

# U.S. TRADE AND INVESTMENT IN AFRICA

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## HEARING

BEFORE THE

SUBCOMMITTEE ON AFRICA AND  
GLOBAL HEALTH POLICY

OF THE

COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

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## **U.S. TRADE AND INVESTMENT IN AFRICA**

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**WEDNESDAY, JULY 28, 2021**

U.S. SENATE,  
SUBCOMMITTEE ON AFRICA AND  
GLOBAL HEALTH POLICY,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:30 p.m. in room SH-216, Hon. Chris Van Hollen, chairman of the subcommittee, presiding.

Present: Senators Van Hollen [presiding], Kaine, Hagerty, and Young.

### **OPENING STATEMENT OF HON. CHRIS VAN HOLLEN, U.S. SENATOR FROM MARYLAND**

Senator VAN HOLLEN. Welcome, everybody, and good afternoon. The Subcommittee on Africa and Global Health Policy will come to order.

I want to begin by welcoming my colleague, Senator Hagerty, who is a fellow member of the Senate Foreign Relations Committee and ranking member of the Subcommittee on State Department and USAID Management, International Operations, and Bilateral International Development, for joining us.

He will be filling in this afternoon for Senator Rounds, and I want to thank Senator Rounds and his team for all their work as part of this subcommittee.

I also want to welcome today's witnesses. We have with us Florizelle Liser, who is the president and CEO of the Corporate Council on Africa, Landry Signé, senior fellow in Global Economy and Development Program, and the Africa Growth Initiative at the Brookings Institution, and Aubrey Hruby, Senior Fellow with the Atlantic Council's Africa Center. I will provide a little more on each of their bios shortly.

Welcome, everybody, to the first hearing of the 117th Congress for the Africa and Global Health Policy Subcommittee. Today's hearing will focus on U.S. trade and investment in Africa, an area that holds real promise for U.S. businesses, for our partners on the continent, and the global economy.

I hope that we can use this hearing as a venue to explore practical ways to expand U.S. economic engagement in sub-Saharan Africa and work together to identify clear trade and investment priorities for Congress to explore.

Africa represents an ever more promising investment frontier, and targeted economic engagement will be key to unlocking oppor-

tunity, building prosperity, and bolstering security both on the continent and here at home.

Make no mistake, we all recognize there are vast economic challenges and other obstacles facing African nations. Those challenges begin with low-quality high-cost infrastructure, which creates real barriers to economic growth.

As we have seen in our own country, infrastructure touches every part of our lives, from the digital divide, to energy costs, to job and business growth to innovation, and we are now working to try to reach a bipartisan agreement on modernizing our infrastructure here at home.

The current infrastructure deficit across Africa takes a daily toll, ballooning the price of energy, making it harder for businesses to move their products, and stunting productivity in most sectors.

We must view these infrastructure and other challenges as opportunities to overcome by nurturing some of the budding infrastructure, by boosting American business and export possibilities, and opportunities to lift communities across the continent and unleash economic potential.

These opportunities are amplified by a fast-growing African population. In the next 30 years, the population of the entire continent is expected to double and one-quarter of the world will live in Africa by the year 2050.

It is also the youngest continent in the world, with 60 percent of Africans under the age of 25 years old. This new wave of young people provides new opportunities, expanding markets, innovation, technology, and growth, not just for Africa but around the world.

This youth growth presents huge potential for the continent, and I am pleased that Senator Mike Rounds and I will shortly be introducing legislation to codify the Young African Leaders Initiative, the YALI program, legislation that Congresswoman Bass has introduced in the House side, and I want to thank Senator Rounds for his leadership on that.

African nations are already taking steps to seize the growing economic potential through the new African Continental Free Trade Area, a multi-phased endeavor to grow trade between African nations.

The first phase of the project launched in January of this year, and over the next few years this initiative will link 55 African member nations and become the largest free trade area in the world since the establishment of the WTO.

The World Bank estimates that the successful implementation of this free trade area would increase Africa's exports by \$560 billion and add \$76 billion to the income of the rest of the world.

As you can see, the potential is enormous and part of our goal on this subcommittee is to help American businesses large, medium, and small become familiar with the economic landscape across the African continent and emphasize the potential rewards of engagement.

The good news is we already have many tools to help us meet the mission of building public and private partnerships between the United States and Africa. The duty-free tariff program AGOA, shorthand for the African Growth and Opportunity Act, has long

been a magnet for trade between the United States and African countries.

U.S. imports under AGOA a total of \$4.1 billion in 2020, and 39 countries and counting are currently eligible AGOA states. Over the years, USAID has established a series of trade and investment hubs throughout the continent to boost AGOA use, among other key priorities.

It should be our shared goal to make full use of this vital program and do more to strengthen AGOA as we push ahead.

We also have some newer tools at our disposal, including Power Africa, an initiative dedicated to expanding energy infrastructure through public-private partnerships with a focus on clean energy, and Power Africa has provided more than 100 million people with access to power since 2013.

More recently, the United States Government formed two programs that will help build out economic engagement in Africa. The first is the U.S. International Development Finance Corporation, or DFC, which Congress created in 2018 and which focuses 27 percent of its total portfolio on Africa.

I was pleased to see that just last month, the DFC joined forces with the development finance institutions from the G-7 nations in committing to invest \$80 billion in the private sector in Africa over the next 5 years to support sustainable economic growth on the continent.

The second initiative is Prosper Africa, which is designed to weave together the efforts of 17 U.S. agencies and departments involved in trade, investment, and development, including USAID, DFC, the Ex-Im Bank, and the U.S. Trade and Development Agency, among others.

I look forward to discussing how Prosper Africa can most effectively achieve its mission with all of our witnesses today.

As we work to make full use of these resources, we will, in turn, strengthen our ability to do effective business in the region, and when the United States does effective business we not only enhance our bilateral relationships, we also set an example for the world.

Our economic partnerships can and must be focused on mutual gain and shared success. While a number of our adversaries, especially China, attempt to use their economic leverage and engagement as a weapon for taking advantage of other countries including through debt trap diplomacy, we must remain dedicated to promoting prosperity for all here at home and on the African continent.

That proposition must be our guide as we work together to deepen bilateral trade and investment relationships throughout Africa, and I look forward to hearing the perspective of our committee members and our witnesses as the best way to move forward.

It is in that spirit that I would like to end where I began, thanking all of our witnesses for being here to share their thoughts, and before I turn it over to our witnesses, I, again, want to thank Senator Hagerty for joining us and turn it over to him for his opening statement.

Senator.

**STATEMENT OF HON. BILL HAGERTY,  
U.S. SENATOR FROM TENNESSEE**

Senator HAGERTY. Thank you, Chairman Van Hollen.

I appreciate very much your convening this hearing today and I also appreciate all of our witnesses for being here to discuss the important topic of the United States trade with Africa and the potential that it presents to all of us.

I am a lifelong businessman and I also served as head of economic development in my home state, and I have an acute appreciation for the value and the importance of capital investment and what it can mean to growth and prosperity.

Africa possesses significant economic potential and offers tremendous opportunities for the United States, particularly as American businesses search for new markets and for new investment opportunities.

In the next decade, Africa's importance to the world market will only grow, most notably in sectors that drive American prosperity and innovation including energy, resources, finance, infrastructure, and telecommunications, to name a few.

Furthermore, as Africa's population continues to increase, expected to be 26 percent of the world's population by 2050, the failure to successfully integrate Africa into the global economy could pose major threats to global prosperity and stability. We all know that a strong economic foundation underpins broader political and social stability.

Increased U.S.-African cooperation also serves the strategic interest of the United States. It is not a coincidence that there is increasing demand from Africa for greater economic cooperation with our great nation.

Leaders in government and business understand the need for robust market-based economic growth, a model that the United States continues to espouse in developing countries.

In contrast, the Chinese Communist Party continues to aggressively pursue predatory economic projects in Africa. According to a recent report, China is now the single largest financier of infrastructure in Africa, funding one in five projects and constructing every third.

Make no mistake, China will leverage their economic advantage to press their geopolitical ambitions. This neo-colonial approach to trade breeds corruption and dependency.

China has no interest in hiring local people. China has no interest in training the local people. China has no interest in leading them. Indeed, China's self-serving approach will not establish the foundation for long-term economic success in Africa.

The onus is on the United States, working with our allies and partners, as well as various multinational institutions to demonstrate that there is another path to prosperity.

The United States stands for local jobs, honest business practices, high-quality projects, environmental responsibility, and mutual prosperity. For instance, the Prosper Africa initiative that Chairman Van Hollen just mentioned, seeks to foster us investment.

It expands Africa's middle class and it improves business climates across the region. We need more programs like this. Con-



gress should also do its part to ensure that such initiatives have the appropriate oversight and the resources necessary to advance their objectives.

I hope that the hearing today will spur greater debate about ways to improve U.S. trade and investment in Africa.

Thank you, Mr. Chairman.

Senator VAN HOLLEN. Thank you, Senator.

Now I would like to introduce our witnesses more fully before we turn it over to them.

We are joined by Ms. Liser, who is the third president and CEO of the Corporate Council on Africa, and before taking this role, Ms. Liser served as Assistant U.S. Trade Representative for Africa where she led trade and investment toward 49 sub-Saharan African nations and oversaw the implementation of the African Growth and Opportunity Act.

In addition to her role on the Corporate Council on Africa, Ms. Liser also sits as co-chair of the Advisory Council for the Millennium Challenge Corporation and is a member of the Sub-Saharan Africa Advisory Committee for the Ex-Im Bank.

Ms. Liser received her B.A. in international relations from Dickinson College, and I am proud that she earned her M.A. in international relations from Johns Hopkins University in the state of Maryland.

Welcome to you.

Dr. Signé is a senior fellow in the Global Economy and Development program at the Africa Growth Initiative at the Brookings Institution.

In addition to his role at Brookings, he is also a full professor and founding co-director of the Globalization 4.0 and Fourth Industrial Revolution Initiative at the Thunderbird School of Global Management, a distinguished fellow at Stanford University Center for African Studies, and chairman of the Global Network for Africa's Prosperity, as well as a senior advisor to top leaders in business and politics from around the world.

Dr. Signé is the author of numerous scholarly publications and has taught at Oxford, Stanford, Georgetown, and many other institutions of higher education. Dr. Signé was educated in Cameroon, France, and Canada, received his Ph.D. from the University of Montreal and completed his post-doctoral studies at Stanford University on a Banting Fellowship. Welcome, Dr. Signé.

Ms. Hruby is a nonresident senior fellow with the Africa Center at the Atlantic Council. Over the course of her career, she has consulted extensively in over 25 African markets and regularly advises senior policymakers and private sector leaders on doing business in Africa.

Ms. Hruby also teaches at Georgetown University and is the co-author of "The Next Africa: An Emerging Continent Becomes a Global Powerhouse."

Previously, she worked as managing director of the Whitaker Group, an Africa-focused advisory firm that has helped facilitate over \$2 billion in capital flows to the continent, and served as an international trade specialist at the Barnett Group, where she specialized in Middle East and Africa trade.

She studied economics, political science, and international relations at the University of Colorado, received a Master's degree from the School of Foreign Service at Georgetown, and received an executive MBA from the Wharton School at the University of Pennsylvania.

Welcome, Ms. Hruby.

I think we can see from the vast experience and expertise on this panel that we have a terrific group of people. So why do not we begin now in the order in which I introduced all of you with, Ms. Liser.

**STATEMENT OF FLORIZELLE LISER, PRESIDENT AND CEO,  
CORPORATE COUNCIL ON AFRICA, WASHINGTON, DC**

Ms. LISER. I would like to thank Senator Van Hollen, the Subcommittee on Africa and Global Health Policy, Senator Hagerty, and others on the committee for the invitation to speak today at this important hearing.

I am Florie Liser, president and CEO of the Corporate Council on Africa, which is the only U.S. trade association solely focused on expanding trade and investment between the United States and Africa.

This hearing is perfectly timed. Today, CCA concluded the second of 3 days of this year's U.S.-Africa Business Summit. Although we are holding it virtually this year, the summit annually gathers U.S. and African leaders from government and business to discuss the most important opportunities and issues.

The theme of this year's summit is "New Pathways to a Stronger U.S.-Africa Economic Partnership," and sessions at the summit have just covered a number of important themes you target in this hearing, including a session we had just this morning where we hosted Representative Karen Bass and Representative Chris Smith, who met with a number of key companies who are investing in Africa to hear more from them about just how we can expand our trade and investment relationship with the nations of Africa.

This is the right time to reassess our economic relationship with the continent, and the short version of my conclusions about how we do this is that the United States and companies are not taking advantage of the opportunities we could in terms of what Africa offers, while our competitors are doing a much better job.

In the next 10 to 20 years, Africa's importance to world markets will grow significantly in many of the sectors that drive American prosperity, including ICT, energy, finance, infrastructure, and health.

The COVID pandemic has accelerated existing African efforts to change the continent's narrative. As they look to build back better, African countries are doubling down on integrating their economies, accelerating digitalization efforts, better linking up with shifting global supply chains, and improving their health security as well as their overall economic prosperity by increasing manufacturing of health as well as many other products on the continent, and they are looking to the private sector to lead the way in each of these cases and sectors.

In sum, African governments and companies have made it crystal clear that they intend to build a better Africa that is much more

competitive and better integrated into global supply chains. They have also made it clear that the United States and American companies are very welcome, often preferred partners.

So how should we respond? The U.S. Government and Congress can help by providing some public guidance on what kind of long-term relationship we have in mind. Since its enactment in 2000, AGOA has been the cornerstone of U.S. economic policy towards Africa. It is now set to expire in 2025.

Africa has become much more sophisticated and better integrated globally since 2000. Africa is now in the process of completing the first phase of creating the world's largest unified market through the African Continental Free Trade Agreement.

The United States would best serve its own interests by recognizing the progress Africa has made and putting in place policies that will allow our companies to mutually grow the U.S. and African economies along the lines above.

We should adopt a more nuanced policy and multifaceted approach that recognizes that there is no one-size-fits-all approach to Africa that accepts that unilateral preferences for certain African nations should continue under AGOA while we go beyond AGOA in developing mutually beneficial reciprocal agreements, FTAs, and support the AfCFTA's implementation and ensure its success.

The Biden administration has helpfully reiterated U.S. support for AfCFTA and we should definitely continue that. On AGOA, the goal should be to help the countries which have yet to benefit from this important duty-free access to U.S. market, and there is no conflict in doing these while at the same time continuing the U.S.-Kenya FTA discussions and establishing a template or model for trade agreements with Africa that go beyond Africa, go beyond AGOA, and mutually benefit our companies and workers.

We should also keep in mind that these discussions are taking place against the backdrop of Africa's pressing fight to combat the COVID pandemic. African officials never again want to be at the end of supply chains that can fail, leaving their populations vulnerable.

One of the aspects of the U.S. response to COVID that African leaders have singled out approvingly is the provision of the advanced market purchase for vaccines. The G-20 is already looking at whether some version of this can be applied to set up funding to minimize the impact of future pandemics.

In conclusion, CCA looks forward to the opportunity to work with members here today and many others, both Senate and House and on both sides of the aisle, to develop the kind of multifaceted approach that will grow and enhance the U.S.-Africa economic relationship.

Thanks for the opportunity to speak to you today at this hearing, and I look forward to answering any questions.

[Prepared statement of Ms. Liser follows:]

#### **Prepared Statement of Ms. Florizelle Liser**

I would like to thank the Subcommittee on Africa and Global Health Policy for the invitation to speak today at this important hearing. I am Florie Liser, the President and CEO of the Corporate Council on Africa, which is the only U.S. trade association solely focused on expanding trade and investment between the United States and Africa.

This hearing is perfectly timed. Today, CCA concluded the second of 3 days of this year's U.S.-Africa Business Summit. Although we are holding it virtually this year, the Summit annually gathers U.S. and African leaders from government and business to discuss the most important opportunities and issues. The theme of this year's Summit is "New Pathways to a Stronger U.S.-Africa Economic Partnership," and sessions at the Summit have just covered a number of important themes you target in this hearing.

This is the right time to reassess our economic relationship with Africa. The short version of my conclusion is that:

- The United States and American companies are not taking advantage of all of the opportunities we could be in terms of what Africa offers, while our competitors are doing a much better job.
- In the next 10 to 20 years, Africa's importance to world markets will grow significantly in many of the sectors that drive American prosperity, including ICT, energy, finance, infrastructure and health.
- The COVID pandemic has accelerated existing African efforts to change the continent's narrative. As they look to build back better, African countries are doubling down on integrating their economies, accelerating digitalization efforts, better linking up with shifting global supply chains and improving their health security as well as their overall economic prosperity by increasing manufacturing of health as well as many other products on the continent. And they are looking to the private sector to lead the way in each of these cases.

In sum, African governments and companies have made it crystal clear that they intend to build a better Africa that is much more competitive, and better integrated into global supply chains. They have also made it clear that the United States and American companies are very welcome—often preferred—partners. How should we respond?

The U.S. Government and Congress can help by providing some public guidance on what kind of long-term relationship we have in mind. Since its enactment in 2000, AGOA has been the cornerstone of U.S. economic policy towards Africa; it is now set to expire in 2025. Africa has become much more sophisticated, and better integrated globally since 2000. Africa is now in the process of completing the first phase of creating the world's biggest unified market through the African Continental Free Trade Agreement, or AfCFTA. Far beyond just lowering tariffs, it has set up an innovative mechanism to resolve trade disputes and resolve non-tariff barriers to trade, as well as establish a payments network and adopt common standards and regulations.

The United States would best serve its own interests by recognizing the progress Africa has made and putting in place policies that will allow our companies to mutually grow the U.S. and African economies along the lines outlined above. We should adopt a much more nuanced policy and multi-faceted approach that recognizes that there is no 'one size fits all' approach to Africa—that accepts that unilateral preferences for certain African nations should continue under AGOA while we go beyond AGOA in developing mutually beneficial, reciprocal agreements (FTAs), and support the AfCFTA's implementation and ensure its success.

The Biden administration has helpfully reiterated U.S. support for AfCFTA. This should be a critical component for U.S. economic engagement with Africa, and nothing we do should undermine this important African process. Indeed, to the extent that we can support African governments creating the kinds of trade and investment provisions under AfCFTA that will allow U.S. companies to thrive, it is in our interest to support Phase II negotiations on chapters like digital services and standards. The U.S. Government should make more experts from the technical U.S. agencies available immediately to consult and offer lessons learned from our experience. Greater engagement with select U.S. regulatory agencies will also pay huge dividends as African governments grapple with how to handle technical, but crucial issues, particularly in the digital space.

On AGOA, the goal should be to help the countries which have yet to benefit from this important duty-free access to the U.S. market.

And there is no conflict in doing these while at the same time continuing the U.S.-Kenya FTA discussions, and establishing a template or model for trade agreements with Africa that go beyond AGOA and mutually benefit our companies and workers. The USG has the opportunity to negotiate a trade agreement that doesn't merely adopt the U.S. "gold standard" FTA provisions, but is open to an FTA model that makes sense for the U.S. and its African partners. Such a model would cover more than just goods trade to include services, digital trade, and other areas that are critical to 21st century trade, and would highlight what kind of transition periods that

may be necessary, and will help both sides think through how to integrate bilateral trade and investment provisions with existing African Regional Economic Communities and the AfCFTA. For other African countries, our best approach may well be to consider extending AGOA provisions broadly or for specific sectors, like textiles and apparel, although we should do so in a way that reinforces regional economic integration and value chains, while also not eroding African competitive access to the U.S. market.

There is an urgency about this, as several of our competitors are ahead of us in terms of developing their potential for two-way trade and investment with Africa. Europe, in particular, has concluded Economic Partnership Agreements with most of the continent, including Regional Economic Communities. Kenya has very recently concluded a trade agreement with the UK and other Africans are in the process of doing the same. And the advanced of African countries (like Mauritius) have concluded reciprocal trade agreements with a range of countries including China, the European Union, EFTA, and Mercosur countries. The faster we can raise our profile and increase our engagement, the better.

We also need to get more allies involved. Specifically, the U.S. Government could best amplify its efforts by engaging more trade associations and private sector groups, both to make them aware of the opportunities, and to engage them in trade negotiations and discussions with our African partners. Prosper Africa is an admirable initiative to raise the USG profile and to more effectively support U.S. companies who are competing against companies from all around the world (not just China) who have the full support of their governments in helping them be competitive in Africa's growing markets. Beyond Prosper Africa and the President's Advisory Committee on Africa (PAC-DBIA), the U.S. Government can do more to level the playing field and support more U.S.-Africa commercial deals.

We should also keep in mind that these discussions are taking place against the backdrop of Africa's pressing fight to combat the COVID pandemic. African officials never again want to be at the end of supply chains that can fail, leaving their populations vulnerable. They are determined to partner with private sector firms to increase investments in vaccines, their various inputs and PPE. Their preferred partners would be American, but they are intent on moving quickly with whichever companies will respond. DFC has announced some very helpful investments and grants. CCA is pleased to share that we have established our U.S.-Africa Health Security Resilience Initiative, which was specifically designed to help identify gaps and areas where the private sector can help deliver better health outcomes while saving limited resources, and building a much bigger market. This is the kind of proactive initiative that can help raise the U.S. profile in health and beyond.

