



DOLLAR & SENSE: THE BROOKINGS TRADE PODCAST

“Did the US-Africa Leaders Summit meet its objectives?”

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Episode Summary:

David Dollar speaks with Aloysius Ordu, senior fellow and director of the Africa Growth Initiative at Brookings, on the outcomes of the recent U.S.-Africa Leaders Summit. Ordu, host of “Foresight Africa” podcast, describes the summit’s objectives, speaks to trade and investment issues, public health, and the new positive attitude from the White House toward the region.

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DOLLAR: Hi, I'm David Dollar, host of the Brookings trade podcast Dollar and Sense. Recently, Washington hosted almost 50 African leaders for a summit focused on trade, investment, and security. My guest today is Aloysius Ordu, head of the Africa Growth Initiative at Brookings, and we're going to talk about this summit. I should mention that Aloysius hosts his own Brookings podcast called Foresight Africa, which will be back with new episodes in the New Year. So, welcome to the show, Aloysius.

ORDU: David, always a pleasure. Always a pleasure. Good to see you.

DOLLAR: So, let's start with the big picture. What were the main objectives of this Africa-U.S. summit and were they met?

ORDU: Yes, fair question indeed. I think that a couple of objectives to bear in mind. One, from the U.S. standpoint, leveraging the best of America. The best of America in terms of the whole of government approach, the U.S. business community and the private sector, the U.S. civil society—to see all these as partners with the African countries. I think that's a very, very important reason for this.

The second is the recognition that Africa is a key geopolitical player. With 1.3 billion people projected to reach a population of 2.6 by 2050, according to the United Nations. It's clearly very, very tough for anybody to take such a huge market for granted, and I think this administration can see the merit of that.

Another reason is really the collaboration with Africa is key to tackling a number of global challenges. Right? Tomorrow's workforce we already indicated because of the population. The Congo Basin, the second largest lung of the world, it's in Africa, as we know. You know, minerals, rare earths, which are going to be very important for electric power, electric cars and all of that to address climate change. Abundance, sheer abundance of gas—Nigeria, Algeria, Mozambique, to name a few. That will help us in the transition to, you know, energy transition. And of course, the largest solar farm on earth is the Sahara Desert, when we figure out how to actually tap that.

So, for all these reasons, I think these are really the main objectives.

And, of course, for the U.S. as well, this summit was a chance to change tone, David, because the previous administration, as you know, under the Trump administration, dismissed the African continent as derogatory words like “shithole countries.” Here comes Biden administration, the Biden-Harris, a chance to do a reset and reaffirm U.S. commitment to the continent. And, of course, now that the president has announced a visit to Africa following previous visits by Cabinet secretaries, Blinken, et cetera, I think this this is all part of the reasons and therefore the objectives of the summit.

DOLLAR: I should add that Aloysius and his colleagues at the African Growth Initiative have a recent publication called “Five Reasons Why Africa is Important to the United States.” And we'll get into some more of that as we get along.

Let's start with trade and investment issues. African countries value their access to the U.S. market, particularly through the Africa Growth and Opportunity Act, AGOA, which is going

to expire in 2025. So, looking at AGOA, but just more generally at trade and investment issues, what are African countries looking for from the United States?

ORDU: Off the bat, a renewal. A renewal, I would say ten years of AGOA, which comes to ... when it expires in 2025 and actually not to wait. Now is the time, right? This window of the next two years. Because, David, as you and I who are living and working in the nation's capital, we both know the one area of bipartisanship in Congress is AGOA. The Republicans and the Democrats basically agree on AGOA, and so, seize the opportunity while it lasts. Obviously, the only other area where Republicans and Democrats agree, as you and I know, is also China bashing in Africa. Okay?

