

# THE PRESIDENT'S ADVISORY COUNCIL ON DOING BUSINESS IN AFRICA



*Report on Top Issues U.S. Companies Face in  
Approaching, Competing, and Operating in African Markets  
November 29, 2017*

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## Message from the Chair and Vice Chair

Dear Mr. President,

Demographic trends across Africa are creating large, consumer-driven economies with rapidly growing commercial demand, making the continent increasingly a focal point for global competition among businesses and governments alike. Yet, in 2016, U.S. exports to Africa hit a ten-year low and accounted for only 1.5% of our nation's total exports to the world (exports to sub-Saharan Africa were only 0.9% of total exports). While U.S. companies should be expanding into these markets to meet consumer demands, several core issues hinder them from fully seizing the opportunities.

During the August 2017 teleconference of the President's Advisory Council for Doing Business in Africa (PAC-DBIA or the Council) with U.S. Secretary of Commerce Wilbur Ross, Secretary Ross tasked the Council with identifying the greatest obstacles U.S. firms face in approaching, competing in, and operating in African markets. The Council has explored the factors that hinder a U.S. company from considering expansion into the African market. We have considered the range of impediments that create an un-level playing field for American businesses when vying for consumers or business contracts. And we have assessed the major everyday operational obstacles that prevent efficiency, sustainability, and growth of American companies throughout Sub-Saharan Africa.

On this occasion of the PAC-DBIA's first in-person meeting with Secretary Ross and other Administration officials, the Council is pleased to present our report outlining the nine most significant obstacles related to approaching, competing in, and operating in Africa. We advise that focusing U.S. Government resources on the following issues will yield the biggest gains:

<b>Approaching</b>	<b>Competing</b>	<b>Operating</b>
1. Risk (Perceived vs. Actual)	1. Whole-of-Government Approaches that Enable Foreign Competitors	1. Lack of Skilled Local Workforce
2. Underdeveloped Capital Markets	2. Local Content Requirements	2. Currency Volatility & Lack of Access to U.S. Dollars
3. Market Size & Demand for U.S. Business	3. Public Procurement Process & Specifications	3. Trade Facilitation & Transportation Infrastructure

With this analysis complete, our next step will be to develop recommendations of actions the U.S. government can take to address and mitigate these obstacles and increase U.S. exports to Africa. Those recommendations, along with the analysis in this document, will pave the way for a PAC-DBIA fact-finding trip to Africa in the second quarter of 2018 that will yield a more in-depth, targeted analysis of the countries we believe present the greatest opportunities for U.S. companies and where U.S. government interventions could have the biggest impact.

As representatives of the American private sector, we pledge our support to your mission of boosting the American economy and supporting jobs through strengthening the commercial relationship with Africa.

Sincerely,

  
Jay Ireland  
Chair  
President and CEO, GE Africa

  
Laura Lane  
Vice Chair, PAC-DBIA  
President, Global Public Affairs, UPS

Although the African market has abundant current and emerging opportunities for U.S. businesses to both expand their customer base and grow their operations across the Continent, the following pages describe obstacles that the Council has identified which deter U.S. companies from considering Africa as a feasible option for exports or investment. Navigating *Perceived vs. Actual Risk*, *Underdeveloped Capital Markets*, and lack of transparency into *Market Size & Readiness for U.S. Businesses* discourage robust participation in this market.

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### **Issue 1: Risk (Perceived vs. Actual)**

There are a variety of risks, both perceived and actual, that U.S. businesses confront in approaching African markets. When making any investment or business decision, there is often a gap between the risks market participants actually face and those that potential market participants think they could face. For U.S. companies in particular that are contemplating an investment or business opportunity in Africa, it is often the case that the perceived risks are greater than the actual risks of doing business.