One of the aspects of the U.S. response to COVID that African leaders have singled out approvingly is the provision of the Advanced Market Purchase for vaccines. The G20 is already looking at whether some version of this can be applied to setting up a fund to minimize the impact of future pandemics and/or support current commercial investments to bolster the base line of health systems. Congress might usefully consider whether that kind of mechanism could be applied in other priority areas, including energy, infrastructure, and agriculture. This could be combined with the very important efforts of creating mechanisms to reallocate the \$650 billion in additional IMF Special Drawing Rights that have been critical to address the economic impact of COVID beyond health.

CCA looks forward to the opportunity to work with the Members here today and many others—both Senate and House and on both sides of the aisle—to develop the kind of multi-faceted approach that will grow and enhance the U.S.-Africa economic relationship.

Thanks for the opportunity to speak to you today at this hearing and I look forward to answering any questions.

Senator VAN HOLLEN. Well, thank you for your testimony, Ms. Liser.

I want to explain that we have a vote on, so it is nothing that you said as to why Senator Hagerty left. He is going to go vote and come back, and then we will do a relay so that we can continue with the hearing without interruption. So thank you.

Dr. Signé.

**STATEMENT OF DR. LANDRY SIGNÉ, SENIOR FELLOW, GLOBAL ECONOMY AND DEVELOPMENT AFRICA GROWTH INITIATIVE, THE BROOKINGS INSTITUTION, WASHINGTON, DC**

Dr. SIGNÉ. Thank you very much, Chairman Van Hollen, Ranking Member Rounds, and distinguished members of the subcommittee for your extraordinary leadership on U.S. trade and investment with Africa.

I am incredibly honored and grateful for the opportunity offered to me by the members of the subcommittee to testify on U.S. trade and investment in Africa.

I am Landry Signé, executive director and professor at the Thunderbird School of Global Management, senior fellow at the Brookings Institution, Global Economy and Development, and Africa Growth Initiative. I am the author of “Unlocking Africa’s Business Potential.”

It is time for the U.S. to reverse the trend on the ground in Africa, the ground lost in Africa, as many traditional and emerging powers are racing to capture Africa’s tremendous economic potential.

By 2050, Africa’s combined consumer and business spending will exceed USD \$16 trillion and the combined GDP may also exceed USD \$29 trillion.

So by the end of the century, Africa will contain up to 40 percent of the world population. The United States has a sustained competitive advantage to partner with Africa, advance U.S. trade and investment with Africa while meeting Africa’s priorities for mutual prosperity.

This could be best realized through a long-term comprehensive Africa strategy building on value-based foreign policy and a market-based model of development, technology, commerce, education, accountability, amongst others.

My recommendations for effective U.S. trade and investment in Africa are as follows.

Focus policy action on impact and on the effective implementation and delivery of initiatives beyond big policy announcements.

Make Prosper Africa more agile in its ability to manage complexity and competition, and appoint a dedicated full time chief executive officer to assist the current leadership team.

Redefine the base for new engagement with Africa by appointing a U.S. Special Presidential Envoy for Africa to represent the U.S. at high-level meetings and increase presidential and high-level visits in Africa.

Promote commercial diplomacy through an economic strategy that goes beyond the traditional vision of trade and investment, and domestically increase efforts to document and disseminate Africa’s tremendous potential to U.S. SMEs.

Capitalize on the AfCFTA that provides the opportunity for the U.S. and the world to address the global macroeconomic imbalances largely due to excessive concentration of supply chains.

For the AfCFTA of the post-2025 AGOA to be successful, the U.S. should really be involved in regular high-level consultations between the United States Trade Representative, the AfCFTA, and the African Union, creating a working group which will define the critical steps forward.

Capitalize also on the diaspora, which is heavily represented in the U.S., by specifically adopting a diaspora commercial diplomacy.

Accelerate the COVID-19 vaccine strategy and partnerships, and invest in the vaccine-manufacturing industry and healthcare in Africa.

Contribute to closing the gap in the physical and digital infrastructure by leveraging existing program through initiatives and agencies, but also by supporting African strategic digital transformations.

The U.S. can, finally, build on higher education to provide technical training and reskilling programs through initiatives and agencies to close the digital skill gap and improve human capital, especially the youth and women. You spoke about YALI, which is an illustration of such an initiative.

In closing, by acting promptly and forging transformative leadership aligned with African values, the U.S. has the opportunity not only to advance its own interests but to contribute to the transformation of Africa.

Thank you very much for your attention. I am looking forward to your questions.

[Prepared statement of Dr. Landry Signé follows:]

#### **Prepared Statement of Dr. Landry Signé**

Thank you very much, Chairman Van Hollen, Ranking Member Rounds, and distinguished members of the Subcommittee, for your extraordinary leadership on U.S. Trade and Investment with Africa. Your exemplary bipartisan work on Africa inspires many in the U.S. and abroad on how politics can be used to serve the greater good. I am incredibly honored, and grateful, for the opportunity offered to me by the members of the Senate Foreign Relations Committee's (SFRC) Subcommittee on Africa and Global Health Policy to testify on U.S. Trade and Investment in Africa.

I am Landry Signé, Executive Director and Professor at the Thunderbird School of Global Management, Senior Fellow at the Brookings Institution's Africa Growth Initiative in the Global Economy and Development Program, 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.

Advancing trade, investment, and technology in Africa offers enormous economic growth and increased prosperity for both regions and is best realized through value-based foreign policy and a market-based model of development, education, and accountability. There is no better time to accelerate U.S. trade and investment in Africa than now. Despite Africa's tremendous economic potential, the U.S. has lost substantial ground to traditional and emerging partners, especially China. Indeed, while recent trends indicate that the U.S. engagement with the region has fallen, it has not and should not cede its relationship with the region to other powers.

Importantly, the U.S. can build on new regional momentum to revive and strengthen its partnership with Africa for mutual prosperity, including building on the recent launch of the African Continental Free Trade Area (AfCFTA), and given the promise of the initiatives of the DFC, Prosper Africa, and the post-AGOA 2025 options. To do so means a shift in emphasis in the relationship to one more focused on value-based foreign policy (<https://foreignpolicy.com/2021/01/15/united-states-africa-biden-administration-relations-china/>),<sup>1</sup> and also building upon the areas of strength and convergence with African citizens' preferences (<https://www.brookings.edu/blog/africa-in-focus/2020/10/23/us-foreign-policy-toward-africa-an-african-citizen-perspective/>);<sup>2</sup> such as trade, investment, technology, education, accountability, and a market-based model of development.

WHY SHOULD THE U.S. CARE? AFRICA'S TREMENDOUS TRADE AND INVESTMENT POTENTIAL, AND EXPANDING CONTINENTAL INTEGRATION AND GLOBAL PARTNERSHIPS (STRATEGIC GEOPOLITICAL PARTNER)

"Borders frequented by trade seldom need soldiers."

-William Schurz, *second President of the American Institute for Foreign Trade (now the Thunderbird School of Global Management)*

Trade and investment are not just about money and prosperity. They also bring and support peace, stability, and security. In my book *Unlocking Africa's Business Potential* (<https://www.brookings.edu/book/unlocking-africas-business-potential/>),<sup>3</sup> I explore key trade and investment trends, opportunities, challenges and strategies, that illustrate the tremendous potential of Africa, and explain the complex competition between emerging and established powers on the continent. The following key trends are critical for policymaking given their implications for trade investment, economic transformation, inclusive prosperity, geopolitical dynamics, and mutual U.S.-Africa interests.

*Africa's economic transformation and business potential are more substantial than most people think: the world's next growth market*

Considered a hopeless continent in 2000 by *The Economist* (<https://www.economist.com/weeklyedition/2000-05-13>), Africa has seen the two best cumulative successive decades of its existence in the 21st century. Trade in and with Africa has grown 300 percent in the last decade, outperforming global averages (196 percent).<sup>4</sup> It has become home to many of the world's fastest-growing economies, offering unique opportunities for U.S. trade and investment. Moreover, Africa has tremendous economic potential and offers rewarding opportunities for local and global partners looking for new markets and long-term investments with some of the highest returns, but also the potential to foster economic growth, diversification, job creation, including for women and youth, and improved general welfare.

*The fast population growth on the continent could be turned into demographic dividends, or threats to global prosperity and stability*

Africa was home to 17 percent of the world population in 2020, and is expected to have 26 percent of the global population in 2050 (2.53 billion people).<sup>5</sup> If Africa is not successfully integrated into the global economy, there could be a major threat to global prosperity and stability. Citizens could be further subject to extreme poverty, fragility, violent extremism, illegal immigration, health challenges, among others—challenges that many already face on the continent. If our goal is a prosperous and safe world, Africa must not be left behind.

*The growth of household consumption and business spending: a unique opportunity for U.S. trade and investment*

By 2050, Africa will be home to an estimated USD \$16.12 trillion of combined consumer and business spending.<sup>6,7</sup> And Africa's prosperity can be good for the U.S.: Such growth will offer tremendous opportunities for U.S. businesses in household consumption (USD \$8 trillion) in areas such as food and beverages, housing, hospitality and recreation, health care, financial services, education and transport, and consumer goods, but also business to business spending (construction, utility, and transportation, agriculture and agri-processing, wholesale and retail, etc.).

*The rise of global partnerships and the competition between traditional and new players: an opportunity for the U.S. to build on its sustainable competitive advantage*

China (<https://foreignpolicy.com/2021/01/15/united-states-africa-biden-administration-relations-china/>) became the region's prime trading partner. In fact, between 2006 and 2016, China's trade with Africa surged, with imports increasing by 233 percent and exports increasing 53 percent, as they did for several other global players as well.<sup>8</sup> During the same period, the U.S. lost ground in exports to Africa (–66 percent).<sup>9</sup>

China's influence goes beyond the trade relationship: It is also the top investor in infrastructure, and now is the first destination of English-speaking African students, outperforming the U.S. and the U.K.<sup>10</sup>



	Change (increase) in imports from Africa, 2006 - 2016	Change (increase) in exports to Africa, 2006 - 2016
Russia	142%	168%
Turkey	192%	61%
India	181%	186%
Indonesia	107%	147%
World	56%	18%

Source: IMF, Direction of Trade Statistics, 2017.<sup>11</sup>

But the U.S. remains a critical player on the continent, as I mentioned in a recent article (<https://foreignpolicy.com/2021/01/15/united-states-africa-biden-administration-relations-china/>): “Successes in the past decades—initiatives such as the African Growth and Opportunity Act (AGOA), the President’s Malaria Initiative, the President’s Emergency Plan for AIDS Relief, the Millennium Challenge Corporation, and U.S. trade and investment hubs—have generated tremendous opportunities for millions of Africans and Americans. But the current era—and competition from other global powers—will require new ideas and a new approach to several key issues.”<sup>12</sup> In fact, African countries would often prefer to work with the U.S. given local content regulation rules, more investment in on-the-ground resources, and standards about hiring/training locals. In other words, it’s less extractive and more transparent than numerous other partners.

*Fast urbanization but also fast rural population growth*

By 2030 (<https://www.brookings.edu/research/spotlighting-opportunities-for-business-in-africa-and-strategies-to-succeed-in-the-worlds-next-big-growth-market/>), Africa will be home to 5 cities of more than 10 million inhabitants and 12 other cities of more than 5 million inhabitants.<sup>13</sup> Cities in Africa are becoming powerful economic centers, and a city-based approach to foreign policy, but also trade and investment, will be critical to outperform competitors and build mutual prosperity. Contributing to the prosperity of African cities will also make a difference in addressing security challenges.

*Africa has made tremendous progress in mobilizing resources for infrastructure development, working hard to bridge gaps in ICT, energy, water and sanitation, and transportation*

Despite the remaining deficits, the Infrastructure Consortium for Africa (ICA) (<https://www.mckinsey.com/business-functions/operations/our-insights/solving-africas-infrastructure-paradox>) reported that between 2013 and 2017 the annual funding for infrastructure development in the region was USD \$77 billion, about twice as much as the annual funding average of the first 6 years of the two-thousands.<sup>14</sup> However, many of these gaps persist. In 2018 the African Development Bank (AfDB) found that Africa’s infrastructure requirements range between USD \$130 and \$170 billion (<https://www.afdb.org/en/documents/document/african-economic-outlook-aoe-2018-99877>) a year, leaving a financing gap of USD \$68 to \$108 billion.<sup>15</sup> China has played a key role in financing, and has become the largest bilateral infrastructure financier in Africa (Chinese FDI grew 40 percent annually (<https://www.forbes.com/sites/miriamtuerk/2020/06/09/africa-is-the-next-frontier-for-the-internet/?sh=4f4d1f774900>) over the last decade).<sup>16</sup> However, the U.S. has the chance to make a monumental difference when it comes to investing in infrastructure development in Africa.

In fact, Africa has one of the fastest-growing (<https://www.afdb.org/en/knowledge/publications/tracking-africa's-progress-in-figures/infrastructure-development>), and is the second-largest, mobile phone market in the world.<sup>17 18</sup> In sub-Saharan Africa alone, there were 477 million mobile subscribers in 2019; by 2025, the region will host 614 million cell phone subscribers, and 475 million mobile internet users.<sup>19</sup> The internet is also expected to contribute to at least 5 to 6 percent (<https://www.afdb.org/en/knowledge/publications/tracking-africa's-progress-in-figures/infrastructure-development>) of Africa’s total GDP by 2025.<sup>20</sup> While the Information and Communication Technology sector is making incredible advancements, water and sanitation, transportation, and energy infrastructure development still needs significant investment. However, this is indicative of positive and extensive investment opportunities that can be undertaken on the African continent.

*Fast digitalization, increased technological innovation, and an accelerated Fourth Industrial Revolution (4IR)*

The Fourth Industrial Revolution is characterized by the fusion of the digital, biological, and technological world, and technologies such as artificial intelligence, big data, 5G, drones and automated vehicles, and cloud computing.<sup>21</sup> As a world leader in technological innovation, digital transformation, and the Fourth Industrial Revolution, the United States is well-positioned to play a leading role in the African digital space and contribute to Africa's pursuit of now-vital technologies.

Indeed, advanced technology can have beneficial spillover effects: For example, in health, countries such as Rwanda and Ghana are using an American drone company (<https://www.businessinsider.com/zipline-drone-coronavirus-supplies-africa-rwanda-ghana-2020-5>), Zipline, to deliver in record time, medication, blood, and medical supplies to remote rural areas with limited road accessibility.<sup>22</sup> In agriculture, African farmers now have access to affordable precision farming tools (<https://hbr.org/2017/05/how-digital-technology-is-changing-farming-in-africa>) that use sensors, satellites, smart devices, and big data technologies to inform every decisions. The lending, insurance, and e-commerce opportunities provided by the fintech industry are transforming the lives of all Africans, and not just those in urban centers. These advancements are just the beginning too, as African entrepreneurs are increasingly seeking partners to bring transformative businesses to life. African tech startup funding increased over 40 percent in 2020 to over USD \$700 million, a fraction of tech startup funding outside of Africa. Despite such progress, the digital divide remains important and must be bridged to allow inclusive development. During the pandemic for example, access to school and business on the continent was more complex given the level of internet connectivity, among others. Bridging the digital divide represent an opportunity to both advance U.S. trade and investment in Africa while addressing some of Africa's key priorities.

*Fast regional integration and the African Continental Free Trade Areas: opportunities for a continental engagement*

With the signing of the African Continental Free Trade Area (AfCFTA) in 2018, ratification in 2019, and an official launch in January 2021, African growth prospects and business opportunities have been magnified. The continent is giving the world just one more reason to invest in it with the creation of the largest new free-trade zone per number of countries in world, since the creation of the WTO. The AfCFTA will accelerate Africa's industrialization as well as incomes, which will lead to the increase of both household consumption and business spending, generating unique opportunities for U.S. trade and investment. Per a World Bank study (<https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>), the AfCFTA has the potential to lift 30 million people out of extreme poverty, increase the income of 68 million Africans, increase Africa's exports by USD \$560 billion, and generate USD \$450 billion of potential gains for African economies by 2035.<sup>23</sup>

*The sustained demand for accountability, democracy, and stability of African citizens, and policy priorities aligned with U.S. core values*

Per Afrobarometer surveys (<https://www.brookings.edu/blog/africa-in-focus/2020/10/23/us-foreign-policy-toward-africa-an-african-citizen-perspective/>), 7 out of 10 Africans support democracy and accountable governance, and approximately two-thirds are opposed to a single party or military government.<sup>24</sup> Importantly, areas in which the U.S. has a sustained competitive advantage, given its global leadership in democracy and human rights, and its support for such issues as health and education, are priorities for Africans too.<sup>25</sup> Given China's leadership in infrastructure, the U.S. could grow its footprint in this area but by partnering with other players such as the G7 and the European Union countries. This approach will be welcomed by African citizens, who prefer the U.S. model of development (32 percent) over the Chinese one (23 percent).<sup>26</sup>

U.S. POLICY RECOMMENDATIONS FOR BOLSTERING TRADE WITH AFRICA BY INCREASING INVESTMENT, BRIDGING THE DIGITAL DIVIDE, AND ADDRESSING THE CONTINENT'S ENERGY AND INFRASTRUCTURE NEEDS

The pandemic has created unique momentum for engagement with Africa. *The U.S. should seize this momentum and build on Congress' historical bi-partisan support for the region to develop and successfully implement a long-term comprehensive Africa strategy that effectively coordinates action around trade, investment, commerce, and economic growth. This strategy should draw from consultations with African partners and multilaterals, building on areas of sustainable competitive advantages. The strategy should:*

- a) be rooted in the American values and principles that are aligned with the priorities of African citizens and U.S.-Africa mutual trade and investment interests
- b) protect American, African, and global interests by advancing security, stability, and peace through strategic partnerships with African organizations
- c) utilize U.S. strengths (digital transformation, Fourth Industrial Revolution, education, creative industries, health, democratic values, etc.) in the context of the new continental trade dynamics brought about by the African Continental Free Trade Areas (AfCFTA).

Importantly, these are areas where the U.S. can still outperform its main competitors such as China or Russia. More specifically, my recommendations to the Subcommittee are as follows:

*Build on multilateralism and strategic alliances in concert with African partners to advance U.S. and African interests*

Given Africa's own emphasis on regionalism, the U.S. would do well to support those efforts and align its own strategy with this perspective in mind. Core African partners include: the African Union, the African Continental Free Trade Area, the Africa Centres for Disease Control and Prevention, the African Union Development Agency, the African Development Bank, among others.

African leaders are looking for partners, especially in terms of trade and investment, more than they need aid. Initiatives from the Millennium Challenge Corporation and the DFC should further support African regional and continental projects, when possible, through regional compacts (MCC, through the 2018 AGOA and MCA Modernization Act (<https://www.mcc.gov/news-and-events/feature/regional-investments>), allows investments to be made across borders in Africa, creating opportunities for trade and investment by fostering regional integration and integrated markets).<sup>27</sup> For the U.S. to outperform its competitors, it must be on the ground engaging with Africa both at the base but also at the highest levels, building on the Trade and Investment hubs, but going much further.

*Enhance the effectiveness and better coordinate the action of U.S. agencies acting around trade and investment in Africa by adopting the principle of agile governance*

The U.S. already has phenomenal tools, which in principle, could make a monumental difference if successfully implemented. Prosper Africa holds a lot of potential in terms of trade, investment, shared prosperity, and effective coordination of U.S. agencies, which is not yet realized. The goal of Prosper Africa is to coordinate the tools from across government agencies<sup>28</sup> and to foster trade and investment between the U.S. and Africa. Although it is a great idea, many players, especially on the African side, are still hoping for it to achieve its full potential. It will be extremely important to have major wins to reinstate trust with African partners.

I recommend making Prosper Africa more agile in its ability to manage complexity and competition, and appoint a dedicated full-time Chief Executive Officer to assist the current Executive Chairman and Chief Operating Officer, who are doing tremendous work. This new position should have the authority needed to fix the pacing, (appropriate speed of action) coordination (legitimate and appropriate coordination), and representation challenges (uniqueness of the voice, communication, and acceptance of the credibility), to deliver exceptional outcomes for U.S. and African businesses, and investors, to achieve mutual prosperity.

*Redefine the base for new engagement with Africa by appointing a U.S. Special Presidential Envoy for Africa to represent the U.S. at high-level meetings and multiply presidential and high-level visits in Africa*

To stop ceding ground to other powers in Africa, it is crucial that the U.S. reiterate the respect it has for Africa, Africans, and their leaders. Appointing a Special Envoy and reinstating high-level meetings, including presidential visits to the region, between the United States and Africa will send a strong signal. Regular visits by senior U.S. officials, including the President and his cabinet, will help to shift perceptions around Africa, highlighting the continent as a safe, reliable destination for investment. Creating a forum for dialogue between government officials and the SME community will create the opportunity to engage in a systematic and coordinated way.<sup>29</sup>

Advancing such levels of engagement, with specific actions, will substantially advance mutual interests. The U.S. should build on this to further institutionalize relations with Africa and engagements at the highest level. The success of the U.S.-Africa Business Forum (<https://obamawhitehouse.archives.gov/the-press-office/2016/09/21/remarks-president-obama-us-africa-business-forum>), which did con-

tribute to deals around USD \$14 billion between 2014 (first edition) and 2016, with additional deals and commitments of USD \$9 billion at the 2016 edition, illustrate the importance of high-level meetings, which should be reinitiated (The first edition (<https://2014-2017.commerce.gov/tags/us-africa-business-forum.html>) of the U.S.-Africa Business Forum was attended by about 50 heads of state and governments, and 150 global CEOs).

