

>> Announcer: Ladies and gentlemen, please welcome our next panel, Africa and Energy: The Fierce Competition and National Security Impact. Our moderators will be Judd Devermont, Director of the Africa Program Center for Strategic and International Studies. The panel consists of Dan Blumenthal, Director of Asian Studies and Resident Fellow American Enterprise Institute; Thomas Hardy, Acting Director U.S. Trade and Development Agency; Gilbert Kaplan, Under Secretary of Commerce for International Trade U.S. Department of Commerce; and Robert McFarlane, former National Security Advisor to President Ronald Reagan and co-founder and director IP3 International.

>> Okay, well thank you so much. My name is Judd Devermont. I am the Director of the Africa Program at the Center for Strategic and International Studies, and it's my honor to moderate this very important panel on the power sector in Sub-Saharan Africa. We're really fortunate to have a very distinguished panel today, Gil Kaplan, the Under Secretary of Commerce; Thomas Hardy, Acting Director at USTDA; Dan Blumenthal, Director of Asian Studies at the American Enterprise Institute; and Bud McFarlane, former National Security Advisor and the co-founder and director of IP3 International. So we only have 30 minutes on the clock, so I'm gonna be mindful of everyone's time and just set the scene really quickly before we get into our moderated discussion. There is a huge gap between Africa's electricity demand and the current supply. Nearly 600 million people in Sub-Saharan Africa lack access to electricity with many communities living largely in darkness or at least half their lives in darkness. I don't know if you've heard the statistic, but an average African uses as much electricity as a refrigerator in the United States. And this imposes high economic costs when McKinsey surveyed executives running businesses in Africa, one-third said that their companies generate their own electrical power or have backup generators on sites. If Sub-Saharan Africa is gonna generate enough jobs for the 12 million young people who enter the job market every year, we have to be able to generate enough power for industry and commerce, not just households. And this demand is only going to grow, especially as consumers move up the energy ladder. It's estimated that \$450 billion will be needed to build new power generation on the continent over the next 25 years. I think the U.S. private sector has a really important role to play here. It has been so instrumental in the public and private partnerships around energy generation and our companies are world class when it comes to natural gas and competing on solar and renewable energies. Of course, as the topic today, China is active in this space. It's largely focused on coal and hydro, but it's doing a lot on power transmission. For today's discussion I wanna dig a little deeper. Let's, I wanna talk about what the U.S. government can do to facilitate U.S. investments in this sector. And we should talk about, how do we think about China, how do we think about strategic competition, and ultimately what is the way forward? So I'd like to turn to Under Secretary Kaplan first. Can you tell us, sir, a little bit about how the Commerce Department views the power sector? Both the

challenges and the opportunities, and then maybe a little bit about what commerce is doing to support U.S. businesses interested in energy opportunities on the continent.

>> Certainly, thank you, and thank you all for coming. We at Commerce are very committed to Africa and the various projects in Africa, Prosper Africa, Power Africa. We think that Africa is really central to what the United States has to do in terms of exports, in terms of building diplomatic relationships and friendships. I led a group called the President's Council on Doing Business in Africa to Ethiopia, Kenya, Cote d'Ivoire, and Ghana last summer. It was an incredible experience to see the interest that everyone in Africa has. There were I think three energy companies on that trip. And they were able to make some deals, so it was very positive. But as everybody in this room knows, the big roadblock right now is EXIM and the lack of ability to function properly. I was very excited to hear that Larry Kudlow spoke just recently, I guess it was yesterday, affirming the administration's strong support for getting EXIM functioning properly again. So that's-- Yeah, I'll clap to that, too. We support that. And if anyone has any good ideas about how to get it through the Senate, let me know. So that's a part of it. But what we're also doing at Commerce, in addition to trying to work on the EXIM issue, is promoting trade missions of every kind to Africa like the PAC DBIA. We are working with our Commercial Law Department to develop best practices on government procurement and other projects like that. We're doing buying missions of buyers from Africa and other countries to come here and meet with U.S. companies and learn about their opportunities. And we're also working very closely with the entire interagency process, both in Power Africa and Prosper Africa, to make sure that it's a whole of government approach to dealing with this. And I think we're gonna be very successful. On Prosper Africa we're in a very intense seven-week process to come up with an entire agenda and then begin the implementation phase. So we're all in on this, and we expect it to be successful. On China I'm gonna be very circumspect. As you know, we're in the middle of a two-week period of negotiations on the entire China-U.S. relationship. We expect, or hope at least, to be successful. But there are many, many obstacles still. So we're guardedly optimistic, but we don't know for sure what's going to happen. So I'm just gonna leave that aside, unfortunately. But I will say there's a lot of competition from many other suppliers, both China, Germany, Japan, EU. We can't afford to unilaterally disarm as we're doing with EXIM.