#### *Legal Regulatory Risk*

There is a risk, or perceived risk, that the legal and regulatory systems are underdeveloped and subject to change. Consequently, there is a perception that legal frameworks throughout the Continent may not provide the same protections and guarantees as other markets. This perception leads to other perceived risks, such as those related to the enforceability of contracts, the dependability of the regulatory and tax process, and the consistency of the legal process. Being able to enforce contract rights is a critical aspect of doing business; if contracts are not enforceable, or difficult to enforce in court, the risks associated with counterparty transactions increase. In reality, the quality of the legal processes across the Continent vary widely, with some well-developed, while others require that businesses operating in the space be especially vigilant about ensuring interests can be protected.

There is also the risk, or perceived risk, that the regulators do not have the market knowledge and expertise to fairly and effectively supervise and enforce the rules and regulations in their markets. For example, some tax regulators struggle with the complexities of multi-national companies, which can result in U.S. firms receiving uneven or unfair tax assessments. These uncertainties are a deterrent for those looking to approach Africa as they take significant time and resources to settle. U.S. companies may also perceive that they are the target of regulatory actions and campaigns against them.

Furthermore, regulators may have a limited understanding of the importance of the right technology for market infrastructure, and the right resources are not necessarily put in place to create optimal technical infrastructure. Without effective supervision and enforcement, there is the risk that compliant businesses face a comparative disadvantage to those businesses that are able to avoid the costs of compliance.

#### *Foreign Exchange Risk/Liquidity Risk*

African currencies may be subject to significant foreign exchange volatility. In a recent survey, 90% of CEOs expressed some degree of concern about the threat of currency movements to their organization's growth prospects. Companies face additional risks when exchange rates are volatile and foreign exchange liquidity might be constrained due to external shocks or internal policies.

### *Political Risk*

There is a perception that the political environment is not stable and regime change is not democratic.

The reality is that several key countries in Africa have gone through several peaceful, democratic electoral cycles.

### *Headline Risk*

There are many companies and investors who are more concerned with headline risk in Africa than in other markets. These risks include anti-money laundering violations, Office of Foreign Asset Control sanctions, or other prominent events.

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## **Issue 2: Underdeveloped Capital Markets**

Investment activity across Africa has been growing rapidly and is currently outpacing public sector capacity in many areas. The growth across the region presents a substantial opportunity for U.S. businesses to export products and services and for African nations to engage in new growth opportunities. However, a lack of access to well-functioning capital markets limits the ability of U.S. companies to raise capital locally and limits the capacity of African companies to do business with U.S. companies. Below are some key capital market challenges that companies face, which deter U.S. companies from doing business Africa.

### *Access to and Cost of Capital*

The costs of raising capital and having reliable sources of capital are barriers to approaching Africa. Indeed, African countries claim nearly half of the top 20 around the world with the highest interest rates, including five of the top 11 spots. Higher interest rates are tied to the broad deterioration of credit quality across Africa, leading to more expensive loans across the financial sector and economy at large. Structural inefficiencies within the banking sector, a risky lending environment characterized by a high percentage of non-performing loans, and institutional or regulatory weaknesses contribute to the fragility of the system.

### *Lacking Financial Transparency, Data, and Standards*

The interest rates of many African governments are unsustainably high and, as a result, are negatively impacting corporate and regional debt markets. Though there are many causes, a key contributor is the lack of data transparency. IMF research shows that, for emerging market and developing countries, subscribing to the IMF's Data Standards Initiatives (SDDS or GDDS) leads to a 15% reduction in the spreads on government bonds one year after the transparency improvements are made. Over a dozen African countries have already implemented the enhanced GDDS—though this is the less demanding of the two IMF transparency reform standards, and there is much progress still to be made across the Continent.

### *Shallow and Illiquid Equity and Debt Capital Markets*

On the equity side, there has been significant growth in the number of stock exchanges, but only a few are active and well-developed. Many exchanges can be characterized by low market capitalization and a lack of market depth and liquidity, with one or just a few stocks dominating total trading activity. The attractiveness of the capital markets will largely depend on overcoming the lack of scale in the markets.

Debt markets are dominated by short-term government securities with limited secondary market activity. The lack of government securities with longer maturity dates limits the ability to establish a yield curve

that would provide a benchmark for pricing corporate bonds. For many markets, benchmark yield curves either do not exist or, where they do, they seldom extend further than five years. A mature bond market is important for institutional investors such as pension funds and insurance companies that aim to match the long-term nature of their liabilities. Separately, meeting the requirements for debt and equity securities to be included in indices is also important, as it provides a reference point for portfolio investment.