This is not just important for African leaders, but also for African citizens who prefer the U.S. model of development compared to any other country.<sup>30</sup> Strategically seizing such as opportunity to build a long-term sustainable advantage will be critical.

*For the successful implementation of the AfCFTA and other critical initiatives (post-2025 AGOA, among others) the U.S. should be involved in regular high-level consultations between the United States Trade Representative, the AfCFTA, and the African Union, creating a working group which could define the critical steps forward*

It is important to engage with Africa on the way forward about U.S.-Africa relations, through regular consultations. The AfCFTA offers new opportunities for U.S. businesses to use Africa as a global platform, not just to capitalize on the large African market, but to benefit from the unique advantage provided to sell around the world. The U.S. will also gain market shares, etc. Africa can become the base for U.S. companies to trade not just with Africa, but with the world as well. Africa is not just a market, but also a platform to manufacture and export in other regions of the world. The AGOA Forum provides a platform to discuss these questions in partnership with Africans, but it remains underutilized.

*The U.S. should capitalize on the AfCFTA that provides the opportunity for the U.S. and the world to finally address the global macroeconomic imbalances which have been reflected in structurally large U.S. current account deficits with a handful of countries largely on account of excessive concentration of supply chains*

The growth opportunities associated with increasing economies of scale and productivity growth under the AfCFTA provides the path to reorder and diversify the supply chains for greater resilience and while also sustainably addressing the macroeconomic imbalances which have dominated the world economy over the past decades.

Already several countries and corporations are taking advantage of growth opportunities offered by the AfCFTA in the automotive industry. Volkswagen (<https://www.economist.com/business/2018/06/28/vw-opens-rwandas-first-car-assembly-plant>) has opened its first car plant in Rwanda.<sup>31 32</sup> Groupe Peugeot Société Anonyme (<https://www.peugeot.co.za/brand-and-technology/news/peugeot-to-open-a-new-assembly-plant-in-namibia.html>) has established its first plant to assemble up to 5000 cars a year in Namibia, taking advantage of the free market area to target customers in other countries across the region.<sup>33</sup> With its population growth and rising middle class, Africa could well become the largest market for the automotive industry in the coming decades.

These are tremendous opportunities that U.S. carmakers, including those manufacturing less polluting new energy vehicles should be targeting, especially with Africa's excess reserves of lithium and coltan which are some of the most important raw materials for a rapidly changing industry.

*Focus policy action on impact, and on the effective implementation and delivery of initiatives, not just on big policy announcements*

The U.S. should distinguish itself by focusing on successful implementation of existing or new initiatives. For example, the G7 countries and partners have announced an USD \$80 billion dollars commitment for Africa's private sector for the next 5 years. How will it be implemented? It is critical to have a clear mechanism for successful implementation that includes sufficient details about the projects. For example, the U.S. and partners should engage with African multilaterals (AfCFTA, AU, etc.) and governments during the policymaking and implementation processes to strategically identify and align objectives. An implementation unit may be created, and a multistakeholder working group to assess and decide on mutual priorities. Similarly, how could the Build Back Better World initiative be successfully implemented, and to what extent will Africa benefit from it? The Administration needs to appoint a leader to strategically engage and to have consultations with allies. Bringing the allies together, and giving teeth to the plans that have been put together, will be critical to build sustainable competitive advantage for the U.S.

*The U.S. should promote commercial diplomacy through an economic strategy that goes beyond the traditional vision of trade and investment. Domestically, the U.S. should increase efforts to document and disseminate the tremendous potential Africa can have for U.S. businesses*

Given that a central goal of Prosper Africa is to double two-way trade, the United States should play a better role in identifying and sharing business and investment opportunities with its domestic businesses and corporations. As large corporations are already better resourced when dealing in Africa, American SMEs are the most likely beneficiaries of Prosper Africa—whether through market access or on the supply side—and the DFC should provide them with resources to help trade and invest in a timely manner. For Prosper Africa to benefit both the U.S. and Africa, each side needs to feel confident in the trading process and consider each other as friends.

Prosper Africa should focus on specific mechanisms aimed at ensuring that American SMEs better understand the dynamics in Africa, to develop a specific interest and attraction on the continent and make others more eager to invest and do business there. This goal can be achieved through business promotion and facilitation activities encouraging business development as well as corporate diplomacy.

*The U.S. should capitalize on the African Diaspora, which is heavily represented and active in the U.S., by specifically adopting diaspora commercial diplomacy to foster trade and investment between the U.S. and Africa*

President Biden has made steps in strengthening this relationship through early engagement with the community, but this strategy can be pursued further in regard to trade and investment with Africa in order to distinguish the U.S. from other competitors and accelerate its competitive advantage. The collaborations between African innovators on the continent and African and African-American innovators based in the U.S. have the potential to advance (<https://www.brookings.edu/blog/africa-in-focus/2019/02/14/from-wakanda-to-reality-building-stronger-relationships-between-african-americans-and-africa/>) U.S.-Africa relations on several levels.<sup>34</sup> Members of the African diaspora have an incredibly valuable understanding of Africa-U.S. cross-cultural engagement, not to mention existing relationships and networks on the continent, making them perhaps the best suited to Prosper Africa's efforts to support and facilitate business I mentioned above. Prosper Africa should formalize a relationship with the African diaspora's SME community and the continent's SME community, and routinely engage as a group, to support the formulation of strategies and mechanisms to increase two-way trade. It has started such an effort, but can do more: For example, in 2019, Brookings hosted a conversation between USAID and members of the diaspora's SMEs. It brought to light specific, actionable ways to enhance the program's mechanisms, including the need to expand staff support at trade hubs, expedite DFC loans, and improve data collection and analysis. SMEs in Africa are crucial to include in these conversations so that all stakeholders are involved to ensure Prosper Africa designs effective, efficient policies.

*Accelerate the COVID-19 vaccine strategy and partnerships, and aggressively pursue vaccine diplomacy beyond COVID-19 by supporting the development of a vaccine manufacturing industry in Africa, including investments in human capital and technology development*<sup>35</sup>

According to the Africa Centers for Disease Control and Prevention (Africa CDC), only 3.19 percent (<https://africacdc.org/covid-19-vaccination/>) of Africans have received at least one dose of the COVID-19 vaccine as of July 21, 2021.<sup>36</sup> A Duke University study estimated that most Africans will not have had an opportunity to receive the COVID-19 vaccine until 2024 ([https://www.ey.com/en\\_gl/public-policy/how-free-trade-can-accelerate-africas-covid-19-recovery](https://www.ey.com/en_gl/public-policy/how-free-trade-can-accelerate-africas-covid-19-recovery)).<sup>37</sup> The devastation of the COVID-19 pandemic, as well as other epidemics in recent years like, has revealed the urgent need for investment in Africa's national and continental healthcare systems. Vaccine diplomacy is a crucial first step towards helping Africa recover from the pandemic and prevent the emergence of new variants that might damage the recoveries in other nations.

While it is the right thing to do, it will also support U.S. businesses. Poor healthcare systems threaten Africa's industrialization and workforce development, and now is the opportunity for the U.S. to help build equitable health systems and ensure preparedness for future health emergencies. This support should not be limited to loans or donations. Partnerships with academic institutions or public-private partnerships between U.S. and African agencies and firms that create avenues for collaboration, knowledge exchange, and skill and technology development will all be instrumental in strengthening the soft power of the U.S.

Specifically, the U.S. should provide broad technical and financial support for the new African Union-Africa CDC initiative, Partnerships for African Vaccine Manufacturing (PAVM), which aims to build five vaccine-manufacturing research centers over the next 10–15 years. The success of this PAVM initiative would open doors for a transformation of Africa's pharmaceutical industry in Africa, a sector that has enormous growth potential. The development must go beyond “fill and finish” manufacturing, which does little to truly decrease Africa's overreliance on foreign suppliers.<sup>38</sup>

*Contribute to closing the gap in the physical and digital infrastructure by leveraging existing programs supporting African countries' digital transformation strategies*<sup>39</sup>

The U.S. already has established infrastructure and technology development programs, but is underutilizing them. Such initiatives, especially those that focus on electricity and internet penetration, should be prioritized and fast-tracked.<sup>40</sup>

Most importantly and prior to even leveraging these existing initiatives, the U.S. should consult and act in partnership with African countries for the investments in major infrastructures, including 5G. For example, an opportunity is within OPIC [now DFC]'s “Connect Africa” initiative, which was launched with a fund of USD \$1 billion for transportation, ICT, and value chain development projects.<sup>41</sup> The Power Africa initiative has been successful, and augmenting the program now would contribute to repairing and strengthening the U.S.-Africa relationship.<sup>42</sup>

Furthermore, several African countries are developing and implementing a multi-stakeholder Fourth Industrial Revolution (4IR) national task force or commission to assess country readiness and adopt a comprehensive national strategy. Initiatives such as the Centers for the Fourth Industrial Revolution (South Africa and Rwanda), or the Presidential Commission on the 4IR (South Africa) should be supported and replicated across the continent.

*The U.S. must continue and increase its support to bridging the infrastructure gap in Africa while advancing trade and investment for mutual prosperity*

This, simultaneously, represents both a way forward to enhance trade and investment while achieving the global public good. In fact, in Sub-Saharan Africa, over 50 percent (<https://data.worldbank.org/indicator/EG.ELC.ACCS.ZS?locations=ZG>) of people live without access to electricity, more than 70 percent (<https://data.worldbank.org/indicator/SH.H2O.SMDW.ZS?locations=ZG>) of people live without access to safe drinking water, 69 percent (<https://data.worldbank.org/indicator/SH.STA.BASS.ZS?locations=ZG>) of people live without basic sanitation,<sup>43</sup> and 53 percent (<https://www.afdb.org/en/knowledge/publications/tracking-africa's-progress-in-figures/infrastructure-development>) of the roads are unpaved.<sup>44</sup> China has been playing a central role by investing in these areas.

Importantly, the U.S. should differentiate its approach from competitors by emphasizing engagement with African continental organizations (PIDA, the AfDB, the African Development Fund, among others), bilaterally—and more importantly, transparently, with specific countries, and by partnering with allies. The U.S. also could better support capacity building and regional projects through investments, new projects, and partnerships. The U.S. could better partner with Africa to bring its own expertise and knowledge to serve at various phases of project development, such as studies and implementation.<sup>45</sup> A long-term partnership will also be key to outperforming other players. The U.S. will see a high return for its investments, as well as geostrategic balance. The U.S. will fill an empty seat, that would otherwise be occupied by other players on the continent.

*The U.S. can build on higher education, another area of comparative advantage, to provide technical training and reskilling programs through initiatives and agencies to close the digital skills gap and human capital gap (especially for youth and women)*<sup>46</sup>

It is crucial the U.S. expand educational and training opportunities in Africa. The soft skills and development of academic institutions provide the opportunity for the U.S. to lay the foundation for a lasting win-win partnership with Africa, sustained by knowledge exchange and deepening business ties. U.S. policy needs to provide support that incentivizes American universities to open more campuses and degree programs, especially in STEM and technology, throughout Africa. Such programs provide skills in areas critical for the rise of manufacturing industry and effective decentralisation of global supply chains and will be equally beneficial learning opportunities for African students and American students who may study abroad. For example, Carnegie Mellon University has a campus in Rwanda that offers master's programs in information technology and electrical and computer engineering.<sup>47</sup> Morgan State University has recently launched a partnership (

[al.morgan.edu/africa/](http://al.morgan.edu/africa/)) with a university in Ghana, offering two graduate degree programs to students.<sup>48</sup> Fast-growing SMEs will be far more likely to evolve and invest in areas where there is a skilled workforce or, at least, resources to support training workers, and added U.S. support could go a long way towards creating an attractive business environment for SME investment. It is indeed an opportunity to establish a long-term partnership of a new nature between U.S. and Africa.

#### CONCLUSION

In closing, it is time for U.S. to reverse the trend in the ground lost in Africa as many traditional and emerging global powers are racing to capture Africa's tremendous economic potential. The U.S. has a sustained competitive advantage to partner with Africa, advance U.S. trade and investment with the continent, while meeting the majority of Africans' priorities. It is up to the U.S. to pursue the recommendations above and seize this unique momentum to advance mutual U.S.-Africa trade and investment interests. By acting promptly, and forging transformative partnerships aligned with African values, the U.S. has the opportunity not only to advance its own interests, but to contribute to the transformation of a continent that will make up nearly 40 percent of the world's population by 2100, but also the opportunity to lead the way in building a more prosperous, democratic, secure, and stable world. As mentioned by William Schurz, "borders frequented by trade seldom need soldiers."

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

#### Notes

<sup>1</sup> Landry Signé, "How to Restore U.S. Credibility in Africa," *Foreign Policy*, January 15, 2021 (<https://foreignpolicy.com/2021/01/15/united-states-africa-biden-administration-relations-china/>).

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<sup>3</sup> Landry Signé, *Unlocking Africa's Business Potential* (Washington: Brookings Institution Press, 2020).

<sup>4</sup> Landry Signé and Chris Heitzig, "Seizing the momentum for effective engagement with Africa," forthcoming 2021.

<sup>5</sup> Signé, *Unlocking Africa's Business Potential*, p. 247.

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<sup>8</sup> Wenjie Chen and Roger Nord, "Reassessing Africa's global partnerships," in *Foresight Africa 2018* (Brookings Institution, January 11, 2018) p. 110 (<https://www.brookings.edu/research/reassessing-africas-global-partnerships/>).

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<sup>10</sup> Signé, "How to Restore U.S. Credibility in Africa."

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<sup>13</sup> Acha Leke and Landry Signé, "Spotlighting opportunities for business in Africa and strategies to succeed in the world's next big growth market" in *Foresight Africa 2019* (Brookings Institution, January 11, 2019), p. 83 (<https://foreignpolicy.com/2021/01/15/united-states-africa-biden-administration-relations-china/>).

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<sup>17</sup> AfDB, "Infrastructure Development," 2021, (<https://www.afdb.org/en/knowledge/publications/tracking-africa-s-progress-in-figures/infrastructure-development>).

<sup>18</sup> GSMA, "The Mobile Economy Sub-Saharan Africa," 2020 ([https://www.gsma.com/mobileeconomy/wp-content/uploads/2020/09/GSMA\\_MobileEconomy2020\\_SSA\\_Eng.pdf](https://www.gsma.com/mobileeconomy/wp-content/uploads/2020/09/GSMA_MobileEconomy2020_SSA_Eng.pdf)).

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<sup>20</sup> AfDB, "Infrastructure Development."

<sup>21</sup> Njuguna Ndung'u and Landry Signé, "The Fourth Industrial Revolution and digitization will transform Africa into a global powerhouse," in *Foresight Africa 2020*, (Brookings Institution, January 8, 2020), p. 61 (<https://www.brookings.edu/research/the-fourth-industrial-revolution-and-digitization-will-transform-africa-into-a-global-powerhouse/>).

<sup>22</sup> Noah Lewis, "A tech company engineered drones to deliver vital COVID-19 medical supplies to rural Ghana and Rwanda in minutes," *Business Insider*, May 12, 2020 (<https://www.businessinsider.com/zipline-drone-coronavirus-supplies-africa-rwanda-ghana-2020-5>).

<sup>23</sup> World Bank, “The African Continental Free Trade Area,” July 27, 2020 (<https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>)

<sup>24</sup> Gyimah-Boadi, Signé, and Sanny, “US foreign policy toward Africa: An African citizen perspective.”

<sup>25</sup> Ibid.

<sup>26</sup> Signé, “How to Restore U.S. Credibility in Africa.”

<sup>27</sup> MCC, “Regional Investments,” 2021 (<https://www.mcc.gov/news-and-events/feature/regional-investments>)

<sup>28</sup> The agencies include: USAID (U.S. Agency for International Development), DFC (U.S. International Development Finance Corporation), U.S. Department of Commerce (DOC), U.S. Department of State, U.S. Trade and Development Agency (USTDA), Export-Import Bank of the United States (EXIM), U.S. African Development Foundation (USADF), U.S. Office of the Trade Representative (USTR), Millennium Challenge Corporation (MCC), U.S. Department of Energy (DOE), U.S. Department of Labor (DOL), U.S. Department of Homeland Security’s Customs and Border Protection (DHS/CBP), U.S. Department of Transportation (DOT), U.S. Department of Treasury, U.S. Department of Defense (DoD), U.S. Department of Agriculture (USDA), U.S. Small Business Administration (SBA).

<sup>29</sup> This recommendation is an adapted excerpt from my previously published article “Can Trump’s Prosper Africa make America greater than China and other partners in Africa?” *Brookings*, 26 July 2019 (<https://www.brookings.edu/blog/africa-in-focus/2019/06/26/can-trumps-prosper-africa-make-america-greater-than-china-and-other-partners-in-africa/>)

<sup>30</sup> Gyimah-Boadi, Signé, and Sanny, “US foreign policy toward Africa: An African citizen perspective.”

<sup>31</sup> “VW opens Rwanda’s first car-assembly plant,” *The Economist*, June 30, 2018 (<https://www.economist.com/business/2018/06/28/vw-opens-rwandas-first-car-assembly-plant>)

<sup>32</sup> Ignatius Ssuuna, “Volkswagen opens Rwanda’s 1st car assembly plant,” *The Washington Post*, June 27, 2018 ([https://www.washingtonpost.com/world/africa/volkswagen-opens-rwandas-1st-car-assembly-plant/2018/06/27/83c9bcb2-7a07-11e8-ac4e-421ef7165923\\_story.html](https://www.washingtonpost.com/world/africa/volkswagen-opens-rwandas-1st-car-assembly-plant/2018/06/27/83c9bcb2-7a07-11e8-ac4e-421ef7165923_story.html))

<sup>33</sup> “Peugeot to open new assembly plant in Namibia,” *Peugeot*, 2018, (<https://www.peugeot.co.za/brand-and-technology/news/peugeot-to-open-a-new-assembly-plant-in-namibia.html>)

<sup>34</sup> Landry Signé, “From Wakanda to reality: Building mutual prosperity between African-Americans and Africa,” *Africa in Focus*, Brookings, February 14, 2019 (<https://www.brookings.edu/blog/africa-in-focus/2019/02/14/from-wakanda-to-reality-building-stronger-relations-between-african-americans-and-africa/>)

<sup>35</sup> This recommendation is adapted from my forthcoming report, “Seizing the momentum for effective engagement with Africa,” co-authored with Chris Heitzig.

<sup>36</sup> Africa CDC, “Africa CDC Vaccine Dashboard,” (<https://africacdc.org/covid-19-vaccination/>)

<sup>37</sup> Douglas Bell and Kyle Lawless, “How free trade can accelerate Africa’s COVID–19 recovery,” *EY*, February 23, 2021 ([https://www.ey.com/en\\_gl/public-policy/how-free-trade-can-accelerate-africas-covid-19-recovery](https://www.ey.com/en_gl/public-policy/how-free-trade-can-accelerate-africas-covid-19-recovery))

<sup>38</sup> Carlos Mureithi, “What Pfizer and BioNTech’s partnership in Africa means for the continent,” *Quartz Africa*, July 22, 2021 ([https://qz.com/africa/2036736/what-pfizer-and-biontechs-partnership-in-africa-means-for-africa/?utm\\_source=email&utm\\_medium=africa-weekly-brief&utm\\_content=2ed74f95-ebc6-11eb-a0a8-ca71a6b14d37](https://qz.com/africa/2036736/what-pfizer-and-biontechs-partnership-in-africa-means-for-africa/?utm_source=email&utm_medium=africa-weekly-brief&utm_content=2ed74f95-ebc6-11eb-a0a8-ca71a6b14d37))

<sup>39</sup> This recommendation is adapted from my forthcoming report, “Seizing the momentum for effective engagement with Africa,” co-authored with Chris Heitzig.

<sup>40</sup> Emilia Columbo, “Leveraging Africa’s Technology Boom to Protect U.S. Interests,” *Lawfare*, April 7, 2020, (<https://www.lawfareblog.com/leveraging-africas-technology-boom-protect-us-interests>)

<sup>41</sup> U.S. International Development Finance Corporation (USDFC), “OPIC Launches Connect Africa Initiative to Invest more than \$1 Billion Supporting Infrastructure, Communications, and Value Chain Connectivity,” July 2, 2018, (<https://www.dfc.gov/media/opic-press-releases/opic-launches-connect-africa-initiative-invest-more-1-billion-supporting>)

<sup>42</sup> Katie Auth and others, “Going Big on Power Africa: Fortifying the Initiative for Today’s Urgent Challenges,” *Energy for Growth Hub*, March 24, 2021 (<https://www.energyforgrowth.org/report/going-big-on-power-africa-fortifying-the-initiative-for-todays-urgent-challenges/>)

<sup>43</sup> Data retrieved from the World Bank DataBank (<https://databank.worldbank.org/home.aspx>) and represents various years between 2017 and 2019.

