THE BROOKINGS INSTITUTION

INCREASING AMERICAN JOBS THROUGH GREATER EXPORTS TO AFRICA

Washington, D.C.
Tuesday, May 8, 2012

PARTICIPANTS:

Introduction:

KEMAL DERVIŞ
Vice President and Director, Global Economy and Development
The Brookings Institution

Moderator:

MWANGI S. KIMENYI
Director, Africa Growth Initiative
The Brookings Institution

Featured Speakers:

THE HONORABLE RICHARD DURBIN (D-IL)
United States Senate

THE HONORABLE CHRIS SMITH (R-NJ)
United States House of Representatives

* * * * *

P R O C E E D I N G S

MR. DERVIS: We're very privileged to have with us today Senator Durbin and Chairman Smith. Welcome and thank you for coming and visiting Brookings for a great event for Africa and America, I think.

Senator Durbin and Chairman Smith are the sponsors of Increasing American Jobs through Greater Exports to Africa of 2012, introduced to the U.S. Congress on March 23, 2012. The bipartisan legislation aims to best position American companies to invest in Africa. The bill has been deemed the most significant legislation on Africa since the African Growth and Opportunity Act because it concretely established a much needed investment agenda on the African continent and let me as head of the Global Economics Program say that after decades of great difficulties and a little bit of hopelessness that was there in the 70s and in the 80s, there's a real turning point in Africa. Africa still, of course, has huge problems, but even through the world economic crisis, it held up its growth rate close to 6 percent. Some countries are doing extremely well, others, particularly where there's still conflict have great difficulties, but the continent as a whole has really become for international economists and those of us who watch the world economy a continent of hope, a destination of investment, and, therefore, I think, potentially a very strong and promising partner for the United States. So, I'm really very, very happy that we have this event and that we can discuss what the U.S. can do for Africa and what opportunities Africa represents for U.S. jobs.

Senator Durbin is a senior democratic senator from Illinois. He is also the Senate assistant majority leader, also known as majority whip, the second highest ranking position in the Senate. Durbin sits on the Senate Judiciary Appropriations Foreign Relations and Rules Committee. He's the chairman of the Judiciary Committee Subcommittee on the Constitution, Civil Rights, and Human Rights and the Appropriation Committee's Financial

Services and General Government Subcommittee. So, thank you very much again for being here.

Congressman Chris Smith is a republican representative from New Jersey's fourth district and is currently in the sixteenth term as United States congressman. Smith is a senior member on the Foreign Affairs Committee and is chairman of its Africa Global Health and Human Rights Subcommittee. He also chairs both the Commission on Security and Cooperation in Europe and the Congressional Executive Commission on China, and in that context, we've heard from him quite a bit lately.

And, of course, Mwangi Kemenyi. Mwangi is the director of the Brookings Africa Growth Initiative. Prior to joining Brookings, he was the founding executive director of the Kenya Institute for Public Policy Research and Analysis, KIPPRA. His research focuses on U.S.-Africa relations, trade, and regional integration as well as private sector development.

The Africa Growth Initiative is relatively recent at Brookings, but it's now a well-established part of our international program. It has several aims, but one of the key aims is to bring African and American policymakers closer together to establish a strong African voice in Washington, and to facilitate joint research, joint policy brainstorming between the U.S., the rest of the world, and Africa in partnership with many African think-tank's and academic institutions. The aim, of course, is to cross-fertilize the knowledge, the experience, to make the initiative not only present in Washington, but also, of course, present in Africa and bring whatever we can learn here and whatever the results of the research are to African development.

Thank you very much. Senator Durbin, thank you.

SENATOR DURBIN: Thank you very much. It's an honor to be at the Brookings Institution. It is my first visit. As Congressman Chairman Smith said, we invite

Brookings scholars to come up and testify many times, but now we are going to testify to Brookings.

Many years ago, when I was a student at Georgetown, I worked in a bookstore on DuPont Circle, and I used to spend my lunch hours walking the neighborhood looking at this place and thinking I wonder what's going on inside. (Laughter) It turns out politicians are giving speeches, among other things, but it's a pleasure to be with you to speak about a bill that I think is important for African and for America and a bipartisan bill. There's a rarity.

It's, as you've heard, entitled Increasing American Jobs through Greater Exports to African Act. It speaks for itself in terms of the title. I'm honored that my friend and colleague Congressman Chris Smith of New Jersey is here. He and I have worked together for years on the Commission. We may have many differences on many issues, but we also have many points where we come together in agreement, and this is one.

This bipartisan bill enjoys the support not only of Congressman Smith, but also Congressman Bobby Rush of my home State of Illinois and Senators John Boozman of Arkansas, and Chris Coons of Delaware, who is the chair of the Africa Subcommittee in the Senate.

I want to say a few words about what the bill does, but first I want to tell you why it is needed and why it is needed now.

It was about six or eight years ago that I was on a trip to Israel meeting with Shimon Peres in a congressional delegation. Senator Harry Reid, the majority leader, asked Shimon Peres a very open-ended question: What do you think is the greatest threat to the United States of America today? In my own mind, I thought, oh, I can think of several things he's likely to say, but he surprised me with an answer that he gave almost instantly. He said

China, don't you see it? And I thought to myself now that's interesting. I would have expected a different answer because it was a very open question.

