



The U.S.-Africa Leaders Summit One Year On: Progress, Challenges, and the Way Forward for Economic Relations

By Witney Schneidman
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The invitation to 51 heads of government to the Summit opened a new phase in U.S. policy toward the continent. Prior to last year's Summit, U.S. presidents interacted primarily with countries with the best records on governance, economic growth, anti-corruption, and human rights, sometimes referred to as the "safe-bet"¹ countries. In fact, before President Obama's visit to Kenya and Ethiopia in July 2015, U.S. presidents had visited just 12 of Sub-Saharan Africa's 49 countries, and this number includes Franklin D. Roosevelt's visits to Gambia and Liberia in 1943. By inviting leaders from countries with poor governance records, such as Guinea-Bissau and Swaziland, along with leaders from Ghana and South Africa, the Obama Administration signaled that the United States is now prepared to engage with virtually every country on the continent at the highest level.

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

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This willingness to engage countries with whom the U.S. has significant differences but also clear mutual interests provided the context for President Obama's July visit to Kenya and Ethiopia. In both countries, the president talked as frankly about the costs of corruption, tribalism, ethnicity in politics, and the incarceration of journalists and government critics as he did about cooperation on trade and investment and common security concerns. His remarks at the African Union, especially his comments criticizing leaders who changed constitutions to remain in power, tapped into a vociferous debate on the continent on term limits.

Hopefully, this willingness to engage more broadly on the continent will lay the groundwork for one last trip to Africa by President Obama before he leaves office. A visit to a country such as Cote d'Ivoire, Mozambique, or Angola - in addition to Nigeria, which is a priority - would continue to enhance U.S. influence throughout the region. A late term visit is not unprecedented. President Clinton visited Nigeria and Rwanda in August before leaving office, and President George H.W. Bush visited Somalia after the 1992 elections.

The Priority of Trade and Investment

The second transformative aspect of the U.S.-Africa Leaders Summit was the emergence of trade and investment issues at the top of the U.S.-Africa agenda. ²

This reprioritization did not happen overnight, rather beginning in 2000 when a strong bipartisan coalition emerged in Congress to pass the African Growth and Opportunity Act (AGOA). During the Bush administration, the same bipartisan coalition funded the Millennium Challenge Corporation (MCC), which provides grants to the strongest performing countries in the region. The MCC also works to improve the investment environment of those countries in an effort to strengthen the local private sector and attract more U.S. investment.

The U.S. focus on promoting trade and investment in Africa gained further momentum in July 2013 during a visit to Tanzania when President Obama hosted the Africa Business Leaders Forum, where he met with 22 CEOs from Africa and the U.S. to discuss doing business on the continent—a first for any U.S. president. Also during the 2013 trip, President Obama launched Trade Africa, Power Africa, and the Young African Leaders Initiative, all of which actively involve the U.S. private sector, as does the administration's food security initiative, Feed the Future.

The U.S. continued to prioritize the theme of trade and investment during the U.S.-Africa Leaders Summit just 13 months later. In fact, it was one of the key themes of the official Summit on August 6th. The day before, President Obama participated in the U.S.-Africa Business Forum (USABF), hosted by the Commerce Department and Bloomberg Philanthropies. The USABF affirmed trade and investment as a top priority in U.S.-Africa relations and, as a result, was perhaps the most significant event of the U.S.-Africa Leaders Summit, apart from the White House dinner (the largest gathering of heads of state ever at the White House).

In addition to the Global Entrepreneurship Summit, in which President Obama participated during his visit to Kenya, and the U.S.-Africa Business Forum that the president has pledged to convene in

Washington, D.C. next year, Obama will have participated in a high-level U.S.-Africa business event every year of his second term. This is both unprecedented and most welcome.

Assessing Key Trade and Investment Commitments

What follows is an examination of the progress to date of several of the key trade and investment commitments that were made at the USABF and the Summit.

AGOA

For the last three years, the Obama administration has committed itself to a “seamless” and long term renewal of AGOA. At the Summit, the administration further committed itself to expanding AGOA’s product coverage, improving rules of origin, and updating eligibility criteria and review processes.

On June 25 of this year, Congress extended AGOA for 10 years, including the third-country fabric provision, by a vote of 97-1 in the Senate and more than 400 votes in the House. While more time is required to see how the review process operates in practice, the revised AGOA legislation provides the administration with more flexibility to withdraw, suspend, or limit benefits, which is a positive development. The legislation also expands the rules of origin and encourages the adoption and implementation of World Trade Organization (WTO) agreements, especially the WTO Trade Facilitation Agreement. In fact, in February, the U.S. and the East African Community finalized a cooperation agreement on trade facilitation that commits the parties to cooperate on customs issues, including the implementation of the WTO Trade Facilitation Agreement. It also pledges cooperation on capacity building and implementation of food safety standards. This agreement could be a stepping stone to a more mature trade relationship with the continent and provide the initial framework for a post-AGOA trade architecture.