<sup>44</sup> AfDB, “Infrastructure Development.”

<sup>45</sup> The United States Trade and Development Agency (USTDA) is already playing an important role in advancing capacity building and regional projects in Africa.

<sup>46</sup> This recommendation is adapted from my forthcoming report, “Seizing the momentum for effective engagement with Africa,” co-authored with Chris Heitzig.

<sup>47</sup> W. Gyude Moore, “Biden already has Africa’s early goodwill, here’s how to deliver on its promise,” *Quartz Africa*, January 22, 2021 ([https://qz.com/africa/1961323/?utm\\_term=mucp](https://qz.com/africa/1961323/?utm_term=mucp))

<sup>48</sup> Morgan State University, (<https://global.morgan.edu/africa/>)

Senator VAN HOLLEN. Thank you. Thank you, Dr. Signé.

Now we will turn to Ms. Hruby. Thank you for your testimony today.



**STATEMENT OF AUBREY HRUBY, NONRESIDENT SENIOR FELLOW, THE AFRICA CENTER, ATLANTIC COUNCIL, WASHINGTON, DC**

Ms. HRUBY. Thank you, Senators, for the opportunity to speak today, and a special thanks to your hard-working staff for putting this hearing together and all that they do.

My name is Aubrey Hruby and I am a senior fellow at the Africa Center at the Atlantic Council and I am a long-term advisor to investors investing across the continent.

You spoke eloquently about the tools that we now have in our toolbox when it comes to U.S.-Africa commercial diplomacy. I wanted to give some recommendations on how those tools could be improved and then what we should use those tools to do.

So going first to the DFC, the biggest issue there has been the equity power that was granted to the DFC in the BUILD Act and has not been fully realized because of scoring budgetary issues with OMB.

So I fully support efforts by Senator Murphy and by Representative Castro in the EAGLE Act and the Innovation and Competition Act to fix this issue and allow the DFC to be able to operate with its full equity allocation, making it competitive with European DFIs and with other states that finance infrastructure and projects globally.

The DFC should also work with Prosper Africa to engage domestically in the United States, not invest but to engage in terms of mobilizing investment, interest, and institutional capital to be introduced to African opportunities.

We have a big country and we have a very dynamic market, and one of the reasons why many companies do not look to Africa is they have many other places to look, and we need to introduce them to the opportunities. So this domestic imperative to mobilize capital should be a part of how the DFC works with Prosper Africa.

Also on the DFC, I hope that it continues to remain focused on investing in lower income countries and maintaining that development finance mandate with the exceptions it can get through the White House process to invest in higher income countries.

The focus should remain one that would benefit U.S. companies and African markets as they seek to develop.

On Prosper Africa, I think the biggest issue there comes in terms of its focus area. It needs to have sectoral focus, because trying to mobilize investment around a general mission of just facilitating trade investment is very difficult because no one goes to a cocktail party and says, I work for the private sector.

No, they work in banking. They work in farming. They work in tech. So we need to organize the Prosper Africa outreach based on a sectoral focus.

When it comes to MCC, I believe MCC should have the ability to do subnational compacts. Today, it can do national compacts, partnerships between, say, the U.S. and Ghana, which received multiple compacts from the MCC, and it can do regional compacts, and I was pleased to see the announcement of a movement to do the West Africa Power Pool, which is an example of a regional compact.

However, I do believe we are leaving something on the table when we do not think about working with subnational entities like Nigerian states, for example, where we could have huge impact on poverty alleviation and encourage good governance with that competition that happens in federalism, which we know well, as a large, messy federal democracy ourselves.

So in that sense, I think we are missing an opportunity with MCC.

On AGOA, Florie spoke eloquently on the importance that AGOA has played in undergirding our commercial ties with African nations.

Thinking about what replaces a 25-year program is an important process, and I think this committee and others can encourage hearings, encourage Prosper Africa to start a process of thinking about what should replace AGOA. It needs the best minds and energies that we have to bear.

Now, with these tools, what should we focus on? We spoke about the need to remain competitive in the face of competition with China.

My focus would be on digital infrastructure, in particular. We have been concerned for some time about Huawei, ZTE, and other companies building out the telecom infrastructure that is in African markets.

I think we have the opportunity in the U.S. to leapfrog some of that with satellite, not to mention our dominance in things like media, entertainment, and venture capital.

So if you think of the future of African markets, it will be shaped by the cell phone, and this is the mirror of the world of hundreds of millions of young Africans.

The question is who is going to shape how this is used, what is on it, the content of the future, and for me, that is what we should be thinking about, how best the U.S. can use our tools and American companies' investments and our policy to kind of shape a better digital future more aligned with shared values between the U.S. and African nations around democracy, free and fair internet, and participating fully in a digital economy.

So thank you. I look forward to taking questions.

[Prepared statement of Ms. Hruby follows:]

#### **Prepared Statement of Aubrey Hruby**

Distinguished members of the committee and fellow witnesses: I would like to begin by thanking you for the opportunity to testify before you today.

My name is Aubrey Hruby. I am a Senior Fellow with the Africa Center at the Atlantic Council, and I have spent my career advising Fortune 500 companies and investors to design and implement successful investment and market entry strategies in over 32 African markets. I will devote my testimony to the following 5 themes: (1) improving DFC, USAID, MCC, AGOA, Prosper Africa and the new tools needed to bolster economic engagement in Africa; (2) playing a greater role in helping to aid implementation of the African Continental Free Trade Area (AfCFTA) and the opportunities the AfCFTA afford U.S. firms; (3) how to work with allies and partners to meet Africa's needs and present a better alternative to China and Russia; (4) how U.S. investment in 5G and telecoms can help bridge the digital divide on the continent; and (5) what the next generation of Africans is looking for in U.S.-Africa relations and where the alignment is between U.S. investment opportunities and African growth needs.

## INTRODUCTION

Emerging markets, home to 6 billion people, accounted for nearly two-thirds of global growth and half of new consumption came from emerging markets over the past 15 years.<sup>1</sup> In order to remain competitive throughout the 21st century and beyond, U.S. companies need to be better equipped to navigate and succeed in the fast-growing markets of Asia and Africa. As the youngest continent with the highest urbanization rate in the world, Africa's 1.2-billion-person market, home to six of the world's ten fastest growing economies, increasingly commands more attention from U.S. tech and entertainment companies. This momentum should be accelerated by creative U.S. government financing and support initiatives. Ensuring that Prosper Africa actualizes its potential and continuing to enhance the DFC should be key pillars of U.S. commercial policy moving forward.

*Improving DFC, USAID, MCC, AGOA, Prosper Africa and the new tools needed to bolster economic engagement in Africa*

**DFC**—In order to enable the U.S. to compete with Chinese financing activity in African markets and match the offerings of European DFIs, the DFC needs the full equity power afforded to it in the BUILD Act and potentially more. It is my understanding that OMB faces challenges scoring equity in the budget and the DFC has yet to receive the full \$1 billion outlined by the BUILD Act because OMB is treating equity investments on a dollar-to-dollar basis as it would with grants. The DFC must be allowed to start with at least \$1 billion in equity authority, using a net present value model so only 5 percent of the \$1 billion needs to be provided in direct appropriations in the form of a loan loss reserve as is common with European DFIs. The legislation currently allows for up to 35 percent of its \$60 billion investment portfolio (or \$21 billion) to be made in the form of equity.<sup>2</sup> Therefore \$1 billion of equity authority is a minimum for the DFC to be taken seriously. As the Senate considers the EAGLE Act and reconciles it with the U.S. Innovation and Competition Act, I urge that the changes put forth in the amendment from Rep. Joaquin Castro (D-TX) to the EAGLE Act and those from Senator Chris Murphy to the Innovation and Competition Act that would fix the budget scoring issue around equity investing be codified into law.

I strongly supported the expansion of the DFC through the BUILD Act as it is crucial to U.S. commercial policy globally and particularly in African markets. And going forward, it should remain focused on investing in low-income countries and this committee should resist efforts that have been made within the EAGLE Act to shift the agency away from its core development finance mandate. The DFC also needs the resources, personnel, and direction to mobilize capital domestically in order to optimize its international activities.

While, by mandate, the DFC must operate internationally, it must also embrace a domestic imperative, in partnership and coordination with Prosper Africa, to actively mobilize institutional capital and better support U.S. investors who venture into new markets. This will require the DFC to address key data, network, visibility, and structural gaps that have historically handicapped U.S. investment in the emerging world. It can no longer remain passive in Washington waiting for investors or project sponsors to facilitate opportunities.

The DFC could partner with USAID's Prosper Africa to create an office of project promotion that would facilitate the collection and synthesis of data from an investor perspective on projects in sectors of U.S. competitive advantage. The data could be accessed via a portal by state offices of international trade, business associations and investors, and used as part of DFC roadshows to major U.S. cities.

There remains a widespread perception that U.S. companies are not active and are disadvantaged in African markets. This office could help to dispel this misperception by working with U.S. business schools to commission a series of in-depth case studies of both successes and failures in African markets. High-level business forums can also help to address the visibility gap between U.S. investors and investment opportunities by creating a platform for sharing these investment case studies, especially when they have highly visible White House or Congressional support. The natural tendency of investors is to invest in what they know best, which is often what is in their backyard. But in today's interconnected market and video-conferencing world, distance is no longer an excuse for ignorance.

In parallel, the DFC should create a program for private sector secondees, volunteers, and retirees to serve in advisory council roles on specific funds, deals, and sector teams. Or for those interested in a longer, on-the-ground commitment, a Peace Corps MBA-type initiative (a U.S. commercial corps) should be considered.<sup>3</sup> The Dutch Government-funded PUM Netherlands Senior Experts—a nonprofit organization that develops small and medium-sized enterprises in over thirty emerging mar-

kets—provides a viable model.<sup>4</sup> These types of programs would amplify U.S. soft power and create a new cadre of American business leaders with experience and linkages to African markets.

*Prosper Africa*—Building on the recommendations above, I believe that Prosper Africa, despite its slow roll-out, has been a positive development in U.S. Africa commercial policy. The deal teams are an unprecedented effort to coordinate the disparate agencies involved in U.S.-Africa commercial policy. This backend coordination should be sustained and strengthened. In terms of enhancing its competitiveness, Prosper Africa needs to have an outward sectoral organizing principle and focus. For example, Power Africa should be a front-facing focus of Prosper Africa, as well as a future digital Africa program. I often like to use the analogy of a computer chip to describe Prosper Africa. Prosper Africa is like the intel chip of a Dell or HP laptop. For me, Prosper Africa is our computer processor, universal in the backend process, operating as a coordination mechanism that brings everything together while the front-facing brand to our African partners or U.S. companies in Chicago, Houston or Seattle see and engage with Power Africa or Digital Africa.

As Prosper Africa approaches its 2-year mark, it is still struggling to operationalize its vision of doubling trade and investment by mobilizing U.S. capital. To put it on the right course, the Biden administration and/or Congress should encourage the following recommendations:

(1) Define priority sectors for U.S. commercial policy in African markets. Prosper Africa should announce and market a focus on two or three priority sectors, choosing among energy, financial services, agribusiness and renewables, specialized oil and gas services, digital infrastructure/technology, or media and entertainment as priority sectors for its capital mobilization and partnership development efforts. Each can then be operationalized through task forces, replacing the Doing Business in Africa (DBIA) campaign as the mechanism for channeling engagement with U.S. companies. When it comes to infrastructure and implementing the vision outlined by the Build Back Better World Initiative, the U.S. Government should engage companies on African opportunities in niche areas that make commercial sense—especially in renewables, energy management services, cybersecurity, data centers, and smart city technologies.

Taking a sectoral approach does not mean that U.S. Government agencies will shut the door on companies seeking support in sectors that are not a priority, but rather structure active promotion and communication around priority sectors. If Prosper Africa were to adopt a sectoral focus, it could inject excitement about potential investments through industry-specific communications and outreach. A sectoral emphasis also has a secondary effect—it enhances and accumulates expertise in a particular sector within the U.S. Government (as has happened with Power Africa), which can be further leveraged to support investors. Instead of being jacks-of-all-trades and masters of none, U.S. officials become steeped in specific sectors and consequently become well positioned to engage with and help U.S. companies succeed.

(2) As part of the office of project promotion outlined above, Prosper Africa should find credible interlocutors and create champions to be used in investment mobilization efforts. Prosper Africa should convene a group of industry ambassadors in priority sectors with experience in emerging markets to act as validators and mobilize their networks. These industry ambassadors would play a critical operational role in the sectoral task forces. The ideal person would be someone who had recently retired or was taking a sabbatical and is interested in goal-oriented public service. They should remain based in cities outside of Washington, DC, enabling the Prosper Africa team to have a wider reach across the country.

(3) Take the show on the road. Prosper Africa needs to significantly expand outreach efforts to connect U.S. businesses with commercial opportunities in African markets. Prosper Africa can help coordinate with the DFC and other government agencies on a series of roadshows in U.S. cities that are home to the most competitive companies to generate interest in Prosper Africa's target sectors. For example, a focus on the media and entertainment sector would include regular activities in Los Angeles and New York.

Internal mobilization of capital and business interest could be paired with U.S. investor trips, segmented by sector and investor type, to African markets and reverse trips of stellar African entrepreneurs to the U.S. These trips could be modeled on the USAID-supported Mobilizing Institutional Investors to Develop Africa's Infrastructure (MiDA) program that has been bringing U.S. pension funds to large African markets for the past 3 years. By educating and building trusted networks for U.S. companies, focused investor missions can help Prosper Africa meet the goal of doubling trade and investment between the United States and Africa.

The efforts outlined above should be informed by market data. Given the size and breadth of the American economy, mobilizing U.S. investment into African markets will require experimentation. As a starting point, Prosper Africa could focus on experiments in three main areas: messaging, education, and structure. First up, U.S. Government agencies need a better understanding of how to effectively present African investment opportunities to U.S. investors. Despite years of economic and governance progress in African nations, old stereotypes remain, and U.S. investment is stagnant. By holding focus groups and leveraging innovative public relations and marketing firms, this team could experiment with new messaging tactics to learn what works and what doesn't. Beyond messaging, effectively educating different types of investors from venture capitalists to pension fund trustees requires some experimentation. This includes everything from determining who in these organizations are the correct targets for education to understanding which up-to-date, actionable data are needed and which platforms are most effective.

*MCC*—Congress must also work to make the Millennium Challenge Corporation a more efficient and sustainable investment platform by allowing it to make sub-national compacts. MCC currently works on a bilateral basis with individual national governments and the Millennium Challenge Act allows for such assistance to “regional or local government units,” but the act requires the MCC Board to identify and evaluate countries, not regions, for compacts.<sup>5</sup> I am glad to see that MCC is using its regional capacity in West Africa with the recent progress with ECOWAS around the West Africa power pool.<sup>6</sup> This is an important new effort that will hopefully deliver learnings that can be used in future regional projects.

But we are missing an opportunity to advance MCC's mandate to drive poverty alleviation in well-governed places at the subnational level. MCC's selection indicators typically reported only at the national level, especially for the corruption and democratic governance hurdles which are the primary cause of scorecard failures.<sup>7</sup> It is likely that the MCC is going to run out of partner countries as countries increasingly will not pass the indicators on the national level. This would also prevent particularly impoverished regions of otherwise wealthy countries from participation in the MCC. Therefore, I am in agreement with former MCC CEO Dana J. Hyde that the MCC should, in certain contexts, address poverty reduction at the local level through regional or sub-regional compacts.

The subnational approach would make a lot of sense in federal countries such as Nigeria and would mirror the changing private sector market-entry strategies of focusing on cities rather than national economies. It would enable the MCC to partner with states and municipalities that would be overlooked given national failure in the scorecard assessment and mobilize the competitive nature of federalism to drive regulatory reform.

*The African Growth and Opportunity Act (AGOA)*—Given that AGOA has been the backbone of the U.S.-Africa trade relationship for the past 20+ years and its expiration is on the horizon, it is important to create a process to mobilize the best thinking on the future of U.S.-African trade. Prosper Africa, working with USTR, could oversee this process working with think tanks to create a working group with experts, surveying companies and consulting with African policy and business leaders. Congress can support this process by calling for hearings and reports.

*Playing a greater role in helping to aid implementation of the African Continental Free Trade Area (AfCFTA) and the opportunities the AfCFTA afford U.S. firms*

AfCFTA promises U.S. firms a much larger market in which to operate their businesses by helping to reduce the high costs of operating in the region, particularly in terms of regulatory and logistics expenses. The challenge lies in implementing the bold vision that African nations have codified in the AfCFTA. The market potential will remain unrealized if there is a major gap between the realities on the streets and border crossings and what is on the books in terms of the AfCFTA. The U.S. can lead in the effort to support the Secretariat of AfCFTA in developing digital infrastructure solutions, smart city and e-government solutions and reducing the cost of logistics through digitization. While we have certainly faced our own challenges in modernizing our digital and physical infrastructure in the U.S., U.S. targeted support for digitization would help African countries to leapfrog 20th century approaches to moving people, goods, and services across borders. The focus on digital infrastructure would also allow the U.S. to compete with Chinese approaches to shaping the digital future of over 1 billion Africans. In addition to digital infrastructure support, the U.S. can provide embedded advisors and technical experts to the Secretariat to support the implementation of the AfCFTA.

*How to work with allies/partners to meet Africa's needs and present a better alternative to China and Russia*

This is a broad and far-ranging question, and I will touch on some of the issues when discussing digital and telecom infrastructure. I would like to draw the attention of the committee to one particular area of potential U.S.-European-African cooperation—the lithium battery value chain. China currently dominates the supply chains for inputs to lithium batteries though the majority of the primary resources sit in African markets. Ensuring U.S. competitiveness in electric vehicles and the future green economy will require a rethinking of existing supply chains. To move these supply chains away from China and towards the U.S. and EU, we need to create a triangle value chain that incorporates African value addition to these vital natural resources.

*How U.S. investment in 5G and telecoms can help bridge the digital divide on the continent*

It is important that we recognize that most African countries are years away from 5G, and estimates state only seven African countries, including South Africa, Nigeria, and Kenya will have 5G by 2025.<sup>8</sup> Currently, Chinese companies such as Huawei and ZTE have state-backed financing mechanisms and have already built 2G and 3G infrastructure in over 40 African countries. According to Cobus van Staden, a senior China-Africa researcher at the Southern African Institute of International Affairs, Huawei has built roughly 70 percent of the continent's 4G network.<sup>9</sup> Currently, eleven Sub-Saharan African nations are deploying Huawei's AI surveillance technologies.<sup>10</sup> They include Cote d'Ivoire, Ghana, Kenya, Uganda, Nigeria, Rwanda, South Africa, Zambia, and Zimbabwe. During the COVID crisis, China is greatly expanding its aid to African countries and may support countries with surveillance technologies that can support tracking and tracing that may have other uses beyond the pandemic.<sup>11</sup> Therefore, the U.S. should focus support on other aspects of the telecom and mobile tech space sector such as: satellite development and support, support for African space agencies, phone applications, fintech, venture capital, content creation and creative industries (i.e. Netflix), cybersecurity. This could all be done in a flagship digital Africa initiative that would be housed under Prosper Africa. By doubling down on sectors in which the U.S. is already competitive or at a significant advantage, we can maximize U.S. support for a digital future in Africa markets that aligns with U.S. values and enhances long-term U.S. competitiveness.

The current competitive challenge that China presents the U.S. in African markets is no longer around its financing and construction of physical infrastructure, but rather its new efforts to shape Africa's technology stack<sup>12</sup> and digital future, and as a result how the next generation of Africans will consume, interact, and do business with the world. Mobile devices have near-universal penetration in Africa's media markets, and increasingly, smartphones are becoming more accessible and affordable throughout the continent.<sup>13</sup> Chinese firms have the lion's share of the market. By 2025, Africa's mobile penetration is expected to reach 50 percent or 614m connections, with 65 percent of those via a smartphone.<sup>14</sup> Shenzhen-based Transsion, which does not operate in the United States or Europe, dominates the African smartphone space. It holds 40.6 percent unit share under its three brands (Tecno, Infinix, and iTel), ahead of second-place Samsung with roughly 19 percent.<sup>15</sup> Increasingly important are the preferential treatment Transsion can give its own apps, including market-leading music streaming service Boomplay and mobile-money provider PalmPay.<sup>16</sup> These Transsion brands also dominate the featured phone landscape with a combined 69.5 percent share. In South Africa alone, Huawei accounts for 14.5 percent of phones sold, the second-highest share and significantly more than Apple's 4 percent.<sup>17</sup> Price and Africa-focused features are some of the determining factors. Smartphones that cost under \$100 composed of half the total market share in Africa in Q4 in 2019.<sup>18</sup>

However, as China's telecommunication infrastructure expands across the continent, there are concerns around built-in Chinese-apps, privacy, data protection, and over dependence. The recently launched African Youth Survey, which interviewed 4,200 African youths aged 18 to 24, finds that 80 percent of those surveyed view regular access to the internet as a human right.<sup>19</sup> Access to the internet, especially in autocratic countries, is often restricted or completely shut down during periods of protests and around elections.<sup>20</sup> A report by Access Now, indicates that globally, in 2019, there were 36 incidents in 19 countries of internet shutdowns lasting longer than 7 days.<sup>21</sup> Among these countries include eight African nations including Chad, Ethiopia, the Democratic Republic of the Congo, Eritrea, Mauritania, Sudan and Zimbabwe. The U.S. can appeal to young Africans by defending open

internet standards and policies, especially as U.S. companies are involved in some of the largest digital infrastructure projects underway in African markets.

