U.S. Chamber of Commerce

AFRICA FOCUSED ENGAGEMENT

Recommendations to the Biden-Harris Administration and Congress on U.S. Policy towards Africa

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RECOMMENDATIONS
▪ Make Africa engagement a presidential priority, including hosting a U.S.-Africa Leaders Forum and Business Forum as soon as feasible. ▪ Create coherence on U.S.-Africa trade to include continued negotiations with Kenya on a free trade agreement (FTA) while pursuing a more modern, comprehensive approach to trade with the African continent, including capacity building to support a trade agenda in the African Continental Free Trade Area (AfCFTA). ▪ Deepen and expand progress on "whole of government" approaches to enhance the competitiveness of U.S. business in Africa, including a focus on trade facilitation, science-based regulatory cooperation, and intellectual property (IP) enforcement. ▪ Enhance the role of U.S.-funded capacity building to strengthen the position of U.S. interests at multilateral fora on the continent. ▪ Engage African governments on policy and regulatory best practice that supports the growth of the digital economy and digital trade.

The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. Within the Chamber, the U.S.-Africa Business Center serves as the premier Washington-based organization dedicated to strengthening the United States and Africa's economic relationship. Based on ongoing conversations with our members, the U.S. Chamber of Commerce urges President Biden, the administration, and the 117th Congress to work together to advance a comprehensive strategy with Africa that supports U.S. workers, creates jobs, stimulates economic recovery, and enhances U.S. national security. We believe that the following pro-growth Africa trade, investment, and regulatory policies underpin that strategy.

Members of the U.S.–Africa Business Center at the U.S. Chamber of Commerce firmly believe that the future of the U.S.' export-driven economy lies in Africa. Sound investment and regulatory policies, coupled with strategic bilateral and multilateral engagements between business and government, represent the most significant opportunity to halt reversals and unlock potential growth in emerging and frontier economies across the continent. While U.S. firms are the 'partners of choice' for African governments and the private sector, U.S. firms routinely lose out to competitors that offer lower-cost and lower-value offerings or otherwise couple their investments with government or 'tied' aid.

The African continent, which will be home to over 2.5 billion people by 2050, is well-positioned to engage the U.S. for a model partnership and constructive approach to crucial issues such as climate and COVID-19 response and recovery while also working constructively to combat terrorism and Chinese soft power. COVID-19 has forced many African state-owned enterprises (SOEs) and businesses to pause or halt their investments on the continent. This situation has given the U.S. a unique opportunity to rebalance its trade, investment, and development relationship with markets and entrepreneurs across the continent. U.S. engagement with Africa is historically a bipartisan issue in Congress, and therefore a promising area for the Administration and Congress to come together to advance U.S. strategic interests. The U.S. record of accomplishment on economic engagement is rooted in the principle of shared prosperity. Ensuring mutually beneficial trade and investment has been a long-term strategic priority of the U.S. government, as evidenced by successive presidential administrations. The African Growth and Opportunity Act (AGOA) (Clinton-present), the President's Emergency Fund for AIDS Relief (PEPFAR) (Bush-present), Power Africa (Obama-present), the President's Advisory Council on Doing Business in Africa (PAC-DBIA) (Obama-present), and the Prosper Africa initiative (Trump-present) are all examples of the U.S. government's enduring commitment to the African continent. The U.S. Chamber looks forward to working with the Biden-Harris administration to build and expand upon this legacy of inclusive growth and innovation, especially when COVID-19 and governance challenges threaten to erode economic, political, and social gains.

We encourage the Biden-Harris administration to move quickly to engage Africa's political and business leadership. As a result of COVID-19, declines in commodity prices, and resulting economic instability, African countries, which were already heavily indebted, are facing economic shocks that could reverse the gains in recent decades. According to the World Bank, growth in Sub-Saharan Africa was predicted to decline to –3.3 percent in 2020, pushing the region into its first recession in 25 years. Faced with financial strain and social pressures posed by job shortages affecting the overwhelming young populace, African governments are pursuing measures that could negatively impact investors. These actions include regressive and unpredictable taxation measures, forced localization across sectors, and protectionist and patchwork digital policies that threaten business continuity.

Competitors from Asia, the Middle East, and Europe are engaging African leaders with regularity, leveraging business summits, tied aid, and other measures that erode U.S. strategic and competitive advantage. These competitors and allies have a head start and are shoring up their trade and investment relations with the African continent, with significant implications on Africa's policy landscape. A swift move with a "whole of government" approach can open new doors for U.S. and African workers and enhance shared prosperity. If we delay, the U.S. will miss a critical window of opportunity to demonstrate leadership and influence outcomes in Africa at a time when other global leaders are doubling down. Shoring up our trade and investment relationships also can improve democratic development, enhance security, and spur economic recovery from COVID-19. We offer the following recommendations to support this approach.

