

THE BROOKINGS INSTITUTION
AFRICA GROWTH INITIATIVE

AFRICA POLICY DIALOGUE ON THE HILL

"IS AFRICA RISING OR NOT? A DISCUSSION OF ECONOMIC
OPPORTUNITIES AND DEVELOPMENT CHALLENGES IN AFRICA"

Thursday, April 25, 2013

Senate Visitor Center

9:30-10:30am

PARTICIPANTS:

Moderator:

ANDREW WESTBURY

Assistant Director, Africa Growth Initiative
The Brookings Institution

Speakers:

JOHN PAGE

Senior Fellow, Global Economy and Development
The Brookings Institution

JOSEPH ASSAN

Assistant Professor of Political Economy of
Sustainable Development
Brandeis University

* * * * *

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

P R O C E E D I N G S

MR. WESTBURY: Okay. I guess I will act as -- I'll do the introductions and also try to moderate the discussion, but I don't think I'll have a lot to worry about here with this unruly crowd we have.

So, my name is Andrew Westbury, I think I've met all of you before, and I'm the assistant director of the Africa Growth Initiative, and it's pleasure to welcome you to the April edition of the Africa Policy Dialogue on the Hill.

Some of you are repeat customers and have been to these events before, but on a monthly basis we try to hold a breakfast briefing in collaboration with our colleagues at the Congressional African Staff Association, one of them, Greg Simpkins, who should be joining us shortly, and the goal is to create a forum for informed discussion about African economic issues for the United States Congress on Capitol Hill.

So, today, we have two wonderful panelists seated right here. We have Dr. Joseph Assan, who is a professor of political economy at Brandeis

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

University's Heller School for Social Policy, and he is a development specialist, originally from Ghana, and prior to his appointment at Brandeis, he was the director of Trinity College's Global Masters Program in Development Practice. And his research focuses on sustainable livelihoods, environmental variability, and human security within the context of poverty reduction.

John Page is one of our own. He is the senior fellow at the Global Economy and Development Program at Brookings and prior to his appointment at Brookings he held many senior positions at the World Bank including acting as a chief economist for Africa. He was a faculty member at Stanford and Princeton University, and his research focuses on unemployment and industrial development, poverty and migration in Africa.

So, I think we know the topic, "Is Africa Rising or Not?" It's kind of an interesting question. The growth trends are great, but the unemployment is there, inequalities are growing, so I will leave it to

my panelists here to answer the question.

Is Africa growing? So, I think, John, you're the first speaker.

MR. PAGE: Okay. Well, the short answer is yes, but to use an old African saying, I wouldn't sell the hide of the jackal before I'd killed him. There are some worrying sides in all of this hype that we've seen, particularly the idea that we're coming to a new era in Africa and it's an emerging frontier economy. And I think there are two reasons why I continue to be worried, quite apart from the fact that as an economist, it's the dismal science and I have to be worried, but the first is jobs and the second is fragility.

And the issue, really, that we've seen, I think, over the last, now, almost 20 years of reasonably robust economic growth in Africa, is that there's been very little of the kind of structural transformation that we tend to associate with economies as they move from low income to middle income to high income status.

The most dramatic example of that is that in contrast, let's say, with the emerging economies in East Asia, Africa has actually de-industrialized over the last 20 years. The share of manufacturing in GDP today is about half of what it was in 1985. It's about half of what it is in developing countries on average across the world. Manufactured exports per person are about 10 percent of the average for developing countries.

So, what we've seen is growth, but without this change of both workers and investment from lower productivity to higher productivity activities, and what that means is that Africa is kind of stuck in a very similar economic structure to the one it had in the 1970s and 1980s, start with fragility, that exposes you to commodity price shocks, it exposes the economy to long-term secular declines in commodity prices, which have been tending to happen.

And virtually all of the growth that we've seen since 1995 can be attributed to three things, they're all good things, but they're not necessarily

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

something you want to build a sustained growth experience on. The first is -- and this is really a huge credit to African governments -- the disastrous economic policy choices the governments made in the 1980s are not being repeated, neither in the 1990s nor in the 2000s and in particular, I think you can see that as governments have responded to the economic shock of 2008, 2007. So, doing things better, not making serious macroeconomic mistakes is an important achievement.

Secondly, you've had rising commodity prices, which have actually sustained themselves, and thirdly, and I think this is really important, again from the point of view of being a bit worried about the growth process in Africa, we now have a whole host of natural resource discoveries that we didn't have 15 to 20 years ago, and on the face of it you would think that's good news, but given the way that African governments have handled natural resources in the past, there's a kind of worrying, nagging thing in my mind thinking, are we going to face Nigeria big time?

Are we going to see another Angola? Are we going to see another Nigeria but this time in Tanzania or Mozambique or Uganda or Kenya?

So, these are really the sources of growth and the problem is that because these are the sources of growth, we've seen very little of the diversification of these economies into new lines of activity. That then translates into the thing that's been preoccupying me for the last year or so and that's the absence of good jobs.

