# HOW SHOULD AMERICA RESPOND TO ECONOMIC OPPORTUNITIES IN AFRICA?

## IS AFRICA IMPORTANT TO THE UNITED STATES?

The African continent is a major source of strategic raw minerals and oil. It accounts for about 75 percent of the world's platinum supply; 50 percent of the world's diamonds and chromium, including high-grade ferrochromium ore; and 20 percent of all gold and uranium supplies, as well as lesser amounts of tantalite, tin, iron ore, coal, and other minerals. Recent discoveries off the shores of Ghana and Liberia, along with inland ndings in Kenya and Uganda—when added to the barrels coming out of Angola, Equatorial Guinea, Nigeria, and South Sudan—are pushing Africa's share of world oil reserves to 10 percent. From its production of 316,000 barrels per day in 1965, Africa is now producing 5.8 million barrels per day, according to current research, and is delivering $235 billion in oil revenues annually, enough to cover 20 percent of Africa's 2011 gross domestic product (GDP).

Beyond oil, Africa has great energy potential. Its hydroelectric potential is second only to Asia's, but it uses only a fraction of this potential for power.

The continent is also endowed with vast renewable sources of energy, with up to 14,000 megawatts of geothermal potential and uncharted potential in solar and wind energy. Furthermore, Africa is the second-largest continent in the world after Asia, with a total land mass more than three times that of the United States. It has a rich and dynamic mosaic of resources, which includes forests and woodlands, arable land, mountains, deserts, coastal lands, and freshwater systems. If managed sustainably, those resources hold vast opportunities for development, which can bring improvements in human well-being. About 630 million hectares of the African land mass is suitable for cultivation, which could support the majority of the African people through subsistence and commercial agriculture, but less than a quarter of that land is being farmed. The potential is remarkable.

However, more important than the continent's resource potential are the human element and the increasing stable, democratic governance. These factors augur well for Africa to emerge as the new international tiger for growth and investment. Africa has 1 billion people. That population is increasingly healthy, more educated, and more in need of consumer goods. Young people are returning from schooling and sometimes exile in Europe and America to their home countries in waves. They are bringing with them higher educational levels, professional skills, information technology skills, energy, and optimism, which they can apply to new enterprises in these countries. Manufacturing and industrial potentials are only beginning to be tapped.

Africa is also developing sophisticated nancial instruments and undergoing a banking revolution fostered by the information technology revolution. In 2010, the McKinsey Global Institute's study, [illegible] [illegible], caused great excitement in the investment community when it reported that 6 of the 10 fastest-growing economies in the world were African and that Africa had the highest return on capital in the world.[1] The number of countries is now up to seven. More recently, in 2012, the Renaissance Capital group released a study that says Africa will be the "most exciting and rewarding continent [in the world] for the next 30 years."[2] The report adds that by 2050, Africa will "produce more GDP than the U.S. and Eurozone combined do today, and its basic social, demographic, and political realities will also be transformed." As journalist Chrystia Freeland wrote in a 2012 article in the [illegible] [illegible], there is a "growing consensus among some of the world's smartest money that the next big emerging market may be Africa."[3]

## BUT, IS AFRICA STABLE?

The drawback for investors in years past was regional con ict as well as corrupt and inept governance. Although high-pro le con icts still exist in eastern Democratic Republic of Congo, Mali, South Sudan, and Sudan, the era of constant coups d'état is gone. The Africa of the 1970s and 1980s saw wars of liberation in the Portuguese territories, apartheid rule in South Africa, colonial rule in Rhodesia and Southwest Africa, and myriad "strong men" ruling country after country. Those rulers were put in power by coups or the departing colonial rulers—they were not elected—and they were often kept in place by patronage from great powers contesting the Cold War. A responsible and transparent leadership is emerging, prompted by the "African Spring" of the 1990s, when democracy movements swept the continent after the end of the Cold War. Democratic, multiparty rule, and stability are becoming the norm, with 27 out of 49 Sub-Saharan African

> Africa is one of the few policies around which bipartisan coalitions are possible in the current polarized political atmosphere in the United States.

countries declared free or partly free by Freedom House in 2012.[4] Renaissance Capital projects that the majority of Africa's countries will be democracies by 2050, and continental trends seem to back this projection.[5]

## WHERE HAS AFRICA BEEN IN U.S. PRIORITIES?

Given Africa's vast economic potential and relative stability; its increasingly modern, sophisticated, urbanized markets; and its professional and entrepreneurial class, investors from Organisation of Economic Co-operation and Development (OECD) countries, Brazil, China, India, Japan, and Turkey have begun to move in on a large scale. The U.S. private sector is catching on, made more comfortable by reports such as those from McKinsey Global Institute and Renaissance Capital. So where do the U.S. public and private sectors stand with respect to this trend?

