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Africa’s Century and the United States: Policy Options for Transforming U.S.-Africa Economic Engagement into a 21st Century Partnership

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Introduction

In President Biden’s February 2021 address[1] to the African Union Summit, he signaled his intent to reframe the United States’ relationship with Africa, stating, “…the United States stands ready to be your partner, in solidarity, support, and mutual respect. We believe in the nations of Africa.” The following July, he announced[2] the White House would host African leaders in Washington, D.C. for the U.S.-Africa Leaders Summit.

In the eight years since the first U.S.-Africa Leaders Summit in 2014, the continent has transformed significantly. The decade since the United States turned toward enhanced economic engagement has yielded deeper U.S.-Africa commercial ties. The second Summit, hosted in December 2022, sought to build on this trajectory and demonstrate visibly the administration’s commitment to building a “21st century partnership” with Africa.

The Brown Capital Management Africa Forum is a premier platform for substantive and solutions-oriented dialogue on key trade, investment, and sustainable development issues in Africa, and in U.S.-Africa relations. Launched in 2015, the Africa Forum conducts research on key development issues and provides a high-level platform for convening African, U.S., and international business leaders, policymakers, and subject matter experts in forward-leaning, policy-oriented dialogue aimed at advancing sustainable development in Africa and fostering mutually beneficial economic relations between Africa and the United States. The Brown Capital Management Africa Forum is made possible by the generous financial support of Brown Capital Management (BCM), LLC (Baltimore, Maryland).

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Progress Made and Challenges Faced

Twenty years of sustained economic growth from 2000 to 2019 averaged 5% GDP growth[3] annually in Sub-Saharan Africa. By 2020, thirty-nine African countries reached upper-middle or high-income status. Foreign direct investment flows hit a record $83 billion[4] in 2020. Africa's growing middle class, increasing digital access, improvements in the business climate, deepening global economic ties, and increased trade and investment have increased African markets' competitiveness. The United States' flagship trade program, the African Growth and Opportunity Act (AGOA) facilitated a 25% growth[5] of U.S. trade volume with Sub-Saharan Africa between 2000-2019. A number of initiatives—such as Prosper Africa, Power Africa, the Millennium Challenge Corporation, the President's Advisory Council on Doing Business in Africa (PAC-DBIA), USAID trade hubs, and the U.S. International Development Finance Corporation—have all worked to advance the economic relationship and policies.

Nevertheless, the economic impacts of COVID-19 did not spare African economies, with some countries seeing a reversal of a decade of economic growth and setting millions back into poverty. Trade with the United States declined, with AGOA's impact smaller than hoped. Climate change and shocks to Africa's food systems have created food crises in some parts of the continent with many facing hunger. While digital access continues to increase, global challenges to democratic governance have affected African countries with citizens facing threats to their freedoms—both in the digital realm and on the streets.

Defining Issues for Africa's Century

With a view toward the future, the United States recognizes the importance of the continent and is seeking to embrace, using South Africa's President Ramaphosa's phrase, "Africa's century."[6] Several factors will distinguish this future, including:

- **Demographic Change:** In the last two decades, Africa's population has grown, averaging over 2% annually, with a current median age of 19.[7] By 2050, the population is estimated to grow to 2.5 billion and one in four people on the planet will be African. The region and its workforce will be the world's youngest.
- **Economic Integration:** The African Continental Free Trade Area (AfCFTA) will be the world's largest free trade area, with a combined GDP of $3.4 trillion and the potential to remake African trade and commercial relations.
- **Economic Recovery:** As African economies seek to rebuild economic gains rolled back by the COVID-19 pandemic (estimated at $154 billion in recovery costs[8]), they will need increasing investments and innovative approaches to development financing to fill the additional $200 billion financing gap[9] needed to meet the Sustainable Development Goals by 2030.
- **Climate Change and Food Security:** Climate change, global responses, and "loss and damage"[10] actions will have a significant impact on the continent, especially food insecurity, which has risen sharply in recent years.
- **Digital Transformation:** Africa's growing digital ecosystem and the inflows of technology sector financing signify its importance in growing economies and creating commercial opportunities. Africa's digital economy is projected1[1] to grow from contributing $180 billion in 2025 to up to $712 billion by 2050.
- **Democracy and Governance:** Global headwinds against democracy are likely to continue, with only eight countries in Sub-Saharan Africa[12] as free in 2022—the smallest number since 1991. Yet, the 2020 Ibrahim Index of African Governance[13] report revealed over 60 percent of Africa's population lives in a country where overall governance has improved over the last decade and Afrobarometer[14] indicates widespread support (69%) for democracy. From Nigeria to the Democratic Republic of Congo, the continent will see 17 state or parliamentary elections in 2023.[15-16]

The Wilson Center's Brown Capital Management Africa Forum event, Transforming U.S.-Africa Economic Engagement into a 21st Century Partnership,[17] discussed important issues shaping the U.S.-Africa economic relationship and presented policy options and recommendations for the United States to tackle the defining issues and make the most of opportunities to build mutually beneficial U.S.-Africa partnerships that move beyond rhetoric to action and truly embrace Africa's Century.