But after that meeting, I started asking every foreign visitor to my office as they came in, I'd close the conversation and say oh, incidentally, what is going on with China in your country? And without fail, these people from all over the world would say well, it's interesting that you would ask that question because, and then they would proceed to talk about the new role of China in each of their nations.

Several years ago, when I visiting Ethiopia, and was meeting with President Meles for about 30 minutes, I had a few minutes to go and I thought I forgot to ask the question, so, with about 5 minutes left in our appointed schedule, I said to the president so, what is going on with China in Ethiopia? The meeting went on for another 30 minutes because President Meles said you should take a close look at what China is doing in Africa. They have a plan. A plan that we see every single day in our nation and many other nations. They are offering us concessional loans. If we have a major project to be built in Addis or somewhere in Ethiopia, the Chinese are the first at the table. You need $100 million, well, we'll provide the $100 million and you'll only have to pay back $70 million, a concessional loan. Certain conditions, of course. They'll be Chinese contractors and Chinese workers, and he said that is happening all over Africa. He said you don't seem to realize in the United States the potential of this continent, but China does, and China sees us as a source of raw materials and energy as well as a future market and a source of cheaper labor than China.

Well, that was a pretty stunning revelation and I took it home and started asking basic questions about what we are doing in the United States. Do we have a plan for Africa? Do we have a vision about the role of Africa in the 21st Century? And the answers came up short.

Here's a staggering figure: Between 2008 and 2010, China loaned more money in the developing world than the World Bank, $110 billion. Chinese lending buys China access to Africa, as I mentioned, but it also buys it influence in Africa. President Meles went on to say of course, with so many different Chinese businesses coming in here to do so much work and so many guest workers from China, when it came time for us to advertise for a new telecommunications network in our country, guess who won the bid? China won the bid. China often ships its laborers into countries, which not only will cost some African jobs, but creates a force within that country for even more work to follow. Depending on China for investment capital leaves Africa at their mercy when it comes to lower labor and environmental standards and many times autocratic governance standards and it floods the African market many times with Chinese goods. Here's another statistic: Since 2000, Chinese exports to Africa have outgrown U.S. exports to Africa by a ratio of more than three to one. It's not just China. Europeans, Indians, they all have a plan for Africa. America does not.

So, who cares? It's the Dark Continent, right? It's a continent that is perhaps growing in South Africa, but virtually Sub-Saharan Africa shouldn't really be looked at, right? No, not right at all. If that was ever the case, it's not the case today. In the last decade, six of the world's fastest-growing economies were located in Sub-Saharan Africa. In the next five years, it is expected that 7 of the world's 10 fastest-growing economies will be in Sub-Saharan Africa. There are already more middleclass consumers in Africa than there are in India. By the year 2060, it's expected that Africa will be home to 1.1 billion middleclass consumers. African markets are the markets of the future.

Our bill is modest and it's based, I hope, on common sense. It doesn't add to our deficit, which is why Chris and I come together. In fact, it will earn money for the United States taxpayers, while creating jobs for our workers. The goal of the bill is simple; we seek to create good jobs for American workers by increasing American exports to Africa by 200 percent in real dollars over the next decade. We're calling for comprehensive American help to help American companies, especially small businesses, to compete in Africa. As part of the plan, a special Africa exports coordinator would work to make sure that all government agencies involved in trade finance and promotion are on the same page.

When I brought in many of these agencies to my office that should be coordinating efforts, I found out that precious few were. That includes among others U.S. Department of Commerce and State, the Small Business Administration, the Export-Import Bank, and the Overseas Private Investment Corporation. We also gave the Export-Import Bank greater incentive to counter aggressive concessional loans, the below market loans that nations such as China often use, as I mentioned earlier. Our goal is not to make government bigger, but to make government work better, and it's important to point out we not only want to see strong U.S. exports to Africa, but continue economic growth for our African partners, as well. I'm cosponsoring companion legislation which is going to open opportunities for Africa in the United States. It is a two-way street. It has to be.

Given a fair chance, American workers, I believe, can outcompete any workers anywhere in the world. We know it. But every year that we ignore Africa, China becomes more entrenched in the economies of that continent and it becomes more difficult for Americans to compete. That is why we needed to act now. (Applause)

CHAIRMAN SMITH: Thank you very much and I want to thank our distinguished host here at Brookings for inviting Senator Durbin and I and this is really, as the Senator said, we often have members and scholars from Brookings come up and testify. We just did a count. We've had so many of your people here that have provided insights and counsel to us on policymaking, so, I, too, am very grateful to be invited to speak here.

I've chaired a number of working groups, and one of them is the Lyme Disease Caucus, and about a year ago, I was asked to give a keynote speech, they gave me an hour. Here, we have 7 to 10 minutes. They gave me an hour. I took an hour and 15 minutes, and at the end, this little girl came up, she must have been 4-years-old, and she said mister, your speech was long and boring. (Laughter) She spun around and walked away. A few minutes later, her father came up and he said I saw you talking to my little daughter, Melissa, and she's at that awkward age where she just repeats whatever she hears. (Laughter) So, I've been forever chastened by that one.