One change the administration had called for at the Summit, but was not achieved in the new AGOA legislation, was the increased inclusion of agricultural products.

Given the decline in oil prices, the fact that Sub-Saharan Africa’s eight oil exporters account for 50% of the region’s GDP, and the 40% drop in Chinese imports from Africa in July 2015 due to the slowdown in China’s economy, AGOA is more relevant than ever as a strategy for economic diversification, light manufacturing, and regional integration on the continent. The challenge remains, however, for both the U.S. and the African countries who participate in AGOA to utilize the legislation more fully as a means to accelerate economic development across the region.

Doing Business in Africa (DBIA)

The administration has shown a commitment to supporting U.S. businesses looking to Africa. At the USABF, President Obama announced \$7 billion in new financing to promote U.S. exports to and investments in Africa. U.S. companies announced \$14 billion in new deals in a range of sectors, including clean energy, aviation, banking, and construction. The administration also announced an additional \$12 billion in new commitments for Power Africa. Combined, these new commitments made up the headline number of \$33 billion worth of new financing and deals generated by the USABF.

Also at the USABF, President Obama signed an executive order that directed the Secretary of Commerce to establish a President's Advisory Committee on Doing Business in Africa (PAC-DBIA). Within nine months of being formed, the Advisory Committee issued a timely report and set of recommendations. One key recommendation is the creation of a "forward-deployed" and "business-driven" U.S.-Africa Infrastructure Center. The purpose of the Infrastructure Center would be to "align business resources with government resources," and to help American companies win the increasing number of infrastructure tenders in a range of sectors.³

Increasingly, the U.S. is developing a presence on the continent to genuinely help U.S. companies become more competitive. Over the last year, the Commerce Department has doubled its presence in Sub-Saharan Africa by opening new offices in Angola, Tanzania, Ethiopia, and Mozambique and by increasing its presence in Ghana. USAID used the occasion of the Summit to refashion the role of the commercial hubs in East, West, and Southern Africa. These Trade and Investment Hubs are now mandated to work with U.S. companies investing in Africa, as well as help African companies take advantage of AGOA.

However, the administration needs to ensure that the Trade and Investment Hubs ultimately anchor a robust commercial advisory presence in virtually all countries in Sub-Saharan Africa.

To help American companies compete more effectively against companies from other regions, the Trade and Investment Hubs, Commerce Department offices, and U.S. embassies need to have a clear division of labor while working seamlessly together. In short, it is essential that State, Commerce, and USAID have a well-articulated road map on how each agency can support U.S. companies on the continent. In this context, it should not be difficult to establish a U.S.-Africa Infrastructure Center to help more companies win the increasingly numerous and important infrastructure projects.

Given the complexity of Africa and the number of actors involved, the administration should also implement the proposal from Senators Durbin (D-IL), Boozman (R-AR), and Coons (D-DE) contained in proposed legislation to increase U.S. exports to Africa. This proposal would create a Special White House Africa Strategy coordinator to ensure that the growing number of U.S. government agencies are working together in support of U.S. companies in Africa. Given that China has an estimated 150 commercial attachés in Africa, and the U.S. has about one third that many, it is apparent that the U.S. needs to be strategic about the deployment of its personnel and resources in support of U.S. commercial objectives on the continent.⁴ Ensuring that U.S. commercial policy is well coordinated and implemented has to be a priority for the U.S. Establishing a position in the White House to oversee this process would be an important step in this direction.

Private Sector Commitments

According to various press accounts, U.S. companies are working to fulfill the \$14 billion of deals that they announced at the USABF. GE has awarded contracts to several Nigerian companies to build a manufacturing and assembly facility in Cross River State, as well as a workers' training center. Coca Cola announced that it will invest \$5 billion over the next six years to fund new manufacturing lines and to create additional jobs across the supply chain. The Blackstone Group announced that it had partnered with Dangote Industries to jointly invest up to \$5 billion in energy infrastructure projects

over the next five years.

Thus, the USABF served as a vehicle for many U.S. and African companies to announce major commitments. Given that U.S. investment has been overshadowed by investment from China and other countries, the USABF is a welcome platform for highlighting the American commercial engagement in the region. In order to keep the spotlight on the progress of American companies in Africa, the Commerce Department should use the DBIA website to track the follow-through on the commitments, especially as it relates to job creation, sourcing from local businesses, and the training and employment of women.

