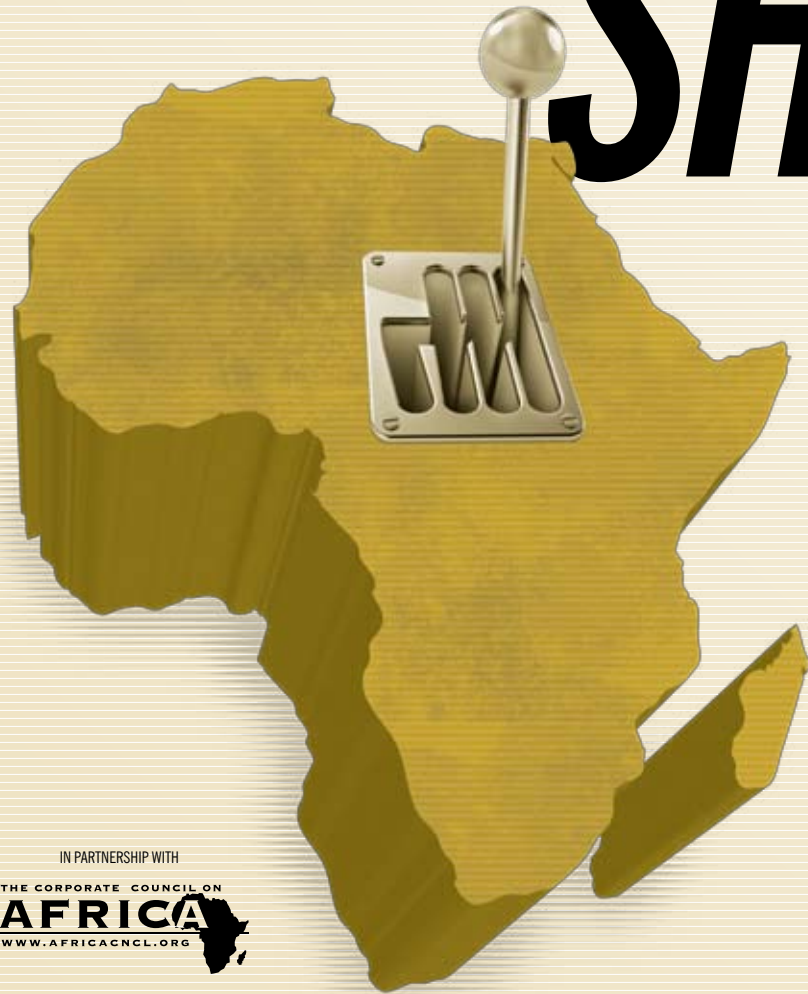


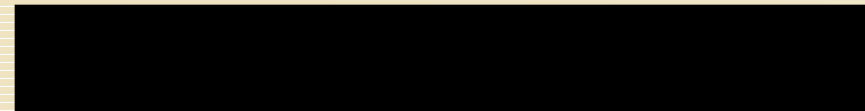
# CONTINENTAL SHIFT



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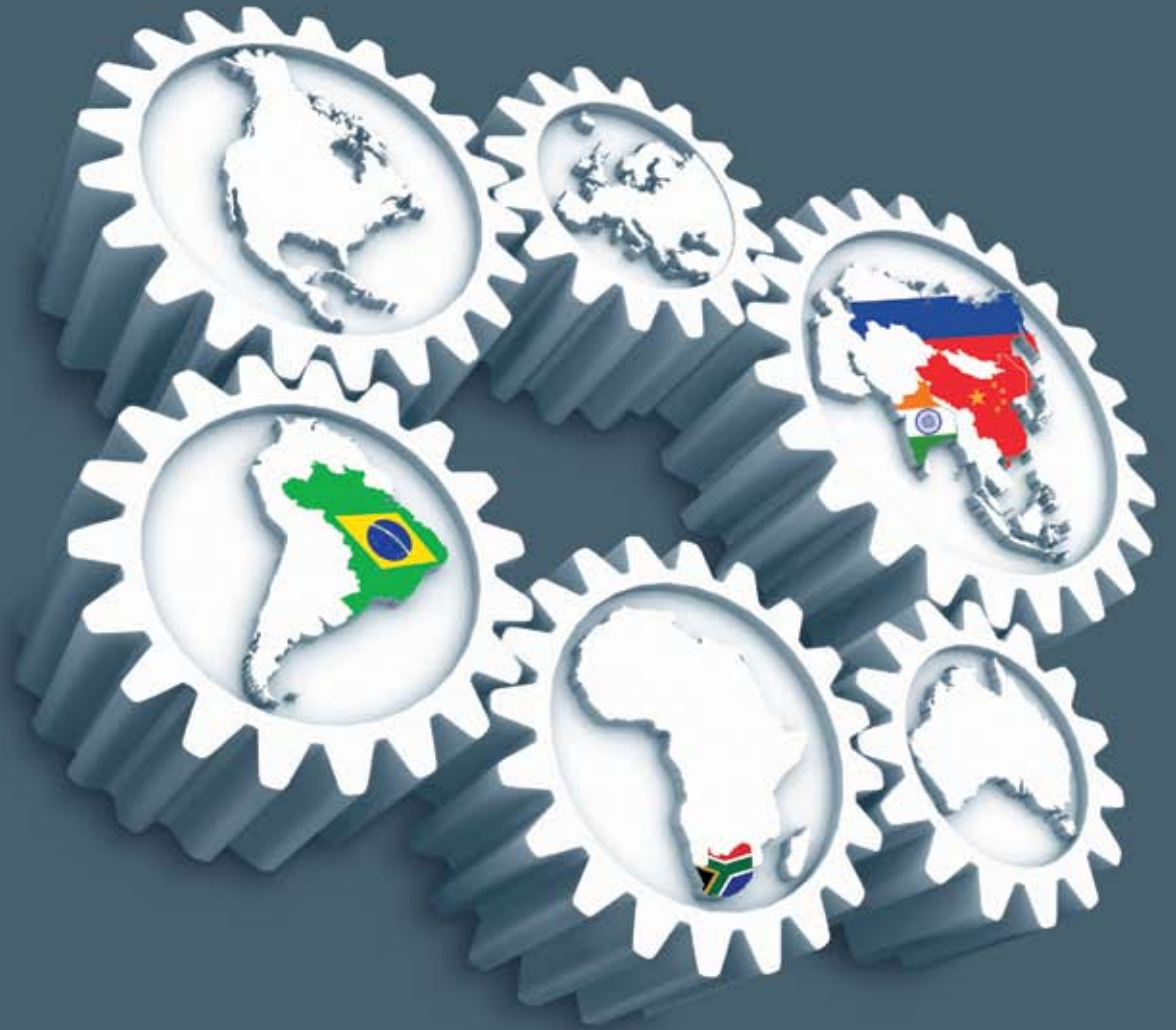
**A**frica has long fired the imagination of poets and novelists, adventurers and fortune seekers. The continent holds great romance, which is why Africa has traditionally been a place about which many prefer to rely upon the picture in their mind's eye, good or bad, instead of rigorous analysis.

The recent upheaval in North Africa underscores the point. Some see Egypt, Tunisia and Libya as only the most recent examples of consistent political turmoil. Others of a more methodical bent might point to the fact that Africa has moved from almost three dozen dictators in power in the 1980s to 11 in the span of a generation. The forest of improved governance tends to be obscured by an emphasis on this or that tree.

Mike Dignam is president of PAE, a global company that has supported stabilization missions in Africa for the past two decades, as well as the current chairman of the Corporate Council on Africa (CCA), a Washington, D.C.-based association focused on strengthening commercial relationships between the U.S. and Africa. He notes that while many countries still face the challenges of instability and weak civil infrastructure, progress has been made in understanding the causes of these issues and developing partnerships to act on long-term sustainable solutions. "In countries where the U.S. has partnered with the local government, such as Liberia or Djibouti, the economic and entrepreneurial energy is evident," says Dignam. "U.S. businesses have started to see the opportunity in these markets. Their investment in the local

