

# Opportunity Knocks

**Africa is ripe for development, but the U.S. risks losing out to China**

By RACHEL OSWALD

President Donald Trump came into office promising to negotiate big trade deals that would benefit American workers. But he's had almost nothing to say about Africa, an area of the world that could offer Americans a major return on investments over the long run.

"The U.S. has tremendous credibility with the people of Africa," says Tibor Nagy, a former U.S. ambassador to Ethiopia and Guinea, who thinks the United States should reorient its engagement with Africa from one principally of donations and grants to one of greater direct business investment. "We don't need more money. We just need our focus to be a little different."

Former diplomats like Nagy as well as lawmakers, aid specialists and African business analysts tell CQ a number of sub-Saharan countries like Kenya, Ghana, Botswana and Senegal are ripe for American business investment. They believe Trump could reap a long-term economic windfall for the U.S. economy if he chooses to go big on Africa trade and investment, rather than backing away from it, as some fear he is inclined to do.

"I think that a lot of people when you ask them about foreign assistance in Africa, their mind immediately goes to fam-

ine and really basic humanitarian provisions," says Alicia Phillips Mandaville, vice president for global development policy at InterAction, an alliance of aid groups. "But Africa is home to some of the fastest growing economies on the planet."

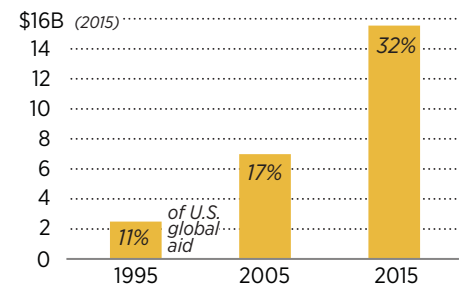
Other major powers have taken note of Africa's significant growth potential, namely China. Beijing has poured billions of dollars in loans and grants into the continent in recent years, largely on flashy development projects.

"Africa has served as China's economic launching pad for over two decades. Africa has fueled and will continue to fuel China's booming industries for several decades to come," wrote Didier Gondola, an Africa history professor at Indiana University, in a recent op-ed for CNN. "With the U.S. economic presence in Africa receding, China has occupied the void and driven competition out, including many European companies and investors."

Sen. Chris Coons, possibly the Senate's biggest advocate for development assistance and trade with Africa, has personally lobbied Trump and new Commerce Secretary Wilbur Ross to focus on Africa as a means of countering the rising influence of China.

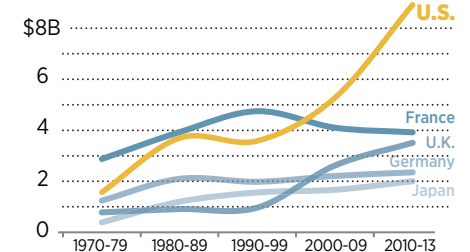
"The United States used to be the unquestioned economic leader in partnering with this dynamic and rapidly growing continent," says the Delaware Democrat,

**U.S. aid to all Africa nations**  
includes military, 2015 dollars



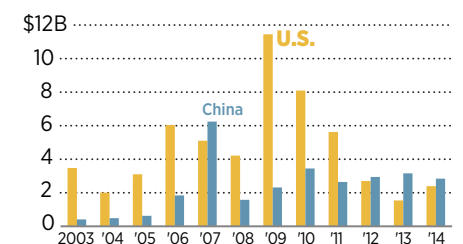
Source: Congressional Research Service

**Africa development aid from top donors**  
Decade average, excludes military, 2012 dollars



Bilateral, from Development Assistance Committee member states  
Source: Organisation for Economic Cooperation and Development

**China/U.S. corporate investment in Africa**  
Foreign direct investment flow, 2014 dollars



Source: US BEA, UNCTAD, SAIS China Africa Research Initiative

who holds an annual conference to promote trade and investment in Africa. “China is now the dominant player all across the continent, in infrastructure, in economic growth and in partnerships. The United States should regain its lead in Africa.”

China is investing huge sums of money on the continent. Last year, President Xi Jinping pledged to spend \$60 billion in Africa through loans, export credits and grants.