>> Great, thank you. And I will spend a little more time on China in some of the other actors. But Tom, can I turn to you a little bit about USTDA and what you're doing on this issue?

>> Sure, thank you Judd. I think USTDA has seen first hand the role that China's playing in transforming the landscape of energy development across Africa. And USTDA is really on the front lines of

counteracting that. Last year alone we invested over 80% of our funding, through feasibility studies, technical assistance, pilot projects, specifically for energy development across Africa. All of it's designed to help level the playing field, whether it's modernizing coal-fired power plants to reduce emissions, expanding gas-fired power, or helping with the expansion of newer finding capacity, it's all designed to introduce American made technologies and solutions as a counterpoint to what's happening with international competition. What does that mean? Last week I had the opportunity to be in Nigeria and met with Aliko Dangote, and was checking on training investment we had made with Dangote Industries to support UOP's process technology. USTDA has stepped in to support training for the employees on the ground, but the training we're providing is a direct response to Dangote Industries making the investment in procuring UOP's process technology for what will be the largest refining capacity on the African continent. Not only is it providing the technical training for the employees of the refinery, but more importantly the work that USTDA did at the front end is ensuring a long-term relationship between Dangote and UOP in the long term as they expand their refining capacity. I touched on this because I think for USTDA where we see the most important is the quality infrastructure solution. That is the differentiating factor between the U.S. solution and our Chinese counterparts. And it represents an opportunity, I would argue, for U.S. companies. For too long our partners across Africa have seen their investments in lower quality, cheaper products, either fail or not stand the test of time. And it's represented an opportunity right now for us to kind of change the role. But I think it's going to take an all-of-the-above approach from the U.S. government. I think there's been important steps taken. Power Africa was an important first step. The development of the Development Finance Corporation to support private investment in Africa's gonna be critically important. A strong U.S. Trade and Development Agency to ensure market access for U.S. companies. And then obviously Prosper Africa. But during my time in Nigeria, just last week, what I heard from developers is where's EXIM Bank. The investments you've made have been great. It's provided a roadmap. But for us to buy American goods and services, we need the financing. And that's what I heard time and time again from developers, particularly in Nigeria, of where is that opportunity. So as we look forward of how do we compete as a country in Africa? Particularly in the energy space. We need to be thinking about having all of the tools, tools available and EXIM is a critical component of the complete toolkit for the United States to advance quality solutions across Africa.

>> I think it's a testament to the quality of our assistance in our companies that Dangote, who is the wealthiest African in the world, looks to us for that kind of partnership. So that's really helpful. Dan, tell us the view from Beijing. How did they see this sector? How are they investing in it? How do they think about strategic competition? And maybe a bit of a score card on how they're doing.

>> Sure, well, I don't know much about Africa and I don't know much about economics, but I am happy to be here. Besides that but I think I can give you a bit, as you asked, of, to the extent it's knowable of how China thinks about Africa in the context of its larger geopolitical and geoeconomic goals. So first I'd say obviously the investment in two sectors has skyrocketed over the last few years. One is energy at large, not just hydropower and so on, but trying to develop oil and other resources, and that's very much tied to China's deep and profound desire over the last 20 years to diversify its suppliers. Extremely suspicious of the United States and the United States allies. Doesn't wanna be reliant upon the same suppliers and critically not the same supply routes that the U.S. Navy patrols. So the investment, the second biggest investment besides energy is actually in railway equipment, that first I looked at that a few times. But then it made sense to me. Because why railway equipment? Well, China has this strategy, let's call it this energy commodities hedging strategy that is trying to also build land corridors around all the main energy and commodities suppliers, railways and highways and if you look just closer into China such as Pakistan and Sri Lanka and so on, so that they can have some control over the ports, some control over the way supplies get to the ports, all again with the mindset of not being reliant or vulnerable to disruptions that the U.S. and its' allies might do in the case of a heated competition or conflict. So that makes great sense to me from the perspective of Chinese strategy. A lot of the announcements about investment and construction and so forth and the One Belt, One Road, which has captivated everybody, are much less than meets the eye, in fact. China's continuing to do what it's done in Africa where it comes to energy and oil, and now rail equipment and other types of transport. It's been doing that before it announced the One Belt, One Road. Let me end on a couple things just to think about what else China's doing in Africa, which is very much in line with a global strategy. This digital, this digital road, Maritime Silk Road they call it, which is essentially promoting Chinese telecom and IT. Each embassy now in China has a digital officer. And the idea is to build entire networks and we all know, and it's a different topic all together, the huge technological competition in 5G and AI. But China's working with African dictators, unfortunately, to pass along some of the worst of its technological capabilities that China uses in China for means of social control. Finally, China's increasing it's military engagement with African nations. Obviously the Djibouti facility is the key, but it's stepped up its peacekeeping contributions as well as straight military-to-military ties with a lot of African nations. So it's thinking geostrategically, Africa's not ground zero for the U.S. China competition, but China certainly views Africa as a place where it can develop and export back into China commodities safely through without supply disruption.

