

Why CEOs love Rwanda

As a small African nation recovers from genocide, Google, Starbucks and Costco lend a hand. Fortune's Marc Gunther reports.

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NEW YORK (Fortune) -- It's not every day that an African head of state delivers a corporate endorsement at an annual shareholder meeting. But Paul Kagame, the president of Rwanda, did just that last week at Starbucks' meeting in Seattle.

Starbucks' chief executive, Jim Donald, introduced Kagame, who praised the \$8-billion-a-year company. "Starbucks and Rwanda are extended family, very closely linked by the business we do together and the passion we share," Kagame said. His comments delivered welcome relief from the criticism aimed at Starbucks over a recent trademark dispute with Ethiopian coffee growers.



PHOTO: ELAINE THOMPSON/AP

Rwandan President Paul Kagame addresses the annual Starbucks Corp. shareholders meeting in Seattle. Kagame spoke to shareholders for several minutes in the surprise visit.

Best known today for the 1994 genocide that killed 800,000 of its people, Rwanda is, thanks to Kagame, quietly building a new reputation in corporate America - as a business-friendly nation that wants to become a model of private sector development in Africa.

The 49-year-old Kagame, a rail-thin, bespectacled former guerilla fighter who has led Rwanda since 2000, lately has become an unlikely favorite of American CEOs. Last week, he had lunch at Google's campus in Mountain View, Ca., with senior executives including CEO Eric Schmidt; the Internet firm just announced plans to make its free Web-based software available in Rwanda.

[Chasing the 'base of the pyramid'](#)

Kagame had a lengthy dinner with Jim Sinegal, the CEO of [Costco](#) ([Charts](#)); the big retailer buys coffee from Rwanda and wants to do more business there. Last week, too, Terracom, Rwanda's leading phone company, hired an American-born CEO as it builds out what it says will be the fastest communications backbone in Africa. Senior executives at the wireless firm [Alltel](#) ([Charts](#)), the huge engineering and construction company Bechtel and clothing maker [Columbia Sportswear](#) ([Charts](#)) also have consulted with Rwandan officials.

An undervalued 'stock'

Why the attention to Rwanda, a land-locked country of about 9 million people about the size of Maryland? It's no accident. Many of the corporate ties between the U.S. and Rwanda can be traced back to two Chicago-area businessmen: Joe Ritchie, the founder of an investment firm

called Fox River Financial Resources, and his partner Dan Cooper. I met Ritchie and Cooper on a trip to Rwanda in 2005 with the evangelical minister and best-selling author Rick Warren.

Ritchie's not your typical midwestern businessman. He ran the world's largest commodities trading firm, broke a transcontinental speed record in his private plane, managed mission control for his friend and fellow adventurer, balloonist Steve Fossett, and, with his brother James, helped finance Afghan rebel fighters when they tried to overthrow the Taliban in the late 1990s. (The Ritchies grew up in Afghanistan, but that's another story.) Several years ago, Ritchie's daughter Maggie volunteered in Rwanda, after which he took a look for himself and came away very impressed.

Rwanda is known as the "Land of a Thousand Hills" but it was not the lush landscape that appealed to Ritchie. He and Cooper toured the country and met government and business leaders. They decided that Kagame was open, honest, business-savvy and, unlike some African leaders, serious about fighting corruption.

"We came away saying, this is the most undervalued 'stock' on the continent and maybe in the world," Cooper says. "Here's an African nation that's reaching out, not to governments so much, but to corporate America. They want to work. They want U.S. business to bring innovation to their country."

Coffee was the obvious place to start. A U.S.-backed program called PEARL (Partnership for Enhancing Agriculture in Rwanda Through Linkages) had been helping Rwanda's coffee growers to organize themselves, invest in new washing stations and dramatically improve the quality of their coffee. PEARL introduced Rwandan coffee growers to U.S. and European buyers of specialty coffee, including Sustainable Harvest Coffee of Portland, Oregon, Intelligentsia Coffee of Chicago and Vermont's Green Mountain Coffee, whose customers include McDonald's. Financed by the U.S. government's Agency for International Development, PEARL is led by agriculture specialists at Michigan State and Texas A & M.

