useful tool the U.S. could adopt and monitor are sector-specific rankings, including better leveraging MCC scorecards[56], which help to lay the foundation for increasing private sector investment in specific regions and areas, and is currently tracked using third-party data points through Power Africa's Enabling Environment Tracker. The U.S. also has the opportunity to provide technical assistance to African governments that are seeking out higher production standards or who wish to initiate market reforms. Support to local watchdogs, like the media and civil society, can also help to hold those in power accountable.[57] More broadly, the U.S. should increase its investments in both democratic institutions and processes in Africa. A better and more transparent investment environment has the added benefit of creating a more even playing field for American companies and their competitors, like China.[58]

Ensure the adoption of inclusive policies so that no one is left behind in the Fourth Industrial Revolution context.[59] The U.S. could play a big role in helping African governments

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[54] This recommendation is an adapted excerpt from my previously published article with Chris Heitzig "Effective Engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships." *The Brookings Institution,* April 2022, pp. 50. (https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf)
[55] World Bank. 2020. "Ease of Doing Business Rankings." *Doing Business.* (https://www.doingbusiness.org/en/rankings)
[56] Please visit the website of the MCC for more information: (https://www.mcc.gov/who-we-select/scorecards)
[57] Judd Devermont and Marielle Harris. 2021. "Getting it Right: U.S. Trade and Investment in Sub-Saharan Africa." *Center for Strategic and International Studies.* (https://www.csis.org/analysis/getting-it-right-us-trade-and-investment-subsaharan-africa)
[58] Witney Schneidman. 2020. "Support for governance in Africa will level the playing field for US commercial engagement with the region*." The Brookings Institution.* (https://www.brookings.edu/blog/africa-in-focus/2020/01/28/support-forgovernance-in-africa-will-level-the-playing-field-for-us-commercial-engagement-with-the-region/)
[59] This recommendation is an adapted excerpt from my previously published article with Chris Heitzig "Effective Engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships." *The Brookings*

turn to more collaborative approaches to ensure inclusivity, especially in the educational field. The online education market is set to reach $350 billion by 2025, meaning it is ripe for joint public-private investment.[60] Trainings and technologies could easily be scaled up if the proper infrastructure and inclusive policies were put in place, for unfair distribution and unequal opportunities continue to inhibit learning and future potential across the continent. Marginalized groups, especially young girls, continue to face inordinate challenges that severely impact their education. In fact, 30 percent of primary school-age girls are not in school.[61] The U.S. needs to fund and support policies that are inclusive, especially given school closures under COVID-19. While online learning is the way of the future in the U.S. and elsewhere, 89 percent of learners across sub-Saharan Africa do not have computers in their home, and 82 percent do not have access to the internet.[62] Equipping rural areas and towns with affordable internet access can provide enormous resources for youth to receive an education and eventually participate in the digital economy**.** The U.S. is well-equipped to bridge these gaps and help invest in and fund the future of education in Africa.

Enhance cybersecurity. It is becoming increasingly evident that no one and no border is immune to cyberattacks.[63] To effectively advance U.S. economic interests in Africa, it is critical that investment and policy initiatives in Africa are accompanied by a holistic cybersecurity approach. Attacks on electrical infrastructure, which are increasing given the digitization of electrical grid operations, can have detrimental effects to national security, the economy, and public health.[64] African utilities need to start thinking about ways to secure their infrastructure

Institution, April 2022, pp. 50. (https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf)

[60] Sampson Adotey. 2021. "Why digital inclusion must be at the centre of resetting education in Africa." *World Economic Forum.* (https://www.weforum.org/agenda/2021/03/digital-inclusion-is-key-to-improving-education-in-africa/)

[61] Nirav Patel and Genevieve Jesse. 2019. "African states' varying progress toward gender equality in education." *Brookings Institution.* (https://www.brookings.edu/blog/africa-in-focus/2019/06/13/african-states-varying-progress-towardgender-equality-in-education/)

[62] Sampson Adotey. 2021. "Why digital inclusion must be at the centre of resetting education in Africa." *World Economic Forum.* (https://www.weforum.org/agenda/2021/03/digital-inclusion-is-key-to-improving-education-in-africa/)

