

**Remarks to the Center for Global Development
As Prepared for Delivery
Washington, DC
July 31, 2012**

**Michael Froman
Assistant to the President and Deputy National Security Advisor for International
Economic Affairs**

Good morning. It's a great pleasure to be here today and I want to thank the Center for Global Development for organizing this opportunity.

I'd like to talk about President Obama's agenda for U.S. leadership in sub-Saharan Africa, particularly on the economic challenges and opportunities we see in a rapidly growing and changing Africa.

Shortly after taking office, President Obama traveled to Ghana where he made it clear that the United States would engage with Africa in a partnership based on mutual responsibility and mutual respect. Since that time, we have partnered with government officials, regional organizations, youth leaders, civil society and the business community to implement that promise. Our policies are a clear reflection of this effort:

At the L'Aquila Summit in 2009, we led the G-8 and then a broader group of countries to put a new focus on food security – not just by meeting urgent needs in times of crises, but by improving agricultural productivity and making agricultural markets work. And we are already seeing results. Feed the Future, the U.S. part of that initiative, has already impacted 2.5 million households, whether through school feeding programs for 400,000 children in Tanzania, by helping Ethiopian farmers acquire landholding certificates, or by promoting public-private partnerships in Ghana to introduce new technologies or expand production in the agriculture sector. And as you know, we're backing plans where African governments have committed to increase domestic investments and create policy environments that are conducive to achieving greater food security.

The President signed the first ever Presidential Policy Directive on Global Development, underscoring the centrality of sustainable economic growth to development and focusing on signature Presidential initiatives on global health, climate change and food security – all of which are prominent in our approach to Africa.

We established the Partnership for Growth, a partnership with a select group of countries to identify and unlock the constraints to growth. Tanzania and Ghana are two of only four PFG countries. I was honored earlier this month to sign the Joint Country Action Plan with the Prime Minister of Tanzania, laying out a specific plan for addressing those constraints.

In July 2010, President Obama launched his Young African Leaders Initiative, bringing together promising entrepreneurs and civil society leaders to add their important voice to the push for

reform. This initiative seeks to empower the next generation of African leadership by supporting leadership development, promoting entrepreneurship, and connecting young leaders with one another and the United States. We have held more than 2000 events to bring together, elicit input from, and provide support to young African leaders who are positively impacting their communities.

In June of this year, the Obama Administration launched the Child Survival Call to Action, bringing together over 80 governments, civil society, international organizations and the private sector to accelerate progress towards ending preventable child deaths. Half of these deaths occur in five countries, including Nigeria, the Democratic Republic of the Congo and Ethiopia, and this will become an increasingly important part of our engagement with those countries.

And in May of this year, under the U.S. chairmanship, the G-8 announced the New Alliance for Food Security and Nutrition which aims to move 50 million people out of poverty over 10 years by combining the commitments of Africa's leaders to pursue agricultural reform with the commitment of the G-8 countries to support those reforms and – very importantly – the commitments of the private sector to invest in Africa's agricultural sector. I cannot overemphasize the significance of having more than 50 companies – African and global – signing letters of intent to invest in improving Africa's agricultural productivity. Not just philanthropy. Not just corporate responsibility. But commercially driven, self-sustaining, market-based, risk-adjusted-return-oriented investments.

Indeed, if the countries of Sub-Saharan Africa are to meet their goals of reducing poverty and expanding opportunity, it will be because they become emerging emerging markets – countries whose growth is driven increasingly by investments, not assistance; trade, not aid.

It is in that context that just last month, President Obama launched a new U.S. Strategy toward Sub-Saharan Africa which builds upon and advances many of these initiatives.

Under this strategy we will pursue four objectives: strengthening democratic institutions, advancing peace and security, promoting opportunity and development, and spurring economic growth, trade and investment, which is the piece I intend to focus on today.

The President's new strategy will strengthen our economic ties by seeking to improve the enabling environment for trade and investment; enhance economic governance; promote regional integration, and encourage U.S. companies to trade with and invest in Africa.

To kick off the implementation of the new strategy, and to underscore President Obama's "whole-of-government" approach to this issue, I just led a delegation of senior officials from across the U.S. Government to Dar es Salaam, Addis Ababa, Nairobi, and Abuja. We met with government officials and young leaders; we visited ports and power plants; and we had discussions with small business owners and managers of major corporate subsidiaries. It was clear even from that short visit that there is great opportunity to advance agricultural productivity; increase trade and investment, including in manufacturing; improve infrastructure and trade facilitation; and further the reliable generation, transmission and distribution of energy.