### *Financial Infrastructure*

Telecommunications infrastructure, internet, and connectivity issues stand in the way of developing and implementing new financial technologies. A lack of high-speed connectivity hampers market participants from fully realizing the benefits of electronic markets. Activities such as cloud computing and electronic trading require greater bandwidth and data usage, but the capital markets are currently supported by dated and fragmented technology and platforms. Existing systems are mostly closed-ended and do not easily integrate with external platforms.

Regulators can have a limited understanding of the importance of the right technology for market infrastructure, and the right resources are not put in place to create optimal technical infrastructure. Investment decisions can be made based on the short-term profitability of dominant institutions at the expense of long-term growth and the evolution of liquidity in capital markets. Companies appointed to build technology may not be chosen based on best offering. Central Banks often struggle to integrate private sector technology into their systems.

### *Underdeveloped and Varied Regulatory Framework and Institutions*

Many markets have underdeveloped clearing and settlement systems and counterparty collateral management procedures. A central counterparty clearinghouse is an entity that reduces the counterparty, operational, settlement, and default risk that would otherwise be present in securities transactions. Many African capital markets, unlike the U.S. markets, do not have central clearing for transactions. Additionally, certain reporting requirements in illiquid markets often stand as an obstacle to capital formation. Market participants would benefit from regulatory changes that improve liquidity, operational efficiency, and management of settlement and counterparty risks.

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### **Issue 3: Market Size & Demand for U.S. Business**

Africa is home to over 1 billion potential consumers. By 2050, its size will increase by an additional 1.3 billion people, estimated to house 26% of the global population. Yet the diversity and variations of market conditions within and across the 49 Sub-Saharan African countries make gauging market attractiveness, and any market-entry strategy, challenging for U.S. companies.<sup>i</sup> Furthermore, any rapid size growth, without corresponding economic growth,<sup>ii</sup> could diminish potential future consumer-driven demand.

Also affecting market size and demand is the ability to scale, an important condition for many U.S. companies who seek longer-term investments. One solution often does not fit each country's needs and

conditions. Smaller market size often equates to smaller deals, which could stress the business model of some larger U.S. companies. Yet small and medium-sized businesses are challenged to assess and navigate size dynamics, due in part to the lack of skilled market research firms who can advise on market preferences and tailoring products to a market, and the expense of doing so for each potential market they are exploring for entry.

Some U.S. companies looking to approach Africa view market size not by individual nations but by the Continent's eight regional economic communities (RECs).<sup>iii</sup> The fact that there are eight of these, each with their own level of maturity and organizational constructs, and no overall continental free trade agreement to date, contributes to the market-entry and analysis challenge. Significant diversity in and among the regional blocks and their levels of collaboration persists. For example, many of the RECs have yet to remove non-tariff trade barriers, leaving variations in import and export procedures and currencies and exchanges that reduce market size. Soft and hard U.S. infrastructure providers are not yet seeing sufficient numbers of larger, multi-nation projects to warrant their market entry. Importantly, some U.S. companies are engaging in a multitude of ways to increase market size and create greater market awareness and demand for their products within and across nations. U.S. companies are supporting better health and disease prevention initiatives, education and skills development, and projects to expand access to power and the internet. These are just some of the many corporate social responsibility (CSR) projects and other direct investments that U.S. companies have a history of providing in Africa. Many of these are collaborative efforts, often led by U.S. companies with existing footprints in Africa wishing to expand their presence or approach new markets on the Continent.

The U.S. government also has numerous programs to support market creation opportunities for U.S. companies. U.S. government agencies such as OPIC & EXIM help open market access by de-risking and offering financing to U.S. businesses looking to invest and trade abroad. Moreover, through the great efforts of USAID, the Department of State, USTDA, USDA, and other agencies, there have been valuable improvements made in the areas of health, education, agriculture, technology, and general know-how to grow market size and opportunities for U.S. companies.