[63] This recommendation is an adapted excerpt from my previously published article with Chris Heitzig "Effective Engagement with Africa: Capitalizing on shifts in business, technology, and global partnerships" *Brookings,* April 2022, pp. 50-51. (https://www.brookings.edu/wp-content/uploads/2022/04/Effective-engagement-Africa_April-2022.pdf)

[64] Power Africa. 2020. "Cybersecurity for Transmission and Distribution in Africa." *Power Africa.* (https://powerafrica.medium.com/cybersecurity-for-transmission-and-distribution-in-africa-475676074534)

against these cyber threats as their operations become more automated. Given that the U.S. has been a pioneer in creating approaches and new technologies to fight against cybersecurity threats,[65] the U.S. must work directly with African governments and utilities to help them build up secure systems. The U.S. has acknowledged the need for open communication, lesson-sharing, and a multiple stakeholder approach to prevent attacks and raise awareness.[66]

Participate in the reordering global supply chains. The competitiveness and productivity gains as well as economies of scale associated with the AfCFTA provide an opportunity for U.S. corporations to effectively sustain their growth in an increasingly challenging global environment of heightening geopolitical tensions. In effect, the AfCFTA is timely and provides the opportunity for these corporations to effectively participate in the reordering of global supply chains for greater resilience.[67] The U.S. government, especially the U.S. Treasury, could support that global transition through a number of measures, including fiscal incentives and tax credits on investments by U.S. corporations in Africa. More than diversifying U.S.-Africa trade and investment, such a move will also sustain the growth of U.S. corporations while reducing the global climate footprint.

Expand manufacturing output to boost U.S.-Africa trade. Financial resources for long-term investment, and specifically the injection of patient capital, has emerged as one of the most important binding constraints to the transformation of African economies.[68] Lifting that constraint in the AfCFTA era is critical and would require a significant increase of and a dramatic shift in the composition of foreign direct investment, towards more manufacturing and infrastructure (including digital infrastructure) as well as equity participation to complement debt financing, which has been the preferred model up to now. The African Export-Import Bank has established a Fund for Export Development in Africa (FEDA) to support the growth of SMEs and start-ups to accelerate the transformation of African economies in the AfCFTA era. The

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[65] Power Africa. 2020. "Cybersecurity for Transmission and Distribution in Africa." *Power Africa.* (https://powerafrica.medium.com/cybersecurity-for-transmission-and-distribution-in-africa-475676074534)
[66] Power Africa. 2020. "Cybersecurity for Transmission and Distribution in Africa." *Power Africa.* (https://powerafrica.medium.com/cybersecurity-for-transmission-and-distribution-in-africa-475676074534)
[67] Landry Signé. 2022. "U.S. Trade and Investment in Africa." *The Brookings Institution.* (https://www.brookings.edu/testimonies/us-trade-and-investment-in-africa/)
[68] Hippolyte Fofack. 2020. "Making the AfCFTA work for 'The Africa We Want'." *The Brookings Institution.* (https://www.brookings.edu/research/making-the-afcfta-work-for-the-africa-we-want/)

newly established USDFC could leverage FEDA to channel more resources towards the growth of SMEs and infrastructure development with a view to furthering the diversification of sources of growth and trade across the continent through equity participation.

Deepen the partnership between U.S. Exim and Afreximbank. Over the years, the partnership between U.S. Exim and the African Export-Import Bank has facilitated the export of capital goods manufactured in the U.S. to Africa. Deepening the partnerships between the two institutions including through the establishment of lines of credit and expansion of guarantees programme could expand the growth manufacturing industries and further deepen trade and investment relationships between Africa and the U.S.

Collaborate within the Creative Africa Nexus. African institutions are also investing heavily in the cultural and creative industries. The African Export-Import Bank is working with UN agencies on the first-ever comprehensive report devoted to the creative and development nexus in Africa. At the same time, it has established the "Creative Africa Nexus" (CANEX) as an institutional platform to support Africa's creative and cultural industries. CANEX provides another platform to further the collaboration between Africa and the U.S. in the creative space. The Bank is already working with several U.S. artists and corporations and the support of notable institutions such as USAID and the Smithsonian will go a long way to boost the growth of cultural exchanges and further diversify the composition of trade and investment between the U.S. and Africa.

Thank you very much for your attention and I look forward to your questions.