I. Make Africa engagement a presidential priority

The Chamber urges the Biden-Harris administration to prioritize annual gatherings with African leaders, including government leaders and the private sector. U.S. competitors, including China, Russia, and our allies in Europe, recognize Africa's strategic importance and global sway and have deepened their diplomatic and commercial engagement with African leaders in recent years. The Obama administration's 2014 African Leaders' Summit was a significant achievement that helped elevate U.S. business awareness and interest in Africa's opportunities. This action-forcing event showed our partners in the U.S. and African business communities that opportunities were abundant and helped bring forth a new area of mutually beneficial investments and trade dialogues, including the creation of the Commerce Department-led PAC-DBIA. The Biden-Harris administration should consider making such action-forcing events a strategic priority as many other governments do so regularly. A multidimensional U.S.-Africa relationship demands vital White House leadership to ensure that American businesses remain competitive in African markets.

U.S. competitors in China, Japan, and Russia have met success in Africa because their heads of state lead business missions to crucial partner countries. In partnership with the U.S. Chamber of Commerce, we recommend considering a Presidential trip to Africa as soon as practically possible. In the interim, high-level engagement should be coupled with a strategy driven by the White House.

Finally, the administration should increase the frequency of focused, bilateral strategic dialogues with key markets and formalize a schedule with existing ones such as Kenya, Nigeria, South Africa, Ethiopia (African Union), and Morocco. These dialogues have proven beneficial to the business community as action-forcing mechanisms to raise regulatory issues, allow parties to voice challenges around the ease of doing business, and identify viable commercial opportunities for deal closure and investments. Increasing dialogue with the African Union, its organs, and Agencies will be a strategic investment into the future of the economic and commercial relationship.

ACTION 1: The Chamber commits to support the administration in developing its Africa strategy and urges President Biden to demonstrate an early commitment to the U.S.-Africa relationship that includes a commercial component. Make the Africa region a priority early in the term.

II. Create coherence on U.S.-Africa trade to include continued negotiations with Kenya on an FTA while pursuing a more modernized approach to trade with the African continent.

The Chamber strongly encourages the Biden-Harris administration to complete a high standard, comprehensive trade deal with Kenya, serving as a model template for FTAs with other developing countries. The U.S. private sector views the trade deal as an opportunity to lay the necessary groundwork for strengthening and deepening U.S. relationships with economies across the continent by providing critical legal protections and enduring, reciprocal trade. A Kenya FTA will give American businesses the certainty they need to continue expanding in this growing market. The FTA has the potential to boost the long-term economic outlook for both countries considerably. Entering a trade deal with Kenya would also elevate the visibility of opportunities to invest in the region. It would level the playing field for U.S. firms of all sizes to do business in Kenya and act as a foothold for trading across the region. This visibility will have a doubling effect of putting U.S. competitors on notice that the U.S. is serious about increasing the American presence on the continent. It will also encourage Kenyan small and medium enterprises (SMEs) to do business in the U.S. as direct exporters or suppliers to U.S. companies.

The U.S.-Kenya FTA will serve as a starting point for a new trade paradigm between the U.S. and a single market; growing U.S. trade volumes will require a more holistic approach. Deepening trade partnerships with other African countries and regional intergovernmental organizations, such as the East African or the South African Development Community, also needs to be prioritized. With AGOA set to expire in 2025, evolving past the current AGOA framework will be essential, particularly for larger U.S. trading partners with the capacity to enter into bilateral agreements. Many African countries are making plans to boost intra-African trade by signing onto the AfCFTA and bolstering trade with U.S. allies and competitors. The U.S. would do well to determine a long-term strategy. Countries like South Africa, Nigeria, and Ghana will need to graduate beyond one-way, preferential trade programs towards a reciprocal trade mechanism with the U.S. In contrast, other countries that have not yet met middle-income status will require new tools for predictability. The U.S. should pursue trade reforms with care and ample notice for African partners and companies that have relied on the existing policy to plan their investments.

The U.S. is not keeping pace with growing African trade opportunities and is falling behind with little time to make up ground.[1] U.S. support and engagement to help African countries establish commercially meaningful trade rules in the AfCFTA would ensure a truly level playing field across Africa and demonstrate American partnership. Supporting capacity-building efforts to align on risk-based, sound science regulatory structures is a must. These efforts will promote efficient and flexible rules of origin and increase digital capacity to facilitate trade. These will be vital benchmarks to build African markets, demonstrate American partnership, and grow market opportunities.