In 2019, Google announced a subsea cable called Equiano that runs from South Africa to Portugal, with a stop in Nigeria.<sup>22</sup> This submarine cable will be owned and operated solely by Google, in contrast to the consortium of investors that typically co-own these cables. Facebook is undergoing an even more ambitious project—the 2Africa subsea cable that loops around the continent and connects 23 countries in Africa, Europe, and the Middle East.<sup>23</sup> The 2Africa cable alone, which is scheduled to be completed by 2024, would double the total internet capacity on the continent. These subsea investments from American firms stand to drastically increase the supply of internet on the continent, potentially leading to reduced internet prices.

The additional broadband capacity that will be delivered by the new subsea cables will then require investment into terrestrial fiber infrastructure to spread access from the port inland. U.S. companies are also investing in innovations still at pilot stage but with the potential to scale and be transformative. Google’s parent company, Alphabet, through its X moonshot company has launched Project Taara to expand the existing fiber network to surrounding rural areas at significantly lower costs.<sup>24</sup> Initially piloted in Kenya and India, Project Taara transmits high-speed data between two points above ground through invisible streams of light.<sup>25</sup> Transmitting data through the air avoids the costs and inconveniences of digging paths to lay fiber cables and will be met with fewer regulatory hurdles since private and public land is not required. U.S. Government agencies, such as the Millennium Challenge Corporation, the U.S. International Development Finance Corporation, the Export-Import Bank of the United States, and the U.S. Agency for International Development, could partner with X moonshot to scale these pilots and provide regional solutions as learnings accumulate and costs drop.

The high cost and low margins of laying fiber cables in rural areas has led to a persistent last-mile problem, reinforcing dependence on mobile data usage and reinforcing the digital divide. Less than one-third of Africans have regular access to internet of any kind.<sup>26</sup> U.S. policy should also provide an alternative to Chinese technology by promoting new direct-to-consumer satellite solutions. The SpaceX StarLink satellite project could also prove transformative in delivering high-quality internet directly to consumers wherever they may be.<sup>27</sup> The project’s network of interconnected satellites can provide high-speed internet access to even the most remote locations on the planet, with speeds that are faster than 95 percent of U.S. connections.<sup>28</sup> It is currently in a public invitation-only testing phase and is only available in latitudes 45 to 53 degrees, which covers a small range of regions in the northern hemisphere.<sup>29</sup> Initially only available in the northern United States and southern Canada, recent regulatory permission in the U.K. has allowed StarLink services to be offered in the country as well. As more satellites are launched, more areas around the globe will be covered by this service. Countries such as Greece, Germany, and Australia have already approved StarLink operations in anticipation of such an expansion.<sup>30</sup> StarLink’s startup kit cost of \$499 and monthly payment of \$99 would be an obstacle for expansion into African economies but expected price drops of new models will make this an exciting option for internet access in African markets in the next 18 to 24 months.

In addition to supporting U.S. tech firms that are already investing in African markets with financing, advocacy or promotion, the United States can also invest in tech solutions, such as improved routing protocols, that stand to build device trust and avoid the binary choice between U.S. and Chinese tech.<sup>31</sup> Through these policies, the United States can slow and possibly erode the gains that companies like Huawei have made on the continent by promoting innovative U.S. technologies and providing resources to help unleash the second wave of the internet revolution in African countries.<sup>32</sup>

*What is the next generation of Africans looking for in U.S.-Africa relations and where is the alignment between U.S. investment opportunities and African growth needs*

Africa’s young people are looking to countries and companies that can speak to and keep up with their ambitions. They want to engage actively in the digital economy and in creative industries and consume creative content. And they increasingly are demanding a free and open internet as seen in the rise of VPN usage in Nigeria after the June Twitter ban. Already a 1.2-billion-person market, Africa’s youth are better connected than ever before and COVID has accelerated digitization of products and services. African start-up ecosystems have attracted double-digit fund-raising growth year-over-year.<sup>33</sup> As technology adoption expands, the means by which Africans view and see the world will be shaped by the hardware and software they have access to and use.

Despite the influx of Chinese investment into the backend of the continent's telecommunications infrastructure, venture start-ups, and the media space, the United States still has many competitive assets to build upon.<sup>34</sup> The U.S. must leverage the strategic advantage of our African diaspora population to build and strengthen ties with the African continent. Higher education has a central role to play. The United States was built on the backs of Africans and their descendants, and the African diaspora continues to play an important role in strengthening people-to-people ties across the Atlantic. Of the more than 46.8 million African Americans, as of 2018, there were about 2.4 million foreign-born Africans in the United States, a dramatic rise from even 2000 when there were fewer than 1 million. About 40 percent of America's African immigrants hold at least a bachelor's degree, a rate higher than that of the U.S. born population.

One area the U.S. Government has long promoted, but faced setbacks under the Trump administration, is opening the American education system to international students. Since 1950, the United States has welcomed an estimated 1.6 million African students to colleges and universities adding diversity to classrooms and communities. Today, Nigeria is ranked eleventh for the number of students in the United States based on country of origin, ahead of countries including the United Kingdom, Germany, and France. U.S. universities, and people-to-people exchanges such as YALI, thus serve as essential mechanisms for developing close relations with future African decision makers. More than 20 percent of current African leaders studied in the United States, including the leaders of Côte d'Ivoire, Ethiopia, Ghana, and Kenya. Studying or living in the United States unquestionably deepens one's understanding of the country, and while this does not mean future African leaders will agree with all U.S. policies, it often does predispose them to an openness and familiarity with American policy and business ties. Yet, China surpassed the U.S. in 2015 in hosting the largest number of English-speaking African students for higher education.

While we face our own infrastructure challenges at home in the U.S. in terms of roads and bridges and rail, we should focus on our strengths in education as we think of investing in African infrastructure as part of the B3W initiative. Creating jobs for the 10 to 12 million young Africans that enter into the labor force each year will require a revolution and expansion of education and it will need to be delivered in a mobile digital format.

Even during the current global pandemic, following the closure of schools because of government efforts to mitigate the spread of COVID-19, the Chinese StarTime's Kenyan subsidiary has launched homeschool programming.<sup>35</sup> It presents primary and high school students with the unique opportunity to continue their education through audio visual programming that will include live sessions by experienced teachers at no cost.

China is also shaping media content through educational initiatives. It helps shape the careers of African journalists through high-level media cooperation initiatives and new China-Africa press centers.<sup>36</sup> Each year about 1,000 African journalists participate in training programs in China with the aim to build deeper understanding and cultural ties with the country.<sup>37</sup> This is a concerning practice given China's history of media coercion and censorship.<sup>38</sup>

With traditional markets moving digital, the future of the African technology stack will only rise in importance. A critical area of future competition will be in digital currencies, including China's digital yuan, and the potential to undermine dollar hegemony. While today the utility of the digital yuan in Africa is minimal, 10 years down the road this picture could change significantly with businesses, governments, and perhaps everyday individuals using digital yuan to settle transactions. All of this may be accelerated by Chinese handsets with pre-downloaded apps and wallets that support these transactions.<sup>39</sup>

While trucks, trains, and planes have long dominated how African consumers and businesses are able to interact with global markets, the digitization in the last decade has changed this equation, and the U.S. must update U.S.-Africa policy considering this important trend. By marrying soft power and commercial success, the United States can do much more than simply help the bottom line of American companies—it can win the next generation of hearts and minds in some of the world's fastest-growing and youngest markets.

## Notes

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<sup>3</sup>Aubrey Hruby, “Go where the action will be: Biden needs to pursue African initiatives,” *The Hill*, January 21, 2021, <https://thehill.com/opinion/international/535171-go-where-the-action-will-be-biden-needs-to-pursue-africa-initiatives>.

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<sup>8</sup>“5G in Sub-Saharan Africa: laying the foundations,” *GSMA*, July 16, 2019, <https://www.gsma.com/subsaharanafrika/resources/5g-in-sub-saharan-africa-laying-the-foundations>.

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<sup>10</sup>Abdi Latif Dahir, “Chinese firms are driving the rise of AI surveillance across Africa,” *Quartz Africa*, September 18, 2019, <http://qz.com/africa/1711109/chinas-huawei-is-driving-ai-surveillance-tools-in-africa/>.

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<sup>12</sup>The technology stack is defined as the individual layers that makeup the digital communications ecosystem, including six main layers: undersea cables & satellites, telecommunication companies & internet service providers, mobile handsets, cellular networks & Wi-Fi, operating systems, and lastly apps, mobile money, content platforms, and web browsers.

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<sup>14</sup>“The Mobile Economy of Sub-Saharan Africa 2020,” *GSMA*, 2020, [https://www.gsma.com/mobileeconomy/wp-content/uploads/2020/09/GSMA—MobileEconomy2020\\_SSA\\_Eng.pdf](https://www.gsma.com/mobileeconomy/wp-content/uploads/2020/09/GSMA—MobileEconomy2020_SSA_Eng.pdf).

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<sup>16</sup>Ingdrud Lundén, “Boomplay, a Spotify-style music and video streaming service for African music and Africa, raises \$20M,” *TechCrunch*, April 5, 2019, <https://techcrunch.com/2019/04/05/boomplay-a-spotify-style-music-and-video-streaming-service-for-african-music-and-africa-raises-20m/>.

<sup>17</sup>“Huawei is beating Apple in South Africa—and is gaining on other competitors,” *My Broadband*, August 3, 2019, <http://mybroadband.co.za/news/smartphones/270741-huawei-is-beating-apple-in-south-africa-and-is-gaining-on-other-competitors.html>.

<sup>18</sup>Yinka Adegoke, “The Chinese-made, sub-\$100 smartphone is Africa’s fastest-growing handset.”

<sup>19</sup>“Africa Youth Survey 2020,” *Ichikowitz Foundation*, 2020: 60, <http://ichikowitzfoundation.com/wp-content/uploads/2020/02/African-Youth-Survey-2020.pdf>.

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<sup>21</sup>Ibid.

<sup>22</sup>For Equiano overview see: <https://cloud.google.com/blog/products/infrastructure/introducing-equiano-a-subsea-cable-from-portugal-to-south-africa>.

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<sup>24</sup>For more on Project Taara see: <https://x.company/projects/taara/>.

<sup>25</sup>Mahesh Krishnaswamy, “Bringing light-speed internet to Sub-Saharan Africa,” *X*, November 10, 2020, <https://blog.x.company/bringing-light-speed-internet-to-sub-saharan-africa-4e022e1154ca>.

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<sup>33</sup>Tage Kene-Okafor, “How African startups raised investments in 2020,” *TechCrunch*, February 11, 2021, <https://techcrunch.com/2021/02/11/how-african-startups-raised-investments-in-2020/>.

<sup>34</sup>Aubrey Hruby, “Making the most of Prosper Africa; Leveraging U.S. competitiveness in African markets,” March 27, 2020, <http://www.atlanticcouncil.org/in-depth-research-reports/report/making-the-most-of-prosper-africa-leveraging-us-competitiveness-in-african-markets/>.

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Senator VAN HOLLEN. Well, thank you very much, Ms. Hruby, for that terrific testimony, and to all of you. We have been joined by Senator Kaine. Thank you, Senator Kaine.

Let me just start with the questioning and then Senator Hagerty will be back and I will go vote after that. Let me start with you, Ms. Hruby, because thank you for identifying some specific measures that we could take in terms of improving some of these tools, including the DFC, and we are working to try to address the issue of making sure that we have more equity, leverage, and power with the CBO issue you identified.

You also mentioned the issue of focusing on digital, especially with Huawei and 5G, and I am pleased that it is part of the sort of competitiveness bill that we passed here in the Senate to enhance our competitiveness.

We included an amendment to direct the DFC to strengthen its capabilities there. You have mentioned a sectoral approach. I do not know if you have got an idea of what sectors you think would be most fruitful for us to focus on as we move forward.

Ms. HRUBY. Sure, I can speak to that issue.

I spent some time working on questions of American competitiveness when looking to African markets, and I think it is important when we talk about infrastructure, because we talked about infrastructure broadly.

If you look at the composition of the U.S. economy, we are a services-based economy. We have not built infrastructure in our own country for decades, and this is something that is, obviously, taking up a lot of your time here in the Senate.

When we think about being involved in infrastructure, I think it is important to think about niche areas: renewable energy, satellite infrastructure, basically, digital infrastructure.

So I agree with some of the efforts that is happening in the White House to think about a digital Africa policy or initiative that

would fall under Prosper Africa. Prosper Africa, for me, is like the umbrella.

It is the back end that facilitates the coordination between all of our disparate government agencies. The front end needs to be led with a sector.

So I think digital Africa makes sense, which is digital infrastructure, content development, that kind of entrepreneurial ecosystem and venture capital. I would put that all under a digital Africa kind of headline.

Power Africa continue to focus on power and renewable energy, especially with the new ambitious climate goals this Administration has, and then we can look to other things.

We can look at finance. We can look at agriculture and agribusiness. There are many areas. I think the key is to pick two or three and stick with them and stop having the focus of generalities when it comes to promoting trade and investment with Africa.

Companies do not invest in Africa. They invest in a country like Nigeria, they invest in a city like Lagos, and they invest in a sector. So I think it is important to drill down and have a sector focus when it comes to building our partnerships in African markets and in mobilizing U.S. investment.

So when Prosper Africa was rolled out, and you will remember it was kind of a stuttering rollout, many my colleagues and friends in African market said, wait, is it just an American—that the agencies are just going to do their jobs better?

They are just going to coordinate better? That cannot be what we are selling or putting on the table that is the nature of American partnership.

No, it needs to be around things like educational partnerships, which Dr. Signé just mentioned. It needs to be around digital partnerships or agribusiness investments.

We need something specific to focus on. So from my perspective, there are quite a few good choices. We just need to pick two or three.

Senator VAN HOLLEN. Thank you for that, and that leads to a question.

Ms. Liser, you mentioned in your comments that while some African countries have prospered more or taken more advantage of AGOA, many have not benefited.

If you look at the figures, I think you see that over 50 percent of trade and investment in Africa is, really, two countries, Nigeria and South Africa.

How do we do what you suggested? How do we get more African countries to benefit from that, using these other tools as well?

Then, Dr. Signé, if you could also focus on that question.

Ms. LISER. Thank you, Senator. I think that picking up a bit on what Aubrey said, we need to be sector focused and we need to be region focused, and we need to think about how global supply chains work.

So I have had the privilege over the years when I was at USTR and even since then to visit factories on the continent in Africa in a range of sectors, and what I mean by focusing on sector country is that if you look at value chains, if you visit a plant in Mombasa that is producing apparel—Kenya is now the largest exporter of ap-

parel to the U.S. under AGOA—what you realize is that you have factories there that have 5,000, 6,000 people, you can visit similar factories in Tanzania and Uganda that only have maybe 200 or 300 people.

They are not able to really scale up in the same way as the Kenyans. But if they work together through the East Africa Customs Union, and if Kenya actually had a free trade agreement where it had permanent duty-free access to U.S. market, then what we would be able to do is not just scale up competitive production of apparel in Kenya, but they would then be able to bring into that value chain some of the smaller producers in the region and perhaps some who might be able to make zippers but could not really put the final product together, or the buttons or, any of the things that go into apparel.

So I think that as we think about how to help countries like the Tanzanias and the Ugandas to take greater advantage of AGOA, we should think about are there particular supply chains where they already have some capacity but if they are linked to others in the region that they could do more.

I saw this also in the automobile sector. I visited a factory in Lesotho that was producing leather seats for automobiles in South Africa that are being shipped to the U.S. under AGOA.

Again, it is unlikely that an auto manufacturer is going to go and set up in Lesotho. How do you bring the Lesotho in to the automotive value chain? That is something that is possible.

I think we could take lots of these kinds of example, including in value-added agricultural products, manufacturing of footwear. I have seen that as well, and then try to take advantage of the way that companies operate these days.

They cannot be in small, tiny markets all across Africa. They need a larger unified market that can drive investment.

I would just think that that goal of the companies for markets that are larger and economies of scale can also be linked to how we help countries do better under AGOA.

Thank you.

Senator VAN HOLLEN. To my colleagues, we will do 7-minute rounds. I think we will have ample opportunity and we will have more than one round of questions if people are interested.

Dr. Signé, I am going to apologize because I do have to vote right now, but I will be back to follow up with some of my questions. Let me turn it over to Senator Hagerty.

Senator HAGERTY. Thank you, Chairman. I will see you in a few minutes after your vote.

Ms. Hruby, I would like to turn to you for the moment to talk with you about something that you mentioned in your testimony I found very interesting and that is electric batteries.

You mentioned specifically that we need to work more closely with our allies and partners to meet Africa's needs and prevent a better alternative than what is presented by China and Russia.

I think that is an excellent case in point that you brought up about the potential of focusing on the electric battery value chain as a way to cooperate between the United States, between Europe and, certainly, with Africa, and something that I am aware of and

that you brought up as well is that China currently dominates the supply chain for lithium batteries.

Yet, the majority of the inputs come from Africa, and I think you highlight a critical point that is of great interest to me, because in my home state of Tennessee we produce a lot of cars. We are very interested in the evolution toward the electronic vehicle.

We want to maintain our leadership role there. In fact, we just announced a \$2.3 billion investment in Tennessee in lithium batteries.

I would, certainly, support any initiative that we can work on that would increase cooperation between Africa and the United States on this issue, particularly, when it comes to supply chains.

I would look forward to just having you elaborate a bit on how we might create greater cooperation with Africa on the electric battery supply chain.

Ms. HRUBY. Thank you, Senator.

I think the COVID crisis has shown us globally a need to rethink supply chains and many countries around the world—many of our allies are doing that.

I know the Japanese, for example, they have this big program through their central bank to reshore some supply chains outside of China after they realized vulnerabilities that they did not see before.

I think the lithium battery supply chain is one we can look at because of its importance to continued U.S. competitiveness when it comes to EVs and other areas of renewable energy.

Obviously, solar is very key in terms of use of renewable or lithium batteries. So as African countries are home to many of these resources from the lithium that you can get in Congo to graphite in Mozambique, right now, China refines about 80 percent of the world's graphite that goes into these supply chains and there is a need to think about how to do that better.

Because of some of the trade and proximity benefits that European countries have to African nations and their shared desire to have supply chains that are less dependent on China, I think there are ways we can begin to have that conversation.

One of them is to convene a lot of the mining companies that know a lot of the rare earth minerals and core competitive minerals like lithium to understand what they consider key in thinking about their supply chains and what investments would need to be made.

I think where African nations share this interest is they want to do value addition locally. For too many centuries, you could say even decades for sure, but centuries they have been exporting raw commodities to the world unrefined and, therefore, exporting the jobs that comes with them.

So many of the countries seek to do some of the refining at home, and, hopefully, with Power Africa, because some of the problems with refining is because the high cost of electricity, with some of the Power Africa investments that have been made and increasing investment into renewable energy sources, maybe some of that power can be locally used to do some of the smelting and refining.

So, for me, it is about having a dialogue with both the mining companies, private sectors, the companies that are doing the bat-

teries and consuming the batteries, and then European and Asian countries in addition to the African homes of these minerals.

Senator HAGERTY. Yes. I think it also is important as well to continue to convey the basic principles of free market competition that we support here in America that are not available in dealing with Chinese companies.

There has been adequate experience, I will just say this, in Africa and around the world right now to see the great difference and there is a great contrast between our approach and that of the Chinese Communist Party.

I hope we can continue to find ways, but I particularly appreciate your identifying that sector because it rings close to home for me, and I look forward to finding ways to continue to cooperate.

Ms. LISER, I would like to turn to you next and talk about recent press reports that China has proposed an alternative Quad framework.

I was surprised to see their outreach to Germany and France to propose a Quad framework with the African nations, and they propose to cooperate on development projects there in Africa.

It is not clear whether or not this proposed China-led Quad will actually materialize or go anywhere. If it were to proceed, it might pose significant challenges to the United States, and I would like to get your perspective and your opinion on how this might evolve.

What would it mean for our U.S. interest in Africa?

Ms. LISER. Yes, this kind of approach where the Chinese are trying to, basically, become a part of sort of the usual processes, become linked to others that may have more of the reputation that African countries and others like is a part of their strategy.

They know they have been in Africa. They surpassed U.S. in trade with Africa years ago. They are providing favorable financing for their companies to build roads and airports, et cetera, in Africa and build out the infrastructure, which the Africans, very much need. So when the Chinese come to them, they offer that.