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Left: "Battle of the Markets," outside the stock exchange in Johannesburg. South Africa's inclusion in BRICS helps push the entire continent forward.

With an estimated 60 percent of the world's uncultivated arable land, Africa's potential growth in agribusiness makes it the logical future cornerstone of global food security; McKinsey & Co. estimates that the world's top five countries in available acreage are Sudan, DRC, Angola, Zambia and Mozambique. Agriculture accounts for more than one-fifth of Africa's GDP, while growing at a 4–5 percent annual clip.

"Africa can bring land that wasn't available to fruition—and has the dynamics to derive more productivity from it," says Nile Capital Management's Seruma. "It's easier to start fresh than to change your whole business model, and Africa can be environmentally friendly and more productive, even at a lower cost."

The potential of Africa is part of the reason that the emerging-market BRIC nations—Brazil, Russia, India and China—recently invited South Africa to join their ranks. It is a decision of major import both economically and diplomatically.

"South Africa being asked to join BRICS [the new designation] opens up exciting new possibilities for trade and investment," says Miller Matola, CEO of the International Marketing Council of South Africa. "But it also helps our continent to grow in order to address the needs of its people. South Africa, and therefore Africa, will now have a voice in key global forums that will allow it to contribute to the reform of the U.N. and global financial, developmental and trade architecture."

