

AGI MEDIA BRIEFING ON STATE DEPARTMENT T

Moderator: Annie Moulton

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10:00 am CT

Andrew Westbury: Okay, hello everyone. My name is Andrew Westbury and I'm the assistant director of the Africa Growth Initiative at Brookings. And we are pleased to be offering this briefing today on Secretary Clinton's travel to Africa. Providing remarks will be Mwangi Kimenyi, the senior fellow and director of the Africa Growth Initiative and (Harun Barat) from the South African Think Tank, the Development Policy Research Unit at the University of Cape Town.

The DPRU is an excellent resource on South African and officially a partner of the Brookings Institution. So Mwangi will start things off and then both he and (Harun) will keep their remarks short and there'll be a time for Q&A after this - after their remarks.

We also want to note that the call is being recorded and should - any time you want to ask questions, please push 1-4 on your keypad and the operator will connect your question. So with that, I'll turn it over to Mwangi.

Mwangi Kimenyi: Thank you very much for joining this press briefing and we appreciate the time. I'll make just a few remarks concerning the Secretary's visit and that will be followed by (Harun) and then we'll take some questions.

I think the first thing I would like to note is that this is a significant trip in a number of ways. First, it could be the last official visit by the Secretary to Africa in her official capacity.

Second, the Secretary is visiting quite a large number of countries and regions. These include West Africa and East Africa and also Southern Africa and quite a bit of diverse number of countries. Then the other thing is that she will be making what may be a very strong statement by visiting some of the countries.

South Sudan, for example, will be a historic visit, being probably the highest U.S. official to visit the new country and that will be significant. In addition, she is likely to be holding discussions with leaders of - from Sumaria. And that is also going to be quite significant. So in terms of the content, of the basic forecast of this trip, I see this trip is forecasting in an attempt by the administration to solidify policy in Africa which has, as yet, not been well articulated or understood by many people.

In this respect, the Secretary will focus on several issues and most important, would be one, commercial engagements. There are very clear signals that the U.S. is concerned about being (edged) out of the African market by China and other countries, specifically at a time when Africa is clearly emerging economically and politically.

So we expect that the sector will be focusing quite a bit on the issues of commercial engagement. The other issue, as executed and as always, the United States is always concerned about national interested and security becomes very important.

This will be on top of our agenda with concerns about terrorism in East Africa and Nigeria and also the instability in the Great Lakes region. All these will be pretty important. And the African countries will probably be looking for support in terms of intelligence and counterterrorism.

Third, a key focus of the trip will be the issues on democracy, human rights and transparencies. The sector that we will seek to communicate the message of good governance, recognizing positive changes in the continent but at the same time, raising concerns about corruption in several of the countries that continue to (hate) the economic progress and human development.

Of course, given that the U.S. is an important development partner, the issue of government cooperation will be important on this trip. So they'll be highlighting areas of support to African countries, particularly on health, food security and specific programs such as the MCC.

From the African side, there are specific areas that are also important. I would consider that - the discussion on the regional integration will be important given that as a continent, heads of state have moved to try and solidify regional integration as a cornerstone for the economic growth.

Of course, with specific issues, for example, in South Sudan, they are specific issues concerning the state of the economy there which is, of course, effected by the issues that we've (announced). The sector is likely to propose issues on maybe supporting - how to support the country and how to accelerate maybe negotiations to add to the (unintelligible).

In Kenya, we expect that issues of the post-election violence that was quite important in effecting the country will still be a concern given the elections are just around the corner and they are serious that this could happen again, so

the sector is likely to be discussing those issues and how to forestall any possible election violence.

So those are basically my brief remarks about the key issues that the Secretary is likely to be focusing on on the trip, so I'll hand it over to (Harun).

(Harun Barat): Sure. Thank you Mangwi. I guess what I'll try and give you - two (bare) messages - one is to describe, if you like, the economy in brief and some of the key challenges. And then the second part of the message will be to (unintelligible) to provide you with a sense of what specifically you might be interested in in relationship to the (people) of South Africa.

