

# What the USA's Prosper Africa trade initiative means for the continent

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The United States (US) announced in July 2021 that the Prosper Africa initiative, launched in 2019 under the Trump administration, would be renewed and reinvigorated to increase reciprocal trade. The renewed initiative will focus on improving trade and investment in sectors such as infrastructure, energy and climate solutions, healthcare and technology. An additional \$80 million has reportedly been requested to support its projects. The 17 US government agencies working as part of this initiative have a mandate to, among other things, empower African businesses, offer deal support and connect investors from the US with those in Africa. Also noted at the renewed Prosper Africa launch is the intention to focus on trade projects that support women, and small and medium enterprises in Africa.



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When President Trump introduced the US Africa strategy at the end of 2018, he said the US would promote intraregional trade and commercial ties with its African allies, thus shifting its focus from “indiscriminate aid” to one of trade and investment and positioning the US as a more sustainable alternative to what he termed “predatory” Chinese and Russia interests in Africa. Under President Biden, US engagement with African countries will reportedly focus on strengthening these trade relationships in a strategic, co-operative and reciprocal way. The Biden administration has pointed out that its focus in Africa will be less on countering Chinese influence in the continent and more on the vision of “shared prosperity” between Africa and the US.

## Import/export values

The value of imports and exports between the US and Africa between January and July 2021 outlines the current, non-reciprocal nature of trade between the two regions. The United States Census Bureau (Census) data show that in this timeframe, the US imported goods from Africa valued \$6.3 billion more than the goods it exported to the continent. The US exported goods to the value of \$14.7 billion to Africa, and it imported goods from Africa to the value of \$21 billion. Thus, Census statistics show that there is potential for trade between the US and Africa to be greatly increased, when compared to other US trading partners. For example, between January and July 2021, US goods exported to the United Kingdom were valued at \$35.3 billion, and goods imported into the US from the UK were valued at \$32.1 billion.

The Biden administration is reportedly also supportive of the African Continental Free Trade Area agreement (AfCFTA), which kicked off in January 2021. AfCFTA is a landmark free trade deal that aims to bring together 54 African countries with a combined population of more than one billion people and a combined GDP of over \$3 trillion. Now that AfCFTA has launched, Biden is likely to look at new, reciprocal trade agreements with Africa that complement this continent-wide free trade agreement. Such new trade agreements are expected to eventually replace the non-reciprocal African Growth and Opportunity Act (AGOA), which allows duty- and quota-free exports from eligible African countries into the US, but which is due to expire in 2025. AGOA was signed into law by President Clinton, and Presidents Bush and Obama extended it during their tenures.



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All future trade agreements signed between the US and African countries will have to align with AfCFTA's trade stipulations and, considering Biden's environmental stance, new agreements will likely also include climate change provisions and tariffs on high-carbon imports. Biden will also focus on trade agreements that don't disadvantage US businesses and consumers.

## Infrastructure

However, for free trade across the continent to be successful, infrastructure is urgently needed to facilitate the free movement of goods and services across Africa's borders. There is therefore an urgent imperative to address the infrastructure funding gaps in, for example, transportation, energy provision, internet access and data services, education, and healthcare infrastructure projects in Africa.

The US is already a major player in funding African infrastructure projects. For example, according to IJ Global data in Baker McKenzie's report, [New Dynamics: Shifting Patterns in Africa's Infrastructure Funding](#), two US development agencies - the Export-Import (Exim) Bank of the United States and the Overseas Private Investment Corporation - funded infrastructure projects to the value of \$4.7 billion and \$3.6 billion, respectively, between 2008-2020.

The US hasn't kept pace with Chinese lending for African infrastructure projects - IJ Global data from the same report reveals that the China Exim Bank lent \$29 billion to African infrastructure projects in the same timeframe, 2008-2020. However, Biden's renewed focus on impact-building and financing strategic long-term projects in the region is encouraging, as is his administration's willingness to work with regional development finance institutions to reduce the infrastructure gap.

Africa needs strong partnerships to address its development challenges so that, among other things, its trade and investment potential with major global players can be fully reached. As such, the Biden administration's renewed Prosper Africa initiative, as part of its sustainable and reciprocal approach to Africa, is expected to lead to a plethora of

opportunities for investors in both the US and Africa.

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