And today, as an indication of the focus we are putting on the region, Secretary Clinton begins an 11-day trip through the region to further this agenda.

You are all familiar with the economic potential of the region: It is set to grow by more than 5 percent this year, and over the past ten years six of the 10 fastest growing economies were in sub-Saharan Africa. Some of this comes from a commodities boom, but increasingly growth is coming from the retail, agriculture, transportation, telecommunications and manufacturing sectors. Driven by increased private sector consumption, improvements in technology, and greater financial intermediation and inclusion, countries both rich and poor in resources alike are growing.

And investors are taking note: from 2006-2009, U.S. investment in sub-Saharan Africa was up 64% percent. Today, private investment flows to Africa – \$65 billion in 2010 – have not only overtaken foreign aid, but substantially exceed it.

That was not the case in 1998 when I traveled to Africa as a Treasury official, worried about out-of-control inflation, onerous foreign debt burdens, large budget deficits, and the dearth of capital formation. On that trip, we had the innovative idea of bringing representatives of the private sector along to help expose officials we were meeting with to private sector thinking. That no longer seems necessary.

And it is a far cry from when I first went to Africa. Then, one of the Organization of African Unity's primary aims was to protect the internal affairs of member states from external scrutiny; by contrast, the African Union is today focused on its own food security agenda, learning from peer reviews, hastening regional integration and regional trade, and laying the foundation for public-private-partnerships for infrastructure investment.

Indeed, if there is one way to summarize the change, it is that the focus has shifted from how much aid will be provided to how best to create the enabling environment for the trade and investment necessary to drive broad based economic growth – the only true path toward development.

And there are positive data points to point to. Trade is up. In the East African Community, for example, trade among the five EAC member states has doubled over five years. Increasingly U.S. and international companies and investors are making sub-Saharan Africa a priority - as reflected in the fact that U.S. trade with the EAC grew an impressive 115% between 2000 and 2010. That said, intra-regional trade is still about one-third or one-fourth of what it is in other trading blocs, and trade between the EAC and our market is a fraction of a percent. So, while the rate of growth is impressive, and the trend lines all point in the right direction, the challenge lies in getting to scale.

Our strategy, and our recent trip, focused squarely on this challenge. On the one hand, the stars are aligned for sustained economic growth and substantial reductions in poverty: more and more leaders are investing political capital in their countries' economic futures and mobilizing their own resources to put behind development; investors – domestic and foreign – are showing more interest in putting capital to work as the enabling environment improves. There is a renewed and serious focus on regional integration, expanding intraregional trade and even linking the existing free-trade areas into a tripartite or continent-wide free trade area. Transparency and rule of law – ingredients that attract investment – are gaining increasing currency.

One pillar of our economic strategy for Africa is to help realize this potential – and to do so at scale. For example, President Obama has proposed a new U.S.-EAC Trade and Investment Partnership. The initiative calls for a regional investment treaty that will ensure the fair and equitable treatment of investors, giving them confidence that their investments will be secure. It calls for a focus on trade facilitation to reduce the bottlenecks at the border – such as moving to single border crossing, deploying a shared IT system for tracking shipments or harmonizing customs documentation – to reduce delays and unnecessary costs. We will couple this with continued technical assistance for trade capacity building to help the EAC implement these improvements. And finally, the initiative calls for greater engagement with the private sector through a regional commercial dialogue, which will help facilitate private sector input into the trade and investment policy agenda in the region.

We will amplify these efforts by launching a new "Doing Business in Africa" campaign to encourage more U.S. firms to take a hard look at investing in and trading with Africa. As part of that campaign, the President has asked our Acting Secretary of Commerce, Rebecca Blank, to visit the region in the coming months. This will be the first time in a decade that a U.S. Commerce Secretary has visited Sub-Saharan Africa.

One common refrain we heard at stop after stop on the trip was that, notwithstanding – or even because of – the efforts by other countries to step up their presence in the region, the region wants the United States to be more engaged and American firms to be active. They want our brand and our technology; they appreciate our efforts to employ and train their people; and they put great value on the stamp of approval that comes with American firms making the case that Africa is open for business.

