

20-3 What US Strategy Gets Wrong About China in Africa

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In December 2018, the Trump administration released the *New Africa Strategy: Expanding Economic and Security Ties on the Basis of Mutual Respect*, outlining a three-pronged strategy for furthering US interests in the region: advance commercial ties and US investment; counter radical Islamist organizations like ISIS, al Qaeda, and their affiliates; and curb US development assistance and support for UN peacekeeping operations (Bolton 2018).

Prosper Africa, the economic centerpiece of this new strategy, was later announced in June 2019, with the stated goal of substantially increasing two-way trade and investment between the United States and African countries. Thus far, Prosper Africa has been more notional than a coherent set of policies. It mainly focuses on harmonizing US government activities and programs for trade promotion with the continent, with “deal teams” in US embassies to streamline partnership development; facilitating transactions and providing some limited financing to catalyze development of new industries; and promoting “fair” business climates and robust financial sectors. The program’s main “wins” have been an announced \$20 billion investment by Texas-based oil company Anadarko and \$5 billion in US Export-Import Bank financing, both to Mozambique, a southeast African nation rich in offshore hydrocarbon deposits.¹

In February 2020, the Trump administration announced intentions to open negotiations with Kenya for a bilateral trade deal, which would be the first of its kind between the United States and a sub-Saharan African economy (González 2020).²

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1 “Anadarko approves \$20 billion LNG export project in Mozambique,” Reuters, June 18, 2019, www.reuters.com/article/us-mozambique-anadarko-lng/anadarko-approves-20-billion-lng-export-project-in-mozambique-idUSKCNITJ2DI; “EXIM Approves \$5 Billion to Finance U.S. Exports to Mozambique LNG Project,” September 26, 2019, www.exim.gov/news/exim-approves-5-billion-finance-exports-mozambique-lng-project.

2 The Morocco–United States Free Trade Agreement went into effect in 2006.

While ostensibly a US-Africa strategy document, the country that looms largest in the *New Africa Strategy* isn't even on the continent: China. In remarks outlining the strategy, then national security advisor John Bolton mentioned China 25 times. China and Russia together were mentioned more than the 54 African states *combined* (Bolton 2018).³

This fact is evidence of a troubling reality: The United States does not have an Africa strategy so much as it has a strategy for addressing rising Chinese—and to a lesser extent, Russian—engagement on the continent. The rhetoric harks back to the Cold War: “Great power competitors, namely China and Russia, are rapidly expanding their financial and political influence across Africa. They are deliberately and aggressively targeting their investments in the region to gain a competitive advantage over the United States” (Bolton 2018). While Bolton is no longer in the administration, there is no evidence to suggest the Trump administration's thinking on Africa has changed: Before the House Foreign Affairs Committee in November 2019, Assistant Secretary of State for African Affairs Tibor Nagy noted advancing US interests on the continent requires the US government to “promote security and stability, expand trade and investment, harness the incredible potential of Africa's dynamic people, and counter malign influence from China and Russia”—in the first paragraph.

That Chinese engagement with Africa—both economically and politically—has increased in the past two decades is inarguable. However, US-Africa strategy is rooted in three misconceptions about China's African footprint—and a fourth about US-Africa economic relations—that are either factually incorrect or overstated in terms of the broader strategic challenges they pose to US interests:

- 1 Chinese engagement in Africa crowds out opportunities for trade and investment with and from the United States;
- 2 Chinese engagement in Africa is resource-seeking—to the detriment of US interests;
- 3 Chinese engagement in Africa is designed to foster debt-based coercive diplomacy; and
- 4 US-Africa economic linkages are all one-way and concessionary (i.e., aid-based).

This Policy Brief interrogates these assumptions and finds them wanting. There is little evidence to suggest Chinese trade and investment ties crowd out US trade and investment opportunities. China's resource-seeking bent is evident in investment patterns, but it is more a function of Africa's having comparatively large, undercapitalized resource endowments than China's attempt to corner commodity markets. Chinese infrastructural development—particularly large projects associated with the Belt and Road Initiative (BRI)—may result in increased African indebtedness to the Chinese, but there is little reason to think

3 This pattern also emerges in the 2017 National Security Strategy of the United States of America: The section on Africa mentions no African states by name but refers to China or Chinese interests three times (Trump 2017).

debt per se will vastly expand Chinese military capacity in the region. And finally, US-Africa economic relations are much less one-sided and concessionary (i.e., aid-based) than conventional wisdom suggests.

While the United States cannot afford to be Pollyannaish regarding increasing Chinese presence on the continent, its Africa policy should be guided by a more realistic appraisal of Chinese engagement there. These misconceptions have real economic and security consequences. On the economic front, US policy continues to emphasize US investments in Africa's extractive sector, when the United States might ultimately be better served by investing in sectors that better leverage its comparative advantages—like technology and high-end services. On the security front, these misconceptions undermine political will for the United States and China to cooperate—or at least coordinate—around shared interests in the region, particularly the deteriorating maritime security situation in the Gulf of Guinea, which has emerged as the region most affected by maritime piracy (Joubert 2019). Under the Obama administration, coordination among the United States, China, and African partners was successful in combating piracy and illegal fishing in the western Indian Ocean (Cheng 2017). Continuing to premise US policy toward Africa on these misconceptions will come with real costs.