However, analysts say Chinese-funded infrastructure projects have a reputation for quality-control issues. Resentment has also built up in places like Angola and Zambia at the favorable commodity export rates China has locked in for itself as well as its failure to invest in local economies and labor forces. These negative perceptions of China mean there is a real opportunity for Washington to regain its lost influence if it pursues development projects with African states on a more equitable basis.

“These are very large projects. They do help the countries,” says Dana Marshall, president of the Transnational Strategy Group, who consults on private sector investment options in Africa. “But, they are very, very much about helping Chinese economic interests.”

### Fighting for Funding

Historically, White House interest in Africa has waxed and waned according to the security environment of the day. President George W. Bush ended up as a pleasant surprise to many Africa boosters when he established two highly-regarded aid initiatives: the results-focused President’s Emergency Plan for AIDS Relief and the data-driven Millennium Challenge Corporation.

President Barack Obama maintained the Bush programs. He also worked with Congress to pass the Global Food Security Act, which seeks to improve food production practices in Africa, and created a \$7 billion Power Africa program seeking to double access to electricity on the continent.

Under the Bush and Obama administrations, foreign assistance to the continent gradually increased, thanks in large part to public health spending. Africa received a greater percentage of U.S. foreign aid — 32 percent — in fiscal 2015 than any other region in the world, according to InterAction.

But aid advocates were alarmed in Feb-

ruary to learn the White House was considering a 37 percent cut in the international affairs budget, including the State Department.

After bipartisan criticism of the proposed cuts, including from over 120 retired U.S. generals and admirals, the fiscal 2018 budget request submitted to Congress on March 16 asked for a nearly 29 percent cut to core development and diplomacy spending or a cut of almost \$11 billion from current levels.

“A lot of members of Congress are going to lie down in front of the tank on that,” predicts Marshall, a former senior adviser on international economic affairs to Vice Presidents Al Gore and Dan Quayle.

Senate Foreign Relations Chairman Bob Corker is more measured in discussing the expected tussle between the White House and Congress over the foreign aid budget.

“It’s just the beginning of the process,” the Tennessee Republican says. “When it’s all said and done, we’ll end up in a good place.”

Given Trump’s promises to renegotiate trade pacts that he considers “bad deals” for American workers, there is some concern among Africa boosters the president will weaken or withdraw the United States from the Africa Growth and Opportunity Act. Known as AGOA, the law provides tariff-free access to the U.S. economy for certain products from 39 sub-Saharan countries. Renewed by Congress in 2015, the program is intended to spur African manufacturing.

“Although President Trump hasn’t said anything about it, there are rumors that it might not be renewed but weakened or repealed,” says John Mukum Mbaku, an economics professor at Weber State University. “Feeding the rumors is that since President Trump took over, he has basically not mentioned Africa.”

In its 16-year history, AGOA is seen as a moderate success, increasing non-oil exports from Africa to the United States to \$4.1 billion in 2015, compared to \$1.4 billion in 2001, according to the Office of the U.S. Trade Representative. Oil is the top export of AGOA countries followed by clothing.

Critics say the program has not spurred development of high-end manufacturing as intended and has been exploited by Chinese businesses that set up factories in AGOA nations to produce low-end goods to avoid tariffs on Chinese exports to the United States.

“There are a lot of Chinese manufacturers in Africa but nevertheless the fact that those manufacturing facilities are located in the continent in Africa shows that in some ways, Africans are benefiting from the process,” says Mbaku, a nonresident senior fellow at the Brookings Institution’s Africa Growth Initiative.

### Spread the Wealth

The African Union is the continent’s representational policymaking and diplomatic body. However, many of its economic development goals are delegated to regional blocs such as the Economic Community of West African States and the Southern African Development Community.

Abdoul Salam Bello, a visiting fellow at the Atlantic Council, says even though the Trump administration isn’t generally a fan of multilateralism, development assistance programs that cover multiple countries could wind up being more attractive for him because of the efficiencies involved.

Countries like Ghana, which has had a number of successful elections and peaceful transfers of power since moving to multiparty governance in the early 1990s, as well as Kenya and Senegal are working hard to improve their rule of law culture, says Mbaku. Those countries would benefit from continued U.S. assistance in developing regulations and business practices that would be attractive to foreign investors, he says.