The Arab Spring has focused people on youth employment. I just came back from Oxford last week where the Japanese International Cooperation Agency, JICA, sponsoring a meeting preparing for their big conference in Tokyo to talk about "youth employment" or "youth unemployment" and everyone at the meeting agreed -- and this was a group of old grizzled African hands, that the issue is not really either youth nor is it unemployment, it's a general employment problem of bad jobs.

Only about 20 percent of young Africans

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

entering the labor market find wage employment. Eighty percent of them end up in self-employment and informal employment or in family labor -- unpaid family -- these are not good jobs. These are jobs that pay extremely low wages, that have very little prospect for development professionally, and that don't really offer very much in the way of what some of you would call decent work. That in and of itself is a worry and the ILO tells us that almost -- well, more than 80 percent of Africans are actually what they consider to be working poor, they're in vulnerable jobs. And that, to me, is the biggest worry.

And we see that manifested in a couple of ways. First of all, in this concern with employment, and certainly in the political debate on a country like Tanzania, over the idea of "jobless growth", but we also see it in the fact that of all the regions in the world, Africa has the poorest track record in terms of translating growth into poverty reduction.

Poverty is going down in Africa, no doubt,

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

but it's going down at a much slower rate given the rate of growth than we would have expected based on the global evidence. So, you add those two things together and what you've got is a jobs challenge, which in a sense is a diversification challenge. And the question is, well, what can you do about it? What should you try to do? And I keep coming back to the same point, which is: Africa needs to invest (inaudible), and has to become, I think, part of the consciousness and the dialogue of the donors, who have enormous influence in Africa, with African governments, as well as a conscious change on the part of many governments.

I'm starting to see that as I travel around the continent, but we need to be doing more than we're doing to try to get out of this structural trap that we're in.

Having said that, let me be careful to say -
- my friends always say I'm trying to have it both ways -- when I say industry what I'm really talking about here is not necessarily manufacturing alone. I

mean, the one marvelous thing about the global economy today is that we have a whole range of things that I think of as industry without smokestacks -- tradable services, tourism -- big time issue in Africa -- other kinds of high valued activities in the agricultural sector, horticulture, flowers, agricultural processing. The bottom line is we haven't see a dynamism in any of these of the type that we would expect to see, and the question is, why? Well, first of all, there's the elephant in the room: there's Asia. And, you know, countries today, if they want to break into the global economy, are not competing with the OECD any longer alone, they're competing with Asia.

The question is, and there are some friends of mine, including, from time-to-time when he's in a dark mood, Paul Collier, who will tell you that, given the productivity differentials and the kind of agglomerations that you have in Asia of industry, it may actually be impossible for Africa to break in to low-end manufacturing.

Now, I happen to think that's wrong and I think it's wrong for three reasons. The first reason is that costs are going up in China. We're seeing that and we're seeing the Chinese, actually, consciously making decisions now about "off shoring" activities. So, one of the doomsday scenarios was, well, costs can go up, wages can go up at the coast, but people just keep moving back into the hinterland - - it doesn't seem to be happening in quite that way. So, Chinese investors, other investors, are beginning to say, well, with rapidly rising costs in light manufacturing, where can we go? We've seen Vietnam take off in the last 15 years, but they'll be looking for other locations. So, Africa needs to get into the game.

The second reason is that since the economic shock, the great recession, domestic economic policy in all of these countries, these emerging economies, including in China, has tended to begin to shift toward using domestic market more -- depending more on the domestic market than they did in the past, and

that opens up, I think, another space. And then, finally, this issue of industries without smokestacks, that Africa has some comparative advantages in various kinds of high value added but non-manufacturing activities that open up space.

And so, because I don't want to dominate this, let me end with sort of three initiatives that I think are important if we're going to help to encourage this kind of transformation and the creation of good jobs. The first is that Africa actually needs an export push. One of the things that you notice in policy circles in Africa -- and it's not unusual, it happens in policy circles right here as we speak and where we sit -- is that there's relatively little coordination among ministries. And to do an export push what you really need is a whole of government approach, to use the proper term, but it requires really working all the way from the macroeconomic incentives down through such little simple things as customs procedures and, you know, all the institutional arrangements for exporting in order to

give investors a signal that the government's really committed to making your life easy if you want to be an exporter.

The second thing is that -- and this is very much linked to the export push -- we now, I think, know a good deal more thanks to people like Paul Krugman and Tony Venables, about how important agglomerations are to industry. It's something funny, you know, because economic geographers always knew this, but if you look at orthodox economic theory, it doesn't tell you very much about where firms locate and, in fact, in traditional microeconomic theory, we don't care where they locate, but they do tend to group together, Silicon Valley being the most famous example of this.

Africa has very, very few of these kinds of industrial agglomerations and you can jumpstart them. And this is what Vietnam has done with its special economic zones, it's what China did with its special economic zones. But if you look across Africa, the only dynamism that you see today in special economic

zones is perhaps from the Chinese who are now launching these six very important flagship zones. If those begin to succeed, we've then now got a demonstration in effect to build on. But the traditional aid providers, including my alma mater, the World Bank, have never been enthusiastic about export processing or special economic zones. So, that hasn't really gotten into the dialogue.