So, let's do good. Let's do positive things by renewing AGOA for a variety of reasons. AGOA is a chance to actually focus on trade and investments with Africa to create job opportunities for our people. Because what will Africans like to see, you said? You know, more aid for trade to address supply-side constraints at home rather than the ... higher U.S. FDI in Africa is really, really warranted, because if you notice what has been happening, at least the data we have until the last two years or so, you know, U.S. investment, U.S. trade with Africa and has been going down, whereas other competitors have been basically rising—China, India, the Middle East, the richer countries in the Gulf, et cetera.

So, investments are needed to transform raw commodities into semi-processed and manufactured goods for AGOA purposes. That's really how the U.S. can help Africa in the next renewal. Encourage export of light manufacturing.

So, renewing AGOA would also offer predictability. Right? Because under the previous administration, you had this system where, the U.S. was beginning to pivot to do bilateral deals with Kenya, hoping then to do bilateral deals with many African countries. Not certainly not the way to go, when the Africans themselves have come together and created the largest, by a number of countries anyway, the African Continental Free Trade Area.

And so negotiating with Africa through the auspices of the African Continental Free Trade Area is the way to go. And of course, Brazil, Russia, India, as I mentioned, the Gulf states, they are making inroads. And AGOA offers a wonderful opportunity for the U.S. to basically be present and compete effectively for mutually beneficial trade and investment on the continent.

DOLLAR: You mentioned that quite a bit of U.S.-Africa trade has been going down. Part of that is that the U.S. has become energy self-sufficient. So, it's not really a net importer of energy anymore. And it's mostly a service economy. So, it's less dependent on natural resources than say, China is in comparison. But you mentioned light manufacturers. That is an area where potentially the United States could import a lot. Is that realistic for African countries to move into export-oriented manufacturing?

ORDU: It is indeed realistic, which is why the U.S. investments could be targeted. Right? So, if you think of the supply side constraints, a major supply side constraint, as you know, in Africa is infrastructure. Everybody talks about China, China investing in infrastructure in Africa. It happens to be true.

But David, here is the key: for the U.S. not worrying about what China is doing, et cetera, but let's just say the 55 billion that was announced as part of the last three days for the U.S. end,

imagine this, they just set aside 5 billion of the 55 billion as grant funding to de-risk infrastructure investment projects on the African continent. The project preparation, the social and environmental impact, the fiduciary, the financial, the economic, and have them as bankable projects for U.S. entities to then compete. That 5 billion could go a long way in preparing over \$150 billion of investments, which are already identified by the Program for Infrastructure Development in Africa, PIDA.

And so, this kind of intelligent approach to Africa to just say, well, wait a minute, we can spend 5 billion and unleash 200 to 300 to \$1 trillion of investments. I think Africans will never forget that. If you remember post-World War, the U.S. approach to Europe was really to unleash their presence and infrastructure. Here we're saying this is 2022, focus on helping Africans de-risk infrastructure and then crowd in U.S. energy and the private sector to come and finance it.

DOLLAR: Yeah, I like this a lot, Aloysius. You know, the U.S. general attitude is leave everything up to the private sector, which can work to some extent. But there are a lot of environments in which it's hard to get the private sector. So, basically what I hear you saying is there's a whole software around infrastructure construction, feasibility studies, environmental assessments, social safeguards, financial accountability, fiduciary responsibility, all of these things. This is actually what the U.S. is good at. You know.

ORDU: Precisely!

DOLLAR: The U.S. is an advanced economy that does all of these things. And the hardware side of building power stations, building highways, et cetera. That's really not that hard. And the Chinese are focused on that and they're good at it. If we could use grant funding, as you suggest, and help African countries with that software, then they get a lot more value out of other financing. Plus aside from the Chinese, there is a potential to bring in the private sector if you de-risk things as you're discussing.

One thing I want to ask you, being a podcast interviewer is a little bit like a lawyer, you're supposed to know what the answer to a question is when you ask it. This one I don't know, but I'll just pitch it out there. As China has been developing this big infrastructure program in Africa, you know, I read about a U.S. initiative called Power Africa, or I think of it as kind of a U.S.-launched initiative. You know, is this an example of what you're talking about? Has it achieved the kind of things you're talking about?