It is an honor to be here and to join my good friend and colleague, Senator Durbin. Bipartisanship does live, thankfully, and there a number of areas where we do reach across the aisle. I'm joined by Greg Simkins, who's our Africa specialist who worked for the Sullivan Foundation and is always coming up with a number of great ideas for the subcommittee and I just want to acknowledge his excellent work and thank you again for inviting us here.

When Senator Durbin and I introduced companion bills in March regarding U.S.-Africa trade, we believed that the current process was lacking. The original Africa Growth and Opportunity Act or AGOA was intended to be mutually beneficial for both African and American entrepreneurs, but the focus of three administrations since passage in 2000 has been an increasing African exports to the U.S., and the result in job growth on the African Continent. While that's a good thing, it does lack balance. This policy has neglected the job growth here in the United States that could be created through increasing U.S. exports to Africa. The purpose of the Increasing American Jobs through Greater Exports to Africa Act, that's a mouthful, of 2012, HR-4221 and the companion bill introduced by my good friend and colleague, Senator Durbin, and along with Bobby Rush on March 20, is to address this important component of U.S.-Africa trade by increasing U.S. exports to Africa by 200 percent over the next decade. The bill does not replace AGOA, it complements it by providing for a rebalancing that makes it beneficial to Americans, as well as Africans. Our bill intends to achieve its ambitious, but highly-achievable goal by taking several steps, including the creation of a U.S.-Africa trade coordinator to ensure that all U.S. agencies involved in trade work, in working concert with one another. This legislation also calls for not less than 25 percent of available U.S. trade financing to be devoted to facilitating U.S.-Africa trade. Furthermore, it encourages the descendants of Africa in this country who largely operate small and medium-sized businesses to play a greater role with the countries in Africa.

Small and medium-sized enterprises in Africa and the U.S. have not benefited from AGOA to the extent that they could have or should have, and this bill addresses that deficit. U.S. companies can benefit from an expanding Africa market of businesses and consumers and increase American production, while create new and sustainable jobs.

Some have expressed concern that such an expansion of U.S. exports to Africa could flood Africa markets and damage their economies, however, many of these U.S. exports, such as agricultural products, will enable an African producer to become more efficient and profitable and create jobs for their workers, as well. In trade, as we all know, the best situation is one of observing the principle of comparative advantage. Countries sell what they make most efficiently and buy what another country makes most efficiently. In this way, both buyer and seller countries benefit from trade by meeting each other's needs.

According to the U.S. International Trade Administration, the United States is the world's largest importer of Sub-Saharan African goods, receiving 20 percent of the region's total global exports. On the other hand, during the height of the global recession, between 2008 and 2009, our exports to Sub-Saharan Africa plummeted by some 45 percent, from $78.3 billion to $43.8 billion. At the end of 2011, the U.S. had sold nearly $20 billion worth of goods to Sub-Saharan Africa, while purchasing more than $74 billion worth of goods. Consequently, we have a trade deficit with the nations of Sub-Saharan Africa last year of nearly $54 billion. The Africa Development Bank estimates that one out of three Africans is considered to be middleclass. That's 314 million Africans who have escaped poverty and can now buy consumer goods, including those from the U.S.

In order to reduce our trade deficit with nations of Africa, there is room to engage in trade that increases economic opportunity for Africans and Americans. We just haven't taken advantage of the opportunities that exist. The United States has over the last decade taken many steps to enhance U.S.-Africa trade; African governments have taken steps to encourage Trans-Atlantic trade, as well. Still, both sides can and must do much better.

More exports help the economy grow because they typically boost factory production, which can fuel more hiring and lead to greater consumer spending. Fewer imports subtract less from growth, largely because consumers are spending less on overseas goods and services. Our bill will contribute to job growth in the United States by facilitating increased sales to emerging markets. The rest of the world understands, as Senator Durbin said so well, and have targeted Africa for their exports as well as their imports, but especially imports.

I too, like Senator Durbin, have been increasingly concerned about the impact that China is having on the Sub-Saharan Africa in exchange for oil, wood, in exchange for minerals. They have increased their trade, they have increased their loans, and, unfortunately, it has often been a one-way street between China and many of the countries of Africa. So, much is going -- and they're also working, as we all know, in a hand-to-glove relationship with some of the worst dictatorships, like the Bashir dictatorship in Khartoum.

I have chaired -- years to date, I think it's now five -- hearings focused exclusively on Africa and China and the impact that that's having -- or bad impact it's having on good governance in using the Chinese model of how business ought to be contracted, especially when it comes to labor rights and when it comes to providing a fair and decent wage.

A couple of years ago I filed, along with another senator, a complaint against China -- and this is not a digression because, again, many of us are worried about what lessons might be learned in Africa from China, but it was focused on the unfair trading practice that China uses with regards to its own labor force, the exploitation: 10 to 50 cents per hour; no OSHA or occupational health and safety protections for the average worker in China, a huge problem. The number of accidents and deaths attributable to what goes on in the workplace exceeds practically anywhere else in the world, and that's what's reported. We think it's much, much higher.

That said, if that bad governance model, for businesses as well as for governments, becomes the dominant feature throughout Africa, that, I think, is a very bad model that could be replicated in country after country.

