



## **The U.S.–South Africa Business Forum**

### **Steering Group Meetings**

Strengthening Bilateral Relations through Private Sector Dialogue

### ***Report on Meeting Outcomes and Next Steps***

#### **Westcliff Hotel**

Johannesburg, South Africa

February 22 – 26, 2010

This is a report of the U.S.-South Africa Business Forum's Inaugural Meeting convened from February 23 – 24 at the Westcliff Hotel in Johannesburg, South Africa. Also recorded in this report are other strategic meetings convened in South Africa on this trip.

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:**  
*Strengthening Bilateral Relations through Private Sector Dialogue*

**Executive Summary**

The Corporate Council on Africa (CCA) along with a delegation of eight U.S. companies traveled to South Africa for a week of meetings with key partners in fostering commercial relations between the U.S., South Africa and the broader African continent. Our delegation met with the following organizations, businesses and officials:

Business Unity South Africa | Gauteng Economic Development Agency | SADC Ministers at Power  
Indaba Conference | U.S. Ambassador Donald Gips | U.S. Consul General Andrew Passen |  
Business Leadership South Africa | American Chamber of Commerce – South Africa | Pan African  
Chamber of Commerce

The impetus of the trip was the U.S.-South Africa Business Forum's (Forum) inaugural meeting held on February 23 – 24, 2010 in Johannesburg, South Africa. The Forum is a partnership between CCA and Business Unity South Africa (BUSA) to foster public-private cooperation in an effort to deepen economic ties between the two countries. The Forum's steering group agreed to hold four meetings in 2010, with the next meeting scheduled for April 27 or April 30 in Washington, D.C.. **Additional outcomes of the meeting were:**

- BUSA to send a delegation to CCA's U.S.-Africa Infrastructure Conference
- Arrange a meeting between the Forum's steering group and the World Bank on financial support for U.S.-South Africa cooperation on the continent
- CCA to send delegation to BUSA's Conference on Corruption

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

- Identify barriers to investment in both countries
- Establish task groups to address issues identified over the year
- Develop a communication strategy

The week of meetings underscored the following as examples of **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

**Opportunities** for greater cooperation and investment were identified as:

- South Africa's steering committee pointed to investment opportunities in harbor development in S. Africa and partnership in other African harbor development projects
- S. Africa as a source for raising investment capital for projects on the continent (e.g. SEACOM)
- Private sector partnership on the continent bodes well for both countries (S. Africa concerned of being viewed as neo-colonists)

**Meeting: Inaugural U.S.-South Africa Business Forum Steering Group Meeting**

**Date:** Wednesday, February 24 | 9:00 am – 4:30 pm

The core objective of the meeting was to develop a strategy and framework for moving forward and to agree upon a calendar of meetings. Other targets for the meeting included; identifying “perceived and real” investment and trade barriers for both private sectors; and partnership opportunities. These targets were achieved. The steering group will meet four times this year, the proposed dates are below:

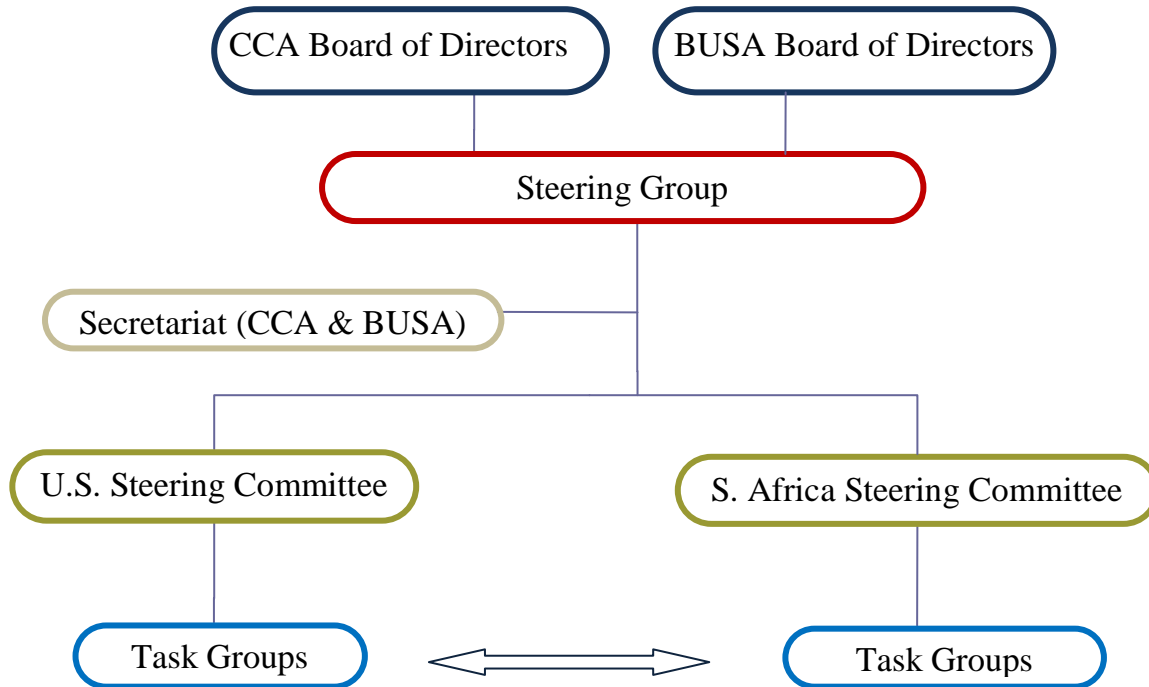
**Proposed US-SA Business Forum Calendar for 2010**