On June 14, 2012, President Barack Obama's presidential policy directive on Sub-Saharan Africa was made public with great fanfare in front of an audience of more than 125 activists; academics; students; and business, advocacy, and nongovernmental organization leaders. The policy document consisted of four core components and strategic priorities: (a) strengthening democratic institutions; (b) spurring economic growth, trade, and investment; (c) advancing peace and security; and (d) promoting opportunity and development.

Those components were basically the same four pillars put forward in 2008 by then-candidate Obama, and they have been the ruling doctrine on African policy for the past four years. In those years, U.S. foreign direct assistance has gone primarily to health- and human-related services (70 percent), with the bulk of the rest on security issues. Although many labeled the new directive as "old hat"—just building on past African initiatives like the Africa Growth and Opportunity Act (AGOA) under President Bill Clinton or the President's Emergency Plan for AIDS Relief under President George W. Bush—the administration began to put some teeth into the most promising of the strategic priorities: economic growth. On July 18, 2012, Michael Froman, the U.S. deputy national security adviser for international economic affairs, told the chamber of commerce in Nairobi, Kenya, about the directive, saying it came at a time when "Africa is on the rise. It is important that it succeed. And we want to be a key partner in its future."[6]

Subsequent initiatives—such as the extension of AGOA's Third Country Fabric Provision in August 2012 by Congress, with White House support, or the Increasing American Jobs through Greater Exports to Africa Act, which passed in the fall of 2012—are laudable. Such initiatives have been

> “The United States could f nd no more positive or pro f table a nail to hang its U.S. policy hat on than Africa, and such a policy would bring the United States in line with the efforts of China, Europe, and other investing nations to help create that level playing f eld...”

further reinforced by the Doing Business in Africa Initiative of the U.S. Department of Commerce. Furthermore, initiatives such as those have been bolstered by the aggressive extension of resources and facilities by agencies with a mandate to spur U.S. private sector investment such as the Export-Import Bank of the United States and the Overseas Private Investment Corporation (OPIC). The Private Capital Group for Africa was formed in 2012 by the United States Agency for International Development (USAID) to work with a group of high-end capital investment rms to “foster greater investment to support key development objectives in Africa.” Other laudable efforts include trade promotion activities by the Of ce of the United States Trade Representative for Africa and private sector initiatives by the Corporate Council on Africa. In a recent conversation, a high-level National Security Council (NSC) of cial told this author that the NSC has reached out to the Africa Union to coordinate strategy on an AGOA renewal or enhancement. Finally, there is little doubt that the reelection of President Obama has freed him up to make a stronger initiative on Africa, something he was reluctant to do in a rst term. Planning meetings that this author has attended indicate that a presidential trip to Africa is in the works, and its primary focus will be on trade, investment, and economic growth.

## WHERE CAN THE UNITED STATES MAKE A DIFFERENCE, AND WHAT MAKES A DIFFERENCE TO THE UNITED STATES?

So it appears that U.S. of cial policy is going to offer an increased focus on Africa. The Presidential Policy Directive on Global Development, which was signed early in 2012, underscores the centrality of economic growth to developing and focusing U.S. efforts on global health, climate change, and food security—all of which seem to inform of cial programs in Africa. Certainly, a U.S. policy that focused on a comprehensive, coordinated economic plan for U.S. involvement in Africa would help create jobs and generate pro ts in the United States while assisting Africa in its own economic progress. That progress is essential for stability, peace, and development in Africa, and, in the end, it might be the only issue around which international cooperation and partnerships can be formed, whether with countries in the OECD, Brazil, China, India, or others. And better yet, trade and investment policy in Africa is one of the few policies around which bipartisan coalitions are possible in the current polarized political atmosphere in the United States.

The problem was that, at least until the June 2012 presidential directive and subsequent actions or clari cations made by administration of cials, there seemed to be no well-coordinated strategy for pursuing U.S. economic interests in Africa. AGOA is a case in point, as it comes up for renewal in 2015. Whereas most private sector, executive branch, and legislative branch voices favor the directive's extension, there is no serious look yet at enhancing the admittedly weak AGOA framework to take it beyond just trade issues. AGOA needs enhance-

*Tackling Global Issues Through Independent Research, Open Dialogue and Actionable Ideas*

**The Wilson Center**