And the final thing is that firms today in the global economy are competing in what are called capabilities. This is a fancy term, really, for the fact that what tends to determine whether a firm is competitive or not and whether it can produce in a kind of quality and price space that makes you globally competitive has less to do with technology than it has to do with what the workers and managers of the firm know -- tacit knowledge, working practices, how they develop new products, how they recognize market opportunities.

Again, because of its economic history, Africa has relatively few of these high-level

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

AGI-2013/04/25

capabilities, and the way to get them, as the Irish have shown us if nobody else, is to get foreign investors enthusiastic about coming in to your country.

Well, we've seen foreign investors who are enthusiastic about Africa, but they're only enthusiastic about natural resources. Very little investment in manufacturing, other kinds of high value added activities. And again, this is something where, at least as a start, just small institutional innovation, which is getting a world class investment promotion agency up and running, as the Irish have done, as the Jordanians have done, is something that really would help. And, again, I don't see why it isn't something that we put on the agenda of the MCC or the USAID as part of the dialogue with Africa.

And finally, just another note, because I understand there was an AGOA briefing today around the corner somewhere, perhaps the single most important policy instrument that America has to try to help Africa break in in these nontraditional areas is AGOA

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

and an effective AGOA, one that has liberal rules of origin, one that actually tries to, you know, encourage value chain relationships in these countries and so forth, is quite important.

So, the reform is important and I'd just drop one other idea on the table, which I know is really heavy lifting. If we could get the EU and the U.S. together to have a common approach to preferences so that their economic partnership agreements were, in a sense, very similar, or exactly the same as AGOA, and both were more favorable than they are today to these kinds of non-traditional activities, we could really give Africa a bit of an edge without returning them to any of the unfortunate things that import substitution has done in the past.

So, there you have it. The good news is it's growing and it will probably continue to grow. The sources of growth are a worry. The reason why they're a worry is jobs and poverty reduction. And to deal with that, we've really got to have some changes in economic structure. That's this morning's tale.

MR. WESTBURY: Great. Well, thanks, John.
That's really helpful.

Professor Assan, could you give us your thoughts on this question of whether Africa is growing or not?

MR. ASSAN: Thank you very much and good morning. I wholly agree with my colleague here, I mean, other points he's raised are fundamentally the case and absolutely a concern in terms of some of the issues that he has tabled.

So, he's spoken as an economist and as a political economist I would probably like to continue from the point he left off by highlighting other avenues I consider possible interventionary forms of medium that the U.S. government and, of course, institutions that we interact with could possibly intervene or contribute to with regards to the subject on the table.

I would like to take off from the point of the possible harmonization of U.S., EU mechanisms because I was recently back in Africa, in Ghana,

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

trying to set up a development assistance association for Africa. We don't necessarily have one at the moment. So, an association that would bring academics, practitioners, and policy organizations together to sit and discuss these issues. And that is one of the key issues that came up at the table in regards to the -- how governments have had to deal with the U.S. separately, EU separately, and China separately. I mean, it's difficult, it's bureaucratic, it's sometimes repetitive, and it's also created an unnecessary internal competition, and as a result governments having limited resources and human capability being limited, you have the same people trying to handle all these things. At the end of the day, they rather do it just for doing its sake, other than doing it for transformational objectives in mind.

So, I think that's a valid point that we probably can discuss, I mean, the dynamics that can be associated with that. I would also want to highlight the concern in terms of Africa is growing, yes, and amazingly so, and we are very pleased with that,

because this is the first time in decades that that will be substantially be reported, and of course we have -- I mean, I mentioned to Drew, that you have this muted optimism because there are other elements that are that this growth for me to translate to or other structure that needs to come into sustain this growth.

And one challenge I will highlight is the consent regarding environmental variability and imagine climatic change. We have doubters and optimists about -- in terms of agreement and that consensus, but if you travel across Africa, I mean, there is no education on that. There is no requirement in terms of being educated on that. It's obvious and it's a valid factor, which needs to be considered as part of management of this growth, because this is a very central factor with regard to the long-term impact of this growth.

We have what I want to call environmentally induced migration and movement across West Africa, across East Africa, across the Horn of Africa that is

causing populations to move. And when we begin to have a growing country with internally displaced people, I mean, it's a recipe -- it's like trying to bring petrol and a lighter together. It could get to a point where things could easily go in flames, and that would then erode all the gains that have been achieved. So, that is one concern.

Mali is a typical example. I'm glad Mali's come on the international radar because that has been an issue. It's an incident because if you go to the north of Mali, because there's a desertification, you know, as part of the extension of the Sahara Desert, north of Mali is physically not arable and have communities still residents there because they are natives of these. The Tauregs, they are resident, and so when individuals grow up not having jobs and they are trying to do a dollar a day as a management scheme and if somebody comes to decide to give you \$10 a day to carry a gun just for your own protection, you rather go for the \$10 a day. It's a rational economic step.