[Starbucks vs. Ethiopia](#)

Dan Clay, director of MSU's Institute of International Agriculture, who has worked in Rwanda since 1979, says the specialty coffee business is growing fast. (In 2006, about a thousand metric tons of fully washed Rwanda coffee was sold into U.S. specialty and gourmet markets at prices averaging \$2.00 per pound. Commodity coffee - the kind that Rwanda used to produce - sells for just 60 to 75 cents a pound.)

"The companies that are buying these top quality coffees are investing a lot in the communities and cooperative," Clay says. "They put a lot of their own time in, and they do some training."

Ritchie and Cooper have opened up bigger opportunities for the coffee growers by pitching Rwanda to Costco's Sinegal. Costco bought Rwandan coffee for its Kirkland brand, and Sinegal spread the word to [Starbucks](#) ([Charts](#)). Dub Hay, who is in charge of buying coffee for Starbucks, is encouraging Rwanda growers to ramp up their production: "We're very bullish on Rwanda. They've still got a long way to go, but they're getting there more quickly than any other African country." Hay, Starbucks chairman Howard Schultz and [CEO Jim Donald](#) have all visited Rwanda, where they were guests of Kagame.

The [Google](#) ([Charts](#)) deal came via a different route. Last fall, Françoise Brouger, the global director of strategy and business operations at Google, led a group of Google employees on a three week trip to Africa, stopping in Rwanda, Ghana, Senegal and Nigeria. She had been asked by top Google execs to seek out business opportunities in Africa.

Why? Because Google is serious about its mission - to organize all the world's information and make it available to everyone. The Rwanda deal will make Google Apps - Web-based applications for e-mail, a calendar, the creation of documents and spreadsheets, messaging and Web page authoring - available to government ministries and three colleges in Rwanda. (The company announced a similar initiative in Kenya.) Each university and ministry will get its own domain names, and all the applications will be available without advertising. This will save the Rwandans the considerable expense of developing their own e-mail systems, maintaining servers, training staff and buying PC-based software.

To use Google Apps, Rwandans will need computers and broadband connections - but Brougner told me that Google picked Rwanda for its rollout in part because the government is "extremely progressive" when it comes to promoting information technology: "The country has invested in IT infrastructure, the same way governments invest in roads," she says.

There's lots more in the works. Tom Ritchey, a master designer and welder of mountain bicycles, as well as an accomplished bike racer, has several projects underway in Rwanda. He is developing a racing team and creating an efficient cargo-hauling bike to help coffee growers to market. (Check out his [Project Rwanda](#) Web site.) Other U.S. firms are talking about rebuilding railroads and highways. "We're in the deal-making space right now," Cooper says.

There's no doubt that Rwanda has plenty of work to do. Gross domestic product in 2005 was less than \$2 billion, and per capita income, adjusted to take the living costs into account, is about \$1,500 a year, according to the U.S. State Department. Amnesty International says human rights groups are prevented from working freely in the country and that activists and journalists face harassment and intimidation.

But the country, visitors say, is democratic, peaceful and working hard to heal the terrible wounds caused by the genocide. Roughly half of about 80,000 people who were imprisoned, awaiting trial for their role in the genocide, have been released. In recent years, visitors to Rwanda have included former President Clinton, First Lady Laura Bush, Microsoft chairman Bill Gates, former Senate majority leader Bill Frist and (of course) Bono. All expressed a desire to help - perhaps, in part, because the United States did little to prevent the genocide more than a decade ago.

Google's Brougner told me: "For us, it's very inspiring, knowing the history." Says Dan Cooper: "We think this is an extraordinary place that that deserves our support and we feel lucky to be a part of it."