The Future of AGOA and U.S.-Africa Trade

AGOA is set to expire in 2025 and the time is now to evaluate adjustments needed to enhance its effectiveness and benefits. Co-creation by U.S. and African stakeholders of a new AGOA dispensation is critical to its success; mutual respect and listening should inform that process. Agenda 2063,[18] adopted in 2015, shapes the aspirations and strategies of the African Union (AU) and its Member States. In this, the AU prioritized regional economic integration and the implementation of the African Continental Free Trade Area (AfCFTA). The AfCFTA aims to dismantle trade barriers and create a "made in Africa" revolution. The U.S.-Africa economic partnership should build on this vision.

Lessons for the United States from the last two decades reflect that AGOA was impactful in some countries and sectors but did not realize widespread impact. Value-addition of African products was limited, with commodities and raw materials prioritized—maintaining African markets at the bottom of global value chains. Furthermore, the growth and sheer volume of Chinese investments in infrastructure now serve as a context for African countries as they evaluate their relationships with the United States—a point the United States should remember in its negotiations.

Moving forward, the United States should consider renewing AGOA on its non-preferential terms, thus allowing the AfCFTA time and space to operationalize and advance production, value-addition, and incorporation into the global trading system. Furthermore, an AGOA plus model that considers additional, complementary measures not previously included, such as targeting the infrastructure, technology, and finance sectors, would benefit the trade relationship. Tapping into the African diaspora to would also strengthen U.S.-Africa ties and attract investment. Specific value chains[19] identified by the United Nations Development Programme (UNDP)[20] as market opportunities that bolster a "made in Africa" revolution also present an accessible entry point for U.S. businesses. The United States should seek to encourage U.S. businesses—through tax incentives, for example—to work with local African companies and invest in these value chains in countries that have ratified the AfCFTA.

A recalibrated U.S. trade relationship, that takes into account the lessons of two decades of AGOA and the future of the continent, would bolster the commercial ties and advance mutual economic benefits.

Rethinking Development Finance

Thirty years of receiving official development assistance, at a price tag of $1.2 trillion, has failed to effect economic transformation in most African countries. During this time, loans and remittances have replaced aid as the largest source of capital inflows. Foreign direct investment (FDI), though not spread at all evenly throughout the continent, has increased. While impressive economic growth has seen an increase in the number of middle-income countries and higher GDPs, the continent still faces structural impediments and remains at the bottom of global value chains. Countries have limited market access, making them non-competitive. Fragile institutions and poor accountability, complicated at times by political uncertainty and conflict, hold them back, as does the need for more capital, infrastructure, and technology to eliminate poverty. As the COVID-19 economic reversals demonstrated, more needs to be done to build the institutional resilience and macroeconomic stability necessary to withstand economic shocks.

Rethinking development financing, including U.S. approaches to development, are necessary to move the needle in building resilient, stable economies. Reframing development financing as necessarily temporary and aimed at equity, sustainability, and poverty reduction is a critical step. Underpinning this approach should be financing structural reform, versus project-based funding, and targeting efforts toward expressed African needs and priorities, such as critical infrastructure, that mobilize African resources.

Elevating the U.S. Agency for International Development (USAID) to play a coordinating role across U.S. development assistant efforts could also invigorate assistance efforts and contribute toward reducing aid and accomplishing a long-term exit. Empowering African initiatives means looking at African resources and supporting instruments of development finances suited to future needs, such as carbon trading or diaspora bonds. Leveraging resources held by Africa's pension and sovereign wealth funds and building strategic partnerships with private finance and technology firms can both catalyze and de-risk investments. Plugging gaps, through support for technology and skills to address illicit financial flows and create stronger taxation, oversight, and financing agreements would support efforts to mobilize and leverage African resources.

Development assistance can be made more effective through supporting African initiatives that tap into using Africa's existing natural and financial resources and building strategic partnerships with private finance and technology firms to home in on growth sectors.

Food Security and Opportunities in the African Food Market

Africa's food market offers vast economic and commercial opportunities. The continent's population growth presents a market of 1.3 billion people, and rising incomes of the growing middle class have created a demand for high-value commodities, including in the food market. African countries have pursued consistent but adaptable policies in the food sector, underpinned by Agenda 2063's Comprehensive Africa Agriculture Development Programme (CAADP).[21] Nevertheless, Africa faces food security challenges. In 2021, 20% of Africans—nearly 300 million people—were hungry.[22]

Economic and private sector enterprises can meet some of these challenges and take advantage of the growing market. In particular, opportunities exist in supporting trade and infrastructure, amplifying productivity, providing needed technologies, and improving data in the food sector. The AfCFTA is an important lever to increase trade in agricultural commodities from food surplus to food deficit countries to boost food production. The public and private sectors can work together in linking their experiences supporting farmers and providing needed technologies. Bolstering farmers' access to high-quality seeds, resilient breeds, and fertilizers is key to increasing food production and productivity on African farms. Opportunities also exist to connect African food markets through improved infrastructure that will reduce transaction costs and deliver more food quickly, safely, and more cheaply.