Oftentimes, however, U.S. companies are not able to derive business value from these efforts. Historically, companies that have helped countries and institutions to fully develop their potential benefitted from a spillover effect of larger market size and goodwill for their companies, products, and services. Today, such U.S. investment spillover is being diluted by increased competition in CSR, especially from companies in China and India whose CSR was nascent or nonexistent a just a decade ago.

Many nations, including China, are now investing in Africa in ways similar to U.S. companies. For example, McKinsey reports that 66% of Chinese employers offer skills development to their employees in Africa.<sup>iv</sup> While many U.S. companies offer training to employees and non-employees, the distinction of U.S. companies' larger scope may be missed or undervalued by recipient nations.

The Chinese government is also providing more development assistance and other official investment flows to Africa. U.S. EXIM's research show that the Export-Import Bank of China provided approximately \$3 billion in export credit and nearly \$11 billion in loans—in sharp contrast to the U.S. approach to aid which is primarily grant-focused. While Chinese aid centers heavily on concessional and

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semi-concessional loans for infrastructure and export credits, support for social development projects are also on the rise.<sup>v</sup>

As more nations join the U.S. in market-creation efforts across the Continent, the corresponding awareness, demand, and goodwill for products and services could migrate away from the U.S. toward newly engaged nations. As a result, U.S. companies would receive fewer positive spillover effects from their investments, despite ongoing efforts from the U.S. government to facilitate market opportunities in the region. Ultimately, this may deter U.S. companies from approaching the African market as its size, coupled with the lack of corresponding demand for U.S. products and services, is less than desirable.

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U.S. companies consistently offer high-quality, durable, and state-of-the-art products in their business ventures and often with technology transfers. However, their efforts to secure business contracts and compete on a level playing field with foreign companies are often undermined by *Whole-of-Government Ecosystems that Enable U.S. Competitors*, *Local Content Requirements*, and *Public Procurement Processes & Specifications*, as described below.

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### **COMPETING, Issue 1: Whole-of-Government Approaches that Enable Foreign Competitors**

While Africa is clearly the growth continent, U.S. companies already operating in Africa or those considering new trade and investment relationships face a very competitive and challenging landscape, dominated by aggressive foreign governments, national champions, and state-owned enterprises from Asia and Europe that leverage whole-of-government approaches to build relationships, shape the rules of engagement, and win deals to the detriment of U.S. companies.

The growth statistics for Africa are impressive. As noted in the last issue, by 2050, Africa will be home to over 2 billion people, 1 billion of whom will be middle class—and they will be demanding more and better infrastructure and other goods and services. We anticipate Africa will spend anywhere from \$50-90 billion on infrastructure per year, offering an average rate of return of 29%.<sup>vi</sup> The opportunities for U.S. companies are incredible.

Foreign governments have recognized these opportunities and are seizing them. For example, China is investing \$1.6 trillion over the next 10 years, Germany is developing a “Marshall Plan” for Africa, Japan is providing concessional financing, the Netherlands finances grants, and India offers lines of credit—all with a clear link to winning opportunities for their national champions and state-owned enterprises. Additionally, frequent advocacy on the part of heads of state, prominent trade missions, as well as favorably shaped standards, regulations, and rules, and vertically integrated total solutions create a playing field that afford distinct advantages for foreign companies over their American competitors. This combination of foreign government-led and coordinated advocacy, development, financing, and trade and regulatory mechanisms create a distinct competitive dynamic that takes market share away from U.S. companies or discourages them from even attempting to compete in Africa.

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### **COMPETING, Issue 2: Local Content Requirements**

U.S. companies are facing ever-increasing forced localization barriers to trade in Africa across a number of sectors. Forced localization is especially prominent in the ICT and extractives sectors and can take a number of forms, including policies that require specific levels of local employment, joint ventures with local companies, procurement from local suppliers, local data storage, and various restrictions on e-commerce.

Forced localization requirements are especially burdensome for U.S. small and medium-sized enterprises, and policies requiring some level of localization often keep these companies from viewing African markets as viable places to do business.