So, again, the United States ought to lead. It ought to lead aggressively. The idea behind the legislation -- and I want to thank Senator Durbin for his extraordinary leadership on this -- is to say, we need a strategy. We've done it in other areas, from health on autism, we've done it on Alzheimer's, we've done it on other issues related to trade, why not Africa? The time has come.

Victor Hugo once said, "Nothing more compelling as an idea whose time has come." This legislation and all that's behind it ought to be done immediately.

Thank you. (Applause)

MR. KIMENYI: As our distinguished guests, I'll just make a few introductory remarks.

First, I would like to thank the Honorable Senator Durbin and Honorable Smith. I think this is one of the proudest days for the Africa Growth Initiative, for Africans, and actually for The Brookings Institution. We are very proud that you have come here and actually for introducing this very important bill.

So, we are very encouraged and it is very good to see that two members from the Hill, from opposite sides, come together on Africa. So, Africa is actually uniting the United States on this particular issue. I think it's incredible and we are very proud for that. (Applause)

Now, I would like to just open up for questions, but I would like to give you, first of all, a cautionary word. First of all, you know that Congress is a very busy place and it's the possibility that someone may be called to go and vote is relatively high. We are hoping that both of our distinguished guests will be here for the next 30 minutes.

Next, if you are going to make a question, please stick to the point and make it very brief so that we can take a number of questions and then we -- so that we have more people involved.

I would take this privilege to ask one question briefly to our guests. We know that this bill is complementing the Africa Growth and Opportunity Act, not substituting, but we know that there is a real danger because of a bad country fabric provision. Would you like to comment on what actions you think can be done as soon as possible? Because we are getting a lot of complaints, a lot of concerns from Africa, that orders have now stopped because they don't know whether it will be renewed.

Would you mind commenting on that briefly?

SENATOR DURBIN: First of all, the reauthorization of AGOA, and especially the relevant part you mentioned with regards to fabrics and the like, needs to be done immediately. The delay is likely causing -- and we've had reports throughout AGOA countries -- that orders are not being placed, as you indicated, because they're not sure if this wonderful duty-free and all of the fine things that go along with those products might not be renewed.

My sense is, and we've heard this from Ways & Means, which has jurisdiction, that this will move. It's a matter of when but not if, but it ought to be done yesterday because of, you know, people thinking in the future and if they're not going to get the preference it means that orders could very well dry up and obviously there's a long lead time and that's what we're very concerned about.

But we've weighed in; I've weighed in personally with the chairman of the Ways & Means committee to let them know how important it is. I think they get it. And I believe it will be done.

MR. KIMENYI: Thank you very much.

REPRESENTATIVE SMITH: Let me add, on the Senate side, the Senate's Finance chairman, Max Baucus, has amended the bill and is prepared to move it forward. And so if we can have Chairman Camp on the House Ways & Means side and Senator Baucus together on this, that's a good indication.

MR. KIMENYI: Thank you very much. Okay. So, I'll take three questions, brief. If you go beyond a few seconds, I will cut you off. The gentleman here, the first three here, please.

MR. RENEGAR: Joe Renegar (phonetic) from GE. We applaud your leadership. Our CEO is in the exact same place where you are on this issue, so we look forward to working with you on this; in particular, the infrastructure space is incredibly important.

What's your sense of the timing of this bill? What can the business community do to help you get across the finish line here?

SENATOR DURBIN: Luckily we have the chairman of the right committee here on the House side. On the Senate side it's been referred to the Senate Foreign Relations Committee. The chair of the subcommittee, Chris Coons of Delaware, is the co-sponsor of the bill; it has bipartisan sponsorship. It's a good sign. So, we're hoping that it can be moved quickly on the Senate side and Chris can speak to his agenda.

REPRESENTATIVE SMITH: Luckily, we have number two in the Senate sitting right here, which is an enormous asset. We've already had a hearing on the legislation. We've asked for the Obama administration's viewpoint; Ambassador Johnnie Carson testified, among others. They have not yet gotten back to us and we are hoping soon to get a CBO estimate, which ought to be very minimal.

The fact that the chamber is in favor of it and labor is in favor of it ought to clear away any obstacles in terms of, you know, that divide. So, we're very, very optimistic that this legislation will move forward in both chambers.

MR. KIMENYI: Thank you. The lady right there and the gentleman. I would like to take those two questions and then answer.

MS. WOODS: Good morning. I'm Emira Woods with the Institute for Policy Studies. Thank you both for your constant leadership on international issues in particular. Together with Donald Payne, you've provided such sustained leadership and we're really grateful for that.

In terms of this bill, I guess there are two questions. First, 90 percent of U.S. trade with Africa has been in oil, gas, and mining. To what extent is the intent of the bill to move beyond those sectors or will it be still targeting those sectors?

And the other quick question, if I may, is on the land grabs which are escalating in terms of Africa, and to what extent the bill could inadvertently add to this trend towards grabbing of land from Africa for biofuel and other such sector?

SENATOR DURBIN: I might say, thank you for mentioning Congressman Don Payne. And I know Chairman Smith feels as I do, that not only the Congress, but our nation and the world has lost a great voice in his colleague from New Jersey's passing.

