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US companies falling behind as Africa surges

By The Associated Press

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WASHINGTON — As Africa's economy rises, American businesses are at risk of being left behind.

"We are missing the boat" was the sour warning former President Bill Clinton issued Tuesday at an otherwise upbeat U.S.-Africa Leaders Summit here.

Sub-Saharan Africa has enjoyed nearly 6 percent annual economic growth for the past decade. And the robust expansion is expected to endure through the decade. Ernst & Young calls Africa the world's second-most attractive market for investment behind North America.

Yet as Africa gains momentum, U.S. business activity there has all but stalled. U.S. direct investment in Africa essentially flat-lined between 2010 and 2012, according to United Nations numbers crunched by the Brookings Institution.

Over the same period, China (with investment up 68 percent) and the European Union (up 8 percent) poured money into a region they see as rich with natural resources and economic potential. U.S. corporate profits in Africa fell in 2013 for a second straight year.

"We have some catching up to do," former New York Mayor Michael Bloomberg said Tuesday. "We are letting Europe and China go faster than us."

Africa specialists complain that many American individuals and companies hold an outdated view of the region as a war-ridden disaster zone.

"It perhaps collects more eyeballs and sells more newspapers to talk about conflicts and war and famine," said Paul Sullivan, director of international business development at Acrow Bridge, a New Jersey firm that builds bridges in Africa. "There's a real perception deficit on the part of Western thinkers, particularly in the United States."

Jennifer Cooke, director of the Africa program at the Center for Strategic and International Studies, argues: "Generally, the U.S. private sector has been risk-averse. There's easier territory than Africa."

Chinese companies, by contrast, seem to be everywhere in Africa. The off-shore oil company CNOOC has invested \$2 billion in a Ugandan oil field. Chinese operate supermarkets and mines. A Chinese construction company is building Uganda's first expressway with a loan from Chinese bank.

Some African leaders say the Chinese are more attuned than Americans to the region's norms and sensibilities. Critics counter that a more decisive factor is that Chinese companies aren't put off by bribes and kickbacks, while American firms must comply with a U.S. anti-corruption law.

"Chinese companies are thus beating out U.S. firms, contributing to the rapid ascendancy of China on the African continent," says Andy Spalding, who studies corruption at the University of Richmond School of Law. China's growing influence, he says, is "exacerbating Africa's corruption problem."

In what sounded like a dig at China, Vice President Joe Biden noted at the summit that it's hard to compete for business fairly "when others cut corners."

U.S. businesses also complain that they don't get much help from Washington when they need advice, contacts and financing to crack the African market. European and Chinese diplomats put a priority on helping their country's businesses gain access to Africa. By contrast, the U.S. Commerce Department has a mere 35 overwhelmed commercial trade officers scattered across Africa.

"The U.S. has not been there in the commercial, economic way China has been there." Cooke says. "We've lost leverage."

And commercial officers can make a difference, business executives say.

"We don't walk into a room like GE or Boeing and are automatically known; we depend on economic diplomacy," says Acrow's Sullivan. "These are extremely sophisticated public servants who are sensitive to local conditions. They know how to guide U.S. companies."

Sullivan says a commercial officer in Ghana helped Acrow break into the market there.

On Tuesday, Commerce Secretary Penny Pritzker announced plans to open commercial offices in Angola, Ethiopia, Mozambique and Tanzania and to expand existing offices in Ghana, Kenya, Libya and Morocco.

"The time to do business in Africa is no longer five years away," Pritzker said. "The time to do business there is now."