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[1] In 2017, the value of trade between China and Africa was $148 billion. During the same period, the value of U.S.-Africa trade was only $39 billion. The European Union (EU) 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 five nations. In contrast, the United States has only one FTA in Africa, Morocco, and nine bilateral investment treaties (BITs). This data shows that the U.S. is not doing enough. Although FTAs are one way to give U.S. companies greater certainty, they are not 'one size fits all' in their current form.

As the U.S. considers new trade agreements, it will be critical to recognize sustainability's role. For example, as trade in environmental goods and services increases, tariff rate reductions on related products should be considered. Exceedingly high tariffs discourage the use of products that will positively impact the environment for years to come. These goods and services will be invaluable as we look to manage natural resources and protect the environment. When looking at trade agreements in Africa, remanufactured goods can positively impact waste reduction and sustainable value chains. U.S. policymakers and companies can demonstrate leadership engagement promoting Africa's commitment to multilateral environmental trade commitments, the circular economy, leveraging technology, and investing in products and services to support sustainable economic and environmental development.

Finally, we encourage the U.S. government to engage African counterparts to address illicit trade. As a growing and concerning challenge for U.S. companies operating in Africa, illicit trade undermines a free and open marketplace, which is fundamental to improving competitiveness, increasing investment, generating jobs, and improving the continent's economic performance. In the context of the COVID-19 pandemic, the Chamber is particularly concerned about the impact of illicit trade on product and consumer safety. In Africa, as elsewhere globally, counterfeit medicines pose a critical public health concern threatening patient welfare, contributing to drug-resistant forms of tuberculosis and other serious diseases, and undermining the reputation of genuine products by failing to provide the same benefits or treatment. The U.S. government can support African governments and institutions by ensuring they possess sufficient capacity to enforce trade obligations to counter illicit trade, enhance trade capacity-building efforts, support cooperation with African governments, and strengthen efforts to enhance enforcement capabilities.

ACTION 2: The Chamber encourages the completion of U.S.-Kenya FTA negotiations within the next year. We will work with the Biden-Harris administration to outline the business case for increasing two-way trade with Kenya as an entry point for accessing other markets across the African continent. The Chamber supports modernizing AGOA and investing resources into expanding U.S. trade agreements across the continent to level the playing field with competitors from the European Union (EU), the Middle East, and Asia. We also support eliminating tariffs on environmental goods to make them more widely accessible and promote rules that support trade in remanufactured goods.

III. Deepen and expand progress on "whole of government" approaches to enhance the competitiveness of U.S. business in Africa

One of the biggest hindrances towards commercial engagement in Africa has been the lack of cohesion amongst the many agencies within the U.S. government. The advancements in recent years of "whole of government" approaches have helped draw greater focus toward expanding trade and investment, facilitating deal flow, and commercial advocacy. Doing so has helped to reduce the real and perceived risks associated with doing business in Africa. The Chamber applauds efforts to put deal teams in place across the U.S. government to aid commercial transactions and deploy a range of tools outlined. These efforts enable companies of all sizes to understand better how to access the resources available across the U.S. government to enter and operate businesses across African markets and to overcome regulatory barriers that impede deal flow. By unlocking the tools available to enable deal flow, with the government's support, there is potential to spur mutually beneficial job creation in the U.S. and across Africa.

Government-supported financing tools are critical enablers of deals. We encourage the Biden-Harris administration to examine how the full suite of U.S. government foreign assistance and export promotion programs can work together to provide the most comprehensive and attractive financial packages.

Another significant threat to enhancing and deepening U.S. companies' expansion on the African continent is risk perception. Few U.S. companies view the continent as a strategic opportunity. While U.S. companies are already active on the African continent, the U.S. continues to lose ground to competition from China and Europe, which promote their firms operating on the continent with aid financing, hard and soft diplomatic engagement. The U.S. government must engage and educate American companies about investment opportunities throughout Africa.

To support American commercial activity on the African continent and create new markets for U.S. products, the U.S. should fully staff African deal teams and ensure that commercial policy remains a priority. The Commerce Department should reevaluate its deployment of foreign commercial service officers in Africa. As it currently stands, there are only 11 stand-alone commercial service offices in Africa servicing 54 countries compared to several dozen in North America. The continent also lacks a dedicated USPTO attaché for intellectual property.

ACTION 3: The Chamber encourages a strategic alignment policy across the U.S. government to ensure that African commercial engagement remains a priority and supports deal flow and an enabling policy environment. This effort would be enhanced with additional focus at the local/state level to educate businesses of all sizes on entering and operating in African markets, utilizing a full suite of tools across the U.S. government to support the expansion of business opportunities. The Chamber also supports expanding the staffing of foreign commercial service officers throughout Africa to support deal flow and commercial advocacy.