Let me say that I think what I tried to allude to in the speech is our belief that the development of the African economy is the development of middle class appetites that go far beyond raw materials and the basics that have sustained many of the relationships in the past. And that, I think, is going to bring us to a new level of trade as the continent and the nations of Sub-Saharan Africa start to mature and develop and the appetites of the people change in the process.

In terms of land grabs, I may not know enough to address that directly, but it would seem that much of that depends on local governance in terms of the standards that they are going to establish. Some are good, some are not good, and I think that may predict the outcome.

REPRESENTATIVE SMITH: I would just say that over the last 10 years, exports from Africa to the U.S. have gone from $7 billion to $21 billion, but as you included in your question -- inferred in your question, so much of that is oil and petroleum products of some kind. So, you know, that paints a picture that, yeah, oil's great, we do need it; we're dependent upon it, much better to get it from Africa than from Middle Eastern states. But we need to so aggressively diversify the trade and what is going on between our -- in commerce between the United States and Africa.

We are concerned, at one of our hearings we heard from one of the largest producers of hair products who talked about how in Nigeria, the Chinese have literally taken his product, the actual -- you know, because of copyright laws and patent infringements, intellectual property rights abridgement is notorious in China, and they're selling this product throughout Nigeria and elsewhere. So, again, where's the WTO? Where's the enforcement mechanisms to mitigate that? It's been nonexistent. But if we get a much more robust trading relationship, the real product, which benefits American manufacturers, will end up in Nigeria and not the bogus counterfeit that's coming from China, and it will also bring more attention to that counterfeiting that's going on.

One point, again, on the China, if I could real quick. I remember being -- I've met with Mellis (phonetic) and brought up these issues as well. I was in DR Congo, I was actually en route to Goma and it was much more focused on violence and the terrible problems that occur in North Kivu.

But while I was in the capital, I remember having dinner with a member of parliament in DR Congo, and he's a farmer. So, we went to his house, we were talking about the -- he goes, I can produce anything, but I can't get it to market. And then we rode on some roads that seemed like we were on the moon. I mean, he was moving that Land Rover like you couldn't believe. And he said that's the problem.

And we all know it. Millennium Challenge certainly is trying to build up infrastructure, but it's an engraved invitation to everyone. And the Chinese have taken that brass ring and run with it to build roads and bridges and infrastructure, but, unfortunately, they often have conditionality where what they find to the left and to the right in terms of minerals and the like go to them.

So, it's a very, very skewed -- but again, the Africans want it so badly and need it so badly that they're more apt to buy into a bad deal. All the more reason why we need a strategy so that we're building the roads that are lasting and made of, you know, materials that don't have potholes within three years.

And the other thing is, and Senator Durbin alluded to this, and I remember going to a building that was being done in the capital of DR Congo and I looked and I was shocked, frankly, that everybody working were Chinese brought in from China. Rather than using indigenous labor, they were using imported labor. It does raise the very serious question whether or not the laogai supported labor, whether or not these people -- because I never saw people looking down in such a depressed state. I've asked our State Department repeatedly, and our human rights bureau, are they being brought from the gulags, the millions of people who languish in what is known as the laogai to do this work, or are they just Chinese laborers? But no matter what they are, they weren't local people getting those jobs.

MR. KIMENYI: Thank you very much. The gentleman here, and please, if you stand up, I think it will be easier for people to see you.

SPEAKER: My question about (inaudible). American institutions, like Think International, you say it, have a lot of information ready to use, market information, and how do you propose or suppose to deliver this information to American small and medium business?

REPRESENTATIVE SMITH: I'm sorry, what was the source of the information?

SPEAKER: You say it or Think International. They have offices all across Africa and they know what's happening, who is buying, what is buying, and how this information could be delivered to American small and medium business.

REPRESENTATIVE SMITH: I think that's an excellent point, if I followed your statement. Think -- microcredit, credit operation? Really, I think that's an avenue for us to explore opportunities, but, you know, once we have the appetite of the consumers, we have to have an agreement between countries and the promotion. And then our local companies, many of them are not huge corporations, have to be willing to engage in global trade and, for some, this is a huge leap of faith that it's worth the effort.

What the bill tries to do is to establish a smooth path for these companies once they've identified those consumer demands. And I think you've identified USAID and FINCA as two excellent sources.

SENATOR DURBIN: Can I just add, you know, I've written two laws on microcredit lending and FINCA does do a great job, but it's -- again, it doesn't have the grand strategy because banking, or the lack of it, hurts small entrepreneurs throughout all of Africa. How do you meet payroll? You know, you can't be going into a cash box. You need the ability to have it -- you know, write checks and do all of that, and Africa is poised to explode.

I think the African continent -- it's the Africa century, frankly. Twenty percent of all the workers in the world are going to be in Africa in this century, some say as much as 25 percent. So, the ability to have a well oiled and a transparent banking system, and, again, what FINCA does and all the other groups, needs to be part of feeding into this strategy. Because, again, we have disparate groups doing fine work, like USAID and everyone else that's concerned -- Brookings and your initiative -- but it needs to be, you know, according to -- I remember we had this with one of the geniuses of the 9-11 Commission was to say, you know, despite our best efforts to combat terrorism, the left hand didn't know what the right hand was doing.