ORDU: In a way ... not quite, because it's early days also, as you know. Right? In terms of to fully assess the contributions of Power Africa. I mean, the idea of investing in power when what you and I were talking about was really a little less money that goes to de-risking power projects across the continent. And if you can imagine that we wake up tomorrow and this area, this particular sector, which is so catalytic as far as dimensions of infrastructure is concerned—if you have electric power, you have better health; if you have electric power, you have access to rural areas and communities, education, connectivity and all—power is, as you and I know, so central.

So, if Power Africa, where to basically focus on this de-risking of projects in that sector, then, you know, the GEs of this world and--I mean the U.S. has demonstrated competence in a number of these entities that are bloody good at financing power plants that ... look at the Congo Basin, the Congo River. How many times have we heard about the possibility of

generating electricity from that. But the amount of money needed to actually prepare the Grand Inga Dam, which would supply the entire Central Africa all the way to West Africa, and Southern Africa is a little bit of money. But we keep dismissing and say, oh, there's corruption there, et cetera, et cetera. That little bit of money, if it could be funded, then you can bring in the GEs of this world and the Siemens and all these companies to really make it happen.

So, that's how I would say Power Africa could actually help it if it were to focus on this sort of de-risking. Right?

You may have seen today Witney Schneidman, who's an AGI, a Brookings AGI nonresident fellow, was just announced today as the coordinator for Prosper Africa, which is another entity, other than Power Africa. So, this appointment is good because Witney and I, as people here, as scholars here in AGI, we've been debating these issues for a while. And as coordinator for Prosper Africa, he will carry that message along in terms of for Power Africa, for DFC, for U.S. aid.

You know—we could go on and on and on about entities in the this nation's capital, which are all Africa facing. You and I arrive China tomorrow, and we're talking of Africa, we only need to knock on two doors and we'll finish our business. In the U.S., you have to knock on so many doors. I think a time for realignment may also be warranted, in my view, so that you don't have too in multiplicity, because you know, the cost of doing business for the Africans themselves is inextricably higher if they're having to deal with Prosper, Power, DFC, et cetera, et cetera. So, these are some things that will be very important to coordinate better and make the U.S. take advantage of the opportunities in Africa.

DOLLAR: One of the highlights of this week for Brookings was you hosted the president of Botswana in a public event. And the news coverage I saw, I interpreted his remarks to be that Africa does not want to be a competing ground for superpowers. And he was sending a message presumably to both the United States and China, and, of course, also Russia and emerging powers like India not to be treating Africa as a site of competition. So, could you elaborate a little bit on his comments?

ORDU: Sure, David, President Masisi spoke for many, many Africans, and of all the guests in the nation's capital, or 50 of them or so, there are only few like President Masisi of Botswana who can really speak to this issue and speak competently as well. Because, remember, Botswana is one of the best managed countries in the developing world. When people say best managed in Africa, I always hesitate, right—one of the best managed in the developing world, you know. Top ranked in Transparency International; in Mo Ibrahim ranking. Well-endowed with mineral resources, with macro fiscal that many, many countries would envy. Consistent democratic and leadership changeover from administration to administration, which is not the case in the rest of the continent or elsewhere in the developing world.

And, interestingly, David, on the sidelines of the Bank-Fund annual meeting, I had the finance minister of Botswana, the finance minister of Zimbabwe, the central bank governor of Ghana, and the central bank governor of Uganda for a fireside chat here on our platform at Brookings. And, you go to the 18th and 19th Street, Oh, Africa, Russia, Ukraine, Africa debt crisis, Africa food, Africa, you know, this, Africa, they're all negative.

DOLLAR: Everything's a crisis, yeah.

ORDU: Exactly. We have these four Africans on our platform in Brookings and you hear a completely different narrative. You hear the Botswana finance minister telling us that, I said, how did you cope with the COVID 19? She said, Well, Mr. Ordu, you do know that we have over 18 months of import cover? David, you and I, as macro economists, if a country has three months of import cover, that's bloody good, right? They have 18, you know. Where would you hear that? Right?