So just part of a brief background, you may not aware but perhaps to assist in terms of your background research, if you're doing that for (unintelligible) so I'll actually say (unintelligible) some country as defined by the World Banks.

It's a relatively small open economy though with about 50 million people and therefore, globally not as they (declare), if you like, as we - as Brazil, Russia, India and, of course, China. So in that context, South Africa is the largest as a global player, is a fairly small player.

However, given the (contents) of Africa and, of course, many emerging markets - (unintelligible), Africa is the next big thing, so to speak. South Africa, of course, is fundamentally important and it remains, therefore, crucial to both the future of the continent and it remains crucial to investing in Africa. It remains crucial to understanding the prospects of the African continent.

So I think that's an important background if you like, in a global thing. Locally, (unintelligible) South Africa has huge domestic policy challenges. Perhaps the two most important remain unemployment and inequality. We

have an unemployment in excess of 25%. That's the ILO definition and a (GME pro efficient) of about .63 measure of inequality.

Those two measures make a - as a first instance, an economy that's probably the highest - consistently the highest (unintelligible) in the world for a middle income country, and secondly, in terms of our (gene pro efficient), almost certainly, and again, in a middle income country category, the most (turning force). We see - we have compared that to just - to take a ten year, a 15 year period, it may be the most (plentiful) in the world.

And that for me probably crystalize it in numbers on specifics, the nature of our broad challenge. In terms of sort of the standard economic indicators, we have positive economic growth. It is likely affected - it's still affected by the great recession as it's now called.

We lost about a million jobs so despite having only two quarters of negative growth. Out of that recession, though, we've gone back into our low level of growth scenario which is growth of about 2% to 3% per annum. That remains globally in a position to overturn the kinds of social challenges we have.

The final thing about our domestic policy challenges is if you think of - you can think of the current, you know, 15, 16 years of democracy in a the form that we have positive economic growth (marked) - China, India (saw) growth, the (positive) growth, that basically benefited individuals and households at the top end of (the) distribution.

The states, they used the fiscal revenue to redistribute some of those resources back to those at the bottom end of the income distribution in the form of social (grants) so in a way social grants have become our welfare response to this high inequality and high (economic) problem.

Then, just quickly in terms of Secretary Clinton. I see her concentrating, I see a three big issuss coming on because I think these are the three important ones that will be raised and probably defined in the two to three visit. First is the HIV/AIDS.

The U.S.'s involvement around this issue has been (crucial) both from the Bush era and has continued in the Obama era, so HIV/AIDS dominates a lot of the government funding and the assistance to South Africa and it dominates the U.S. engagement to South Africa.

The second is looking, of course, at trade opportunities, but in particular, to expand the role of South Africa on the continent. One way, as sort of a starting point of that discussion is to look at the Walmart deal. The Walmart deal was domestically very difficult, but of course, the Walmart deal ultimately was about an entry point through mass markets, domestic partners, (unintelligible) partner, everyone an entry point into the country.

In that sense, Secretary Clinton's visit will probably be pointed toward what other kinds of (trade) opportunities that are opening up to U.S. companies on the continent sort of using South Africa as the (practice).

So a third issue that will probably be raised in some form, either indirectly or directly, is of course, China and Africa. I think that's fundamentally important and it's a critical part of the engagement that's concentrated in the minds of both African policymakers as well as I think (unintelligible) policymakers.

The (commitment) by President (Zelan) around (unintelligible) around China and South African relationships I think is probably going to be important. (Unintelligible) was that China did not remain interested in South Africa only

as an investor without any returns from the African (bank). So it's a fundamental (recruit) for - it's fundamentally (recrisp) in these statements for African partners to be equal partners in their (trade) with China.

And I think that may be - (unintelligible) if you like, for further engagement between (unintelligible). So I'll leave it at that and I'll (unintelligible).