And unfortunately, this is how we have infiltration of groups of that caliber, because it's basically I would put it to environmental vulnerability, and of course that's limiting economic activity meaning that individuals are not able to engage in viable productive -- I mean, endeavors.

The other point I will highlight, which Page has clearly mentioned is the issue of livelihood and sustainability of livelihoods. The current growth needs translating to sustainable livelihoods, and as he mentioned, I have this in my points as well, it's interesting we have that -- sustainable livelihoods which will then generate into higher outputs either for local consumption or for foreign markets. And this is very simple to achieve.

Back in the '90s, as part of the AGOA scheme and initiative, we have a lot of cassava chip production, we have cassava (inaudible), tapioca coming through to the U.S. market during the Clinton Administration initiative, and suddenly all this seemed to suddenly stop.

We have tons -- metric tons of cassava that goes to waste in West Africa and in East Africa. We have loads and loads of tomato, for example, that are thrown over the trucks because the driver, it will cost me to take it back home, so I rather dump them than paying the driver to take them back home.

And, I mean, these are basic -- we know them, but I believe schemes like AGOA, if it's reformed, will make -- could make dramatic change, because these are -- you are dealing with the direct producers. They are definitely households that are trying to make ends meet and trying to change their economy.

So, side benefits can have direct impact. And, of course, any growth associated with such a scheme will have direct impact in terms of individuals who are trying to make a living. And of course, if that becomes the case, then we can see the trickledown effect that we are hoping to see in the case of Africa.

Another aspect which Paul mentioned and I
ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

would like to look at it in a different dimension, is the issue of capacity and in capacity development and having our systems in place for agencies to be able to work across the board.

For example, I mean, talking to Mr. Stewart this morning -- I'm sorry, I forgot your first name --

MR. STEWART: Patrick.

MR. ASSAN: Pardon me?

MR. STEWART: Patrick.

MR. ASSAN: Patrick. Mr. Patrick Stewart. You mentioned the issue of Treasury and I was just looking and thinking about your role in the Treasury and I was thinking about the Ministry of Finance in Ghana, and of course we have high skilled individuals in the Ministry of Finance in Accra, but if you go one step to the original level of our decentralized system of governance, currently most activities of government takes place at the district-county level, at the local government level. So, central government is not federal but, I mean, most African countries, although they're on the federal system, they have the

decentralized system of governance where most of the government activities operate at a local, district, and regional levels.

And we have such unfortunate weak capacity at local levels of the government, but this is where the growth is supposed to be taking place. So, for example, if AGOA, as a scheme, begins, it kicks in, and we're going to have the horticultural industry taking place, the processing of (inaudible) in place, the resourcing of new, diversified products, we will need efficient district level government to be able to manage these and also to facilitate this in terms of the regulation, in terms of the supervision, and in terms of promotion, because this is how we can fuel any partnership at the bilateral or international form of relationship.

But we have -- we still have very weak local governance systems, which require significant capacity development. But these are simple steps. It really doesn't require any significant foreign aid to do that, just basic trainings and consistent structures

in place to help local governments build resource, and this resource staff who can do specific things in order to meet a certain set of targets would be a great thing.

I also see the issue of inequality as a result of rapid growth without systematic redistribution plan, I mean, translates into inequality where certain countries or certain spheres within countries are doing very well in terms of the citizenry and then others don't even know what is happening ten miles away from where they live. And that is what is increasingly becoming evident.

So, we have a growing middle class across the continent, I mean, I was in Rwanda, and you would be impressed, I mean, if you've been to Rwanda recently -- I was in Uganda, I was in Kenya, and we see so many cars that we don't have the roads even to accommodate, right, so it translated to massive traffic.

But this is the emerging middle class, which we want to see more of because of, as you explain, we

want to create better jobs and as we create better jobs, we can have a growing middle class.

But the crisis is that as we expand the middle class, the middle class begins to move into the peri-urbans, and also move across into areas that middle class people are not known to reside. So, we have communities that are previously rural or peri-urban suddenly begin to see huge trucks coming in and driving in people in suits, everyone driving in and out, and then they're living in abject poverty. So, that is another -- I mean, that's the face of inequality. And of course, with an expansive middle class mean the real estate market has to expand, because we need houses for middle class with swimming pools and Jacuzzis and the rest, we need tennis courts in the places we call rural, where the government does not operate, and then so the middle class is taking the territories of the peasant class, if you put it that way, and of course, we all know from history that when the peasants begin to see a growing class, which they are not part of and they don't see any mechanism

in becoming part of, this is going to be a time bomb that is waiting to happen.

So, that is one fundamental concern that I see as a political economist and I feel this can be easily dealt with.

One other challenge is the issue of land grab in Africa. The recent investments in land, I mean, in a way of fueling the processing dimension that Paul highlighted is an exciting thing, but we currently don't have in many countries -- we don't have frameworks for new, transformed land tenure systems that allows ourselves as possible investors, to come to Ghana or come to Nigeria or anywhere in Africa to genuinely or systematically acquire large tracts of land without local compensation.