According to the WTO, non-tariff measures like forced localization are nearly twice as trade-restrictive as tariffs, causing a loss of almost \$100 billion in world commerce and affecting 3.8 million jobs. A 2014 International Chamber of Commerce report on forced localization identifies the challenges these policies cause for firms doing business abroad. According to the report, forced localization:

- increases firm cost structure and complexity of doing business in the country;
- raises costs of key capital goods, especially ICT, but also important raw materials and equipment;
- reduces choices for businesses and consumers;
- discourages innovation by reducing intellectual property protection;
- affects the implementing country's reputation and investment attractiveness; and
- isolates the country from the global economy.

Furthermore, policies that require some or all of a company's operations to take place within their borders on the grounds of advancing privacy and security or to protect local firms and industries are misguided. Instead, these policies impose significant negative impacts on economies by increasing the cost of doing business and undermining security.

The Leviathan Security Group calculated that data localization would raise the cost of hosting data by 30-60%. This is because the internet enables centralized data storage and processing, taking advantage of economies of scale in cloud computing and a seamless, global internet. When governments break apart these efficiencies, they exponentially raise the cost of doing business.

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### **COMPETING, Issue 3: Public Procurement Process & Specifications**

African governments often use concepts and value propositions from contacts to steer procurement activity, which often doesn't result in the best or even bankable projects being selected for contract. Additionally, procurement processes are often structured and administered in ways that not only disadvantage U.S. companies in terms of access to opportunity, but also result in sub-optimal project outcomes where quality and transparency are profoundly compromised.

U.S. companies seek bankable projects—those that have strong commitment and leadership opportunities that ultimately benefit both the country and the people. Our companies across a range of sectors are uniquely positioned to offer African policy-makers sustainable solutions through the implementation of “Best Value” procurement policies and implementation. Best Value procurement involves processes and specifications with a special focus on quality, expertise, and life-cycle costs, delivering to stakeholders from government to local communities—and the companies serving both—confidence in positive, long-term, and inclusive project outcomes.

Lowest-cost or non-transparent terms often translate to lowest quality. When tenders put a heavy bias on these attributes, U.S. companies are not willing to compete on those terms. It favors those willing to cut corners on safety, quality, ethics, and sustainability. Systemically, it creates an uneven playing field for American businesses.

Best Value for governments demonstrates how public money is spent and encourages more foreign direct investment. For companies, it ensures a level playing field and reduces the cost and risks of doing business; for communities, these projects increase access to productive assets and opportunities.

Even when U.S. companies manage to successfully enter the African market, meeting day-to-day business needs is not always predictable and straightforward, which negatively impacts these companies' ability to serve their customers and grow. The *Lack of a Skilled Local Workforce*, *Currency Volatility & Lack of Access to U.S. Dollars*, and shortcomings in *Trade Facilitation & Transportation Infrastructure*, as described in the following pages, hinder efficient, stable, and sustainable operations.

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### **OPERATING, Issue 1: Lack of Skilled Local Workforce**

Workforce shortages—coupled with the challenges of developing and deploying human capital in Africa—has emerged as a leading barrier to U.S. companies conducting business on the Continent. There is tremendous opportunity for workforce development given the Continent's demographics (60% of Sub-Saharan Africans are under 25 years old<sup>vii</sup>), yet data recently released by the World Economic Forum reveal that the region captures only 55% of human capital potential. Efforts to align educational curricula with the Continent's future economic growth opportunities—including healthcare, ICT, and Science-Technology-Engineering-Math (STEM) fields—have the potential to close the skills gap and increase U.S. business exposure in Africa.

The shortage of readily available human capital is a challenge across industries and sectors regardless of company size. For companies involved in the manufacture and sale of highly technical products (like medical devices, aviation, and ICT), the ability to provide on-site maintenance and technical solutions is critical to both the end-user and the sustainability of the firm producing the technology. Additionally, sectors that have become increasingly reliant on technology to drive efficiency and improve quality, such as healthcare, utilize highly skilled end-users that require specialized training.