IV. Enhance the role of U.S. funded capacity building to strengthen the position of U.S. interests at multilateral forums on the continent

The Chamber has seen an alarming trend over the last several years in the absence of U.S.-funded technical advisors embedded into African-based institutions that set standards on critical issues such as trade, taxes, IP, and access to medical goods. By contrast, the EU has placed technical advisors to help guide the standards-setting negotiations at the AU around the AfCFTA. The EU announced that they intend to invest nearly $100 million in support for the AfCFTA via technical assistance. Their involvement could – directly or indirectly - give European companies a material advantage over their US counterparts. African countries also appear to be following Europe's lead in imposing/considering unilateral digital services taxes (DST). It is essential governments avoid distortive, unilateral approaches such as DSTs. U.S. government can support engagement with American Chambers of Commerce and sector-based associations to identify critical areas in regulatory and standards development to ensure a more competitive, streamlined approach to facilitate investment.

With COVID-19 as a backdrop, the Chamber recommends prioritizing U.S. funding to trade capacity building at institutions such as the Africa Medicines Agency (AMA) and the South Africa Health Products Agency (SAHPRA). AMA will continue to play a critical role in shaping Africa's resilience and COVID-19 recovery. SAHPRA has, for many years, not been able to process the approval of life-saving drugs and medical devices due to underfunding and capacity. This ongoing backlog has prevented the safe delivery of medicines and medical devices, with a consequential impact on African lives and not allowing for the free flow of goods into the market. U.S. technical assistance to implement international regulatory standards can enable faster access to COVID-19 treatments and vaccines, which are essential to ending the global pandemic.

Finally, the Chamber is concerned about the role of donor funding and illicit capital flows from authoritarian governments. These funds could be interpreted as bribes used to gain market access, obtain preferential access to deals, and undermine democratic institutions. The Biden-Harris administration should examine the flow of these funds. They have damaging effects on the business climate and negatively impact the level playing field for U.S. business competitiveness in overseas markets.

ACTION 4: The Chamber supports redeploying development dollars to have a more commercially focused impact to make American companies more competitive via standards setting at the continental level. A focus on building U.S. government capacity at health-focused institutions at the continental and bilateral level is also essential. Use development dollars to counter the undermining nature of donor funding from authoritarian governments in Africa, with damaging effects on the business climate and the competitiveness of U.S. firms.

V. Engage African governments in support of digital transformation

The Chamber encourages the U.S. government, in partnership with industry, to engage African governments to promote comprehensive digital policies that reflect the needs of the Internet economy and align with manufacturing growth. U.S. firms enjoy neither consistent nor stable digital market access in the region, including for electronic payments and cloud computing services. Africa remains a laggard on issues foundational to the digital economy— intellectual property protection, data privacy, cybersecurity, and regulatory practices. In fact, in markets across the African continent, the U.S. business community has seen many emerging regulatory frameworks serve as non-tariff barriers to digital trade and investment. Removing barriers to the digital economy and embracing high-standard digital trade rules presents African governments with a clear path to jump-start their economies to increase jobs and growth.

Much like AGOA brings together African trade ministers annually, the Chamber encourages the U.S. government to convene annual forums between our government, U.S. businesses, and senior African officials (digital economy ministers and ICT/telecommunications regulators, Central Banks, Commerce Ministers, and other relevant stakeholders) to discuss these policy issues and identify opportunities for growth of Africa's digital sector. Engaging African governments in ongoing conversations around sound governance frameworks for the digital economy, high-standard digital trade rules, and good regulatory practices will go a long way towards supporting Africa's digital transformation. Moreover, by including high-standard digital trade disciplines within a future U.S.-Kenya Trade Agreement, the administration will establish a model for others on the African continent to emulate, including in the AfCFTA.

Finally, we encourage the U.S. government to advocate to African governments the importance of investing in research, upholding fair processes in standards-setting bodies, and accelerating the deployment of all technologies that will support the 5G ecosystem. Providing strong intellectual property rights for innovators, helping allies see a larger market for trusted vendors, and facilitating the transition to interoperable technology-neutral solutions will enhance the region's economic viability.

African governments need to establish clear public policies to accelerate the development and voluntary adoption and use of virtual, open, and interoperable 5G technologies and solutions both domestically and internationally, particularly for the O-RAN standard.

ACTION 5: The Chamber encourages the administration to support the adoption of policy reforms and high-standard digital trade rules across Africa that create an open, balanced, and predictable environment for the growth of its digital economy. An annual digital economy forum to discuss reforms in the marketplace that will support job creation, workforce development, and economic growth should be an early deliverable. Make the responsible global development and deployment of 5G a high priority.