

Tapping Africa's Potential: Unlocking the Next Frontier of Economic Growth
Keynote address at the Stanford Institute for Economic Policy Research (SIEPR) & African Leadership Academy

REMARKS AS PREPARED

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Silicon Valley is the cradle of the future. Whether it's the latest in green design, biotechnology, or nanotechnology, this is where innovation is born.

Of course, I don't need to tell you this. Many of the people in this room have been part of building the engine of innovation that is Silicon Valley. You've dared to dream greatly, to embrace risk, to peer over the horizon at tomorrow's markets. And in the process, you've changed the way people live and work, from South California to South Africa.

Yet when I try to look over the horizon at the future, I see a shift that neither Silicon Valley nor America have fully anticipated. It's not a shift in technology or military power; it's a shift in potential. It's the build-up of economic and human potential as Africa, the Cradle of Humankind, takes its rightful place in the emerging world economy.

Too often Americans still view Africa as a land of poverty, of disease, of corruption...and to be fair, all of these still plague the continent. These challenges, however, are only part of the story. They mask the opportunity that Africa provides for those who are willing to take risks and see a future that has not yet been written--exactly the type of entrepreneurs that built America and Silicon Valley.

This is a future that is unfolding before our very eyes, as the earlier speakers have noted. Already, Africa is nearly as urbanized as China. There are as many cities with more than a million people in Africa as there are in Europe. Within 10 years, Africa's largest urban markets Cape Town, Johannesburg, and Lagos could have annual consumer spending of \$25 billion or more, comparable to Mumbai and New Delhi. Durban, Khartoum, Luanda, Pretoria and Tripoli could reach household consumption of between \$15 and \$25 billion a year. And others, like Dakar, Nairobi and Kano, could top \$10 billion a year.

That's doubly amazing when you consider that only a few decades ago, only 28% of Africa's population lived in cities. The vast migration of people to cities in eastern China has gotten more attention, but the urbanization of Africa has been almost as rapid. And the transformation of Africa's economy due to urbanization will be just as dramatic. Great cities are magnets for entrepreneurs and innovators. Just as San Francisco, with its physical beauty, cultural buffet, and world-class universities, draws and amplifies the energy of Silicon Valley, the rising cities of Africa will attract a critical mass of young African entrepreneurs.

As it becomes more urbanized and more wired, Africa is also become a bigger market for consumer goods. Consider this: since 2000, Africa has added 316 million mobile phone subscribers. That's more than the entire population of the United States. Households with discretionary income are projected to grow by 50 percent, to 128 million by 2020. By 2030, the top 18 cities in Africa could have combined spending power of \$1.3 trillion. The most recent estimates by the UN predict that by 2050 Africa will

have 3.5 billion people, let me repeat that number, 3.5 billion people. That's a market American companies cannot afford to ignore.

It is much more than a market imperative though that brings me here. If the aspirations of those 3.5 billion people for economic opportunity are not met, it will lead to tremendous global instability. If, however, their dreams of a better life are met it will lead to global prosperity that will benefit Africa and the world. I believe the best chance we have of realizing that prosperity comes from combining the entrepreneurial energy and spirit from the Cradle of Innovation that you represent with the vast natural resources and human capital of the Cradle of Humankind in Africa.

South Africa, where I serve as Ambassador, is both the hothouse and the bellwether for a rising continent. The World Bank's 2010 Ease of Doing Business Index ranked South Africa 34th out of 183 countries for overall conduciveness to business, citing in particular its stable legal and financial environments. That's in the top 20 percent the same neighborhood as countries like Mexico, Austria, Portugal and Taiwan. Clem Sunter, the author and former Anglo American executive, recently noted that the Johannesburg Stock Exchange's all-share index has dramatically outpaced the S&P 500 over the last ten years. If you invested \$100 in those American stocks in 2000, you'd have around \$93 now; if you'd invested the same amount in the JSE, you'd have around \$300.

If that is not enough to entice you think about this: the South African Government will be spending nearly \$123 billion over the next three years on infrastructure, including major upgrades to power, water, and transport systems. South Africa plans to double its power generation capacity over the next two decades by adding more than 50,000 megawatts to the national grid. 42 percent of that new capacity will come from renewable sources. The potential for solar generation in South Africa is limitless. According to some studies, the country's Northern Cape is the best spot on Earth for solar generation. Of course, anyone who's visited South Africa will have no trouble believing that. South Africa has one of the best climates of any place I have been, making it not only a great place to work but also a great place to enjoy yourself when you are not working. As in California, you get sun, fabulous wines and beautiful beaches, all easily accessible. And Cape Town may be the most beautiful city in the world I know that is a dangerous claim to make here in San Francisco. Then of course, there are the safaris...Sorry, perhaps I'm getting a little carried away with the tourism pitch.