In addition to counseling sobriety regarding China's presence in Africa, this Policy Brief sketches a more practical, Africa-centric US economic policy. The United States should deepen economic ties with African economies, both by articulating a clearer vision for Prosper Africa and by replacing the unilateral African Growth and Opportunity Act (AGOA)—which has afforded many African economies preferential market access for their products to the United States since 2000—with mutually agreed-upon principles and terms, rather than concessionary, one-sided market access agreements.

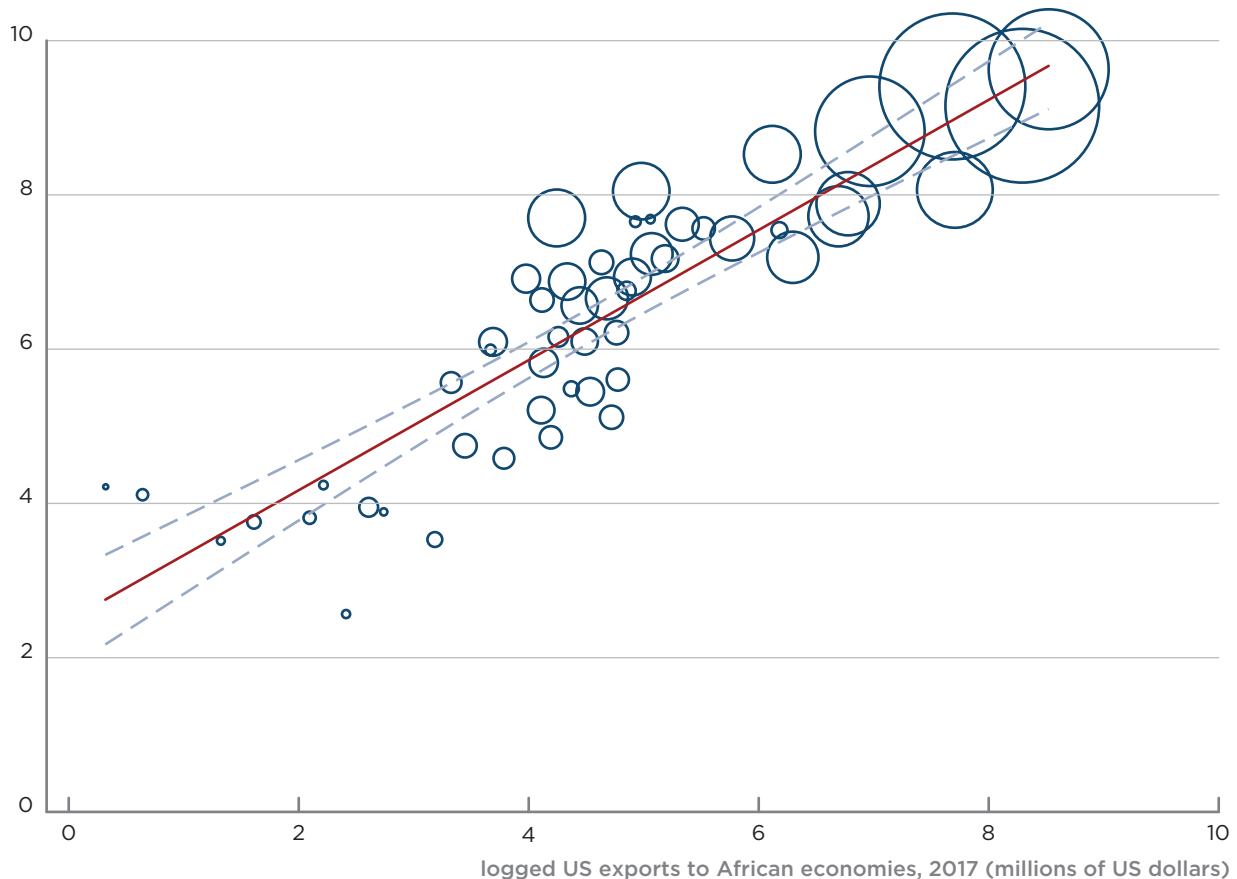
MISCONCEPTION 1: CHINESE ENGAGEMENT IN AFRICA CROWDS OUT OPPORTUNITIES FOR TRADE AND INVESTMENT WITH AND FROM THE UNITED STATES

Under the Trump administration, US officials increasingly see trade and investment in zero-sum terms, with winners and losers (Blanchard and Collins 2019). This is true generally and with respect to Africa: Each dollar of Chinese goods purchased or investment made in Africa represents a dollar not flowing to US exporters or building US presence on the continent. In a show of some bipartisan consensus, Senator Chris Coons (D-DE) and Commerce Secretary Wilbur Ross contend “China is pursuing a neo-mercantilist vision that uses investment in infrastructure to secure an economic foothold, from which it is attempting to secure political, diplomatic, and in some cases military access, with potentially serious consequences for U.S. interests from Central Asia to Eastern Europe and Africa” (Ross and Coons 2018).