One of the observations you hear repeatedly is that American investors misperceive the risks of doing business in Africa, and that if only we assured them that everything was ok, they would come in greater numbers. I don't think that analysis is correct. While it's true that due to limited and generally negative exposure in the press, a number of American businesspeople fear that Africa is too risky to do business, the issue is how risky investing in Africa is compared to other markets. Frankly, it remains too risky. Capital is a coward, and there is almost no reason not to wait until tomorrow, not to wait until there is greater certainty and not to stretch into new markets like Africa – unless one has to. That said, nothing breeds success like success.

We were impressed by a number of U.S. firms, including Symbion Power, which went into a power project as part of the Millennium Challenge Corporation's Compact with Tanzania and, once they got their feet on the ground and learned about the market, branched out into other

projects and other economies in Africa on their own. That's the sort of case, repeated over and over again, which will shape investors' risk perception of Africa.

To help support U.S. trade and investment in the region, our finance agencies are also increasing their efforts. Our Export-Import Bank has financed record amounts for American companies doing business in Africa, with loans rising to a record high of \$1.4 billion in 2011. The Overseas Private Investment Corporation has invested over \$3 billion in Sub-Saharan Africa, and just last year, almost \$1 billion – which is triple the level invested just two years ago. And, at the Rio +20 conference last month, OPIC announced a new and innovative program – the Africa Clean Energy Facility – to combine project preparation grants with project finance to support clean energy investments across the continent.

Through the African Growth and Opportunity Act, we are working to increase U.S. trade with the region. And with more than a decade's experience behind us, we want to analyze what's working well and what could be improved as we seek the seamless renewal of AGOA. When you take out oil and mineral exports, for example, Africa's exports to the U.S. have almost tripled and diversified under AGOA, but utilization of AGOA market access remains woefully low. That's why we're focused on improving effective market access and capacity to trade successfully in the U.S. and global markets. It's generally not our tariffs, which average about three-and-a-half percent, which are the obstacles to Africa's exports. It's the competitiveness of Africa's products, how long it takes to get products to markets, and whether the products meet U.S. standards. These are issues we should work on together, and we will use our regional Trade Hubs in Africa as one vehicle for doing so.

That said, we know how important it is to renew the third country fabric rule. We have been working closely with both Houses of Congress on this, and I am hopeful that we will see further action on this as early as this week.

These are just some of the ways we intend to invest in Africa's potential. But realizing that potential also requires tackling head on the considerable constraints to Africa's ability to compete in the global economy.

Certainly one of the factors affecting the competitiveness of exports – among Africa's economies as well as to global markets – is the infrastructure deficit. There has been progress in some sectors in some countries, but much remains to be done, whether it's expanding the capacity of the ports, upgrading the airports, refurbishing the railroads or extending the road network.

And let me say a word in particular about energy. Access to electricity is an indispensable element of development and productivity, and access in sub-Saharan Africa is extremely limited by underdeveloped generation, distribution and transmission resources. In Kenya, for example, only 20% of the population has access to electricity and the country relies heavily on expensive oil imports. But Kenya is also blessed by natural resources. We visited to Olkaria, where geothermal energy is producing more than 150 mw of electricity now, with plans to more than double that in the near future. The question now is whether the untapped resources in the Rift Valley can contribute meaningfully to Kenya's Vision 2030. Similarly, in Tanzania, only 14% of the public has access to electricity, but the recent discoveries of abundant sources of natural

gas are a potential game-changer for Tanzania, Mozambique and elsewhere. As always, the challenge will be to develop these resources in a responsible and transparent manner, and to avoid the “resource curse” which has hampered development in so many countries.

The needs to close the infrastructure deficit are dramatic and the financing is not going to come entirely from already-strained government budgets, nor are private-public partnerships a panacea. It will take work with the countries in the region, the multilateral development banks and other sources of public and private financing to prioritize infrastructure projects and move them forward. Foreign firms will always find a way to participate in the extractive industries, but if these countries want to attract private capital into roads, ports, airports, rail or electricity, they will need to deal with the real risks in executing these projects.

As important as investments in hard infrastructure might be, we should not lose sight of the importance of soft infrastructure – trade facilitation – where there might be relatively low-hanging fruit ripe for harvest.

Take the EAC. The EAC has established a customs union and a common market and agreed on a work plan to reduce non-tariff barriers at the border. But it is clear from the businesses we spoke with that the implementation of the customs union is imperfect and the work program is far from complete. When a truck waits for a week to cross a border, it’s not very realistic to talk about expanding a country’s agricultural exports or Africa becoming a bigger part of the global value chain. If the EAC were to fully implement all that it has agreed to – such as going to one-stop border posts and harmonizing customs information – it would go a long way to address the current problems associated with the “thickness” of the borders.