There are naysayers—among them, the man who coined the term "BRIC," Goldman Sachs' Jim O'Neill—who argue that South Africa's smaller population and GDP, for starters, make it an awkward fit. Matola and others counter by pointing to the country's leadership role on the continent and the link it provides to more than one billion consumers. "It is not as if South Africa is being done a favor," Matola says. "The original four BRIC nations clearly wanted greater access to the burgeoning African economy. South Africa has an economic presence in the vast majority of the nations in Africa. It's a two-way trade."

economies, coupled with the strengthening civil infrastructure, gives us great hope for Africa's future."

"The media focus is on the more negative aspects of Africa—frankly, they make better news stories," says CCA president Stephen Hayes. "But there's a lot more out there. Everyone else around the world—China, Brazil, India, the Middle East—is beginning to understand the importance of Africa. In fact, we in the U.S. probably need Africa more than Africa needs us right now."

Indeed, for all the attention rightly paid to China, Standard Chartered forecasts Africa's economy to grow faster than China's over the next two decades, at an average annual rate of 7 percent. From 2000 to 2010, seven of the 10 fastest-growing economies were African countries. The African telecom industry has grown at an annual rate of 40 percent over the last five years, and the continent has the same number of cities with a population of over one million people, 52, as Europe.

"You can put the United States in Africa four and a half times, yet we read about Tunisia and fear it's going to affect Botswana," notes CCA's Hayes. "Africa is a big place, and there are a lot of good places to invest."

Larry Seruma, chief investment officer of Nile Capital Management, which manages the Nile Africa Fund, agrees. He calls "information deficit" the biggest challenge

to attracting U.S. investment, and notes, "There is still a perception that Africa is a homogenous place. Africa should be seen as 53 separate, often very different countries."

If the perception of Africa has lagged behind the reality of its progress, the positive news—for starters, increased consumer buying power and demand; improved infrastructure, regional cooperation and standardization of law; diminished political risk overall—is becoming harder to ignore.

The rising power of the African consumer can be seen in many areas, perhaps none so obvious as information and consumer technology. There are 100 million Internet users in Africa today, up from just a few million a decade ago; and 70 percent of the population of Sub-Saharan Africa (SSA) lives within the coverage footprint of a mobile network (up from 20 percent). SSA mobile penetration has risen from below 1 percent to more than a third of the population in the majority of these nations.

Nick Foggin, senior advisor, telecommunications, at RP Capital Group points to the deployment of subsea fiber along the western and eastern seaboard of Africa, and the rollout of mobile broadband networks across the continent, as the key developments in the sector. "A decade ago, the ICT sector was the preserve of a rich minority," Foggin says. "Today, key technologies are fast becoming available to the masses."

In its 2011 Africa Attractiveness Survey, Ernst & Young asserts that, as a region, Africa should be competing in the BRICS space: "In terms of the number of FDI [foreign direct investment] projects, China is a clear leader, India a distant second, and Africa is in third place, having overtaken Russia following the economic crisis."

The case for South Africa in BRICS is bolstered by, among other recent news, Walmart's bid to acquire 51 percent of local retailer Massmart for \$2.5 billion and Japan's ongoing \$260 million takeover of Freeworld Coatings. Last year saw \$4 billion of investment flow into South Africa, creating 13,000 jobs, and the country's Minister of Trade and Industry, Rob Davies, projects \$17 billion worth of investment in the country over the next three years—expected to come not only from the BRICS powers but all the major advanced economies, as well.

To what extent the U.S. will be a player in Africa moving forward remains an open question. Many interested observers, CCA's Hayes among them, believe the American government needs to do more to support U.S. private-sector investment in Africa, from greater on-the-ground support to making it easier to procure deal financing. The American mindset, they argue, must also change, viewing Africa not from an aid perspective, but as a business partner.

"The Secretary of Commerce hasn't visited Africa since 2002," notes Hayes, who expects approximately 1,500 attendees at CCA's U.S.–Africa Business Summit on October 5–7 in Washington, D.C. "The U.S. Department of Commerce is planning to close down three commercial services offices in Africa that are very important to us when Africa needs to be high on the horizon."

"The [African] countries have realized

that economic growth is a key factor in achieving and maintaining stability," says PAE's Dignam. "In the U.S., the better we integrate the foreign assistance capacity-building initiatives, the greater success we will have in developing sustainable economies that will drive foreign direct investment opportunities."

Africa used to be associated with high risk. Increasingly, it seems that failure to prioritize Africa is itself high risk.

"BRICS says to all and sundry that Africa has shifted from receiving aid to being a competitor for trade and investment," says Matola. "That message should tell the U.S. and the rest of the developed world to start competing for this new African market of a billion consumers. But is the U.S. private sector fired up enough about Africa? This continent is an economic frontier with real opportunities to be grabbed." ●



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