This bill would establish a real strategy. One hundred and eighty days, we have to get back from the President what the strategy looks like; three years afterwards, we get updates -- you know, a big update -- in terms of how well it's doing. So, a lot of accountability after the strategy gets up and running.

MR. KIMENYI: Thank you. I will go at the back and I would like also some members of the African diaspora to say something about this bill. Could I go (inaudible) there?

SPEAKER: Thank you very much. My name is Cecelia Chekke (phonetic). I came from Nigeria about 25 years ago and I've lived in the Washington, D.C., area and worked in the same area for the same period of time.

My concern is there is this notion about Africa being a very dangerous place to go to, more so to do business in. So, my question is, what is in place to make the people aware that for every coin there are two sides? There is the dangerous part of Africa, which I was in Detroit last week and people don't come out after 5:00 p.m. And in Africa, especially in Nigeria, where I come from, has a lot of commercial potentials and the government is out now to create all these wonderful incentives to attract foreign investors.

And actually I wrote this book, which is the *Nigerian Foreign Investor's Guide.* And when I show it to the Americans, you know, they just shrink, like that's a no-go area, and then they start telling me about China, what to do in China, you know, the opportunities.

So, I would like to know what the administration is doing to make sure that people are not afraid of Africa and that they can go there and work, even open up businesses. Thank you.

MR. KIMENYI: Thank you. Okay, I will take another question. The gentleman behind you, please. And make it brief, please.

SPEAKER: I'll make it very brief. I am a student -- a researcher at African Studies at Howard University and my area is African development. I think this is an excellent bill. My concern is this, when you talk about China and you look at China's role in developing and manufacturing in the United States, you see so many of the products we are marketing in the U.S. are made in China. My concern is, if we simply open up this to products -- or American businesses who are using Chinese products, who are produced in China, could we simply be increasing jobs for China by simply opening up the market for U.S. businesses who are having their products made in China? And how are you going to make sure you have the jobs and manufacturing that are manufactured in the United States and not manufactured in China?

MR. KIMENYI: I'll hand it over to you.

MR. DURBIN: Well, this -- that's an interesting question and it is a challenging question because we think in simple terms. This product was made in China; it is bought by an American company, shipped into Africa. But in the complex world we live in, it's never that simple. It is a product that may embody parts from many different places, and if we wanted to make this an all U.S. content bill, it would go nowhere in terms of opening opportunity.

I think that we need to promote American companies that are selling into Africa, but -- this comes from a Democrat. I really think if we say it has to be 100 percent U.S. content that it's going to destroy the whole operation. It's just something that is untenable.

On the position of the safety of doing business in a foreign country, I will readily concede there are even streets in Chicago I would be careful of late at night. But having said that, I think what I believe most businesses are looking for is not just safety on the streets but a rule of law in the country. Think about a major -- one of the biggest corporations in America, the embarrassment it's gone through in the last several weeks over questions of bribery, and think about the question of whether or not there is a rule of law in the country that you're exporting to, that your contract will be respected and enforced.

The example that Chris used about someone counterfeiting an American product. I mean, that has to be a concern. If I'm making a product that is going to be stolen completely, and the trade name, and sold in that country with impunity then I'm going to think twice about the situation. So, I think all those elements have to come together.

MR. SMITH: I think domestic content, while it was a big issue for the United Auto Workers and for labor in the 1980s, events have so eclipsed those concerns because cars now have products that are made from everywhere and keeping track of that is almost impossible.

A go-ahead trend shipment problems and concerns when it was under consideration that a lot of Chinese products would be sent to Africa and then brought to the United States. So that -- now this is kind of in reverse, if I get your question correctly.

What I think, as Senator Durbin said, we're looking to boost American corporations, particularly small- and medium-sized corporations who really have not realized the potential, the huge potential, which goes to the first question about the fear factor. I think there are two major fear factors associated with Africa. One is the, regrettably, terrible killing fields that we've seen in South Sudan, and then in Darfur after that, and now potentially again in South Sudan -- not potentially, it's happening. Of course, Mogadishu and the problems associated there. And some of the other very, very horrific hotspots where the loss of life has been so unconscionably high.

But that said, that doesn't speak for all of Africa. Africa is emerging as this, as I said before, about a third of the people could be construed to be middle class, and that will only grow. And the other big concern, obviously -- so, good governance.

Getting, you know, the emerging democracies -- I meet with Parliamentarians all the time from Africa. I go to the countries, but they also while they're visiting here often stop by and we have, you know, a nice conversation.

It reminds me of Eastern Europe; it reminds me of Poland and the other countries as they emerged after the dark days of the Cold War. They want democracy, they want it now, they want -- you know, I was in Kenya for a week meeting with members of Parliament last year at this time. They, you know -- they're not naïve, they're very smart people and they've got such an idealistic view. And of course, there are people who are corrupt; you'll have that in any -- in my -- well, I won't go into the Sopranos state book that was put out. (Laughter)

But it was a terrible -- I mean, Chris Christie, my governor who was the U.S. Attorney before he was the governor put more than 130 politicians of both parties behind bars or got convictions in New Jersey, a mature democracy, and the same could be said about all 50 states. There is corruption everywhere, and that needs to be combated every day of the week.