So, that is an element that is missing because people see governments selling their lands to foreigners, they don't see them as investors, so how do we translate the local dynamic from foreigners to investors so that people can see it as an opportunity to tap into rather than a grounds for opposition? We

have crises in Kenya, crises in Uganda and other parts of the continent just as a result of individuals or private sector organizations trying to invest in land for value addition or possible frameworks where government agencies like -- I mean, yourselves, as you are represented, can begin to engage governments in Africa in systematic frameworks, which can be put in place to allow these types of land tenure schemes to be put in place in a way as to create investment rather than, I mean, the partnership that can generate into conflict and no private sector organization would like to invest in a contentious type of environment.

So, I will finally point to the issue of tertiary education as a viable option for poverty reduction and redistribution of the growth, because I'm looking at this from two perspectives -- sustainability of the growth and also redistributive effects so as to ensure viable transformation.

Tertiary success in most African countries are extremely weak and the U.S. is an excellent example for having a very effective or efficient or

successful university college system, and most African countries have, until recently, have only a single university in a country, or one or two states running universities and, of course, emerging private sector investors.

Having in place tertiary institutions has a dual effect. One, it will help to generate the labor force that we need to manage this growth if this growth becomes a sustainable reality, and then two, it also helps to redistribute resources from the growth to individuals who would otherwise be poor or be outside the periphery of being able to take adequate or proper jobs because we're hoping that these proper jobs will come as Page has highlighted, but we need to have the capacity or the manpower, the womanpower, to be able to handle this growth that we see, because otherwise we would have electric companies wanting to set up electrical programs in countries where we don't have the adequate electricians or electrical engineers to work in partnership with them.

Countries are putting in place schemes that

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

require a certain fraction of the labor force or parts of the labor force to be from local citizens but many don't have the adequate skilled citizens to partner with these companies, there becomes a gap which slows down the progress. So, we need (inaudible) tertiary education is a very vital dimension.

Twenty years ago the World Bank put in place the free compulsory education. All those children who were enrolled in that program are in their mid-20s and 30s now, but we don't really have a long-term study to find out how many of them have adequately acquired tertiary education to help translate the objective for which the compulsory education was put in place. This was to generate a new labor force and new manpower skills that can help to coordinate and also to accelerate the growth that we are anticipating.

The growth is here now but we need to have the dynamics in place. So, that's my contribution.

Thank you.

MR. WESTBURY: Great. Thank you very much.

Thank you. Well, I guess if there are any questions,

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

this would be the time. I can maybe ask the first one. You know, I know that John mentioned that, you know, foreign investment in Africa is primarily in extractives with little manufacturing and one of the ideas that has been proposed by the Brookings Institution, by Africa Growth Initiative, is that a way that AGOA could be amended to allow for -- to incentivize companies to do more manufacturing in Africa is that there would be a zero tax on repatriated funds from American companies investing in Africa.

We've been told that there couldn't be a less politically unpopular proposal, so I'm wondering, if that one's off the table, what are mechanisms that can be used to incentivize companies in the United States to invest in the productive sector of Africa? It's a big question, but I offer it to you.

MR. PAGE: Thanks. I don't think the kinds of incentives that can be offered by any of the OECD countries will make much of a difference. I mean, what has to happen is that investors actually have to

find these economies attractive and so we come back to the question of, what is it that inhibits investors in other than natural resources from going into Africa? And we've had the tendency, I think, in the aid business, to focus on the regulatory regime and to some extent on governance. That's appropriate, but that's not the whole story. And, in fact, I always remind my World Bank friends especially, especially the people responsible for the egregious Doing Business report, that, you know, if you do the Doing Business survey -- if you did the Doing Business survey in Korea in 1965 or 1975, you would have concluded that Korea was a completely hopeless case and there was no chance that it was ever going to take off as an economy.

This was all, of course, done, in the case of Korea, with its own national efforts. Foreign investment played a relatively small role, but the point was, national investors invested 40 percent of gross domestic product.

So, it's the actual kind of overall economic

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

environment, what sometimes is called the investment climate that's important, the focuses tended to be on this narrow set of things that we can measure, but I'd also remind these guys at the World Bank that Egypt and Tunisia were classified as two of the world's fastest performing economies just before the Arab Spring, kind of like two weeks before Doing Business came out.

What's missing? Well, the first thing is infrastructure, and we know that, and we see that, and in the broader surveys that you get, like the Global Competitiveness Report and the African Competitiveness Report, and that comes back to the fact that, you know, the OECD-DAC has consistently reduced the amount of aid going to infrastructure for the last 30 years.

Now, one of the things that I think of is, gee, maybe that has something to do with how we measure development success. There's nothing in the MDGs that says, are you delivering a good power supply? Or does your port work? Okay. So, when you sit with the DAC, which I unfortunately had the

experience of doing for five years when I was the director for poverty in the World Bank, you hardly ever hear that discussion taking place until quite recently. Now it's beginning to turn the corner. But we have an initiative, it's in Tunis at the African Bank, the Infrastructure Consortium for Africa. That initiative needs more backing, but even that's not going to solve the problem -- Treasury is sitting over here -- there's no way that official development assistance is going to make a difference. It's going to take about \$93 billion, I think, to close the infrastructure gap in Africa.