Now, I think that if they can link arms with others who are considered probably a bit more legitimate in terms of the kinds of things that they do and the ways that the Africans view them, then I think that that is something that will benefit them.

I think the key for the U.S., though, is to not be reactive. I think we have to think proactively and creatively about what we can do, because I have not been to any country, and I have been to many on the continent, where they are not saying, look, Florie, where are the U.S. companies? How can we get more U.S. investment? What do we have to do to get your companies to come?

They like our products. They like the fact that U.S. companies will transfer technology, will transfer skills and train. So they want to work more with us, and I think that what we have to do is to look at the tools that we have now.

As has been said here already, look at the Prosper Africa, where they are bringing together all of the 17 U.S. Government agencies and try to be on one page and leverage what the others are doing.

I think that we have to look at what it is that the U.S. can do, both the Government, Congress and the executive branch and what U.S. companies can do in Africa that is desirable, perhaps more

than anything than those others and this new G-4 approach can offer, and I think it will be welcomed, sir.

So that is where I think we have to sit down and map out what we can do and the tools that we can use more effectively.

Senator HAGERTY. I, certainly, agree with the substance of your statement.

In terms of not being reactive, that was precisely my reaction to what China announced in terms of an Africa-oriented Quad because we have been so successful with our Quad approach between ourselves, Japan, India, and Australia and the Indo-Pacific.

In many ways, I think this is yet more propaganda coming from China. I like your choice of words legitimate because United States does provide a legitimate framework, and I agree with you.

If we can bring our 17 agencies together under the Prosper Africa initiative and really develop and drive the full force and power of the American position, I think we can make great strides.

Dr. Signé, may I turn to you quickly?

Africa's infrastructure needs are massive, as we have discussed. Recent estimates by the African Development Bank put the continent's minimum infrastructure needs at \$130 to \$170 billion. For over two decades, China has actively poured money into infrastructure projects in Africa and it is unclear whether their motives are market-based or whether they are strategic.

As a lifelong businessman, I understand it is very difficult to do business with a competitor that plays by a different set of rules and has the balance sheet of China behind it.

So, Dr. Signé, are U.S. firms showing interest in building infrastructure and can they do so in an effective way, given the difference in a competitive posture versus China?

Dr. SIGNÉ. Thank you very much for the question.

So one point I want to highlight is that African citizens, per Afrobarometer surveys, prefer the American model of development compared to the Chinese one. For example, in one of the recent studies, 32 percent prefer the American model over the Chinese model (23 percent); other countries lagged substantially.

So, definitely, there is an appetite in Africa for American investors, and I think both Madam Liser and Ms. Aubrey Hruby have identified also that appetite as illustrated.

So that is one point. So the second point is that I think the U.S. should be strategic in terms of engagement, in terms of infrastructure. A sectoral perspective and as mentioned in my written testimony, in the context, especially to bridge the gap in terms of digital technology, the digital infrastructure gap. Extremely important. It is still possible for the U.S. to be more competitive than some of the Chinese corporations.

I think for this to happen, it is important to engage with African organization, whether the African Union, who have programs for infrastructure development in Africa like, for example, the plan aiming at bridging the infrastructure gap in Africa by 2040, among other initiatives. It is important to, engage especially at the continental level from a multilateral perspective, by setting the priorities together, and given the support that the U.S. already has on the continent, I think it will definitely be possible for American companies to outperform some of the external players.

Senator HAGERTY. I would certainly like to see that. Thank you, Dr. Signé.

I would like to turn it over now to my colleague, Senator Kaine from Virginia.

Senator KAINE. Thank you, Senator Hagerty, and to you and the chair of the subcommittee for holding this important hearing today on trade and investment opportunities.

I am going to spend my time talking about the interaction between economic opportunity and COVID and vaccination. I just returned from a CODEL to the Americas with six members of this committee—three Democrats, three Republicans—and it was pretty amazing.

Even if I had seen the briefing and it had said exactly what I am about to say, it was so different seeing it in person, and that was the incredible gratitude of the nations we visited—Mexico, Guatemala, Ecuador, and Colombia—for the U.S. donations of vaccines.

What we heard from the presidents of these nations, and the shortest meeting we had was 2 hours and the longest was 3 hours, and that is not the norm. I think it was because of this vaccine diplomacy.

What we heard was they really appreciate the U.S. donations of vaccines because they can buy vaccines from China or Russia, but the donations from both the U.S. but then also from COVAX to which the U.S. is a significant supporter, that is appreciated.

They also feel that the U.S. quality of the vaccines—Moderna, Pfizer, J&J—is very high while the Sinovax and Sputnik vaccines are safe but the effectiveness is not nearly as desirable, at least in their view and I think the evidence would bear that out.

So the power of U.S. vaccine diplomacy became very obvious to me when we were there, but also the stories of the economic challenges faced by these nations during COVID while they are still dealing with the Delta variant, et cetera, are pretty stiff.

This is the case for Africa as well. The IMF estimates that Africa, the continental GDP contracted by 1.9 percent in 2020 and that was the largest regional contraction on record.

There is a growth prediction of 3.4 percent in 2021, but that is compared with a global growth projection of about 6 percent. The recent surge in coronavirus cases has lessened, but Africa continues to struggle, as we all do, with the Delta variant.

Thus far, only about 1 percent of Africans have been fully vaccinated and the AU's relatively modest goal of getting 20 percent vaccinated by the end of 2021 seems pretty hard to reach.

The U.S. has to recognize that the continent is not going to reach its potential economically on the issues we are talking about today until the virus is contained. That is the case for Africa and elsewhere.

So what I want to ask is each of you to give us your own thoughts about what the U.S. should do. In July, the U.S. began making its first COVID-19 vaccine shipments to Africa, the ultimate goal of sharing 25 million doses this summer across the partnership in connection with the African Union.



The Biden administration's recent vaccine donations are a good step. The reality is that Africa will need about 200 million doses to stem the crisis and meet its year-end goal.

So given the crying need to do better on vaccination in order to both help people but also create the conditions that are necessary for robust economic activity, what do each of you have to recommend to us in the U.S. Senate with respect to U.S. vaccine diplomacy in Africa?

Ms. LISER. May I?

Senator KAINE. Please.

Ms. LISER. Thank you, Senator Kaine.

At the Corporate Council on Africa, we are very focused on this issue you are talking about. In fact, we had just yesterday as a part of our U.S.-Africa Business Summit a session on vaccine access, and we had in that session executives, some CEOs from major companies in the U.S., some that are members of CCA, Pfizer, Johnson & Johnson, Abbott and others, who are playing a role.

We had the CEO of a South African company that is producing vaccines with the support of Johnson & Johnson. The key here is, is that collaboration is definitely needed. It is needed between the African Union, the African Medical Supply Platform, the AMSP, that they have put into place.

If I can just say I commended them. When the COVID pandemic was sort of at its start, all the African countries were competing against each other to try to get vaccines for their people, and then finding that because others could outbid them on the market and it was sort of the wild, wild, west was going on out there, so they would order. They would not get any and they were competing against each other.

When they put that platform together under the African Union, they were then able to say, okay, what are all the needs and then they said, okay, who can supply, and only people who could supply at the right prices and deliver within 2 weeks, I believe they gave them, were then contracted to be a part of that.

So collaboration is important across the continent, collaboration between government and private sector. For example, in Ghana, the Government is supporting an effort with the private sector where the private sector, like banks and other institutions, are saying we will buy vaccine for our workers and for every one vaccine we buy for a worker we will donate one vaccine to the Government, because COVAX has been, largely, focused on just the health workers.

So the average workers, the average people in African nations, have not had access. So the private sector has to work with the Government to say, how can we do better on this?

So that is one of the things that they are doing now is private sector, basically, boosting the Government's ability to supply vaccine while also getting vaccine to people that they need to come to work and to be able to reopen their businesses because we all know that they took a double hit, not just the health impact but the collapse of their economies, no tourism, airlines not functioning, et cetera.

So I would just say that that is the key for government and private sector working together and then for the U.S. working with the African Union and with individual countries to supply vaccine.

Senator Kaine. Thank you.

Senator Hagerty, would you allow me to have the other two witnesses weighing in on this? I have hit the end of my time, but I think it is an important topic.

Senator Hagerty. Absolutely. Absolutely, Senator Kaine.

Senator Kaine. Please.

Dr. Signé. Thank you very much for the question. According to the Africa Centers for Disease Control and Prevention, only about 3.19 percent of Africans had received at least one dose of COVID-19 vaccines as of July 21st. So that is an extremely important question, and thank you very much for asking this.

A few elements are important here. Africans are now moving towards trade and investment and less aid, although under the current circumstances (COVID-19 Pandemic) aid is important and should be acknowledged.

However, the U.S. can build on areas of strengths and distinguish itself from other players by contributing to investment in Africa in the pharmaceutical sector, in the vaccine industry, and should also provide broad technical and financial support to the new African Union, Africa CDC initiative, the Partnership for the African Vaccine Manufacturing, which aims to build five vaccine manufacturing research centers over the next 10 to 15 years.

So here again, we have seen China donating vaccines extensively to many countries on the continent, so yes, it is important the U.S. is doing so as well.

But, really, the element of sustained competitive advantage here will be to partner with African countries, partner at the continental level, at the subregional level, at the national level, with strategies which will allow Africa to produce COVID-19 vaccines, but even more, to produce other vaccines which are much needed in the continent. We have already seen some of those partnerships with Pfizer, for example, in South Africa.

So those are the types of initiatives which should be accelerated.

Ms. Hruby. I will be brief, Senator. I think we do a couple things. In the nearest term, we continue to donate as much as we possibly can.

We also have many are unvaccinated in this country, so have to balance that. In the medium term, we do deals as the DFC has done with, for example, the Aspen deal that Landry just mentioned, which is to produce J&J, and then there was recently another one with Pfizer and Biovac in Cape Town, and then there is the partnerships in Dakar, Senegal.

So those are the medium term, which is to try to get the supply chains working to produce some of the vaccine inputs and vaccines on the continent.

Longer term, it is research partnerships because this is not the last pandemic we will see, and their need to ensure that no one is left behind when designing new medicines and thinking about the discoveries that will keep us all safe in the future.

Senator Kaine. Thank you very much. I yield back. Appreciate it.

Senator VAN HOLLEN. Thank you, Senator Kaine.

Senator Young, I think, is joining us virtually here.

Senator YOUNG. Well, thank you, Chairman, and I thank all of our witnesses for appearing before the subcommittee.

We have seen how Chinese aid, investment, and trade in the region have grown in the past decade. These large numbers often over inflate the value of China's engagement and mask the true costs that various countries face.

A recent report by Aid Data shows that African countries that borrow from the PRC have had to sign confidentiality clauses, set up offshore revenue accounts, and agree to many burdensome conditions.

To put it indelicately, you might say China sometimes acts like a loan shark rather than a true partner of various countries. This is all the more apparent now as countries struggle to recover from the COVID-19 pandemic, and Communist China continues to balk at participating fully in debt relief measures.

Now with that said, I do not doubt that PRC resources can do some good and are doing some good in the region. So I would just like to hear from our witnesses what your assessment is of how, on balance, the effect of Chinese official lending in the region is impacting the region and actually promoting development and sustainable infrastructure.

If you can touch on how countries are responding to Chinese assistance now that some of the true costs of these arrangements are coming to light.

I would appreciate it. Thank you.

Ms. HRUBY. I am happy to start. I would think this speaks to another question we had earlier about infrastructure, and the need that is dire on the continent to fill the infrastructure financing gap.

Many African countries are looking at financing solutions from China because they have not many other options that make sense in a political timeline that you all understand and we understand here in Washington.

You get elected, you need to bring power and roads and rail to the people and you do not have time to wait 8 years for long-term processes by multinational institutions.

So China brings a fast solution to that. African partners are not naive in that process. They understand that there are tradeoffs to be made, and often they come to that because there are not many alternatives.

You had asked earlier, Senator, where are American companies on infrastructure, and I think outside of the digital space most of them are missing. They are not there, right.

If you look at the largest EPCs, engineering, procurement, and construction companies, in the world, of the top 10, seven are Chinese. There are the Bechtels every once in a while. There are a few, but we are not rapidly looking for these type of opportunities to build transport infrastructure on the continent.

I think we have to look at areas where we are. Look at what Google and Facebook are building when it comes to undersea broadband cables. Look at the potential the transformative potential of SpaceX's Starlink, which could do last-mile internet at a way

that completely leaps over the Huawei and ZTE-built 2G, 3G infrastructure. It is going to be direct from satellite.

I think we have to look at those opportunities. I think to the senator's question about an assessment, an honest assessment, listen, those roads that are built by Chinese companies sometimes they carry Coca Cola and sometimes they carry PNG products, and they allow people to get to clinics faster and they allow people to go to school.

So those roads and transport infrastructure has a positive impact. The question is, is the debt worth it? Is the debt worth it at the terms that it is being given, and is it being used to actually be efficient in terms of generating growth?

Debt is not a problem in and of itself. Bad debt is taken on when you cannot afford it and when it is used for the wrong ways. I think we have to break down the issue of indebtedness in African markets. Many, many African countries are not even at their limits in terms of the GDP debt ratio.

We are talking about specific countries. Zambia is, obviously, one where indebtedness is an issue. Not all African countries are in that boat.

I think we always have to be aware of averages, right? The average African country is the size of Montana. But talking about it that way does not make sense when you have a Nigeria that is 200 million person versus a Namibia, which is 2 million, right.

Averages are a challenge and regional kind of generalizations can be a challenge as well. So I think the Chinese footprint in African markets when it comes to infrastructure is a mixed bag.

It has gotten better over time. You do not see the crazy projects that you saw of the kind of white elephant in the stadiums that we saw 10, 15 years ago. It has made a march towards the market. So I will stop there.

Senator YOUNG. Could I top off with you, briefly? I am grateful for your response there, for your fulsome response.

Do we see multinationals—the IMF comes to mind, maybe the World Bank—bringing more transparency to the terms or encouraging these countries to learn from lessons that the multinational institutions have learned?

I am not suggesting that all the countries or leaders are unsophisticated, but sometimes they are new to these arrangements.

So have multinational institutions been helpful in improving the terms that we are seeing across the continent of Africa as it relates to infrastructure investment from Communist China?

Ms. HRUBY. Those institutions, certainly, bring with them high levels of ESG standards. So environmental, social, governmental, community engagement, conversations need to be had to ensure that an infrastructure project has long-term sustainability.

Those processes have a downside. We understand that. The more you inject consultation and transparency in something, sometimes it takes longer.

You know how that is in the Senate. Think about when you try to go to a dinner and you have to show that it is less than \$35 or whatever the limit is because there is rules and things take time.

So when countries look for fast mobilization of resources when it comes to infrastructure, they look to entities and partners like

China, like Turkey. China is not the only one that can move quickly on infrastructure.

So I do think it is a situation whereby they do bring higher standards. Sometimes those standards take longer to implement the projects.

Senator YOUNG. Thank you. Anyone else, if I have remaining time? I think there is 1 minute left.

Senator VAN HOLLEN. Yes, please.

Senator YOUNG. I will just ask a related question. What has been the impact of the G-20 debt service suspension initiative and the common framework in terms of promoting sustainable investment and economic recovery in Africa, and what are the consequences of China not participating fully in these initiatives?

Ms. LISER. I wanted to actually just add two quick points on your previous question, Senator.

Senator YOUNG. Please.

Ms. LISER. One of them is on the fact that a lot of people, including in Africa, do not often give the U.S. credit for what we are doing in infrastructure through the Millennium Challenge Corporation.

We have invested, I think it is over \$11 billion in infrastructure, in ports and roads, in energy production on the continent, and we have the highest standards for it.

I serve on the MCC Advisory Committee, and so African countries, when they qualify, they do the right things, they will have all the transparency criteria that are there, and I think that one of the things we need to do more of is to encourage Africans to meet the MCC criteria so that this infrastructure gap that they have can be met with U.S. dollars and U.S. companies that can provide that infrastructure.

I think the other point is that in the past, the Africans would be pushed and urged by international institutions to take the lowest priced bids. That has now shifted.

There are new rules in place which talk about dollar for value and lifecycle cost, where just because somebody gives an offer and a bid that is the cheapest does not really mean that it is the best for you.

Maybe you get that road and 3 years later it has fallen apart, and there has been some experiences of that in Africa.

So if you get quality of roads and airports and others that are built, that is critical.

The last point I will make is that, and Aubrey touched on this, our companies are probably far more competitive in providing the engineering services and the high technologies, the GPS, and so forth, that are needed at airports, the kinds of products that should be used when you are building roads in Africa.

We do that better. We do not actually, though, construct the roads.

So I would just say that we need to, again, lean to our own strengths. Our companies are strong. Then we need to make sure that African countries know that they have the room to choose bids that are not the least expensive, the cheapest ones.

Senator YOUNG. Thank you.

Dr. SIGNÉ. Thank you very much for the extremely important question. I will try to address both.

First, debt is not the problem. What is important is whether we have a productive use of resources (debt) or not, and I think that is where we have some challenges.

The second point is also the question of transparency. One of the challenges with some partners is the lack of transparency in large infrastructure deals, where when engaging with companies, especially from the U.S. and many of the European companies, we have more transparency.

Now, what do Africans think? At least with many engagement, including at the head of state level, there is an infrastructure gap and many Africans leaders are willing to work with any of the partners who could help in bridging that gap.

I think that is a consideration for the U.S. in the strategy for investment engagement with Africa to take into consideration the fact that Africans leaders in the private sector really prefer working with the U.S. when possible, as shown by Afrobarometer surveys, and also African citizens prefer, for example, 7 out of 10 Africans prefer democratic and accountable governance, among others.

Those are values and areas of strength in the United States. Now when it comes to investing in infrastructure, it is important to simplify processes, so that the U.S. could act with the level of agility and of speed that we see in some of the emerging countries or some of the competitors.

If processes cannot be simplified or if the level of agility remains asymmetric, I think that partnering with other players will be critical.

It is extremely important to have the U.S. engage because when the U.S. is engaged we have better quality, we have more accountability, and sustainable development will also follow.

Thank you.

Senator VAN HOLLEN. Thank you, Senator Young.

Just to follow up, Dr. Signé, because you have written previously that attention to African preferences and policy priorities should be of heightened attention if the United States is serious about successfully countering the \$10 billion Chinese soft power initiative and better competing with other global players.

Is that—your response to the last question seemed to sort of flesh out that idea. Do you want to add anything else to what you meant in this statement?

Dr. SIGNÉ. Absolutely. I mentioned some of these elements when you went to vote.

So very simply, first, African citizens prefer the U.S. model of development over the Chinese one and over the European ones as well. So that is the first element.

Second, African citizens prefer deep democracy, accountable governance over other forms of governance. So those are clear areas of strong competitive advantage of alignment with the U.S.

So African citizens also want their governments to address some priorities, questions related to unemployment, to infrastructure, to education, among other.

Those are also, especially on the digital sphere but also in terms of education, those are areas where the U.S. is leading around the world.

So we have this unique advantage that the U.S. has. On the African side, Africa is also offering with the African Continental Free Trade Area, the largest free trade area for a number of countries since the creation of the World Trade Organization, and the Secretary General, I think, intervened today during the event with the Corporate Council on Africa.

So those are clear opportunities for the U.S. to engage with Africa at the continental level, at the national level, at the subregional level, and to have a conversation.

I think the key words here are partnerships, conversation, and building on those to develop a strategy to capitalize on U.S.-Africa trade and investment and generate shared prosperity.

Senator VAN HOLLEN. Thank you. I just have one last question for you and the panel, because one of your recommendations is the United States should capitalize on the African diaspora which is representative and very active in the United States, including in my state of Maryland, and it is an incredibly dynamic community, and as you point out, also a huge opportunity for the United States to engage with Africa.

The challenge is, how would you organize that? How would you actually provide a framework for input? The diaspora, of course, comes from many, many different countries.

We have talked about different sectors. Do you have ideas, and then I just would ask the other two as well, on how the U.S. Government might want to frame that input.

Dr. SIGNE. Thank you very much for the question. Definitely, the diaspora plays an incredibly important role building bridges, representing, facilitating transaction, technology transfer, also in public service.

In fact, at the Brookings Institution we organized recently, and I think that was in partnership with USAID, we organized a convening with various members of the diaspora to discuss, engage, and strategize on how the diaspora could be better involved in the policymaking process, but also in investment and trade.

I think one of the ways to create a diaspora commercial diplomacy is to have a council of the diaspora, to have specific tools including in terms of investment because the diaspora has been involved with many countries, mostly their countries of origin, but some of them are many generations—for many—after many generations.

So it will really be important to create a space for conversation. So a conversation will really be important, to have a conversation with many representative of diaspora, the association, among other, to have a diaspora council and to have a very proactive commercial diplomacy or what I call diaspora commercial diplomacy to make sure that the U.S. capitalize on the assets, on the unique contributions that those members of the diaspora will provide.

Some countries have even provided financial resources, in the case of Canada, for example, where they have specific funds where some member coming from the diaspora are also eligible to support their business operations, among other.

We can have a broader framework, and the current Administration has also distinguished itself before the election by having a diaspora platform.