Foreign competitors have outpaced the United States in terms of delivering workforce solutions that leverage host-country educational institutions and skills development programs to supply, train, and develop human capital. Examples of successful initiatives include the recently introduced Africa-China-World Bank Education Partnership Forum, which connects African policy-makers with leading Chinese educational institutions and businesses to address the skills gap and build capacity, and the World Bank's Partnership for Skills in Applied Sciences, Engineering, and Technology (PASET). More than 20 African countries participate in PASET, gaining workforce skills and technical knowledge from private companies as well coordinating with partner governments, including China, Brazil, Korea, and India, to address human capital gaps.

Additionally, local content requirements with regard to workforce are being enforced in some African markets to discourage the use of expatriate workers. Companies who can successfully optimize local talent and harness in-country workforces often gain a competitive advantage over companies that rely on higher-cost expatriate workers.

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### **OPERATING, Issue 2: Currency Volatility & Lack of Access to U.S. Dollars**

The investments of U.S. companies operating in Sub-Saharan Africa are highly susceptible to risks related to the foreign exchange environment. Specifically, U.S. companies face significant exposure to

currency volatility (i.e., depreciation of African currencies) and lack of access to foreign exchange (i.e., low availability of U.S. dollars). In recent years, the relative strength of the U.S. dollar has increased these risks and stands to reduce the competitiveness of U.S. companies, consequently slowing the export of U.S. goods and services to markets across the Continent.

Currency volatility—especially in commodity-dependent markets like Nigeria and Angola—exposes U.S. companies to uncertainty regarding the value of and extent to which they can profit from their investments. The global dip in commodity prices, particularly the downturn of crude oil, has exacerbated these risks to U.S. companies and investors. For instance, the Nigerian naira fell nearly 17% following the initial 2015 plunge in oil prices and continued to weaken in 2017, falling by 11% over just six months. More diversified African markets have also seen volatility in recent years; the South African rand, for instance, has fallen against the dollar since 2011, punctuated by significant fluctuations.

The investments of U.S. companies in Sub-Saharan Africa are also undermined by foreign exchange controls, including in several of the Continent's most attractive markets for investment such as Angola, Ethiopia, Nigeria, and South Africa. Stringent or unpredictable currency controls present an obstacle to foreign investment by limiting access to foreign exchange services. This means that sourcing and getting paid in U.S. dollars is increasingly difficult for U.S. companies due to the unavailability of U.S. dollars for purchase. Furthermore, these controls undercut the ability of U.S. companies to repatriate funds, making it difficult to fully realize returns on investments.

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### **OPERATING, Issue 3: Trade Facilitation & Transportation Infrastructure**

One major factor that will determine American companies' ability to grow and thrive is the presence of transportation infrastructure and harmonized border systems that facilitate the efficient movement of goods within a country and across borders. The Council considers infrastructure and trade facilitation as a package that collectively enables U.S. enterprise operations in Africa. Improvements on this front impact all sectors, as unhindered import/export networks are a basic operating need for all global business.

The Continent's growing youth population and emerging middle class present extensive opportunities for U.S. exporters seeking to bring high-quality products. However, lack of supply chain connectivity and the unreliability of existing capacity restricts market growth. To further develop as an attractive market for increased investment, Africa as a whole must focus on infrastructure development and adoption of trade facilitation policies that make it easier, cheaper, and faster to move goods within countries as well as across borders. Without them, high-quality goods from U.S. producers are stuck at the port of entry. Only about 16%<sup>viii</sup> of trade is intra-African, largely due to restrictive policies and regulations, outdated customs procedures, and insufficient and poor-quality transportation infrastructure that hinder trade integration, thereby deterring potential investors.