U.S. businesses could seek and be supported in public-private partnerships (PPPs) that leverage infrastructure investments to connect markets. U.S. efforts through the United States Department of Agriculture (USDA) to improve food safety are a good example of policies that also support food trade and prevent trade barriers due to food safety concerns. Research in biotechnology and its applications to agricultural productivity—particularly in creating technologies that are adaptable to climate change and reflect African realities should be supported. Furthermore, more, and better-quality data supported by stronger data services in the agricultural sector are needed. As regular CAADP reviews show, quality data collection, archiving, and retrieval are important for planning, strategy, and policy formulation. Investment in this area would also bolster mutual accountability and strengthen dialogue and partnerships between countries, policymakers, and practitioners or the private sector.

Focusing long-term policies and investments to garner more interest from the private sector and leverage private capital to African markets that raises productivity and trade is key to enhancing food security and creating economic opportunities.

Africa as Driven by Digital Transformation

The story of Africa's Digital Transformation is a story of entrepreneurship and innovation spurred by a mobile phone revolution. The growth of internet penetration and connectivity has brought 600 million Africans online (primarily through mobile phones) with another 300 million to come online in the coming years.[23] Africans are early pioneers of mobile money and cashless systems, and Africa's internet economy will have a market size of $180 billion estimated to grow to $712 billion by 2050. The AU is working hard to promote universal digital access and market opportunities are vast.

Investment partnerships are a critical entry point to realize success and anchor a trade and investment relationship in the digital sector. PPPs in the technology sector could also enhance the United States' competitiveness among other international players (e.g., Russia, China, the Gulf States). The United States can target partnerships and engagement with U.S. companies and the African market in several areas: talent and workforce development, infrastructure, innovation, and regulation.

The United States can advance a growth agenda centered on African talent by investing in talent and up-skilling workers. Furthermore, investment support for Africa's tech ecosystem will spur growth and support future ventures. In 2021, African technology companies raised $5.2 billion[24] in venture capital, an increase of 150% over 2019. There are over 700,000 software developers in Africa, largely concentrated in a few powerhouse tech economies. These countries can offer examples of effective ways to nurture these ecosystems by building training into education systems or pursuing partnerships with the private sector. Furthermore, many young professionals are self-taught, which also opens opportunities for educational exchanges or tech-focused fellowships using existing U.S. programs, such as the Young African Leaders Initiative (YALI).

Infrastructure aimed at making connectivity equitable and accessible is another target area, as are the regulatory and legal frameworks that allow the tech sector to thrive while protecting consumers.

Involving the private sector in regulatory and legal discussions can allow for responsible innovation that creates pathways for commercial opportunities and economic growth. Nigeria's 2022 Startup Bill offers an example of legislation created in consultation with the sector. The African e-commerce market is largely untapped and an area where commercial diplomacy from the United States could facilitate e-commerce that advances U.S. competitiveness and bolsters African markets.

The recently announced U.S. Digital Africa Strategy is an important signifier of the strengthening U.S. economic engagement in Africa's digital evolution. Increasing private sector collaboration with policymakers and the market, in contexts that support innovation and fair competition, will advance U.S. competitiveness in this sector and its part in the story of Africa's digital transformation.

Conclusion

The U.S.-Africa Leaders Summit should be commended for its progress toward recognizing the transformations in Africa and the need to reframe U.S.-Africa engagement more equitably while seeking to embrace the Africa of the future with the United States as a ready partner. The financial and programmatic announcements that emerged from the Summit provide a partial roadmap and areas to track progress. The appointment of the Special Presidential Representative for U.S.-Africa Leaders Summit Implementation bodes well for U.S. commitment. Accountability is crucial for taking the rhetoric of the Summit out of Washington and realizing these commitments and potential benefits to the lives of African citizens.

For more discussion and policy recommendations on the topics discussed, see the Brown Capital Management Africa Forum paper series on the U.S.-Africa Leaders Summit:

- **Recalibrating U.S. Economic Engagement with Africa in Light of the Implementation of the AfCFTA and the Final Days of the Current AGOA Authorization**
  by Dr. Joy Kategekwa

- **Reimagining Development Finance for a 21st Century Africa**
  by Dr. Raymond Gilpin

- **U.S. Africa Engagement to Strengthen Food Security: An African (Union) Perspective**
  by Dr. Godfrey Bahiigwa

- **Accelerating Africa's Digital Transformation for Mutual African and U.S. Economic Prosperity**
  by Mrs. Pren-Tsilya Boa-Guehe

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