I think that a diaspora policy can build on the diaspora platform, on the campaign diaspora platform. Of course, building and continuing the incredibly important bipartisan work on engagement that this subcommittee has been known for and for which we are very grateful. So showing an illustration on how politics could be done to serve the greater good.

Senator VAN HOLLEN. Do our other two witnesses have anything to quickly add to that before I turn it over to Senator Hagerty, who also has some additional questions?

Ms. HRUBY. Sure. I will jump in and be brief.

Honestly, Senator, I do not think you are going to organize the diaspora into a way that is easy to engage with. My suggestion is, instead, on focusing on higher education. That is what brought a lot of the diaspora here. That is what keeps them here, and if you know that the African diaspora, particularly Nigerian diaspora, is one of the most highly educated diaspora groups in the United States.

Today, if you look at African leaders, 20 percent of current African leaders, presidents and heads of state, studied in the United States. In 2015, we lost out that position of hosting the most English-speaking African students to China. Now they go there.

So 25 years from now, where will they have studied? So I think it is very important to focus on education as one of the key areas in which to engage the diaspora, because many of them are organized. Every one of the business schools has an African kind of diaspora business club. There is ways to do it through education.

Senator VAN HOLLEN. Thank you.

Ms. LISER. I would like to just add actually some specific things that I think can be done in terms of promoting U.S. diaspora trade with Africa.

The Minority Business Development Agency has a way to reach small diaspora-owned businesses in the U.S. SBA has a program focused on Africa, and I think if you are looking to link the U.S. diaspora to the continent, you are looking at products that they import and export regularly.

This is something that they do informally most of the time, and that one of the things that we can do is to try to support formalizing that kind of trade and engagement between small diaspora-owned, women-owned businesses here in the U.S. with women-owned businesses and small enterprises on the African side.

I think that there is room for us to support those small businesses more. They are the ones who get the least amount of support in terms of our institutions like the Export-Import Bank, DFC, et cetera.

I support fully what DFC and Export-Import Bank and others do. But these kinds of small companies, diaspora-owned businesses, do not get that kind of support.

So we need to see how we can use the SBA and the Minority Business Development Agency to work on identifying those groups and helping them with trading with Africa.

Senator VAN HOLLEN. Well, thank you.



I want to thank all of you for your testimony today. It is, obviously, a very broad and deep subject, and in a hearing even a few hours you only begin to scratch the surface.

I think you gave us a lot of really good leads and I appreciate the specific recommendations that each of you have made and I know my colleagues do as well. If there are issues that you think sort of we glaringly left out, we welcome you to submit any follow-up testimony to the committee.

I also, before closing, want to ask the consent of my colleagues to enter into the record two additional materials.

The first is a report by the Labor Advisory Committee on trade negotiations and trade policy on a potential U.S.-Kenya trade agreement.

The second is a letter from the AFL-CIO director of government affairs addressing the topics of today's hearings, and I urge my colleagues to review those materials.

[EDITOR'S NOTE.—The information referred to above can be found in the "Additional Material Submitted for the Record" section at the end of this hearing.]

Senator VAN HOLLEN. The record in this hearing will be open until the close of business Thursday.

Without any other statements, this hearing is adjourned. Thank you all very much.

[Whereupon, at 3:57 p.m., the hearing was adjourned.]

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ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

REPORT BY THE LABOR ADVISORY COMMITTEE ON TRADE NEGOTIATIONS AND TRADE  
POLICY ON U.S.-KENYA TRADE AGREEMENT

**Report**  
on the  
**Administration's Intent to Negotiate a  
US-Kenya Trade Agreement**

By

**The Labor Advisory Committee on  
Trade Negotiations and Trade Policy**

April 28, 2020

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The Honorable Robert Lighthizer  
United States Trade Representative  
600 17th Street NW  
Washington, DC 20508

Dear Ambassador Lighthizer:

Pursuant to Section 135(b) of the Trade Priorities and Accountability Act of 2015, and Section 135(e) of the Trade Act of 1974, as amended, I am pleased to transmit the report reflecting the opinions of the Labor Advisory Committee (LAC) on the potential negotiations to reach a US - Kenya Trade Agreement.

This will be the first comprehensive trade agreement fully negotiated by this administration with a new FTA partner. That provides the opportunity reject the old model and create a framework that will truly promote the interests of working families and communities in the U.S. and Kenya.

The old neo-liberal approach to trade has proven to be a failure resulting in outsourced production and offshored jobs, setting a global norm of weaker rights for workers and holding down living standards generally. In these new negotiations we can learn from the failed agreements of the past, rejecting outdated and unacceptable provisions, and making sure that an agreement advances the interests of working people. Workers across our country and elsewhere have called for change and it's time for our trade policies to heed their calls.

The Labor Advisory Committee supports the publication of all draft proposals, negotiating texts, reports and supporting documents immediately. Trade negotiations should be conducted with complete transparency to enhance the substantive outcome and the potential for broad public support.

In addition, trade agreements must recognize the need for supportive domestic policies. While trade policies set the rules that link our economy to the global economy. It is the full range of policies -- trade, healthcare, education, taxation, labor rights, food security, environmental protections, strategies to rebuild our industrial base and supply chains, and others -- that will help determine the winners in the global economy. Any new trade agreement must be consistent with national strategies to address the defining problems of our time -- inequality, climate change, and improving economic well-being generally.

Sincerely,

  
Thomas Conway

Chair  
Labor Advisory Committee on Trade Negotiations and Trade Policy (LAC)  
International President  
United Steelworkers (USW)

The following constitutes the Labor Advisory Committee's recommendations on the proposed effort of the USTR to negotiate a free trade agreement between the United States and Kenya. As you know, the passage of the United States-Mexico-Canada Agreement (USMCA) enhanced many of the provisions for how trade agreements incorporate strong and enforceable labor standards. It built on the existing structure of an agreement that failed workers in all three signatory countries.

The LAC strongly believes, as a new initiative, a trade deal with Kenya must create new standards and take the opportunity to include the provisions identified below. Given the Administration's stated desire for a U.S.-Kenya Free Trade Agreement to serve as a model for the rest of the continent, with the potential inclusion of a "docking clause," it is critical that we negotiate a trade deal that delivers for working people in both countries through the adoption and inclusion of higher standards.

It is important to recognize the unique challenges of negotiating a trade agreement with a developing nation like Kenya. More than four-fifths of Kenya's employment is generated by the informal sector, effectively beyond the reach of its labor law regime. Even workers in the formal sector commonly face a broad variety of labor abuses without effective access to remedy. This is a challenge that, in part, can be addressed through the expected benefits of an agreement that will foster development in Kenya and the expansion of jobs in the formal sector. But mechanisms must be found, and coverage opportunities expanded, to ensure that all workers have the protections they deserve.

The existing labor enforcement regime is badly understaffed and underfunded. In 2018, for example, there were only 112 inspectors for the entire country, far below the 1,321 inspectors recommended by the International Labor Organization for a country of Kenya's size and development.

Kenya's primary exports to the United States consist of apparel, cocoa, tree nuts, coffee, roses and tea. Many of these exports, primarily textiles, are produced in export processing zones that are notorious for workers' rights abuses. As Kenya seeks to expand the range of exports to the U.S., it is critical that these, and other, abuses be a focus for action.

Expanding growth and opportunity in Kenya must help build a strong middle class. It must also focus on building indigenous capabilities for Kenyan firms and their people. Foreign investors, with China in a leading role, must not be allowed to use Kenya as an export-platform to access the U.S. market without developing the country's capacity to produce key inputs into finished goods for export. We want Kenya and its people to succeed as we, of course, want our own people to succeed as well.

Following are the LAC's specific recommendations for provisions that must be included in any US-Kenya FTA. As this process moves forward, we look forward to engaging with our both our domestic and Kenyan partners to ensure any U.S.-Kenya free trade agreement delivers for workers and their communities.

**Labor**

- Parties agree to ensure, in law and in practice, that all workers enjoy the rights and freedoms contained in the eight fundamental International Labor Organization Conventions: C87, C98, C29, C105, C138, C182, C100, and C111.
- Parties agree not to lower their standards, deny labor rights through misclassification, deny equal labor rights to migrant workers, or to avoid labor obligations in such a way that it constitutes social dumping.
- Parties agree to include a rapid-response labor enforcement mechanism covering all labor rights within the context of the agreement that would provide for facility specific inspections and appropriate sanctions, including denial of entry of goods and access to the government procurement market for businesses that violate the agreement's labor standards.
- Parties agree to establish an independent labor secretariat, composed of individuals with international and comparative labor rights expertise, to monitor compliance with the agreement's labor obligations, research and report on best practices, and receive, investigate, review, and participate in the adjudication of any complaint filed under the labor provisions of the agreement. Such secretariat shall have the staffing and resources needed to meet the fulfill its function, and ensure that the obligations are met.
- Parties agree to allow transnational bargaining and coordinated labor law coverage, as described in Sections E and F of the attached Annex.
- Prior to entry into force, Kenya must address gaps and weaknesses in its labor and employment laws, as well as its judicial and administrative enforcement mechanisms. These provisions must be supported by resources and the appropriate level of personnel to ensure implementation, monitoring and enforcement of laws and regulations. The certification of compliance with such requirements to enable the agreement to enter into force must be supported by an Independent Kenya Labor Expert Board, to be created under the terms of the agreement.
- We note with deep concern that, in 2018, Kenya's Ministry of Labor, Social Security and Services (MLSSS) employed just 112 labor inspectors, well below the ILO's recommendation of roughly 1,321 inspectors (1 inspector per 15,000 workers) for a developing country of Kenya's size.<sup>1</sup>
- The Kenyan government must identify an effective approach to enforce its labor laws that will:
  - Address abuses in export processing zones where workers are often subject to forced overtime, sexual harassment, and misclassification as "casual" workers.<sup>2</sup>
  - Address employer misuse of internships, short-term contracts, and other forms of non-standard employment.
  - Address child labor abuses, which remain widespread in Kenya, particularly in agricultural exports like coffee, tea, and tobacco.<sup>3</sup>

<sup>1</sup> See U.S. Department of Labor, Bureau of International Labor Affairs, 2018 Findings on the Worst Forms of Child Labor, available at: [https://www.dol.gov/sites/dolgov/files/ILAB/child\\_labor\\_reports/tda2018/Kenya.pdf](https://www.dol.gov/sites/dolgov/files/ILAB/child_labor_reports/tda2018/Kenya.pdf)

<sup>2</sup> See U.S. Department of State, 2019 Country Reports on Human Rights Practices: Kenya, available at: <https://www.state.gov/reports/2019-country-reports-on-human-rights-practices/kenya/>

<sup>3</sup> See U.S. Department of Labor, Bureau of International Labor Affairs, 2018 List of Goods Produced by Child Labor or Forced Labor, available at: <https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods>

- Please see the Annex to this document for a complete and comprehensive labor chapter proposal.

#### **Environment**

- Parties agree to adopt and maintain in law, regulation, and practice, the following eight multilateral environmental agreements, which will be subject to the agreement's dispute settlement mechanism and meaningful sanctions:

Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES); Montreal Protocol (Ozone Treaty); Convention on Marine Pollution; Inter-American Tropical Tuna Convention; Ramsar Convention on Wetlands of International Importance; International Convention on the Regulation of Whaling; Convention on the Conservation of Antarctic Marine Living Resources; and the Paris Agreement on Climate Change.

#### **Dispute Settlement**

- All disputes (other than disputes arising under the Labor Chapter, which shall proceed as described in that chapter) shall be settled by state-to-state arbitration, which may be commenced immediately after a mandatory consultation period of six months, followed by a mandatory mediation period of six months. If a Party refuses to consult or mediate in good faith, the arbitral panel may take such failure into account. Arbitrators must abide by the strictest conduct and conflict of interest rules jointly agreed to and have demonstrated expertise in the area covered. Parties determined to be in violation shall be subject to trade sanctions (e.g., tariffs) until the violation has been remedied.

#### **Other Measures**

- Establish strong rules of origin and measures to combat transshipment to ensure workers in both countries are the primary beneficiaries of the deal. As part of such rules,
  - Autos and auto parts must be covered by rules adopted as part of the USMCA with the following improvements:
    - The labor value content shall require a minimum wage of \$16 an hour, indexed for inflation for U.S. content and vehicles. An LVC shall be negotiated regarding assembly operations in Kenya that promote a living wage and indexed for inflation as well;
    - The rule of origin for steel and aluminum shall require that that all content originate in either of the parties
  - For textiles and apparel:
    - The phase-in of a strong and effective yarn-forward rule with no unnecessary exceptions;
    - Reasonable duty phase-outs that consider sensitive tariff lines to ensure adequate transitional periods;
    - Establishment of a separate textiles and apparel chapter that includes strong customs enforcement provisions;

- Confirmation that Berry and Kissell Amendment protections apply for clothing, textiles and footwear.
- Exclude all special courts for foreign investors such as Investor-State Dispute Settlement (ISDS), which allow foreign investors to sue governments for actions that threaten their profits, anticipated or otherwise;
- Ensure the right of both governments to enact consumer protection laws, including country of origin labelling;
- Protect the right of both governments to establish and maintain policies necessary to protect consumer data security and privacy;
- Protect the right of governments to use public procurement to support economic development, improve working conditions and pursue social and environmental objectives;
- Exclude outdated, overbroad online copyright safe harbor language that allows stolen or otherwise illegitimate content to proliferate, cutting into the revenues that provide for creative professionals' income, health care, and retirement security;
- Exclude language providing for excessive patent protection or data exclusivity periods for pharmaceutical drugs.

#### **Trade Remedies**

The Agreement must include provisions based on those in USMCA with enhanced provisions relating to cooperation on information sharing and verification regarding customs evasion, transshipment and circumvention. In addition, the Agreement shall include USMCA's provisions regarding non-market economies.

#### **Development Assistance**

A U.S.-Kenya free trade agreement, with the above provisions included in the text, along with changes to Kenyan labor laws consistent with the proposals identified in the Annex to this submission, have the potential to improve conditions for Kenyan workers and promote broadly-shared economic opportunity. Development, however, should also be coupled with assistance funds to expand social and economic infrastructure – including healthcare, education, power, clean water, the expansion, implementation and enforcement of labor rights and in other areas – to provide a foundation upon which to benefit the population broadly.

To the extent that development assistance is used for the procurement of equipment and materials, and the hiring of personnel, those expenditures should benefit indigenous companies and workers in Kenya and the U.S. Accordingly, development funds should be subject to Buy America provisions for any non-Kenyan originating items. To the extent that a free trade agreement may be reached with Kenya, workers in the U.S. have a right to expect that any supporting development funds either benefit Kenyan interests, or those in the U.S.

**Currency Manipulation**

A U.S.-Kenya free trade agreement must include effective, enforceable disciplines to address potential currency manipulation. Currency manipulation has been used by an increasing number of countries to create a trade advantage. Shortly after the North American Free Trade Agreement entered into force, for example, the Government of Mexico devalued the peso which essentially eliminated the benefit of tariff cuts that proponents of that agreement claimed would occur. Similarly, China, Japan, South Korea and other countries have manipulated their currencies resulting in negative consequences for U.S. producers and their workers. As officials have indicated that the U.S.-Kenya agreement may serve as a template for docking agreements with other Sub-Saharan countries, an effective mechanism to address currency manipulation is an important component to include in this agreement.

**Performance Review**

The U.S.-Kenya trade agreement should include a performance review mechanism that requires a review of the operation of the agreement and requires that Congress affirm that the agreement is meeting its intended and claimed effects to remain in force. A provision such as this was identified by the Office of the USTR as a necessary and appropriate provision for inclusion in the USMCA early on in the negotiations for that agreement. The LAC supported such a provision and calls for its inclusion in a U.S.-Kenya trade agreement, and other subsequent agreements.



## Annex: Labor Chapter Proposal

## A. Scope and Definitions

1. **Basic Labor Rights to Ensure Level Playing Field:** Parties are obliged to ensure, in law and in practice, all workers in their territory, regardless of the workers' citizenship, immigration status or national origin, the rights and freedoms guaranteed in the eight ILO Core Conventions (C87, C98, C29, C105, C138, C182, C100 and C111). The parties recognize the right to freedom of association enshrined in C87 includes the right to strike. In cases in which there is a dispute regarding the level of protection required, the Secretariat and any dispute settlement panels shall refer to ILO conventions, reports, and recommendations for guidance.
2. **Acceptable Conditions of Work to Ensure Level Playing Field:** Parties are obliged to ensure acceptable conditions of work, in law and in practice, covering all workers in their territory, regardless of the workers' citizenship, immigration status or national origin. The term "acceptable conditions of work" includes all measures pertaining to wages and benefits owed whether by law or by contract, including payments made on behalf of workers to public and private retirement and health arrangements; hours of work; worker representation; termination of employment; gender-based violence; and occupational health and safety, including the right to compensation for workplace injuries and illnesses.
3. **Floor Wages to Ensure Level Playing Field:** Parties agree that all workers—regardless of sector—have the right to receive wages sufficient for them to afford, in the region of the signatory country where the worker resides, a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing and other essential needs, including the ability to save for retirement and emergencies. Parties agree that it is a violation of the United States-Kenya trade agreement to export products whose production in one of the signatory countries, at any point in the supply chain, involved the payment, to any worker involved in the production process, of remuneration for a standard workweek that was insufficient to meet this standard. Enforcement of this provision shall be subject to the procedures outlined in Sections C and D.
4. **All Workers Covered:** Given the impact of systemic abuse of worker rights on the ability of all workers in an economy to make fair wages, the work of all workers in the economy shall be deemed trade-related and therefore subject to the obligations of this chapter. Lesser coverage would create loopholes that would drive down wages and working conditions in other sectors and in trading partner countries.

5. **No Derogation:** Parties agree not to reduce labor standards, provide formal or informal exceptions to any employer, whether or not to induce a particular investment, or fail to enforce such standards as to any obligation covered by this chapter. Any tolerance of lesser application or enforcement will create loopholes that will drive down wages and working conditions for all workers
6. **Threats and Violence Against Workers are Unacceptable:** A threat, act of intimidation or act of violence against a worker or workers exercising, or attempting to exercise, any of the rights and freedoms protected by this agreement shall be considered a violation of the underlying right or freedom being exercised or attempting to be exercised. Failure to investigate any such threat, act of intimidation or act of violence or failure to prosecute identified perpetrators of any such threat or act shall be considered a failure to enforce the underlying right or freedom and therefore a violation of this chapter.
7. **No Forced or Child Labor:** All trade in goods made, in whole or in part, by forced labor or the worst forms of child labor (as outlined in ILO Convention 182) is banned outright, regardless of the source of such goods. Parties also agree that no Party shall procure goods, regardless of the source of such goods, made with forced labor or the worst forms of child labor. Customs procedures shall be improved to better trace goods' production lines to better identify products made with forced labor and the worst forms of child labor. Such goods shall be denied entry and seized at the border.
8. **Access to Justice:** Parties shall ensure that all persons have appropriate and timely access to tribunals for the enforcement of the Party's own labor laws. Parties shall ensure that cases are resolved without undue delay.
9. **Adequate Inspections:** Parties shall ensure that their domestic laws and regulations provide for adequate and timely access to labor inspectors from any level of government, that denial of lawful access carries meaningful punishment, and that efficient processes are in place to allow unions to seek timely inspections to follow up on alleged violations of this Chapter. In cases in which there is a dispute regarding the level of protection required, the Secretariat and any dispute settlement panels shall refer to ILO Labor Inspection Conventions for guidance.
10. **Non-Derogation by Misclassification:** Parties shall ensure that no person wishing to be protected by this section shall be excluded from such protections by virtue of being misclassified as a temporary worker, fixed-contract worker, subcontracted worker, "independent contractor" or the like. Persons in positions of management as defined in national law, and consistent with ILO guidance, may be excluded from such rights. Parties shall establish legal mechanisms, such as joint and several liability for labor and employment law violations, to help effectuate this obligation.

**11. Non-Derogation by Employer-Dominated Unions or Unions Controlled by the**

**Parties:** To guard against employer-dominated unions or unions controlled by the Parties, unions must be responsible to their members. All Parties must have laws in place requiring that unions provide members with timely access to union bylaws and collective bargaining agreements.

**12. Place of Posting:** Parties shall ensure workers, regardless of their country of origin, are entitled to all rights and benefits of their primary work location (including but not limited to minimum wages and other applicable wage, hour and benefit requirements), regardless of their citizenship, immigration status or national origin, and that adequate effort be made to ensure that workers are provided with access to information in their primary language and in printed format, if requested.

**B. Recruiting Foreign Labor**

1. All migrant workers (regardless of their country of origin or their immigration status within the host country) are to be afforded the same rights and remedies available to nationals.
2. Prior to hiring, each employer and foreign labor contractor/recruiter who engages in foreign labor contracting shall ascertain and disclose to each recruited worker in writing, and in a language the worker understands, definite information on:
  - a. His/her rights under law (including the right not to be charged fees per subsection 3. below) and means of redress for violations;
  - b. Terms of employment, including worksite, compensation, job description, period of employment and employee benefits (e.g., housing, transportation);
  - c. Terms of any work visa, including duration, family provisions, renewal procedures and overseeing government agencies;
  - d. Existence of any union in the relevant sector (and contact details if applicable);
  - e. The nature of any training related to the condition of employment; and
  - f. Other relevant information.
3. Parties shall ensure foreign labor contractors/recruiters are prohibited from charging fees to workers. Employers shall pay the transportation and subsistence costs during the period of travel and recruitment, and any fees charged by the contractor/recruiter. Workers who report being charged fees at any point in the recruitment and employment process shall have recourse to prompt recoupment of fees from employers, while maintaining their visa eligibility.
4. Parties shall ensure that under no circumstance may an employer or labor contractor/recruiter take possession of a worker's passport, visa or other travel documents.

