



The U.S.–South Africa Business Forum

3rd Steering Group Meetings

Strengthening Bilateral Relations through Private Sector Dialogue

Report on Meeting Outcomes and Next Steps

The Corporate Council on Africa

Washington, D.C.

October 8, 2010

This is a report of the U.S.-South Africa Business Forum's third meeting convened on Friday, October 8, at the Corporate Council on Africa's offices in Washington, D.C.

The Forum is a partnership between the Corporate Council on Africa (CCA) and Business Unity South Africa (BUSA).

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The U.S.-South Africa Business Forum: 3rd Forum Meeting *Strengthening Bilateral Relations through Private Sector Dialogue*

Executive Summary

Recognizing the need for increased momentum and commitment to the U.S.-South Africa Business Forum, a full steering group was convened on Friday, October 8, 2010 at The Corporate Council on Africa's offices in Washington, D.C. The U.S. steering committee (9 representatives) was led by Haskell Ward, Vice President of SEACOM and Stephen Hayes, President & CEO of CCA. The South African steering committee (7 representatives) was lead by Jerry Vilakazi, CEO of BUSA and Absa's Chief Corporate Affairs & Sustainability Officer, Venete Klein – who is also BUSA's Vice President. At the meeting, senior members of both committees recommitted to working to ensure that the U.S.-South Africa Business Forum achieved its goals outlined its mission. The meeting reinvigorated the private sector dialogue between the two countries.

A primary outcome from the dialogue was: The steering group is interested in pursuing only one or two of the below issues that were identified in the inaugural steering group forum earlier this year.

Barriers to increased investment in South Africa:

- Lack of clarity on Black Economic Empowerment, Nationalization and Apartheid lawsuit
- South Africa's budget constraints and South Africa as a relatively small market for large U.S. firms
- Counterfeit of U.S. consumer products: IPR issue is barrier to new products

South African companies highlighted the below items as barriers to increased investment in the U.S.:

- Corporate governance issues: e.g. Sarbanes-Oxley Act: introduced complex regulatory environment in U.S. financial market
- S. African companies unable to list directly to U.S. exchanges
- Immigration issues: delayed business visas

The Forum's steering group agreed upon the below **next steps**:

- *Steering group meeting on margins of AGOA Forum*
- *Compile and distribute a list of key Africa focused senators and congressmen*

The steering group meeting was flanked by a **Department of State breakfast briefing** and an Eskom lunch briefing that same day. The breakfast briefing was delivered by Department of State Deputy Director Shannon N. Cazeau who in remarks highlighted the following:

- South Africa is a key political and economic partner for the U.S., with business and trade at center of that relationship
- Under the President's National Export Initiative (NEI), South Africa is the only sub-Saharan country mentioned
- USG is still grappling with how to make NEI work

During lunch, Eskom's executive management including; Chairman Mpho Makwana, CEO Brian Dames, and Finance Director Mr. Paul O'Flaherty underscored the following:

- Eskom has invested \$1.5 billion into South Africa, and increased access to electricity to 85 percent of the population
- Today 12,000 MW is under construction with the goal of doubling existing capacity to 80 GW by 2028
- Independent Power Producers will be needed to reach South Africa's goals. Currently, tariff at 4 cents/ kw with regulators increasing the tariff by 25 percent until 2014. Eskom foresees an additional 25 percent tariff increase for another 3 years post 2014

Meeting: U.S. Department of State Breakfast Briefing:
Date: Friday, October 8, 2010

Remarks by Shannon N. Cazeau

Deputy Director – Office of Economic Policy

U.S. Department of State Breakfast Briefing:

- South Africa is a key political and economic partner to the U.S. with recently improving relations
- South Africa is an attractive place to do business and has over 600 U.S. companies operating there
In Obama's National Export Initiative (NEI), South Africa is the ONLY sub-Saharan country specifically mentioned by name
- However, the USG is still grappling with how to best proceed to promote exports and make the NEI work

Discussion Themes and Questions

USG:

- There are many programs targeting Africa across USG agencies. How can these respective mechanisms be harmonized, coordinated, focused, and leveraged?
- NEI – who within the USG is taking the lead? Currently, no one knows
- Good resource: U.S. Ex-Im Bank provides lots of financing in South Africa
 - ✓ The chairman of the U.S. Ex-Im Bank, Fred Hochberg, will visit South Africa and Nigeria in November to help implement the NEI
- There is an interest in renewing U.S.-SACU FTA discussions as well as the U.S.-South Africa TIFA (USTR a central player in these)
- In general, there is an interest in the Obama administration in Africa, but the question is how? The State Department is often distracted by current events and thus becomes reactive and unable to conduct long term economic, trade, and investment planning
- Meetings at CCA are driving the agenda rather than the USG

AGOA:

- There are questions about the legislation's effectiveness and why it has not been optimally utilized, but the fact remains that we must work with and through AGOA

- AGOA is a policy hook for Africa. Zambia has been tentatively selected to be the host country for the next AGOA meetings

Lobbying:

- The agenda for agencies such as the Ex-Im Bank is set on Capitol Hill
- Africa in general, and South Africa in particular, need a stronger lobby on the Hill
- 2011 will be a critical year for discussions impacting AGOA
- With no constituency advocating for it, Africa is ignored by Congress. Therefore, Africa must spend more money advocating for itself and must support CCA as it is the main body driving policy. If not, the opinions and priority of Africa in Congress will not change
- Who are Africa's friends on the Hill
- They include members of the House Subcommittee on Africa and Global Health and the Senate Subcommittee on African Affairs, Representatives Bobby Rush (D-IL), Jim McDermott (D-WA). It is important to court both Democrats and Republicans given the shifting balance of power in Congress
- How can the African private sector enhance its voice on Capitol Hill? Could large, South African companies lead this effort?