Power Africa

One of the administration's key initiatives is Power Africa, which was launched in 2013. Initially, Power Africa committed the U.S. to work with Ethiopia, Ghana, Kenya, Liberia, Nigeria, and Tanzania to add more than 10,000 megawatts of electricity to at least 20 million new households and businesses. This goal was to be achieved through a combination of on-grid, mini-grid, and off-grid solutions, with a commitment of more than \$7 billion in financial support over the next five years.

At the USABF, President Obama increased Power Africa's goal to delivering 30,000 MW of new capacity and tripled the number of beneficiary households and businesses across Africa to at least 60 million. Obama also pledged a new level of \$300 million in assistance per year for five years to help achieve these goals.

On a continent where 600 million people lack access to electricity, and where it would require a \$300 billion investment to achieve universal access by 2030, the Power Africa initiative is a vital undertaking.

The administration has rightly focused international attention on addressing this critical infrastructure gap, which is central to sustained economic development. The more than 100 private, public, and sovereign partners it has enlisted in this effort is a good start. However, progress will be incremental, and it will take a decade or more before results are realized on any significant scale.

It would be a mistake to underestimate the challenges Power Africa faces. The first revolves around managing expectations, as it can take seven years to develop a power project.

The administration, for example, is currently measuring progress in terms of transactions that have reached "financial close." According to USAID, in the 26 months since Power Africa was launched, the initiative has helped transactions expected to generate 4100 MW reach financial close. This number includes approximately 1600 MW of new power and nearly 2500 MW of additional capacity anticipated to come on line from the privatization of Nigerian assets.

In fact, the construction of a project-financed power station cannot start until a project reaches financial close. Reaching financial close is dependent on a project developer satisfying numerous criteria including: establishing the project's commercial and financial viability, conducting environmental and social assessments, mitigating risks, and reaching Power Purchase Agreements (PPA), among other steps. In short, developing power infrastructure is a complex and time-consuming process.

In its 2015 annual report, USAID describes various projects that are being developed. However, it would be helpful to have a comprehensive list of the projects that have reached financial close in an effort to better track progress.

Power Africa is also facing a stiff head-wind from the fact that Congress has not reauthorized the U.S. Export-Import Bank (Ex-Im). As one administration official put it, the lack of U.S. financing available to American companies to participate in Power Africa has begun to take a “serious toll,” especially as nearly \$5 billion of the \$7 billion promised by the administration was to come from Ex-Im. Power Africa can go forward without Ex-Im, but the companies that will benefit will be from Europe, Japan, Korea, and, of course, China, much less so from the United States.

Power Africa can also benefit from the passage of the Electrify Africa Act. First introduced in 2013, it was reintroduced in August by Senators Bob Corker (R-Tenn.) and Ben Cardin (D-Md.), the chairman and ranking member of the Senate Foreign Relations Committee. The goal of the legislation is similar to the administration’s objectives: to leverage public and private sector resources to help 50 million Africans gain first-time access to electricity and to add 20,000 MW of electricity to the grid by 2020. Congress needs to pass this legislation to ensure the future of the initiative post-Obama.

Next Steps and Recommendations

President Obama has effectively transformed the U.S.-African relationship from that of donor-recipient to one of a partnership predicated on mutual gain and benefit. Cornell professor Nicolas van de Walle argues, correctly, that Obama can be considered to be the first “post-foreign aid president.” To deepen this positive legacy in Africa, he should take a number of actions over the next 16 months, including:

- 1. USABF and AGOA Forum:** The U.S. should hold the USABF and the AGOA Forum next year in Washington, D.C. during the course of the same week. This scheduling would maximize attention on the breadth of the U.S. commercial engagement in Africa.
- 2. Africa Commercial Coordinator:** A position of Africa commercial policy coordinator, as recommended by Senator Coons and others, should be established on the National Economic Council at the White House.
- 3. Tracking the Deals:** The Doing Business in Africa website at the Department of Commerce should track the deals announced at the USABF in 2014, as well as the number of jobs created, skills transferred, and other benefits generated throughout the continent.
- 4. Managing Expectations:** Power Africa has to do a better job of managing the tremendous expectation of this critical initiative. Providing a notional timeline to extending electricity to the 60 million homes and businesses across the region would be helpful to all parties who want to contribute and benefit.

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 - 3 Witney Schneidman and Andrew Westbury, "Competing smarter: Assessing the report from the President's Advisory Council on Doing Business in Africa" Africa in Focus, Brookings Institution. April 20, 2015 <http://www.brookings.edu/blogs/africa-in-focus/posts/2015/04/20-agoa-trade-africa-doing-business-commerce-schneidmanposts/2015/04/20-agoa-trade-africa-doing-business-commerce-schneidman>
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