So, we've got to get creative in terms of guarantees, public/private partnerships, this sort of thing, but just a lot more creative thinking in that area. Skills, you mentioned the university education, comes back again, and one reason why I keep hammering on the MDGs is now is the time, right? My colleague Homi Karas is up there with David Cameron and others trying to rewrite the MDGs for the UN. Now is the time to think about, well, great, universal primary

education is a wonderful thing, but shouldn't we be giving governments a little bit more latitude in terms of measuring development success to say, well, maybe some university graduates are a good thing too, or people with relevant skills in industry or agriculture.

So, it's certainly not beyond the mind of man to develop an index, which gives you credit for various levels of education, and admits that countries are going to have to have tradeoffs, right? The marginal cost of educating the last student in universal primary education is a lot higher than the first student. And what we've told governments, essentially is, if you want credit in the MDG scorecard, you have to devote the resources to get 100 percent of your people through primary education.

That really crowds out opportunities in secondary education and universities, so a little more flexibility might be in order.

And then as I said, these kind of strategic issues are things were -- I mean, we know -- and I'd

love to hear your political economy interpretation on this -- we kind of know the formula for how to put together a really good foreign investment promotion agency. I mean, the Irish have taught us to do this and there are enough Irishmen now roaming the world who had experience that they can advise others on how it can be done, and if you don't like the Irish, the Singaporeans, the Malaysians have done it, as I said, now the Jordanians are busy with this, Chile's had a different approach, but it's done well.

The funny thing is, despite the fact that we kind of know technically what to do, we don't see these in Africa, and I've always wondered, is this one of these cases of, if it's such a good idea, how come people don't it, problem, and I'm not sure I know the answer to it. But there's clearly something that's keeping African governments from saying, well, yeah, this is kind of a low cost, not very difficult, important thing to do, we ought to be able to do it, and those are the kinds of kind of domestic initiatives that I think one needs to see.

The same thing with export processing zones, I mean, you can find an export processing zone in every country in Africa, and the way in which they're operated and the physical condition of the zone ranges from just heartbreaking to kind of so-so, but you don't find anything that comes close to what you would see if you dropped into an export processing zone in Vietnam, and again, part of this, I think, is donor attention, you know, donors haven't been interested in it, so governments are not as interested in it as they might be, but part of it, again, is this kind of complex question of -- and it may go back to your tertiary education problem -- with so many things to do and a fairly small pool of talented people, these just might have been initiatives that folks thought, well, it's kind of at the margin. It isn't really that important, but it might really turn out to be.

So, I think we just need some rethinking about how you put a package together and perhaps, and this comes back -- strikes right at the heart of sort of how people see aid -- I mean, you can either spread

attention thinly over every country, and that's important because we do want to use aid to reduce poverty, but you could also focus on one or two countries that you might want to get as examples. And one of the things I always take away when I travel in Asia, and I spend three months a year in Japan teaching, is how often and in how many areas people in Asia look at other countries as models, and it's either a good model or a bad model, but they're always looking, they're always imitating, they're always experimenting.

I think one of the things that Africa hasn't had is a couple of, let's call them leopards, because we don't have tigers in Africa, right, but a couple of leopards where other people would look and say, yeah, you know, Kenya is really surging ahead, or Ghana is really surging ahead. What are they doing that we're not doing? And that comes back to the question of then do you kind of focus a lot of attention on a few countries that you think might have promise? Take AGOA again, okay, we've got the preferences, but then

do we sort of focus aid for trade and a lot of institutional support and so forth.

It's a little bit like the President's initiative where he picked out three or four countries -- Tanzania, I think, Ghana, being two of them -- and said, well, let's really focus the U.S. development effort on those guys in a way that we haven't done in the past. I mean, I think the global community could come around to that idea as well, but I think these are the kinds of things that would be far more effective than some tax breaks.

MR. WESTBURY: Great. Patrick?

PATRICK: Could I make two comments sort of tying onto that? One on the education, I think that's going to -- it's going to be a tough nut to crack on the tertiary education for a couple reasons. I mean, one, I mean, the immigration issue. How many Ghanaian professionals went through the Ghanaian university system and are now somewhere else around the world? And that's a sensitive issue. And the issue of getting a tertiary education system that is focused on

the right things because, you know, one of the countries you cite, Tunisia, probably would have ranked up there at the top in terms of percentage of the young people that were going through the university system and they were part of the chunk out there in the Arab Spring because they had no jobs and unemployment among university graduates is staggeringly high in Tunis.

So, that's one of the things that will have to be tackled as something we struggle with here in the U.S., you know, turn out university graduates but maybe we need apprenticeships, and things -- you know, how do we react to the market in a sensitive way.

And on the -- this broader issue of getting investors in there outside the extractive industries - - and the extractive industries, you have to go where the resources are. You know, if ether's gold someplace, well, that's where you've got to go.