And so this danger of a single story. And that's why it was really great to have somebody like President Masisi to come and talk to us so that this is not ... great power rivalry is really not what Africans are looking for. Okay? Africa is want to be treated with respect. Africans want people to come and compete because it makes sense to be in that market, not because you want to basically say this other competitor shouldn't be there or whatever. So, I think he spoke volumes for many Africans.

DOLLAR: Let's come back to your study on five reasons why Africa is important to the U.S. I want to talk a little bit about one of the ones you highlight, which is public health. Obviously, many public health issues are global. And of course, we've been living through the COVID pandemic. So, we've been reminded very powerfully of this. We had pretty poor cooperation globally during the COVID pandemic and pretty poor assistance from rich countries to developing countries. So, what are you pragmatically suggesting in your report?

ORDU: I think, David, when COVID hit, if you think of what was happening across the global economy at the time, there was some form of de-globalization, if you like. Right? And then at the time when you would have imagined that this is a global pandemic, once in a lifetime chance of this for the world to come together, to tackle this. That's not what happened.

And if there was one continent that was ready to act and acted in unison, it was the African continent. A few years before COVID, they had set up the African Center for Disease Control, which was already networking all of Africa's assets to produce vaccines and therapeutics, et cetera. But we didn't know then, that of course, COVID will happen.

You had the African Continental Free Trade Area. You had the African EXIM Bank. You had the African Development Bank. There was a coming together of Africans and some African sons and daughters were also marshaled to go find these vaccines, et cetera. And the African Export-Import Bank made available \$2 billion to procure vaccines for Africa.

David, Africans had the money, but they couldn't buy any vaccines. Every other country in the North was trying to hoard as much vaccines as possible. And so what you had was basically a clear message to Africa that when push comes to shove, you're on your own. That was the main lesson from COVID, an overarching lesson. Even when the vaccines became available universally, we still have a lot of unvaccinated people on the African continent today. Because we don't have access to as much as we would like to have. But here in Chevy Chase, Maryland, I can assure you I've been vaccinated five or six times, you know. I go to my village, there are many people in Nigeria who have not been vaccinated once.

So, this is why the health dimension of the five point agenda we articulated makes a lot of sense, because unless we are safe everywhere in Africa, then the rest of the global community

is not safe. Right? The thing with these pandemics and these viruses and all that, they don't carry passports, right? No, they can basically travel. And that's why it's important to focus on reimagining the health sector on the continent and investing in the production of vaccines and therapeutics on the continent. And the U.S. has a key role to help to play in helping with those investments.

DOLLAR: I think we have time for one more issue from your report, Aloysius, and I really was interested in this material on food security. I think we've got long-term issues of water shortage in Asia leading to food scarcity driving up prices long-term. And then in the short-term, you've got the Russian invasion of Ukraine, which is obviously been a humanitarian disaster. And one aspect of that is driving up the price of food. So, what do you see as the priorities for food policy in Africa and potential for U.S.-Africa cooperation?

ORDU: Very, very important. David, talking of the size of the market again. Right? The import bill, the food import bill into the continent of Africa last year was \$46 billion. That's a hell of a lot of money. Right? And so, this is happening at a time when the continent is replete with green areas that have not seen the Green Revolution. When the Green Revolution happened in India, you and I recall, the magic of the Green Revolution was what, improved varieties or hybrids; agronomic practices, extension, et cetera; irrigation water readily available when the farmer wants it, not when the bureaucrats want to release it, when the farmers, this is the key, right? And then tonorial systems, et cetera. That's the magic of ... Bihar, Orissa and some of the Gangetic States in India never saw the revolution because they couldn't follow distance, whereas the Haryana and Punjab and Western U.P., the sources of Green Revolution, I mean, basically we know what happened there.