There is also ample room for Trump to do “beautiful” one-on-one trade deals with African countries in the form of investment treaties, says Nagy, the former U.S. ambassador who is now vice provost for International Affairs at Texas Tech University.

Bilateral investment treaties, which require Senate ratification, are less comprehensive than free-trade agreements and establish conditions for private foreign direct investment between two nations. Oddly, says Nagy, the United States has deals with six of Sub-Saharan Africa’s smaller economies like Rwanda and Mozambique but not its two largest: Nigeria and South Africa.

Without the safety guarantees of an investment treaty, many American businesses, including energy companies, are leery of putting significant resources into these markets, experts say.

# Helping Us More Than Them?

Critics of U.S. aid policies frequently target the \$1.8 billion Food for Peace program as an example of waste and inefficiency.

The program requires that all its commodities come from U.S. farmers even when cheaper food can be found abroad and delivered more quickly to those in need. The supplies from the U.S. also can hurt local farmers.

The Obama administration took a stab at an overhaul by proposing a greater proportion of food assistance be purchased locally and that congressional requirements that food aid be shipped on U.S.-flagged vessels be eliminated. The administration also sought to end the practice of “monetization,” whereby Washington provides aid



**FOOD AID:** Workers load emergency supplies destined for Somalia.

groups with food commodity donations they can then sell in local markets to raise money for antipoverty programs.

But the changes made little headway after industry lobbyists, farm state lawmakers and

shippers protested.

Given President Donald Trump's attacks on sweetheart corporate deals that benefit a select few at the expense of American taxpayers, advocates for revisions to the Food

for Peace program are watching to see if the White House might champion their cause.

An early indicator that Trump has some skepticism about food aid came in his fiscal 2018 budget outline, which seeks to end a nutrition program for schoolchildren that has been criticized for hurting local farmers.

John Coonrod, executive vice president of The Hunger Project, which supports sustainable agriculture practices in the developing world, says “strengthening these small-scale, very poor farmers in any way we can should be a top priority.”

“There is strong support for that in the Agriculture Department,” he adds. “This will be a year of major negotiations around the [2018] farm bill. There will be plenty of fight about this.”

— R.O.

Vicki Huddleston, a former deputy assistant secretary for African Affairs at both the Pentagon and the State Department in the Obama and Bush administrations, says the Trump administration should pursue regional development in Africa through approaches “designed more with Africans instead of for Africans.”

In talking with local business leaders in sub-Saharan Africa, a frequent topic that comes up is how to deal with drought, she says. Building up Africa's resiliency to water shortages would go a long way to addressing other connected problems.

But the “low-hanging fruit” for American business investment in sub-Saharan Africa is power generation, particularly solar energy, says the Atlantic Council's Bello. He notes that in Africa's biggest economy, Nigeria, only 55 percent of people have access to electricity and 47 percent to the internet.

“The level of need and also opportunity are so important,” Bello says. “Then the question will be: how to make the engage-

ment more efficient, more effective, more impactful?”

## A Need to Be Nimble

InterAction's Mandaville wants Congress to allow more flexibility in implementation of aid programs in Africa and elsewhere as facts-on-the-ground can sometimes reveal a more effective approach than the one originally conceived of and approved.

“Where we get the most waste is where we decide something in year one and then we have to do it that way in year four even though we have more information,” says Mandaville, a former chief strategy officer at the Millennium Challenge Corporation.

For Huddleston, a former ambassador to Mali and Madagascar, it has been deeply frustrating to watch the United States walk away from important development projects in Africa when problems arise with a national government over issues like corruption or a coup.

Huddleston was at the Pentagon in 2009

when then-president of Niger, Mamadou Tandja, held a fraudulent referendum to extend his rule beyond constitutional term limits only to be unseated by a military coup the next year. During Tandja's power-grab and the period of military rule, the Obama administration suspended aid to the country.

“We were cutting off things like water projects,” she says. “We had military students studying in the United States — we made them go home.”

The former diplomat says a better policy would be for Washington to refuse to undertake any new development projects in countries where there is a coup or serious government abuse. “I really believe that these huge projects that we do in Africa, whether it's education or health, should not stop, because we don't like the head of government.”

Mbaku, of Weber State and Brookings, doesn't see such effort as an expenditure: “It's an investment that will pay significant dividends to the U.S. and the Western alliances for generations to come.” ■