I remember having Greg -- you'll remember this well. We had a man in Nigeria who was standing up against corruption who had death sentences against him. He was the -- just a magnificent man -- bring information forward that was being acted upon. So, all of these democracies are moving ahead.

The other concern would have to be disease, which some people don't want to get malaria; they don't want to have some infectious disease. But even that, on malaria, the President's PEPFAR program and the malaria initiative that started under Bush and now continues under Obama has done such wonders. It's still not over, of course, but in creating a less-disastrous situation for people of Africa, you know, someday malaria, like it has gone from the Panama Canal, as it is gone from D.C., which used to be an endemic area for malaria 100 years ago, Africa, too, will enjoy that as the mosquitoes are eradicated and other things are put into place.

So, the disease factor can have a chilling effect, but we need to work to overcome that and it's being done on the ground every day of the week through these great initiatives, and of course the Africans are taking the lead themselves.

MR. KIMENYI: Thank you. Okay, the gentleman in the back and the person ready next, but make it brief so that we take -- we have 10 more minutes, so make it real brief.

MR. TEMPLETON: Is this on? I'd like to return to the question of financing, vendor financing which I believe is the heart of the matter.

Mr. KIMENYI: It's not quite --

MR. DURBIN: It's working, but you have to speak up.

MR. TEMPLETON: Sorry. I'd like to return to vendor financing and financing. My name is Stefan Templeton, I run a development consultancy. We represent a number of --

MR. DURBIN: Okay. We can't hear you, I'm sorry.

MR. TEMPLETON: Is it on? We represent a number of U.S. heavy equipment manufacturers, some of which are based in New Jersey, by the way. We spend a great deal of time on Africa.

Financing deals are -- you know, vendor financing is based on eggs in bank financing. We do a lot of eggs in bank financing. The problem we find is that clients are -- the cost of funds for clients in African countries are extremely high. So, my question is very specific. What provisions in the bill will address the issue of lowering the cost of funds for SMEs in Africa?

MR. KIMENYI: Could I get three questions? Make them quick so that we get responses, if you don't mind.

SPEAKER: Hi, mine is also very brief. I work in FDI and given the very strong link between trade and FDI I would like to know, are there any provisions in the bill particular to encourage more U.S. FDI in Africa? Because this will facilitate both removing that stigma of fearful place, disease-ridden, Hell hole -- I'm from Africa, by the way -- and also will sort of foster those trade linkages, especially to do with taxes. Any incentives for FDI in Africa in the bill?

MR. KIMENYI: Steve Landry, would you make it very brief? If you go view that --

MR. LANDRY: I believe I am a New Yorker talks quickly, but I will talk slowly and be brief.

Four very specific questions about your excellent bill. Congratulations, thank you, great, for carrying the fire for so long for us. (Applause)

Okay, question one. One of the successes we've had in foreign policy recently has been the idea of collective sanctions, working as a group, i.e. in North Africa and so on, very successful, yet we still have a unilateral element in AGOA, a lot from foreign policy committees where we single-handedly move a country off because we don't like what they're doing. Fine with me, but do a collectively -- Madagascar, 50,000 women out of work and the damn thugs who run the country are still there. Can you look at that?

Two, very quickly and so on. When it comes to U.S. competitiveness, nothing is more insidious than what the European Union is doing to gain a preference over U.S. exports to Africa. They are specifically insisting on preferences and saying if you do not give European countries preferences in our market, we are going to take you off of duty-free treatment. It's like we would take them off of AGOA. The U.S government has nothing about this yet; no one has really looked at this issue. This will completely undermine what you are trying to do in your great bill.

Third and very quickly -- and I want to be very direct. When it comes to third country fabric, it is too important to get held up in jurisdictional issues within Congress. Here again, 50,000 people lost jobs, 20 percent of the employment is -- 30 percent of exports are down. I look at Senator Durbin and I say: you've got a great bill going through, Export-Import Bank. It has textiles in it, it has Africa in it, isn't there any way we could get it on this bill?

I look at Congressman Smith and I say, Congressman -- can't a Congressman have all ex-issued and issue? Sometimes you have to compromise your procedures because there is no trade bill coming. Can you look at that as well?

I'm sorry for taking an extra second, but I appreciate the opportunity. Thank you.

MR. KIMENYI: That's a lot, but let's see what. (Laughter) Okay, Senator?

MR. DURBIN: You want to start?

MR. SMITH: You want to go?

MR. KIMENYI: Any of the questions. You don't have to respond to all of them.

MR. DURBIN: All right, let me just try to jump. The question was raised about the Export-Import Bank, and I know that this bill that we have raises the limits on loans available through the Export-Import Bank, which -- and we believe that the authorization bill is going to be passing, we hope, soon in the House and then move it quickly in the Senate. I think your question was maybe a little more specific than that, but I can't address that.

If FDI -- FDI means the foreign direct investment. Is that what you mean? And you were asking whether this relates to foreign direct investment?

SPEAKER: Is there any incentive (off mic) there is such a strong link between (off mic) and FDI.