Earlier this month, the U.S. International Trade Commission released a report on trade facilitation in the EAC. It noted that EAC countries each require a different collection of documents for import or export, but on average they require twice as many documents as the global best practice. Lengthy transit times at the border make the export costs of a container of textiles from the EAC nearly \$2500, compared to \$580 for a textile competitor in Vietnam. For a coffee exporter in the EAC, it takes an average of 29 days to obtain export documentation, transport the product to port, clear customs and get the cargo loaded on a ship; that’s twice as long as it takes for her competitors in Brazil and Colombia.

Reform in this area doesn't require much money, but it does require political will. Agreement by leaders is important, but equally important will be leaders’ driving that message down through their respective bureaucracies so that the customs agent at the border doesn’t continue to impose tariffs on his customs union partner because he refuses to recognize the certification of a neighboring authority.

And, of course, there are the issues of transparency, governance, regulation and corruption. As Bono is known to say: Corruption is the #1 killer of children in Africa. It is also a killer of trade and commerce, of economic growth. When a truck pays \$75 in bribes for every 100 km it travels at multiple checkpoints along the way, it’s hard to see how its products can be competitive. One businesswoman we spoke with estimated that there are 10 such checkpoints between the capital

of her country and the nearest border. This not only offends our sense of justice, but keeps people impoverished.

Of course, corruption is not a uniquely African problem, but a scourge on people and businesses globally. This is why President Obama pressed the G-20 embrace anti-corruption as a core priority, embraced the initiative to require extractive industries to declare their payments to foreign government and launched the Open Government Partnership to encourage government to become more transparent and accountable to their people. Once again, taking bold and persistent steps on this front require few resources – other than political will.

There is evidence that political will is growing. The question is whether that can be translated into effective economic governance. One of the refrains we heard most was that, while the President or Prime Minister or even the Ministers were fully committed to doing what is necessary, their bureaucracies were either unable or unwilling to comply. Putting in place a transparent regulatory regime and enforcing it in a fair and non-arbitrary manner is key to translating high-level political will to an on-the-ground enabling environment – and, frankly, that's the only environment that ultimately matters.

And then there is Nigeria: so much opportunity, so many challenges, from ensuring that the new Petroleum Industry Bill incentivizes rather than deters further investment to addressing the flaring of natural gas in a manner that channels that valuable resources into electricity for Nigeria's people and new industries for value addition; from dealing with a legacy of corruption to the rise of terrorist threats. Still, nowhere did I meet Ministers more committed to reforming the agricultural sector, privatizing the power sector and maintaining macroeconomic stability in a way that holds the prospect of laying the foundation for broad-based economic growth.

American firms want to be part of that story: The week before our delegation arrived, Proctor & Gamble broke ground on a new, \$250 million facility outside Abuja to produce diapers and other consumer products not only for the Nigerian market, but for the continent as a whole.

A decade ago, the Economist declared Africa a “hopeless continent.” More recently, they revised their view and described on their cover an Africa Rising – neatly encapsulating the migration of the conventional wisdom from pessimism to euphoria.

There might be room in the middle for those of us who consider ourselves realists. We believe in Africa's progress, but know that it is fragile and uneven. We know that today's gains could be lost tomorrow without adequate support and institutionalization.

That said, there is a palpable uptick in excitement around Africa, which could help tip the balance. We see it in the number of U.S. companies expressing interest in doing business here for the first time. We see it in the bullishness of the banking and investment community. Most importantly, we see it in the rising commitment of a growing number of African leaders – in government, in the private sector, and in civil society.

We see it in the woman in Dar who has successfully turned her single sewing machine into a global fashion business or in the family in Addis who grew their local salt business into a major

supplier of nutritional supplements around the world or in Kenya's own Rita Kavashe who, as the Manager Director of GM East Africa – the first non-expat to hold that job – is leading the way toward making the integration of the region a reality.

In Africa, we've seen remarkable progress in health and evidence that an AIDS-free generation is possible. We've seen the continent drive up access to primary education, devote meaningful resources to food security and prove that innovations like mobile banking can be taken to scale. We've seen that development works in Africa. Now it's time to take the next step.

There is much work to do ahead to keep Africa on the rise. Success requires an enormous exercise of political will on the part of Africans, in partnership with the rest of the world. The Obama Administration is very much committed to doing its part to help achieve that success.

Thank you very much.

###