These claims—that Chinese exports and investment crowd out US exports and investment, to the detriment of the US economy—do not hold up to scrutiny.

Figure 1
Higher levels of Chinese exports are associated with higher levels of US exports

logged Chinese exports to African economies, 2017 (millions of US dollars)



Note: Data markers are weighted according to country GDP at purchasing power parity. Logged Chinese and US exports to African economies are highly correlated ($r^2 = 0.79$). A one-unit increase in (ln) Chinese exports to a given African economy is associated with a 0.6-unit increase in (ln) US exports to the same country (see appendix A for regression estimates).

Source: SAIS-CARI (2019).

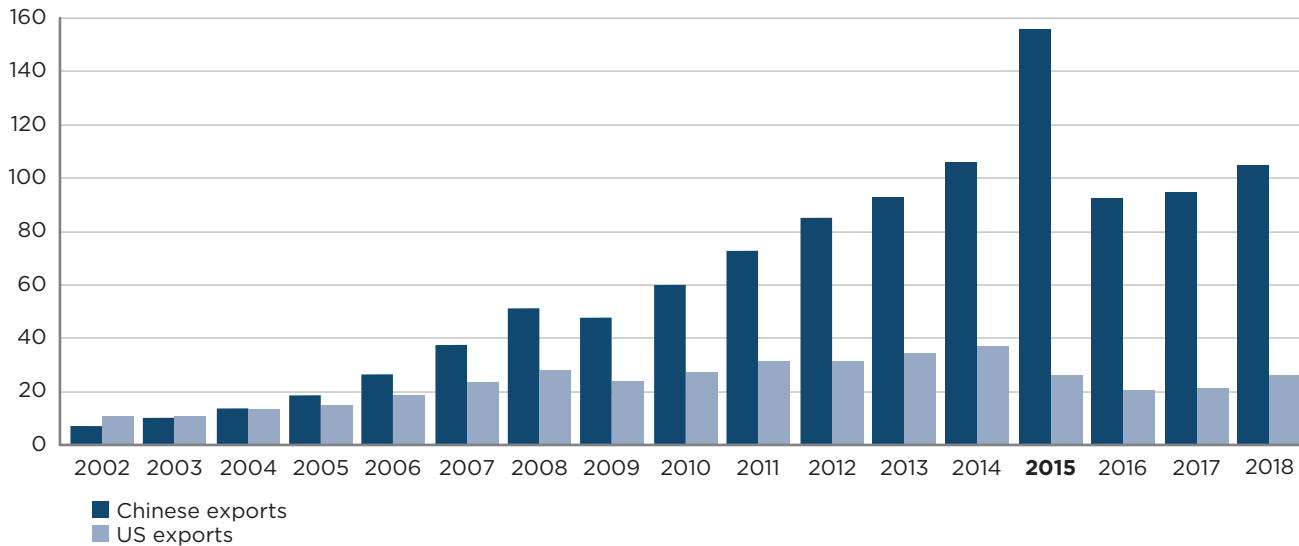
On trade, US and Chinese exports tend to flow to the same African economies, even when accounting for destination market size (GDP at purchasing power parity exchange rates) and per capita income.⁴ Figure 1 plots Chinese and US exports to African economies in 2017. The two clearly track each other, due in large part to larger economies attracting larger volumes of imports. Higher levels of Chinese exports are associated with higher levels of US exports. If direct competition and substitution are occurring, it is not immediately evident in the data. These estimated relationships are not causal—but on first blush, they put the lie to the notion that Chinese exports crowd out US exports on the continent. Moreover, there are no credible, peer-reviewed estimates to suggest Chinese exports to Africa crowd out exports from African industrialized

4 A simple regression model including (ln) GDP, (ln) GDP per capita, and (ln) Chinese exports fits (ln) US exports very well ($r^2 = 0.85$). Regression results are in appendix A.

Figure 2

China exports more to the continent primarily because US firms do not specialize in goods most African markets either demand or are in a position to buy

Chinese and US exports to Africa, 2002-18 (billions of US dollars)



Source: SAIS-CARI (2019).

economies (notably South Africa) to the rest of the continent, even these data point to only *relative* declines, with absolute values of South African exports to the continent increasing despite Chinese market penetration (Jenkins and Edwards 2015). The administration's strong claims of crowding out do not rest on firm empirical footing.