>> I'm really glad you brought up telecom. I think EXIM should invite

us back to just do a conversation about China's digital footprint in Sub-Saharan Africa. It gets not enough attention. It's a serious, a serious problem. But I'm gonna take just a speaker's prerogative before we turn to Bud and just let me ask you one followup, Dan. Is all Chinese investment in Africa negative? How do we think about what they're doing in the power sector? Or maybe let me put it another way, is it all zero sum?

>> No, no, it's to all zero sum. And not to lead us too far astray, but the United States and Western countries are still the biggest recipients of Chinese investment, by far. I mean, they dwarf other countries. We get carried away with these new announcements. But the United States and Canada and EU and Australia are the number one recipients of outgoing Chinese investment still and growing. And U.S. had shrank a little bit last year. But that's to say that a lot of countries are benefiting from the money where we have concerns in places like Africa and so on is when you're dealing directly with some of the dictatorships and so forth and some of the digital issues and the ability of, I'd say there's two big concerns, where general investment, this sector is not a big concern. There's two big concerns. One is giving others the means for authoritarian control through digital products. And the other, of course, is these long-term trades of commodities and investment in return for Chinese bases and port facilities, which could be troublesome, not just to us but to India.

>> Yeah, that's great, and I wanted to get that out 'cause I think we'll come back to that. Mr. McFarlane, let me turn to you. I suspect you have a strong opinion. Not only were you the National Security Advisor for President Reagan, but you're in the private sector yourself. So why are we talking about geostrategic competition around the power sector? What does this mean in practice?

>> Well, first of all, power is politics. If you imagine simplistic notion that if you are the person who can literally turn the lights on and off in a country, it doesn't take very long before the political leadership of any country in the world pays a lot of attention to the provider and is influenced enormously by a person who controls the electricity. Well, when you imagine the scale of gain opportunity, if you will, for China, for Russia, for leading producers, especially in nuclear power, the scale of this market is just beyond imagination. Just think demographics to grow in the world from seven billion people today to 10 billion people in the century, mostly in the next 40 years, that's a market of more than a trillion dollars to serve the needs of five billion people. And Africa's particularly appealing because, as has been said, 70% of every living human in Africa has never had electricity. So the demand there is obvious, and for that reason China and Russia have accelerated their ability to compete and provide power of all kinds, but particularly nuclear power. Nuclear power is an appealing base-load power. It doesn't emit anything at a time of climate change. It's especially attractive to any country. The

ability of China and Russia to go into penetrate and ultimately dominate, first the power sector, but then the politics of Africa is enormous. And they're ahead, very far ahead, has been mentioned China already has built in their own country 44 nuclear power plants. Russia has an analogous history and very ambitious marketing approach. They've already concluded on a contract to build four plants in Africa, two more in turkey, and, and, and. So they're very far ahead of us. And importantly, the rules of the road for nonproliferation have always been set by the United States. We have more power plants than anybody on the planet so we've been looked to to set the standards for the fuel cycle to make sure that nuclear fuel is never diverted to a weapons program. Well, when you haven't built a plant for 30 years people began to ask, is that all important? Is the United States the best provider. So we have some catching up to do. And a large reason for that is the reason for this conference, and I applaud EXIM for convening it, especially on power. This is vital that we restore our own industry here at home and the opportunity really lies overseas and especially in Africa. When you look at Africa we could go country by country. We don't have time to do that, but just consider the wealth of Africa in things like rare earth metals, things that power your telephone, conventional things like cobalt. Very much in demand and short supply but plentiful in the DRC, Congo. And so the appeal of what you gain, especially if you're Russia or China, and dominating other markets by penetrating the countries of Africa that have these critical commodities is very obvious. We have to be able to be competitive. We're way behind in being able to finance power projects. We're delighted to see the renaissance of EXIM and the leadership being shown in this conference today. But we couldn't have a more vital, high priority as we try to catch up in the competition for providing nuclear power, especially Africa's gotta be our primary mission in the next 10, 20, 30 years. Serving five billion people, almost half of those in Africa, in the way of new demand currently not being met, is gotta be a leading target for us, and we couldn't be more delighted that EXIM is up for this and going to be able to enable the United States to grow, not only overseas but to once more build, rebuild back here at home. Not by EXIM alone, certainly, but we're going to have a rebirth of nuclear power. It's vital. When you consider climate change, nuclear power doesn't emit anything and over time, long term, is the cheapest source. So we're very, very interested in this rebirth. It's not gonna happen without EXIM and its effort. We're very, very pleased, grateful that you convened this conference. Be glad to take questions here before long.