I think for all the other industries, you know, and this ranges from infrastructure to actual manufacturing, is the realization that, you know,

Africa -- people aren't obligated to go to Africa. Africa is in competition with Bangladesh, it will be with Burma soon if it opens up, it's going to be -- Vietnam, it's going to be Central America. And so, it's this element of competition that I hear from the private sector is that, well, we've got plenty of opportunities. If Africa is difficult -- yeah, it's nice and that warm fuzzy feeling, but, you know, I can go somewhere else and earn an easier return, you know, maybe slightly smaller, but I don't have the risk and uncertainty and I have got colleagues who've built plants in Vietnam, so I know how to do that, and it's this competition element.

MR. PAGE: Yeah, it's a global beauty contest and that's part of what I don't think governments have really come around to understand yet, in a way. There's all these -- there's a kind of sense, I think, that, oh, well, we can do a few things and it will be fine, but it really is -- you have to go out there and court these investors.

Just to come back to your point on education

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

and migration. As you were saying that, I was remembering that in the 1970s, the Taiwanese were hugely depressed because an entire generation of Taiwanese students had been educated in the U.S. and Europe, high-level engineering degrees, and none of them returned to Taiwan. And there was a huge debate about whether or not they should stop actually providing scholarships for students to go, you know, outside of the country.

They all returned in the 1990s and the reason why they returned was that you'd hit a level of economic progress where people saw opportunities. And we're starting to see that in Africa, and Joseph knows this probably better than I do, but if you look at Ethiopia today, if you look at Ghana today, we're starting to see people coming back because they see these chances to do something.

And so, again, it links right back to your question of, you've got to get this broader process of growth going, because they won't come back if the only thing they see is a goldmine and an oil field. They

may to do some services or whatever, but in a more diversified economy, they see a lot more opportunities, and so it really is both important from the point of view of making sure the kids have jobs when they come out of the university, but also getting people who were part of the Diaspora to come back and invest and stay.

MR. ASSAN: Yeah, thank you. I was going to say that your concerns are valid, but then I also want to highlight, however, the dynamic has changed and it's changing very rapidly. I mean, back -- last year in 2012, several Ghanaian residents in UK moved back to Ghana. The government called the Ghanaian Diaspora to come back because there are several jobs that they needed capacity in terms of individuals who are qualified. So, anybody with a graduate degree or postgraduate qualification in a range of areas were published in the newspapers and then people went back, and in the conditions where you'll be given a car, you'll be given a house, you'll be given a wife or husband if you needed one --

(Laughter.)

MR. ASSAN: -- and of course, I mean, if I'm in London and I can't find a wife because I spend all my life studying and studying and it's difficult to talk to a girl or a boy in London, and I go back to Ghana I'll be attending the high profile meetings of government, I'll find a nice pretty lady, I would definitely go back for that.

But on a very serious note, I have personal friends who are back in Ghana, at the moment, I know very well they are back in Ghana, and they are benefitting -- they've received these government benefits and they are happily working in Ghana.

One challenge in the immigrants or Diaspora environment, it's very difficult to agree to go home when you don't feel you can effectively discharge your skills in that regard. So, that is one common challenge.

Last week in Brandeis, we organized a brain game workshop just to talk about African Diaspora being a game then a drain, and I mean, having

structures as we have seen emerging, I mean, most countries are seeing some of us as a game rather than a drain, and I think for example, my sister's son in Ghana a month ago won a national high school challenge, right, on a national quiz, and then for the award, he was given a flat screen television and then a small cash prize. He said, uncle, wouldn't it have been better if they gave me a scholarship to study at the university? And, you know, for a 17-year-olds thinking like that, that's -- I mean, he doesn't want to go to America, he wants to just get a scholarship and study, I think this shows an indication of the turn in terms of thinking because people are seeing opportunities in terms of industry and resource and other ventures, but then they see they don't have the capacity to actually engage.

Malaysia is an example of a country that gives a lot of scholarships. I met a lot of Malaysians when I was doing my PhD at Liverpool, and all of them are back in Malaysia now sitting in very responsible positions. And when that responsibility

occurs, you rather want to be in Malaysia and come on holidays to the U.S. than be in the U.S. and go on holidays in Malaysia because the (inaudible) levels are different.

So, I will put that as a genuine concern, but the dynamic is changing rapidly and it would be great if you could have that staying around in government perception as well to see that if you can invest in tertiary -- for example, in Rwanda, at the time of genocide in 1994, the National University of Rwanda, which was only investing in Rwanda at the time, had only trained 2,000 graduates -- 2,000 -- not postgraduates, graduates, and this university was set up in 1968.

So, look at this, how many years have come, and only 2,000 graduates. So, no wonder the genocide was taking place and nobody would lift a finger because a society had not been educated up to that level to be -- I mean, to be in a position to advocate and challenge and stand up to government.

So, this is the observation that some of us

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

are making on the continent and we believe that the U.S. involvement can make a big -- a huge impact, because U.S. aid is very vibrant across the continent and they have local (inaudible) to advise in terms of how to make some of these things happen.