One related point is inarguable, however: China exports more to the continent than the United States (figure 2). In the early 2000s, Chinese and US exports to Africa were roughly equal. Beginning in 2006, however, Chinese exports began growing rapidly while US exports remained relatively stagnant. By 2015, Chinese exports were six times higher than US exports. But there is a logical reason for this spike in Chinese exports. US firms do not specialize in goods most African markets either demand or are in a position to buy. Befitting the United States' large capital and land endowments, US exports are dominated by high-end services, including travel, business services, and charges for use of intellectual property; technology-intensive industrial machinery; vehicles; and agricultural products. While there is vast potential for demand growth in Africa as per capita incomes rise, African markets for high-end services and industrial machinery—two markets in which US exports are highly competitive—are still nascent.

US automobile and truck exports exemplify the mismatch between US supply and African demand. Globally, US vehicle exports are dominated by models primarily intended for the US market, which favors comparatively expensive sport utility vehicles (SUVs) and full-sized pickup trucks (US Department of Commerce 2015). Meanwhile, light trucks and subcompact cars dominate the

African market.⁵ Of all the leading US export sectors, agriculture is the one currently best-positioned to capitalize on Africa's increasing food demand and urbanization.

Meanwhile, China's rapid economic growth has been fueled in large part by exports of low-cost manufactured goods (Amiti and Freund 2010). Consequently, Chinese manufacturers have come to dominate global markets for low-cost consumer electronics like televisions and cellular phones, domestic appliances, and apparel—precisely the type of products for which demand has surged across Africa over the last two decades (Young 2012, Radcliffe 2018).

The gap between Chinese and US exports to Africa, therefore, could be attributed to income-based market segmentation and consumer demand there rather than direct, zero-sum competition.

The picture regarding foreign direct investment (FDI) is more mixed. Chinese and US FDI stocks in Africa are positively correlated, but the relationship is weaker than that for exports ($r^2 = 0.37$ for (ln) FDI stocks as of 2017 vs. $r^2 = 0.79$ for 2017 exports), indicating Chinese and US FDI flow to somewhat more different African economies than their exports. However, there are logical reasons for this difference. As discussed in the next section, China invests mostly in fuels and minerals, so a large share of its investment has gone to resource-rich and institutionally weak economies (Kolstad and Wiig 2012, Hendrix and Noland 2014). China does not face the same domestic constraints on engaging in corrupt practices abroad that many developed countries, including the United States, do. A more permissive environment for corrupt practices back home gives Chinese firms a competitive advantage over constrained developed-country firms in corrupt environments.

The US Foreign Corrupt Practices Act (1977) significantly constrains US firms from investing in many African economies. Nearly a quarter of the US FDI stock on the continent (23.6 percent) is invested in Mauritius,⁶ a country with just 1.2 million inhabitants but that scores the highest on the continent on the World Bank's control of corruption indicator (Kaufmann, Kraay, and Mastruzzi 2010). Moreover, the US shale revolution has tamped down US demand for energy imports and investment in production capacity abroad, while deindustrialization has diminished demand for raw materials, which make up a secularly declining share of US imports. In the main, Chinese and US FDI on the continent do not appear to compete so much as they target different institutional environments and resource endowments.

5 Only three US-badged vehicles, the Ford Ranger pickup, Fiesta subcompact, and the Chevrolet TFR, appear in the top 20 vehicles sold across the 42 largest motor vehicle markets in 2017 (Focus2Move 2018). Of the three, only the Ranger is manufactured in the United States, though vehicles sold in Africa are built at plants in Nigeria and South Africa.

6 If South Africa is included, the third-best performer on the continent (behind Mauritius and São Tomé and Príncipe), the share rises to 40 percent. Comparatively corrupt Egypt and Nigeria also have significant shares, owing to enhanced security and economic cooperation since Egypt's peace agreement with Israel and significant oil deposits and infrastructure investment in Nigeria.

MISCONCEPTION 2: CHINESE ENGAGEMENT IN AFRICA IS RESOURCE-SEEKING—TO THE DETRIMENT OF US INTERESTS

The 2017 US National Security Strategy, the top unclassified document outlining US national defense policy and strategy, makes this point directly: “China is expanding its economic and military presence in Africa, growing from a small investor in the continent two decades ago into Africa’s largest trading partner today. Some Chinese practices undermine Africa’s long-term development by corrupting elites, dominating extractive industries, and locking countries into unsustainable and opaque debts and commitments” (Trump 2017).

To be fair, Chinese investment in Africa has been largely resource-seeking—at least in the recent past. Chinese FDI has certainly been concentrated in natural resources: Since 2005, 72.4 percent of major Chinese investment deals in Africa, totaling nearly \$64 billion, were in the natural resource sector, split among energy (34 percent), metals (37 percent), and agriculture (1 percent).⁷ Just five countries—the Democratic Republic of the Congo, Niger, South Africa, Mozambique, and Nigeria—accounted for nearly half of all these deals. The relevant questions are: (1) Is this concentration of investment in the resource sector surprising, and (2) is this inherently inimical to US interests? In both cases, the answer is no.