Andrew Westbury: Great - I think that - this is Drew again from Brookings and I think we'll open it up for questions now. So if you have a question, please push 1-4 and the operator will connect you to the main line.

Operator: Our first question comes from the line of (Howard Lafrachey). Please proceed with your question.

(Howard Lafrachey): Yes hi. Thank both of you for doing this. I guess my question would be for Mwangi. I'm going back to what you said about the - that you see Secretary Clinton's trip as something of an attempt to solidify policy in Africa which is - as yet has not really occurred and I'm wondering, you know, here we are, you know, basically 3-1/2 years into the Administration. How would you - so, you know, what are you saying?

Is - how would you compare Obama Administration policy and, you know, action with Africa compared to, say, even the last Administration, the Bush Administration which did put some emphasis there? And is this - I mean, this frankly sort of, you know, a little - are they coming a little late to the dance?

Mwangi Kimenyi: Thank you very much and that's a very good question and very relevant. First of all, we need to actually give credit to President George W. Bush. If you look at his forecast on Africa, I always say that his contribution is

(unintelligible). He came up with major programs on - particularly on health and also initiatives that sort of were new in a way, like the MCC.

So - and he did quite a bit for Africa and this came quite (early) and he was consistent. So in that sense, I have to give credit to President Bush for his contribution.

For Africa, of course, I think we are all praised President Clinton on top of the (race) in terms of his role although he did this, particularly in the area of trades during his second term. When it comes to President Obama, I think - my thinking is that, yes, we haven't seen much coherent policy that is different from what we had before.

I - in a way, I would say this is probably due to some constraints. He came at a time when the economy was - the American economy was quite poor. So, you know, in a bad state so he didn't have a lot of resources that he could distribute for Africa.

He came in when he had real challenges in the - in Asia, you know, in Iraq and Afghanistan. So this was the problems - I mean, issues that maybe prevented the (Administration) from making major initiatives on Africa. However, I would say that the (Administration) is coming a bit late and even with the new strategy that the Administration has come up with, more needs to be done. It's very - it's not really specific and it's not actually like something that you'd say is a major departure from the past.

So in that sense, there's a bit of disappointment in terms of what would have been done even in times of bringing out a particular program.

(Howard Lefrache): Okay, thank you.

Mwangi Kimenyi: You're welcome.

Operator: Our next question comes from the line of (Allison Goode). Please proceed with your question.

(Allison Goode): Hi, my question is for Mwangi. Thanks again for joining us. So I was wondering if Secretary Clinton might be discussing any sort of free trade agreement initiatives with the representatives in countries that she's visiting and if any free trade agreements are currently being negotiated to your knowledge.

Mwangi Kimenyi: They have been some initiatives. I believe that there is expectation that there'll be some trade deals with South Africa from a bilateral trade agreement with South Africa. Now for Africans, in general, I think one of the concerns that remains in terms of commercial engagement, and again, as I noted before, and my colleague (Harun) has highlighted, I believe that one of the concerns that the U.S. has at this point is that China has sort of invaded Africa in major ways and that even American policymakers now realize that they need to find a way of getting into Africa.

And in this sense, the type of deals that I see probably happening is negotiating in possible strategies to increase American investments to different countries and into specific sectors. So in that sense, we will expect to see quite a bit of discussions on trade and in investment.

Africans will also be asking about their African Growth and Opportunity Act which will be expiring in 2015. And that is an issue that they would like to see extended so that is probably going to come on the table. And, of course, a provision that is tied up in congress called the (Vat Fabric) Provision.

That is also going to expire in September that year. So I think that will be one of the issues that Africans will be pushing for when they engage with the Secretary of the State.

(Allison Goode): Thank you.

Operator: There are no further questions at this time.

Andrew Westbury: Okay, well, thanks everybody for calling in and we were really pleased to have your participation and please look to the Africa Growth Initiative at Brookings in the future for information on African activities. And this audio will be posted to the AGI Web site, to the Brookings Institution Web site likely tomorrow. So thank you again.

Operator: Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your lines.

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