SPEAKER: I was wondering, of course, we're from the Department of Labor and our international bureau is very, very involved with what's happening there with the labor scene, and in your experiences there, the biggest investor is China. So, with their investment and aid and all, what kind of growth have you seen, and in the labor scene particularly? I know that they are helping them with scholarships, they're taking them back and forth and all of this, but have you really seen them help them? Help the workers? Help --

MR. PAGE: You know, the whole China thing, to me, is a black box, and part of the responsibility rests with the Chinese because it's -- I mean, Deborah Brautigam out here at American University makes a career out of divining what it is that they do because

it's just -- you know, it's not transparent.

You hear a lot of traveler's tales, but we don't have any statistics on which to really make a judgment. I mean, you hear the story that they come and they bring their entire management team, sometimes they bring all the skilled labor, they don't hire, you know, local workers and train them. It's very interesting because when President Kikwete of Tanzania was first in office, he was at one of these world economic forums and he was asked by someone in the audience, you know, kind of, what should the international community do to make China be more responsive to Africa's development needs, and his answer was, please don't do anything. It's our responsibility to make sure that the Chinese behave. In a way, that's important. I think that's an important reflection because remember, all of these deals, which are essentially government-to-government deals, go through a process of negotiation.

If I'm a government and I want to have the Chinese help me skill up, then one of the things I do

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

is I demand that the Chinese hire local workers and provide training up and so forth. Oftentimes we haven't seen that, but that's not something that's beyond the reach of the government to do, and, you know, the Chinese, in a sense, want Africa enough that they would be willing to make those concessions. And where governments have been more demanding, like in Rwanda, they've been more responsive. If you just lie back and say, we'll take anything you're willing to give us, then, you know, you get what you get.

So, in terms of the breadth of Chinese engagement, I don't think we've seen a lot beyond the kind of civil contracting industry yet. I mean, it's still too early a day, even with the new free trade zones. The one I know, because I see it a lot, is Ethiopia. It's taken a long time to get going, but now it's going, and the question would be, where, from here, does it end up? That's potentially a major employment generator if it actually works.

But in terms of having enough statistical basis to say, what have the Chinese engagements done

in terms of classes of labor that they've hired and skills that they've imparted? If the Chinese themselves don't start telling people about this, it's just very, very hard to know.

MR. ASSAN: My response would be twofold. I mean, we see a lot of African countries, I mean, post -- I mean, just as we emerged from recent dictatorship and are coming to centralized government and democracy and other forms of local governance, I mean, observe the infrastructure, which Page mentioned in his early presentation, and the Chinese have been very actively involved in the infrastructure development in most African countries as I've encountered. And that has been the sector that they've been very active in.

So, in that sense, infrastructure is basically construction of roads and then also getting some of the export processing zones. Their counter response is that most African citizens are not very excited about the Chinese engagement. Governments often are, but the citizens are not, because the Chinese do not come with their labor regulations, and

they don't uphold the labor laws, that we would uphold. They don't uphold the minimum wage regulations that we would uphold, and they do not uphold the -- I mean, they don't subscribe to the decent work responsibilities that other governments may uphold.

So, from a labor perspective, that is a concern, but from government perspectives they feel, well, we are getting something out of -- rather than nothing. So, across the continent, as Page has mentioned, the Chinese investment is growing, but has not made any dramatic impact in terms of even greater economic stagnation in terms of transforming capacity and then generating a new crop of African labor that can manage (inaudible).

They are basically putting in infrastructure programs and investing in mining and resource extraction and sometimes these investments are not -- they don't translate rapidly into growth in terms of wellbeing that we would like to see.

I mean, back in Ghana, again, and also, of

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

course, talking to my Ugandan friends, people are keen to have American participation because they saw that Americans have this long enough and have better experience -- I mean, they would have better ethics and they are better -- they uphold regulations that the Chinese wouldn't.

But then, of course, governments in the past think that they've been branded corrupt and unfortunately the (inaudible) like the UK, the EU countries and the U.S. will not want to engage with them, so they often opted to go with China. But I don't think it is an alliance that cannot be -- obviously, we keep working, and people would rather see American and European agencies operating the export processing zones than the Chinese. The Chinese are not there to fast track things, as Page was saying, and no wonder our export processing zones are seemingly dead.

I mean, it took off well in Ghana, you go to Nigeria and you saw that they have large tracks of estates that have been laid out for -- I mean, take

off, but nothing is taking off because the Chinese are not interested in national development frameworks. So, that would be my response in terms of labor economics and labor dimension.

I think having a U.S. program, because we are talking here, I mean, having a U.S., EU, British partnership pushing the export processing zone agenda, will make a big and offer a dramatic impact.

MR. WESTBURY: Good. Well, I think that actually we're going to have to conclude because we're past our time, and we can certainly ask the panelists afterwards, but thanks, everybody, for coming to this intimate discussion. On behalf of the Capitol Visitor's Center, I urge you to go to the gift shop on the way out. And thanks very much for coming.

MR. ASSAN: And thank you very much for listening to us.

* * * * *

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, 2016

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190