China’s rapid economic development has come with a voracious appetite for raw materials, particularly industrial metals and fuel. Africa has vast natural resource endowments and, owing to low levels of industrialization, vast export potential. African countries are estimated to have 32 percent of the world’s bauxite reserves, 52 percent of coltan, and 74 percent of rock phosphate, as well as valuable deposits of a host of other industrial metals (USGS 2019). During the commodity boom, Africa’s oil reserves increased more in percentage terms (35.7 percent) than any region, save South and Central America.⁸ Despite high levels of food insecurity, Africa also holds 60 percent of the world’s uncultivated arable land (Roxburgh et al. 2010). It would be more surprising if Chinese investment were *not* targeting Africa for access to raw materials: It’s where the available supply is.

The idea Chinese investments are inherently threatening US interests hinges crucially on the assumptions that these investments simply reallocate property rights to a more-or-less fixed pie of nonrenewable resources *and* would allow Chinese interests to corner these markets, which would constrain supply, push up prices, and render the United States with unreliable access to these strategic resources. Barring developments in asteroid and extraplanetary mining, the nonrenewable resource base is in some sense fixed. But the 21st century commodity boom, during which prices of industrial metals and fuels skyrocketed, catalyzed a wave of investment and exploration effort that resulted in large increases in reserve estimates for most industrial metals and fuels (table 1). This

7 Calculations are based on Scissors (2019). Note this 72.4 percent is virtually identical to that reported by Kotschwar, Moran, and Muir (2012) on the share of Chinese outward foreign direct investment targeted at the resource sector in Latin America. Within the metals category, the top commodities for Chinese FDI in Africa were copper, aluminum, and steel.

8 South America’s proven reserves skyrocketed with discoveries in Venezuela’s Orinoco Belt in 2008 and 2010, causing the region’s reserves to increase by 237 percent from 2000 to 2018. Excluding Venezuela, the region’s reserves grew at a more modest 27.6 percent over the same period (author’s calculations based on BP 2019).

Table 1
Estimated global reserves of crude oil and key industrial metals

Commodity	Estimated reserves		Estimated reserve growth 2000-18 (percent)
	2000	2018	
Bauxite	25 billion mt	30 billion mt	20
Copper	340 million mt	830 million mt	144
Iron ore	74 million mt	84 million mt	14
Lead	64 million mt	83 million mt	30
Crude oil	1,299.8 billion barrels	1,729.7 billion barrels	33
Natural gas	154.3 trillion cubic meters	196.9 trillion cubic meters	28
Nickel	46 million mt	89 million mt	93
Tin	7.7 million mt	4.7 million mt	-39
Uranium	3.7 million tU	7.64 million tU ^a	107
Zinc	190 million mt	230 million mt	21

mt = metric tons; tU = tons of elemental uranium

a. Most recent reserve estimate from 2016.

Sources: USGS (2000, 2019), BP (2019), and OECD-IAEA (2016).

point is borne out in project-level data as well: Roughly half (52 percent) of Chinese extractive/energy investments in Africa since 2005 have been greenfield investments in new projects (Scissors 2019). These are not simply cases of reallocating shares of a fixed resource base. Cumulatively these investments—and the global, goldrush-like frenzy to find new resources during the commodity boom—have substantially increased the size of the relevant pies, lowering prices for US consumers and firms for which these resources are key inputs (see Hendrix and Noland 2014 for a more in-depth treatment).

Moreover, these investments have not resulted in dominant, potentially market-cornering shares for Chinese firms in these commodities, which, with the exception of uranium, are relatively widely traded. The one commodity in which China would seem to have a dominant, leverage-conferring market position is rare earth elements, which are used in various products, such as iPhones, electric car motors, military jet engines, satellites, and lasers. However, China dominates this market not because it has cornered supply but because it is less sensitive about the environmental impact of production. But its position is eroding. After China strategically curtailed rare earth exports in 2010, producers in the United States and elsewhere have been recapitalized and are diversifying supply. Since 2010, China's share of global rare earth production has decreased from 98 to 63

percent.⁹ In December 2019, two US-based companies, USA Rare Earth and Texas Mineral Resources Corp., announced the opening of the first heavy and light rare earth minerals processing facility outside China.¹⁰

MISCONCEPTION 3: CHINESE ENGAGEMENT IN AFRICA IS DESIGNED TO FOSTER DEBT-BASED COERCIVE DIPLOMACY

The Trump administration's strategy for Africa asserts that "China uses bribes, opaque agreements, and the strategic use of debt to hold states in Africa captive to Beijing's wishes and demands" and further suggests that the balance of power in the Horn of Africa—which is located near some of the world's busiest shipping lanes—might shift to China due to its military installation in Djibouti—opened in 2017—and control of a container terminal there (Bolton 2018). Speaking in September 2019 at the US-Africa Leadership Forum, Secretary of Commerce Wilbur Ross said plainly that "China is aggressively extending loans to African nations for large projects that benefit nobody other than China" (Ross 2019).