Private Sector Voice and Perspective:

- SADC and Africa in general – must breakdown regional and continental barriers as they are a significant impediment to intra-African trade
- The private sector must be a part of and larger voice in discussions. The perspective is that the current administration is embarrassed to be seen with the private sector

Competition:

- Contrast the perceived attitude of the Obama administration with other countries (such as Brazil and China) that travel with and back their private sectors and whose bi-national commissions produce practical, tangible results.
- Bottom-line:
 - ✓ There is a new scramble for Africa that the U.S. is unaware of
 - ✓ Africa is the center of the next economic expansion in the world
 - ✓ The U.S. is becoming irrelevant in Africa and unless we take an interest in Africa, Africans won't take an interest in us

Attendees: U.S. Steering Committee

Haskell Ward, SEACOM, Chair of U.S. Steering Committee | Casey Hastings, Motorola | George Otchere, TMI Consulting | Gregory Smith, Dewey & LeBoeuf | Jana Carter, Walmart | Liebeth Turbati, McLarty Associate | Marc Cavaliere, South African Airways | Shannon Penberthy, Procter & Gamble | Efrem Fisher, CCA | Mfundo Hlatshwayo, CCA | Robert Perry, CCA | Stephen Hayes, CCA | Tim McCoy, CCA

South African Steering Committee

Jerry Vilakazi, BUSA | Cas Coovadia, Banking Association SA | Dipak Patel, Standard Bank | Lawrence Khoza, Banking Association SA | Marthinus Havenga | Venete Klein, ABSA

Meeting: U.S.-South Africa Business Forum Steering Group: 3rd Forum Dialogue
Date: Friday, October 8, 2010

Opening Remarks

Haskell Ward, Chairman, CCA Steering Committee

U.S. business does not have a long history in Africa like Europe does. However, prior to the imposition of sanctions, 90 percent of our business was with South Africa. Today, we are forging a new relationship with the new South Africa, reengaging on terms of parity, for mutual gain and with mutual respect, as others are already doing.

Currently, we have fallen short on this relationship. We must be serious on making the U.S.-South Africa Business Forum (Forum) work and to do so we must find resources, government and/or corporate to make it work.

Jerry Vilakazi, CEO, BUSA

With a population projected to grow to 1.8 billion by 2050, Africa is a continent full of promising opportunities. The recent trend of international banks buying African banks to gain a foothold on the continent is a proof of this. Looking forward, the G20 is a priority area as is the CCA-African Union MOU.

It is a joint responsibility to achieve the goals of the Forum. While there are numerous U.S. firms in South Africa, there is a global shift in economic productivity and South Africa must be aware of the new players and where the future of “Africa” is heading. For example, China has a clear structure and strategy in regards to their intentions in Africa. They invested 20 percent in Standard Bank, a bank with considerable reach on the continent.

Steve Hayes, President & CEO, CCA

BUSA is our most effective partner in Africa. CCA’s event at the G20, hosted in conjunction with Canadian Council on Africa and including representatives from Europe, Japan, India, South Africa, and Nigeria, was a success. The African Union wants CCA’s help developing the African private sector. The new U.S.-Africa Business Center will help U.S. companies know where to start and where to go in Africa.

Challenges and Overarching Questions

- How does the U.S. become a lead player in Africa?
- What is working and what can we learn from that traction?
- How do CCA member companies get something out of this forum?
- How can we track exactly what comes out of these deliberations?
- USG needs to be more supportive of enterprise development in Africa.
 - ✓ Supporting business enterprise is not instinctive among embassies. However, with increased competition, this is changing

Discussion

South Africa Private Sector Representatives:

- Trade is increasing. Can we capture investment flow information and data in order to tell a story or keep a “scorecard”? In general, important to collect and share data

- One important function/value/service BUSA can offer to businesses is to leverage their local knowledge and this forum to put businesses in touch with the right people in South Africa and the larger SADC region
 - ✓ This could be industry specific such as linking American banks/bankers to BUSA who in turn connect them to the right people to get questions answered/issues addressed

U.S. Private Sector Representatives:

- Going forward – it would be more effective to break the larger agenda into more manageable sub-categories
 - ✓ Are there points from the February meeting that we can work from?
- There is great value in having CCA and this forum serve as a source of information on Africa, dispelling myths about Africa, and as an information clearinghouse (“reporting out”)
- Likewise, there is great support for accessing BUSA’s insight into South African perspectives, attitudes, and culture, as well as for routing inquiries to experts

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