>> Great, thank you, Bud. Let me turn back to the Under Secretary. Both Bud and Dan I think highlighted the contours of the strategic competition, whether it's supporting dictatorships or just access to these critical commodities, you know how do you think about the strategic importance of being able to compete in the power sector?

>> Well we think it's absolutely critical, and I agree with Mr.

McFarlane on the importance of really making it an export opportunity for the United States. We have a very big trade show coming up called Discover Global Markets in Houston on September 30th which will focus on energy and infrastructure and on Africa. We think there are tremendous opportunities for U.S. companies there. When we went to Africa we signed MOUs ultimately with all four countries we went to. And these were to explore commercial relationships between United States companies and Ethiopia, Kenya, Cote Ivoire, and Ghana. So the United States and our companies would get a very early look at what infrastructure and power and other projects were gonna be up for bid in these countries. And I think that's given us a real good look into what kind of opportunities there are there. You know, one of the problems with not having EXIM is that a lot of companies in the U.S. can't even bid on these projects because you've got to have an export credit agency accompanying you in these bids. So even if they can somehow figure out how to finance it without EXIM they have to go to another country. They have to go sometimes even to China to get financing. And the requirements that come with going to a foreign export credit agency are what you would expect. If you're a U.S. company and you get a credit guarantee or a loan from another country, whether it be Germany or Canada or the U.K., they require you to do some of the manufacturing in that country. So it's hard to think of anything that's more counterproductive to the United States. I'll just end with one statistic. As you all know, there are about \$40 billion in U.S. export financing applications in the pipeline at EXIM that cannot be approved because of the problems there. 88% of those are in energy and mining. And it's just terrible that these are not being financed in some way 'cause we're just losing them to our competitors. And we estimate that translates into 237,000 U.S. jobs. So it's very strategic, we wanna be part of the next decades in Africa through Prosper Africa and Power Africa. We are doing everything we can, and one part of that will be to stand up EXIM to assist us and our companies in exporting and working in Africa.

>> Thank you, I wanna go back to something that the panel has mentioned about setting the standards. I think it was Mr. McFarlane. I think that is incredibly critical in this area. And it's something that not only that we have to do from the U.S. perspective but we have to do in conjunction with our partners, the Europeans, the Japanese, others who have the same view about open societies and open markets, and I think that is a conversation as we think about the power sector that we have to leverage like minded countries and private sectors so we can create operating environments that we can all work on. The other thing that is so important here is to talk about not only or focus on generation, which we've done a lot because of Power Africa, but the next steps which is transmission and distribution. Now those are questions I think are still out there and how do we entice and support U.S. companies who wanna move into these other parts of the power sector, you know, supply chain or chain. But we can't do it, and this'll be my pitch here. I think we can't do it without sharpening

the tools that we have. So I think it's first, it's building on Power Africa, moving it from 1.0 to 2.0 and I really applaud the new vision for Power Africa, thinking more about industry and not just households. That's exactly where we need to go. And then again, about transmission and distribution, which is the next parts of this conversation. I think it's leveraging the build act and the new DFI and that gives us this opportunity to have that kind of partnership with other countries and other private sectors so we can work on the standards and I think shaping the battle space for U.S. investments, and finally I think that it's, well not finally, sorry, it's developing Prosper Africa. I'm really excited about where that is going to go and how that can match with the other tools that we have. And then obviously why we're all here today is EXIM. And unless we can unleash the power of EXIM we're not gonna be able to achieve our goals in the power sector. So I think, Bud, Mr. McFarlane, do you have one final shot for us? One final point?

>> I'm glad you mentioned the small countries that on their own don't have the financial means, even with Power Africa and outside help, to be able to knit together or to benefit from the nextdoor neighbor's power initiatives. Grids connecting country to country to country. There's something that Power Africa and EXIM have a vital role in doing. A little country, Burkina Faso, others like it, need to have the big neighbors nextdoor, Nigeria and others, going strong to build power and the grid that goes with it to connect them all to where they can not only benefit from power coming in, but also enable themselves to do renewables and things which have an ability to contribute to the grid, but you've got to have grid management, grid balance, and so forth, and that's a big market and a big need throughout Africa.

>> Right.

>> Regional.

>> Well let me first say thank you to EXIM for having us here. I hope this is the beginning of a conversation, not the end of a conversation. And I feel very fortunate to have such an esteemed group of panelists. So thank you again Under Secretary, thank you Tom, thank you Dan, thank you Mr. McFarlane, and thanks everyone. Please join me in a round of applause.