China has invested significantly in creating dual-use transportation infrastructure, particularly ports and railroads, and has become perhaps the foremost global lender in this sector. Much of this investment and lending has come under the auspices of the Belt and Road Initiative, a vast network of infrastructure and development projects intended to better connect China's economy to partners in Asia, Europe, and around the Indian Ocean. These development projects typically consist of infrastructure projects financed via Chinese loans and often using Chinese contracting firms for construction.

The stated goal of the BRI is to create a new silk road that will stimulate economic development in several regions that sorely need it. The unstated, more nefarious goal attributed to it by security analysts in the West is that it will put BRI-linked economies in precarious, debt-laden positions from which they will have to defer to Chinese interests, among them the stationing of military bases on their territory.

Besides the issue of whether such a development would truly shift the balance of power—in addition to the Chinese base, Djibouti hosts bases and troops from US NATO allies France, Germany, Italy, and Spain, as well as US ally Japan, and the United States' own Camp Lemonnier, by far the largest of these installations (Melvin 2019)—there is a broader question. Are African states amassing unsustainable Chinese debt *and* will this debt result in the stationing of Chinese bases on their territory?

Surely, some African states may find themselves amassing significant Chinese debt in pursuit of BRI-linked infrastructural development, and this debt will logically reduce their diplomatic autonomy from their creditors. A recent Center for Global Development analysis of BRI-linked countries identified Kenya and Ethiopia as countries at "significant risk," with Djibouti at "high risk," of amassing

9 Author's calculations based on USGS (2020).

10 The pilot facility will be located in Wheat Ridge, Colorado, while the permanent facility will be located in Texas ("USA Rare Earth and Texas Mineral Resources Corp Announce Opening of First Heavy and Light Rare Earths Processing Facility Outside of China," *CISION PR Newswire*, December 16, 2019, www.prnewswire.com/news-releases/usa-rare-earth-and-texas-mineral-resources-corp-announce-opening-of-first-heavy-and-light-rare-earths-processing-facility-outside-of-china-300975088.html).

unsustainable debt based on existing debt levels and loans associated with in-development BRI projects (Hurley, Morris, and Portelance 2018). Of these three, however, Djibouti is the only one with public and publicly guaranteed debt above 60 percent of GDP, which is highly concentrated in Chinese creditors—and the country already hosts a Chinese base. Djibouti is thus in a unique position among BRI-linked African states.

But assuming these debt problems expanded to more African states, would they result in basing rights for the Chinese? Not necessarily. First, Chinese responses to debt distress in debtor countries have not been uniform and have not included military demands. Rather, they have ranged from debt forgiveness (including in Guinea, a country with vast deposits of strategically significant bauxite) to restructuring and debt-for-equity swaps, the most prominent being a 99-year lease on a port in Sri Lanka (Hurley, Morris, and Portelance 2018).¹¹ Second, it presumes basing rights would logically follow from debt leverage. Most governments are unwilling to pay the sovereignty costs of having a foreign base on their territory unless they are compelled—either by security concerns or economic leverage/enticements—to do so.

As China's global economic ties deepen, its national interests increasingly require it to project force beyond the Asia-Pacific region, especially in the case of fuel and minerals, which entail massive investments in fixed assets abroad. Even if China were not so heavily invested in extractives, its dependence on foreign natural resources compels it to invest in significant military capacity in order to secure supply lines. It is logical that China is attempting to increase its footprint in the Indian Ocean basin, including in and along East Africa (Hendrix 2016). Moreover, Chinese involvement in constructing, financing, and operating port infrastructure surely provides the Chinese government with intelligence-gathering opportunities and potential power projection capacity in the event of an actual conflict (Devermont and Chiang 2019). But it does not follow that the said footprint will inevitably result from Chinese debt leverage. It will likely result from African states' strategic calculations of their own threat environments and perceptions of mutual interest.