5. Parties shall establish and maintain a functioning public registry system, available in real time, of job offers in relation to employers offering jobs and their relationships to all labor contractors/recruiters who are recruiting workers, so as to prevent fraud and other violations and afford workers a channel to search for available jobs and verify the legitimacy of job offers and terms of employment.
6. Lowering standards or failing to enforce any laws, regulations, or policies covered by this Section shall be a violation of this agreement.
7. Limiting access to legal services, due process or justice systems on the basis of national origin or immigration status shall be a violation of this agreement.
8. Retaliation against workers who exercise their rights under this Section shall be a violation of this agreement.
9. Parties are responsible for ensuring their laws reflect these standards for labor contractors/recruiters and that laws include penalties sufficient to deter violations. In addition, Parties must establish or maintain a process to bar employers and contractors/recruiters from accessing work visas if they violate the terms of this Section, including, but not limited to, the use of visas to drive down wages and working conditions.

**C. Establishment of an Independent Labor Secretariat**

1. There shall be established a Labor Secretariat to address transnational labor issues, to monitor and enforce this chapter, with adequate expertise, staff and resources and to provide research on:
  - a. Best practices for any area covered by this agreement that affects the lives and livelihoods of working people.
  - b. The contribution of the US-Kenya deal toward the creation of stable, secure, family-supporting jobs.
  - c. Wage, job, union, community and public well-being effects of the US-Kenya deal. The Secretariat shall report at least biennially, or more frequently if requested by the Working Group, on such issues as positive and negative impacts of the deal on labor markets, including the transfer of production between nations or regions and the effects on displaced workers; wage effects of the deal, particularly in sectors and industries impacted by significant transfers of production; and community effects of the deal, including impacts on local tax revenues, municipal services, and community enrichment or impoverishment. Special attention must be paid to the impact of "right-to-work" laws on the wages and union density in non "right-to-work" states and in Kenya. The Secretariat shall indicate when negative effects are sufficient to warrant policy intervention by the Parties and shall recommend solutions.
  - d. The Secretariat will be responsible for providing regular, independent and public reports on compliance with this chapter.

- e. In addition to reports referenced in subsection (d), the Secretariat shall research and report on noncompliance alleged by any interested party in submissions made to the Secretariat. The Secretariat shall create an effective mechanism to receive such submissions, which shall be language appropriate. The Secretariat shall establish technical assistance protocols to ensure members of the public of whatever means and background are able to present submissions.
  - f. Reports in response to submissions made under subsection (e) shall be completed within 90 days. The Secretariat may grant itself extensions on reports if necessary. Each extension may consist of a maximum of 30 days and must be published, together with the reasons therefor.
  - g. The Secretariat shall immediately refer submissions alleging violations of Section A.3 to the Expert Wages Panel described in Section D.9.
2. When, pursuant to subsections (1) (c), (d) or (e) above, the Secretariat finds good cause to believe that a Party, employer or recruiter is not in compliance with the chapter, it shall create recommendations for improvement and shall provide technical assistance, where necessary or appropriate, to effectuate the recommendations and bring the Party, employer or recruiter into compliance. Such recommendations and technical assistance will be publicly available, and stakeholders must have a reasonable opportunity for consultation and advice in their development.
3. When, pursuant to subsection 1(g) above, the Secretariat receives report from the Expert Wages Panel affirming the payment of less than decent wages at any point in the supply chain for a good exported from the United States or Kenya, the Secretariat shall work with the relevant government official(s) and the employer(s) in question to raise wages to meet the standard set out in A.3. If such standard is not achieved within six months of the initial finding, the Parties shall cause to be affixed to affected goods (exports from the Party where final assembly is performed, which are made in whole or in part in violation of Section A.3) a label specifying, as applicable, in English and all other relevant languages:
- a. "This good was made in [Party] in a facility in which workers receive less than a decent wage." or
  - b. "This good was made with components made in [Party] in a facility in which workers receive less than a decent wage."

Employers who come into compliance with Section A.3 may petition for a re-evaluation of the wages paid in such facility. If the Expert Wages Panel finds that wages are being paid in compliance with Section A.3, the Secretariat shall notify the Parties that the labels no longer are required. Should the facility(ies) in question remain out of compliance at the end of the first year after the initial finding, the Secretariat shall recommend to the Parties importing such goods that they levy a duty equal to the difference between the wages received by the affected workers in the relevant facility(ies) and the wages they would receive if the facility(ies) complied with the Floor Wage obligation in Section A.3, plus a 20% penalty. The collecting Party shall cause the funds so collected to be distributed to the affected workers who are receiving less than the wages specified in Section A.3. The duties shall continue as described in this section until such time as the Expert Wages Panel confirms pursuant to the procedures specified in Section D.9(b) that decent wages are being paid in the facility(ies) in question.

4. In order to perform its work monitoring, investigating and providing technical assistance for any item described in subsection (1), Secretariat staff shall be free to visit and monitor workplaces within the Parties, to interview workers free from employer or government monitoring and interference, and to visit, observe and assist relevant government offices tasked with securing the rights and freedoms protected under this chapter in a timely manner. Secretariat personnel shall be empowered to recommend to employers and labor officials on-the-spot changes to workplace conditions to bring employers into compliance with the provisions of this chapter, and to otherwise help effectuate the rights of workers and responsibilities of Parties under this chapter.
5. When the Secretariat determines that meaningful progress toward effective implementation of its recommendations has ceased, and if the Party remains out of compliance with this chapter, the Secretariat shall begin dispute settlement procedures subject to the Enforcement Chapter of this agreement. For greater transparency, the Secretariat shall report publicly at least annually on the progress of each open case, including the reasons that case does not yet qualify for closure and, if applicable, the reason why it has not yet been referred for dispute settlement.
6. Cases referred for dispute settlement shall proceed immediately to arbitration, skipping the mandatory periods of consultation and mediation, provided that the case has already been open for at least one year. If the case has been referred for dispute settlement prior to one year, the case shall proceed to the mediation phase outlined in the Enforcement Chapter. Arbitrators shall have expertise in international labor law, or human rights law, or both. The arbitrators shall base their decisions on ILO guidance, including Conventions, reports and recommendations, and may seek technical assistance or request expert reports from the ILO Committee of Experts at any time. The work of a dispute settlement panel may be delayed for a reasonable period, not to exceed 75 days, while it seeks such expertise from the ILO. Should the ILO decline to provide such advice, dispute settlement processes shall resume immediately.

7. As with any other matter that proceeds to dispute settlement pursuant to the Enforcement Chapter, a panel may authorize sanctions in the form of suspension of benefits. In such a case, the panel is directed to authorize such benefits to be suspended as to the specific workplaces identified as problematic in the case; and if that is not practicable, then by specific employers where lack of compliance is documented; and if that is not practicable, then in specific industries in which the lack of compliance subject to the dispute is concentrated; and if that is not practicable, then in specific sectors in which the lack of compliance subject to the dispute is concentrated. The workplaces, industries and sectors thereby will be motivated to come into compliance. The amount of the suspension authorized shall be dissuasive enough to encourage resolution at the initial stages of the dispute and shall bear a relationship to the number of workers affected, the severity of the noncompliance, the length of the noncompliance, and the potential for such noncompliance to induce a race to the bottom by motivating other employers to reduce wages, benefits, safety conditions or other workplace standards. Further, dispute settlement panels are authorized to escalate the level and the breadth of the suspension, or both, if, year on year, the Party has not come into compliance.
8. So long as the Secretariat continues to find good cause to believe that a Party remains out of compliance with the terms of this Chapter, it shall proceed through the steps described in this Section (C) to achieve compliance.
9. Should the Secretariat bring a case that results in a dispute settlement panel authorizing a suspension of benefits against one Party, the other Party shall suspend benefits as described Section C.7.
10. If a Party chooses not to suspend benefits as authorized in Section C.9 or to impose duties as authorized in Section C.3, above, that Party shall publish in writing the reasons therefor. Where a Party declines to suspend benefits or impose duties, the Secretariat may define other remedies. Further, when a Party declines to suspend benefits, interested parties, including workers and unions in either Party, may pursue remedies in the domestic courts of any Party, each of which shall have jurisdiction to decide the case and order damages at law.
11. Experts in labor and human rights law, who may include former officers and staff of the International Labor Organization, shall staff the Secretariat. In no case shall more than 40% of the staff consist of nationals of the United States and no more than 40% of the staff shall consist of nationals of Kenya. Staff shall be considered employees of the Secretariat and shall not be considered employees or officials of either Party. Staff may not simultaneously be an employee, or an elected or appointed officeholder of either Party government, or political subdivision thereof, during the term of Secretariat employment.

12. The Secretariat shall establish and maintain an Office of the Public Advocate to assist interested parties with submissions, promote robust stakeholder participation, ensure affected workers may participate in dispute settlement proceedings, and the like. It shall be the mandate of the Public Advocate to ensure income and language do not pose barriers to workers and unions seeking to ensure Parties comply with obligations.
13. No Party shall have veto power over Secretariat activities, nor shall a Party control, prevent or delay Secretariat activities or the publication of Secretariat reports or recommendations.
14. The Secretariat shall be funded by the Parties on a pro-rata basis, with each Party contributing to the budget consistent with the size of its GDP.
15. The Secretariat shall have at least one office in each Party, which must be accessible to the public. Staff may rotate between the offices in a manner to be determined by the executive director.
16. The executive director of the Secretariat shall be approved by a majority vote of the Working Group and must receive affirmative votes from members from both Parties as well as from each sector (labor, employers, civil society, academics and government). If the Working Group has attempted the complaint process described in D.8, the executive director may be removed for good cause by a consensus, or if consensus cannot be reached, by a majority vote, including affirmative votes from each sector.
17. The executive director shall serve an initial term of five years. To promote balance, no executive director may serve more than eight consecutive years, and no series of executive directors who are nationals of the same Party may serve consecutive terms totaling more than eight years.
18. Interested parties, including workers and unions, are authorized to use the domestic courts of any Party to compel action from the Secretariat if either of the following occur:
  - a. 12 months after an initial submission pursuant to Section 1(e) above, the Secretariat still has not published an initial report; or
  - b. 6 months after the publication of a report pursuant to 1(f) above, the conditions complained of have not materially improved and the Secretariat has not initiated Dispute Settlement.
19. Interested parties, including workers and unions, are authorized to use the domestic courts of any Party to seek damages at law or to compel action from the Secretariat or the Parties if either of the following occur:
  - a. 13 months after an initial finding by the Expert Wages Panel that less than decent wages are being paid in a relevant facility(ies) in violation of Section A.3, the situation has not been remedied and notification labels are not being affixed to covered exports pursuant to Section C.3 above; or



- b. 25 months after an initial finding by the Expert Wages Panel that that less than decent wages are being paid in a relevant facility(ies) in violation of Section A.3, the Expert Wages Panel has not found the relevant facility(ies) in compliance and either or both importing Parties are not levying duties as authorized in Section C.3.

#### **D. Creation of the US-Kenya Wages and Standards Working Group**

1. The Parties shall establish a Wages and Standards Working Group that may consider issues upon its own accord or in response to reports produced by the Secretariat. The Working Group shall include representatives of trade unions, employers' organizations, civil society groups, academia, and government from each Party. The Working Group shall be chaired by an independent eminent person with labor expertise, without voting power, for an initial term of three years. The chairperson shall not hold any elected or appointed office in the government of either Party.
2. The Working Group shall meet at least once a year. Decisions of the working group must include a majority of each sector represented. When the Working Group fails to reach consensus, its published recommendations must include the diversity of opinions of Working Group members. The Working Group shall develop its own rules of procedure, taking into account existing practice of social dialogue.
3. The Working Group shall study, review and consider the impact of the US-Kenya deal on wages, benefits, labor rights, working conditions, inequality, disparities and the creation of stable, secure, family-wage work in order to prevent a race to the bottom, and instead create a cycle of continuous improvement.
4. The Working Group shall be tasked with investigating and reporting on policies that support or promote a degradation in equity, standards of living or quality of life matters, including "right-to-work" laws, tax policies and infrastructure investment, in any Party or locale within the US-Kenya trade area.
5. The Working Group shall consider in its deliberations and recommendations the annual public infrastructure spending of the Parties.
6. If the Working Group determines there is evidence that as a result of, or potentially as a result of, the US-Kenya deal:
  - a. Wages, benefits, labor rights, working conditions, social protections, or the creation of stable, secure, family-wage work are stagnating or falling anywhere in the countries;
  - b. Gender, racial, ethnic or other socioeconomic disparities are growing;
  - c. Income or wealth inequality is increasing;
  - d. Disadvantaged populations are not sharing in economic growth; or

- e. Parties (or political subdivisions thereof) are engaging in harmful race-to-the-bottom policies, the Working Group shall have the authority to do any or all of the following:
  - i. Recommend changes to US-Kenya labor provisions or to national laws, or both;
  - ii. Recommend actions to the Secretariat; and
  - iii. Develop recommendations for renegotiation of the US-Kenya deal.
 Any such recommendations shall be public.
- 7. The Working Group may request information or reports from the Secretariat at any time. The Secretariat shall respond promptly to information and report requests.
- 8. The Working Group shall monitor the work of the Secretariat. On the basis of sufficient evidence, the Working Group shall have the power to launch an official complaint to the Executive Director of the Secretariat for the Secretariat's shortcomings and failures to deliver on its mandate. Upon receipt of such a complaint, the Secretariat must reply within 30 days in writing, with measures to be taken to correct the shortcoming or to explain the reasons for rejecting the complaint.
- 9. The Working Group shall be advised by an Expert Wages Panel. The panel shall be composed of seven people who possess appropriate academic credentials and a record of research and publication demonstrating substantial expertise in relevant fields, including, but not limited to, wage and welfare economics, labor markets, wages and benefits, public health and calculations of costs of living, and who have not been employed by or received significant compensation from a for-profit corporation or labor union at any time in the past five years.
  - a. The Panel shall publish biennially, or more regularly if directed by the Working Group, advice for amending national wage laws and rates in order to improve standards of living in the US-Kenya trade area. The Working Group shall consider and include this advice in any recommendations made pursuant to Section 6 (above).
  - b. The Panel shall be tasked with analyzing submissions referred from the Secretariat that allege that goods or services have been traded between the Parties that fail to meet the commitment in Section A.3. For each referral received, the Panel shall perform a cost-of-living analysis and pay practices investigation specific to the exported goods in question and issue a report to the Secretariat within 90 days. The report shall state the panel's conclusion, in the affirmative or negative, as to whether pay practices by relevant employers yielded remuneration, at the time of the alleged violations, insufficient to meet the standard referenced in Section A.3, and also providing the data and analysis supporting the panel's conclusion and indicating the extent, as well as the fact, of any violation. The panel's reports must be endorsed by at least five of its seven members.

#### **E. Collective Bargaining**

The existence of international labor standards does little to enhance cross-border labor relations, as these standards are framed for employment relations within one jurisdiction. Thus, we need a framework that could give employers and workers the ability to address labor relations matters across borders. The deal must specifically allow workers in unions employed by a common employer in both countries to jointly organize unions and negotiate binding collective agreements. As part of the deal, employers with operations in both countries, shall recognize and bargain with, *if established by the workers themselves*, a supranational (also known as transnational) labor organization, which may take the form of a partnership, alliance, coalition, international union, or other structure as the workers themselves may decide. Such supranational organizations must have the opportunity, should they request it, to negotiate a binding enterprise-wide agreement, which individual workplace agreements could build upon, with greater specificity at the workplace level. Supranational labor organizations also will have the authority to engage in other concerted activities for the purpose of collective bargaining. In no case may such agreements authorize wages below the floor wage level for the region in which a workplace is located. Enforcement of such agreements would be subject to the national and subnational laws of the applicable jurisdiction, as appropriate. Failure to provide for this supranational bargaining shall be a violation of this chapter.

#### **F. US-Kenya Corporate Coordinated Labor Law Coverage**

Worker rights have been undermined by a dynamic in which companies move jobs and production to countries with the weakest labor laws and standards. To address this problem, all companies with operations in both the United States and Kenya shall adopt, maintain and implement labor policies and practices that guarantee all workers in countries covered by this agreement rights that meet or exceed those provided for by law in a company's home country, unless doing so would be directly unlawful in the country in which those workers are located. For added certainty, this provision does not in any way weaken or eliminate requirements to comply with all labor laws and standards in the country in which a company is operating.

LETTER FROM AFL-CIO DIRECTOR OF GOVERNMENT AFFAIRS DATED JULY 27, 2021



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Congress of Industrial  
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# AFL-CIO

AMERICA'S UNIONS

July 27, 2021

The Honorable Chris Van Hollen  
Chair  
Subcommittee on Africa and Global Health Policy  
444 Dirksen Senate Office Building  
Washington, D.C. 20515

Dear Chairman Van Hollen:

I am writing to share the views of the AFL-CIO and the millions of workers we represent regarding today's hearing on U.S. Trade and Investment in Africa. As it has been for many years, our goal is to expand growth and broadly-shared opportunity on the continent, while advancing our interests here at home. Existing trade rules have had limited success advancing the economic interests of the African people. Rather, they have allowed multinational companies and certain governments to take more than they have given to the citizens of these great nations.

The business community has largely viewed Africa as a location to source textiles, apparel and other similar items without advancing the rights and interests of workers. Organized labor in the United States has been a trusted and long-term partner with our colleagues in many African nations. We have shared interests in promoting programs that will help lift people out of poverty, create a vibrant middle class and foster democratic ideals and workers' rights. Programs – properly designed and implemented – can be a force for progress. Labor leaders and workers should have a seat at the table as these discussions advance and programs are designed.

The Labor Advisory Committee (LAC) submitted comments to the Office of the USTR consistent with its statutory authority reflecting the Committee's opinions on the potential negotiations to reach a U.S.-Kenya Trade Agreement during the Trump Administration (document attached).

The Honorable Chris Van Hollen  
 July 27, 2021  
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Nevertheless, I believe it is appropriate to identify some of the concerns voiced by labor in general regarding the potential for expanding trade with Africa, an objective we view as worthwhile:

- Negotiating trade agreements with African nations presents unique challenges. In Kenya, for example, more than four-fifths of the workforce is in the informal sector and effectively beyond the reach of any labor regime. New rules, capacity building and empowerment approaches along with monitoring and enforcement mechanisms must be developed.
- Given the serious labor rights challenges present on the continent, trade and investment deals with African nations must contain strong and enforceable labor standards. The labor provisions should serve as the floor, not a ceiling, for future trade deals. Organized labor has identified a number of specific changes that are needed to improve upon the USMCA model in terms of standards, implementation, monitoring and enforcement that must be included in any future trade agreements.
- Many of the exports from certain African nations are the product of export processing zones which have become notorious for workers' rights abuses. Specific proposals are needed to not only address the workers' rights abuses, but to expand growth, opportunity, and prosperity more broadly in signatory countries.
- Any agreement must spur the growth of a strong middle class in the signatory countries. This requires the development of indigenous capabilities and continent-wide economic engagement and servicing rather than developing export-led approaches. The signatory countries must be viewed as more than simply commodity suppliers. They must have the opportunity to participate throughout the economic chains.
- Development strategies must be included that counter the beggar-thy-neighbor approaches of countries like the People's Republic of China which have sought to procure minerals and energy sources without advancing domestic interests. Corruption and commodity harvesting have been the norm, contributing to further hardship.
- Development strategies must be included that counter the beggar-thy-neighbor approaches of countries like the People's Republic of China (PRC) which have sought to procure minerals and energy sources without advancing domestic interests. The PRC now holds at least 21 percent of African debt[1] and mining investments into Sub-Saharan Africa between 2006 and 2017 are estimated at \$33 billion USD--representing at least 12 percent of PRC investments in all economic sectors.[2] Corruption and commodity harvesting have been the norm contributing to further hardship.

The Honorable Chris Van Hollen  
July 27, 2021  
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This represents only a few of the many provisions and objectives which must be developed as part of a foundation for considering trade negotiations with African nations. There are opportunities to advance the interests of workers in all signatory countries, but that requires rejecting the current multinational and investor-led approach in favor of a development and growth strategy.

As the Subcommittee continues its work, we look forward to providing more in-depth comments and welcome the ability to formally participate in your work.

Sincerely,



William Samuel  
Director, Government Affairs

Attachment

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- [1] <https://www.washingtonpost.com/politics/2021/02/26/pandemic-has-worsened-africas-debt-crisis-china-other-countries-are-stepping/>  
[2] <https://link.springer.com/article/10.1007/s13563-020-00233-4#Sec1>