MR. DURBIN: Well, it talks about U.S. companies expanding into African markets, and we had generally thought about exports from the United States. I don't know if it precludes it, but it may compliment it but I don't think it moves directly on foreign direct investment.

In terms of asking us to compromise the procedures of the Senate, how long have you been in Washington? (Laughter) You are asking for an amazing thing to be done. But the good news is that this bill is going to the Senate Foreign Relations Committee, and I hope that we can use it -- a large trade bill, unlikely before any major election, okay? Something small and focused, more likely.

MR. SMITH: I would just say that the bill will establish a coordinator for the strategy and in the bill we have -- and it's not exclusive of anything, but we are looking for the strategy to invite all comers, all stakeholders, so that the information flow is huge, and hopefully all factors will be -- so the strategy will not leave anybody behind or any issue or concept behind. And that's why we're not prescribing everything. We want a strategy that includes everything, and that is well-honed, and that's what I think will come out of this.

We will have an aggressive export strategy to Africa that will compliment AGOA, and hopefully expand all of our trade both ways, exporting and importing.

MR. KIMENYI: I will take the last two questions. I am going to be -- we committed to the time, and so we commit the same. So I will take the gentleman over there and there, please. This lady over here.

MR. SAMUELS: My name is Michael Samuels. Thank you very much for bringing this to the fore, but I ask you one question. That is, what is there in your legislation that an interested, concerned executive branch can do without the legislation?

MR. KIMENYI: The lady here please from Export-Import?

MS. FELTON: Thank you so much for your bill. My name is Wanda Felton and I am vice chair at Export-Import Bank with responsibility for Sub-Saharan Africa, so I am leading --

MR. DURBIN: You should be sitting here. (Laughter)

MS. FELTON: I just -- in light of the reauthorization I am just curious at what the prospects are for this legislation in the short-term.

Thank you.

MR. SMITH: Frankly, I think there is a good prospect but it won't be -- the bill will not be multi-year the way some would like it to be. There is considerable opposition to it. We are obviously running huge deficits and some people construe this to be corporate welfare. I believe it is very, very well-focused funding that helps us to become better at exporting, especially since our corporations compete against similarly if not greater enhanced benefits to exporters from other countries, like was mentioned with the European Union and certainly with China, which is government-run. So, you know, if you want to compete in that stage you have got to have some tools. Ex-Im Bank is a great tool.

To get to the other question, which I thought was an excellent one, about why can't these be done by executive order? It can. You know, it has been my -- and I've been in Congress 32 years and I know Dick Durbin feels the exact same way. I don't care who is in the White House, very often we have to prescribe something very specifically to make something happen. It would be great if tomorrow by executive order the entirety of the bill was just done and completed.

When I asked Assistant Secretary Johnny Carson, I asked them to get back to us whether or not the administration would support the bill within a month. I think we're at about the month now, so hopefully we'll be getting an e-mail or a statement of administration policy very shortly on the bill. At least, I hope. But it could be done.

MR. DURBIN: I'll say briefly, those few of my colleagues who think the Export-Import Bank is the wrong thing to do should just look at the reality of what competition means in Africa today. It is clear that government-sponsored agencies and other countries are playing a major, major role in the penetration of these countries into the African economy. We can stand back, fold our arms, and say we're well above that, and then watch what will happen. We will be excluded from the growth of one of the major economic forces of the 21st century.

I agree completely with Chairman Smith on this. It is sometimes, after all these years, to hear the problems of the bureaucracy, their failure to communicate, their failure to solve their own problems and literally talk to one another. It almost sounds like Capitol Hill and Congress sometimes. We all suffer from that.

Maybe this will be the catalyst to get it moving forward. If it isn't, I'm going to call my former Senate colleague personally. (Laughter)

MR. SMITH: One last thing? There also is the -- you know, the Foreign Corrupt Practices Act, obviously, which dictates how we can do business abroad. China has no such thing, and we've heard anecdotally of instance after instance of, you know, just the buying and selling of certain individuals within certain bureaucracies. So at a minimum, for us to have the ability that the Ex-Im Bank provides and to have a strategy that engages other governments to let them know that, you know, work with us. You know, the Chinese -- you know, this may be obviously not what the focus of this venue is, but I just had a hearing on where China will be soon in terms of its ability to continue this "economic miracle", which I think is anything but because they exploit the labor force hugely to get to where they're at.

They're 10, 15 years -- some might put it at a different year -- they're going to implode. They have a demographic problem that is unprecedented in world history. You know, because of the one child per couple policy and the missing girls. Huge. And so you know, the more stable relationship economically will be with the United States, and part of the strategy should be conveying that every day of the week to their commerce secretary or the equivalent of ours. But again, the strategy will take all of this hopefully into account and, you know, the next century will be the best one and it only gets better after that.

MR. KIMENYI: Thank you for your thoughts.

MR. SMITH: I mean, a decade and then it gets better after that.

MR. KIMENYI: Thank you very much. I crossed this and I have to say, Senator, Congressman, thank you very much. On behalf of the Brookings Institution and the African Growth Initiative, we are very pleased that you led and engaged in a very rich dialogue, and we are very, very glad. Thank you very much. (Applause)

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2012