Sadly, America is falling behind in discovering the vast potential of this continent. The Chinese, the European Union, the BRIC nations are all in Africa, building businesses, opening markets. The Chinese are helping build Angola's roads, hospitals and schools. Between the government and private sector, they have invested as much as \$23 billion in Nigeria's oil-rich Niger Delta. In the Democratic Republic of Congo, China has invested in hydropower, while a \$3 billion copper-backed project will build railways, hospitals, schools and universities. China imported \$6.5 billion worth of raw goods from South Africa in 2009, besides investing in mining, telecommunications and energy. According to Standard Bank, China's investment in Africa will reach \$50 billion by 2015, while bilateral trade could double to about \$300 billion.

India's trade with Africa was \$39 billion in 2009-2010, more than tripling in the last five years. By 2015, India anticipates \$75 billion in trade with the continent. At the first India-Africa summit in 2008, India doubled the line of credit extended to African economies to \$5.4 billion, gave grants of \$500 million, and committed \$6 billion to building 21 institutes across the continent--building the capacity for foreign trade in Uganda, upgrading information technology in Ghana, and developing educational planning and

administration in Burundi. These emerging powers are comfortable with risk, and they see the opportunities.

The moment I realized how aggressively the emerging powers were pursuing business on the Continent was during the World Cup. When I looked around the huge state-of-the-art stadiums built for the tournament, I saw ads for the usual sports sponsors: Coke and Budweiser and Adidas. But I also saw ads for India's Mahindra Satyam selling IT software, and China's Yingli selling carbon-neutral solar power systems.

Everywhere I go speak in Africa I am told about how America is falling behind, and how much they want us to join the competition for helping them to build their future. You, the entrepreneurs and the risk-takers, need to lead us. The U.S. model of entrepreneurship that you symbolize is perhaps our most valuable national export. Your knowledge and vision can help Africa unlock its extraordinary human capital, integrate its markets into the global economy, and realize sustainable prosperity.

Africa is hungry for your expertise and investment. According to a World Bank study, the cost of addressing Africa's infrastructure needs is around \$93 billion a year. Governments are looking to outside investors to help them meet these needs in public private partnerships. U.S. companies and entrepreneurs, especially those involved in energy, telecommunications, water and transport, can bring unmatched experience and innovation to these projects.

This investment in infrastructure will make Africa a more attractive market for U.S. exporters and a more attractive destination for U.S. direct investment, as 49 small, isolated markets begin to evolve into one aggregated market of a billion consumers. Loosening infrastructural bottlenecks will increase intra-regional trade. And increased mobility of goods and intellectual capital will help unlock the restless entrepreneurial energy of young people across the continent.

Some forward-looking American companies are already investing heavily in Africa's future, as General Electric has done by supplying state of the art highly efficient diesel electric locomotives to South Africa. With its play for South African retailer Massmart which is being vetted by regulators as we speak Walmart is betting on Africa's consumer power. This month, Washington DC-based Carlyle, with \$88 billion under management, revealed plans to set up a sub-Saharan African investment group, with offices in Johannesburg and Lagos. And Google that prototypical Silicon Valley success has just launched Ubono, a tech start-up incubator, in Cape Town. Fittingly, "Ubono" is Zulu for "vision."

Are there risks to investing in Africa? Yes, there are many and it will challenge those who come. Just as every venture capital portfolio carries companies that will fail, so will many investments in Africa. There are vast differences amongst Africa's many nations in terms of risk and opportunity. In some places, poverty, corruption and poor governance limit opportunity. Those who decide to do business in Africa need to do due diligence just as they would on any company they would invest in. There are leaders across the continent who are committed to building an environment that is conducive to investment. In many cases the challenges they face are significant, but they are heading down a path of negotiating deals with foreign investors that support sound development and spread prosperity as widely as possible. African governments that are managing revenue wisely, investing smartly, speaking clearly and acting forcefully against corruption, and promoting the rule of law at all levels are creating a new paradigm for the continent that is welcoming of outside investment that helps build the wealth of their countries, as opposed to the officials who lead those countries.

Africa's challenge is to make sure that this new paradigm spreads across the continent, but the U.S., and

American companies in particular, have a part to play in helping the continent meet this challenge. As President Obama said during his July 2009 speech in Ghana, America can do more to promote trade and investment, and to broaden prosperity through public-private partnerships that build roads and power grids, nurture small businesses, and extend finance to entrepreneurs. If we do so, we won't just be helping Africa; we'll also be creating new markets for American goods. Africa's prosperity will enhance our own. Africa offers entrepreneurs and investors an opportunity to do well and do good at the same time.

There will always be people who see Africa through that dusty, outdated lens, as a continent circumscribed by conflict, by disease, and by hunger. But Americans have never been daunted by frontiers. The genius of Silicon Valley has always been to envision what could be, to see the faintest edge of a trend, and to drive that trend before anyone else. We need that ingenuity and that boldness, and we at the Embassy in South Africa stand ready to help in any way we can. For investors and entrepreneurs prepared to look past the horizon, the rewards are as vast as the continent itself.