And so, this magic is also well known and entrenched in the United States, which is why it is a major, major food producer. This is why we're saying, therefore, that the U.S. in the area of agronomic practices, et cetera, the U.S. has a key role to play in partnership with the continent, because for a continent like Africa to be dependent—Russia invades Ukraine and all of a sudden Africans are desperate for food, this is ridiculous. The continent that is really has all these all this abundance, if you like.

And so, I think a lot of lessons has been learned from this, and the switching of the diets is also warranted. In many countries in Africa where bread is not necessarily the staple, they are saying what crisis? Right? Because in Uganda, for example, bread is not a major part of their diet. And so, the food crisis, they don't see it the way the Egyptians, for example, will see it, or the Moroccans in North Africa. So, I think the U.S. basically on the technological aspects of agricultural productivity, I can't think of a better country in terms of partnership with the African continent.

DOLLAR: Last question, Aloysius, is more open ended. Where are you optimistic about the prospects for Africa-U.S. relations and where are you pessimistic about prospects for U.S.-Africa cooperation?

ORDU: I mean, David, I was born near Christmas, so naturally I'm disposed to optimism.

DOLLAR: Yeah. Yeah, me too.

ORDU: A couple of things, I think, because I think we can all underestimate the change of tone. Right? And the change of tone by the Biden-Harris administration vis-à-vis Africa is

absolutely important. Because when we respect each other and we conduct business in a civilized manner, we can actually trust each other and we can do far much more. I think that's, you know, carrying it forward is important.

And I think that President Biden's commitment to support the permanent membership of the African Union in the G-20, I mean, I think he can push through with it, obviously, because this is a no brainer. I mean, we in Brookings AGI, as you know, we've been pushing for this ever since when Coul was director of AGI, et cetera.

So, I think those are all optimistic basically developments. And the 55 billion in trade and investment, some people might say, is it too small? I think it's huge, I think it's a good start. You know. And I, you know, basically the appointment in particular, the appointment as announced yesterday of Ambassador Carson to actually follow through on these commitments, because you and I know we make commitments, but if there is no follow through, then what are we going to discuss next time we meet? Right? And so, these are areas where I'm very optimistic that the follow through will be important.

But for the Africans, I just wish, David, that African leaders and policymakers, before going to these sort of summits, can actually sit down together and agree, not ten, one or two things they are going to position themselves to ask for. What is their ask? So, in a way, in terms of pessimism, I just wish that they will learn the lesson and get ready, be prepared before future gatherings of this kind.

Second, I just wish that, Biden traveling to Africa is one thing, but how about hosting the next summit not on U.S. soil, but on African soil? That would also be very, very important.

But where I may be pessimistic is that I would have like the 55 billion announced that 3 billion or 5 billion, as we discussed, was set aside for de-risking infrastructure projects, power, roads, bridges water sanitation, ICT, et cetera. If 5 billion could have been set aside for projects that Africans themselves have identified on that PIDA, Program for Infrastructure Development, and the AU presidents have already signed off on these projects across the continent. Right? If 5 billion of that 55 could have been set aside to de-risk this, then I would have been much, much happier with the outcomes.

DOLLAR: I'm David Dollar and I've been talking to my colleague Aloysius Ordu. I really enjoy our conversations, Aloysius, because you know so much about what's happening and there are a lot of positive stories in Africa, and they always come out when we talk. So, I really value that. Africa is not just the headlines of conflict and crisis—there's a lot of positives. And I take your point that this summit has really changed the attitude in a sense of the U.S. government toward Africa, much more positive and collaborative. So, I appreciate that.

And I just want to also tell my listeners, we're going to take a short break for the holidays. We'll be back on January 9th instead of January 2nd. And Aloysius is going to be back with Foresight Africa podcast early in 2023. Thank you.

ORDU: Thank you very much, David. Have a good afternoon.

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DOLLAR: Thank you all for listening. We release new episodes of Dollar and Sense every other week. So, if you haven't already, follow us wherever you get your podcasts and stay tuned.

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Until next time, I'm David Dollar and this has been Dollar and Sense.