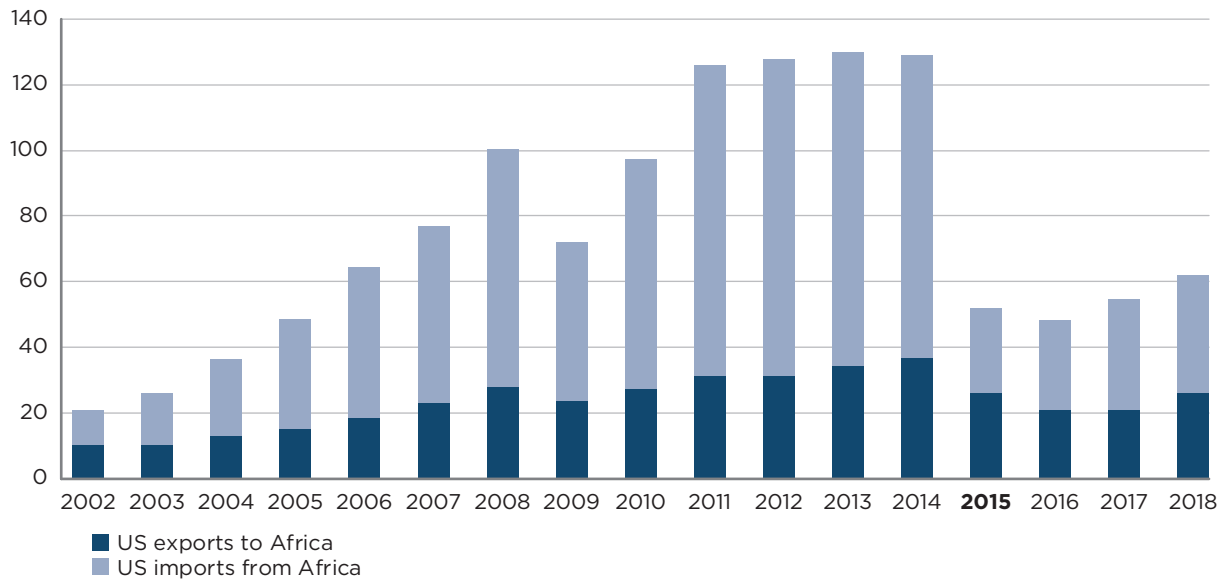
MISCONCEPTION 4: US-AFRICA ECONOMIC LINKAGES ARE ALL ONE-WAY AND CONCESSIONARY (I.E., AID-BASED)

Since the Obama administration, there has been an emphasis on reframing US-African economic relations around “trade, not aid.” This perspective builds off a wave of anti-aid tomes from the late 2000s, which argued development aid had been ineffective in spurring economic growth and a net negative for Africa, specifically (Easterly 2006, Moyo 2009). This perspective has bipartisan

11 In one instance (Tajikistan), China exchanged debt forgiveness for disputed territory. For obvious reasons (territorial contiguity), this situation is not applicable to African countries. The Sri Lankan case is an interesting one: Though India is Sri Lanka's nearest neighbor, it is arguably its most significant security threat as well. India provided resources and logistical support for Tamil separatists during Sri Lanka's 26-year civil war, and the navies and coast guards of both countries are in recurrent low-level standoffs over seizures of fishing vessels of the other country's nationals. India is the only country with which Sri Lanka has been in a state of “severe rivalry,” in which the states see each other as enemies and competitors (Colaresi, Rasler, and Thompson 2008). In 2018, the two countries were in a diplomatic spat over an alleged (and ultimately discredited) Indian-backed plot to assassinate then Sri Lankan president Maithripala Sirisena.

Figure 3
US imports from the continent have consistently surpassed exports since the early 2000s

US trade with Africa, 2002–18 (billions of US dollars)



Source: SAIS-CARI (2019).

support, with both Obama-era officials—including the president himself (Obama 2016)—and the Trump administration hewing to the line that trade, rather than development assistance, is necessary to promote growth and further US interests in the region. In laying out the Trump administration’s new strategy for Africa, Bolton (2018) stated this perspective forcefully: “Unfortunately, billions upon billions of US tax-payer dollars have not achieved the desired effects...they have not led to stable and transparent governance, economic viability, and increasing development across the region.”

The “trade, not aid” narrative paints 21st century US-African economic engagement as both entirely one-way and concessionary. This picture is highly inaccurate. As recently as 2014, two-way trade between the United States and Africa topped \$120 billion. US imports from the continent have consistently surpassed exports since the early 2000s (figure 3). The trade deficit ballooned through the mid-2000s and early 2010s due to high commodity prices, but since 2015, two-way trade has been more balanced.

Moreover, US imports from Africa consistently outpaced US development assistance to the region in the 2000s. This is a testament to the success of AGOA, which has provided eligible African countries with quota- and duty-free access into the United States for certain goods since 2000. Between 2002 and 2016, US official development assistance to Africa averaged \$7.3 billion per year while US imports from Africa averaged \$53.6 billion.¹² In 2018, US goods imports from Africa totaled \$35.7 billion, with total aid expenditures for 2018—the most

¹² Development assistance data are from OECD (2018); trade data are from SAIS-CARI (2019) and US Census (2019).

recent year for which comprehensive data are available—totaling \$8.6 billion (SAIS-CARI 2019). Even excluding imports from major oil suppliers Nigeria, Angola, and Algeria, US goods imports from Africa were more than double US development assistance to the region. Add to this FDI flows from the United States to Africa, which averaged \$3.4 billion per year between 2002 and 2016, and the narrative of development assistance dominating trade and investment linkages simply does not make sense.¹³