Customs modernization plays a particularly important role in driving Africa's economic development and supports further opportunities for U.S.-Africa commercial engagement. It is challenging to consistently meet standards of guaranteed service, in part because much of Africa's transportation infrastructure is unreliable, but also because trade transaction costs are particularly high for the Continent as a whole—50% higher than in East Asia.<sup>ix</sup> Cumbersome and outdated customs clearance procedures are common at many African borders; these issues include reliance on paper (as opposed to electronic)

documentation, lack of pre-arrival data processing capabilities, inefficient risk assessment mechanisms, and low or non-existent de minimis thresholds. Reducing supply chain barriers in African countries even just by half could produce a 12% increase in their GDP. While the WTO's Trade Facilitation Agreement could help governments work towards these goals, fewer than half of Africa's countries have ratified the agreement, and not many more have presented notifications of their level of commitment to the various provisions. The members of the PAC-DBIA recognize the potential of these collective efforts and seek to focus U.S. engagement on improving the border obstacles that currently prevent American companies from expanding their investments in Africa and meeting consumer demands.

However, efficient border flows mean nothing if they are not paired with improved mobility of products within a country. The World Bank estimates that Sub-Saharan Africa needs to spend approximately \$93 billion annually over the next 10 years to narrow the infrastructure gap.<sup>x</sup> But African markets generally lack real, effective policy frameworks for infrastructure projects. They have poor financing structures and project management shortcomings, and the lack of proper monitoring and evaluation deters continued engagement by the parties involved. Competition with foreign investors plays a major role in U.S. firms' ability to influence infrastructure development. Chinese contractors consistently win more than 50% of Africa's internationally contracted infrastructure construction projects, resulting in the Chinese government's pledge of \$1.6 trillion in investments over 10 years. Their *One Belt One Road* initiative directly focuses on trade facilitation as a core objective to boost the flow of goods between China and Africa; if the U.S. government does not find a way to reverse this trend and position American firms for more streamlined operation, it will be Chinese technology, equipment, and standards that are used to close the infrastructure gap in Africa.

Africa offers myriad opportunities for American investment, but the lack of physical connectivity across the Continent hinders our ability to successfully operate in African markets. By focusing energy on these shortcomings in transportation infrastructure and cross-border practices, the Administration will help drive a commercial environment that supports opportunities to engage in trade facilitation and infrastructure projects, which ultimately enables the success of U.S. businesses of all sizes and from all sectors.

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<sup>i</sup> More than half of Chinese companies responding to a McKinsey study said they needed, on average, less than a month to make an investment decision, with 30% reporting less than a week. In contrast, U.S. companies often take a long view, doing as the SBA suggests, gauging market attractiveness based on size, like population composition and income; demand factors like willingness to spend and interests; and economics like GDP and growth rates, plus infrastructure (soft and hard, including delivery costs, technology penetration rates, etc.).

<sup>ii</sup> According to the UN's *World Population Prospects, 2017*, the concentration of population growth in the poorest countries will make it harder for those governments to eradicate poverty, reduce inequality, combat hunger and malnutrition, expand and update education and health systems, improve the provision of basic services, and ensure that no-one is left behind.

<sup>iii</sup> The four largest and most active are: Economic Community of West African States (ECOWAS, 1975), Southern African Development Community (SADC, 1980), East African Community (EAC, 1967; 2000), and Common Market for Eastern and Southern Africa (COMESA, 1994). In 2012, the later three signed a tripartite trade agreement. Collectively, these three represent nearly 60% of Africa's GDP. The African Union has discussed creating a continental FTA as well.

<sup>iv</sup> McKinsey: [The closest look yet at Chinese economic engagement in Africa](#). June 2017.

<sup>v</sup> Brookings: "[Chinese Foreign Assistance] projects have surged in the areas of social infrastructure and services, developmental food aid and food security, support to non-governmental organizations, and women in development, to name a few."

<https://www.brookings.edu/blog/order-from-chaos/2016/07/19/chinese-foreign-assistance-explained/>

<sup>vi</sup> United Nations Conference on Trade and Development

<sup>vii</sup> World Economic Forum: *The Future of Jobs and Skills in Africa*. 2017

<sup>viii</sup> African Development Bank: [Intra-African Trade is Key to Sustainable Development](#). May 2017.

<sup>ix</sup> World Bank Group: [Africa's Pulse](#). March 2017.

<sup>x</sup> Ibid.