Furthermore, US development assistance *has* helped Africa achieve increased development. Evidence on the direct link between aid and economic growth is mixed, with some studies finding positive effects (Minoiu and Reddy 2010, Galiani et al. 2017) and some no effect (Rajan and Subramanian 2008, Dreher and Langlotz 2017). However, this research looks for direct effects on economic growth rates, rather than poverty alleviation or other indicators of human development and wellbeing, like infant mortality, where the effects of aid are more positive and clear (see Gyimah-Brempong [2015] for health outcomes across Africa and Kotsadam et al. [2018] on infant mortality in Nigeria). Well-targeted aid can promote stronger democratic political institutions and rule of law (Jones and Tarp 2016), with democracy having strong indirect effects on growth via greater investment in education and health (Doucouliagos and Ulubaşoğlu 2008, Acemoglu et al. 2019). The direct effects of aid on development are murky, but the indirect effects, operating through human capital development and institutional reform, are more uniformly positive.

THE PATH FORWARD

This Policy Brief has interrogated four premises guiding US-Africa diplomatic and economic engagement and found them either factually incorrect or significantly overstated. These four premises notwithstanding, there is still vast room for deepening US-Africa diplomatic and economic relations in ways that will balance China's emerging influence there.

First, the Trump administration needs to articulate a clear vision for Prosper Africa. The Anadarko and Export-Import Bank financing deals, while welcome, represent a very business-as-usual approach to US investment and trade promotion on the continent, with both deals targeting Mozambique's extractive (liquefied natural gas) sector. A more forward-thinking approach would revolve around catalyzing development of emerging industries. Though much smaller than the massive Anadarko deal, Microsoft's investment in two new technology centers in Lagos, Nigeria, and Nairobi, Kenya, are more emblematic of how the United States might capitalize on its preeminence in technology and high-end services.¹⁴

Second, the United States needs to realize development assistance will be crucial to achieving Prosper Africa's stated aims. Promoting fair business climates and robust financial sectors will require significant advances in controlling corruption and basic capacity-building, both human capital and technology.

¹³ Author's calculations based on data from SAIS-CARI (2019).

¹⁴ "Microsoft Launches \$100m Development Centres In Nairobi And Lagos," *Forbes*, May 13, 2019, www.forbes.com/sites/tobyshapshak/2019/05/13/microsoft-launches-100m-development-centres-in-nairobi-and-lagos/#38887e282c2a.

These are not activities that private capital markets typically finance—they relate to the broader environment necessary to attract and cultivate private financing in the first place. Despite pessimism, there are good reasons to believe development assistance can promote good governance (Jones and Tarp 2016)—and better governance augurs well for US investment prospects on the continent. Better governance will level the playing field between US firms and those from countries, like China and Russia, that are not similarly encumbered by US regulations. This assistance may be direct or indirect, flowing through multilateral lenders like the World Bank. Indeed, operating through multilaterals may provide useful opportunities for pooling investment capital across the major donors, including China, in ways that will improve oversight and increase aid effectiveness. And while direct US-China cooperation around development projects is not at all likely under the current administration, these indirect ties may help establish better footing for future US-China relations in Africa under different presidential leadership.

Third, the United States needs to begin planning for life after AGOA, which is set to expire in 2025. While AGOA has created tangible benefits for African economies, it is not a trade or investment deal *per se*: AGOA provides preferential market access for African economies in the United States, but it is unilateral and nonreciprocal in nature. Given the small export volumes for US firms to the continent in the 1990s, this program made sense as an element of US development assistance, in line with earlier unilateral preferential access agreements for partners in East Asia. But as African economies continue to grow in both size and complexity, future US-African trade and investment relations will need to be guided by mutually agreed-upon principles and terms, rather than concessionary, one-sided market access agreements. If successful, negotiations between the United States and Kenya could become a template for similar agreements with other emerging African economies (González 2020). But these negotiations will be unlikely to bear significant fruit unless US policymakers premise US-Africa policy in a realistic assessment of China's role in Africa and understand that US-African economic relations are more two-way and less concessionary than conventional wisdom suggests.

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APPENDIX A

REGRESSION ESTIMATES

Table A.1 reports the results of the regression of ln US exports to African economies (model 1) and ln Chinese exports to African economies in 2017, the latest year for which comprehensive data are available. Trade data are from SAIS-CARI (2019) and GDP and GDP per capita data are from IMF (2019).

Table A.1

Regression estimates for ln US exports to African economies

Variable	ln US exports, 2017 (1)
ln GDP (PPP), 2017	0.365*** (0.106)
ln GDP per capita (PPP), 2017	0.205** (0.093)
ln Chinese exports, 2017	0.632*** (0.095)
ln US exports, 2017	
Constant	-2.469*** (0.890)
Observations	53
R-squared	0.845

PPP = purchasing power parity

Note: Robust standard errors are in parentheses. *** p < 0.01, ** p < 0.05, * p < 0.1.



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