Date	Location	Complimenting	To Attend
April 26-30	Washington, DC	CCA Infrastructure Conference and World Bank Meetings	Full Delegation
June 26-27	Toronto, Canada	G20 and G8 – Canada Council for Africa and CCA	BUSA Leadership
June/ July	South Africa	USG delegation	U.S. Steering Committee
July/ August	Dallas/ Minnesota/ or Des Moines	AGOA Trade Ministers Summit	TBD
September 27-29	New York	UN General Assembly	BUSA Leadership
October 1-3	Washington, DC	CCA Health Conference and World Bank Fall meetings	Full Delegation
November	Johannesburg	BUSA Conference on Corruption	Full Delegation

**Key Discussion Points**

The steering group discussed and agreed upon the structure of the Forum and its mission. The group also discussed and included additional objectives for the Forum to help achieve its mission. Below are the outcomes of these discussions.

### ORGANIZATIONAL STRUCTURE OF U.S.-SOUTH AFRICA BUSINESS FORUM



#### **Steering Group Mission**

1. Set strategy
2. Monitor and review developments
3. Recommend priorities in resolving identified issues
4. Establishing communication process (removing perception barriers)

#### **U.S.-South Africa Business Forum Objectives**

The Forum is to facilitate the strengthening of commercial relations between the two countries by pursuing the following:

- ❖ Identify and resolve member business issues (market cases as deliverables of Forum)
- ❖ Assist U.S. and S. African member companies in navigating foreign markets
- ❖ Educate U.S. and S. African private sector on critical business issues and promote success stories to media outlets
- ❖ Develop business partnerships

#### **Challenges for U.S. firms in S. Africa**

U.S. steering committee members underscored their continued interest in operating in South Africa and stated that they view South Africa as the gateway to other African markets. However, they did have several concerns with increasing investments in the country, including:

- S. Africa's budget constraints and S. Africa as a relatively small market for large U.S. firms)
- Perception on BEE, Nationalization and the Apartheid lawsuit
- S. Africa's lack of public-private-partnership experience in projects

- Counterfeits of U.S. consumer products: IPR issue (barrier for new products)
- Stringent labor laws
- Time and indecisiveness on tenders - hurdle to investment

#### **Challenges for South African Firms in U.S.**

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

#### **Opportunities**

- South Africa's steering committee pointed to investment opportunities in harbor development in S. Africa and partnership in other African harbor development projects
- S. Africa as a source for raising investment capital for projects on the continent (e.g. SEACOM)
- Private sector partnership on the continent bodes well for both countries (S. Africa concerned of being viewed as neo-colonists)
- Analysis of investment climates by both U.S. and S. African business is skewed by perception and lack of information: opportunity to clarify and inform

#### **Next Steps**

- ❖ Solidify a date for next steering group meeting. Meeting will proceed or follow CCA's U.S.-Africa Infrastructure conference to be held from April 27 – 29, 2010.
- ❖ Steering group to identify barriers to investment on both sides
- ❖ Establish task groups to address identified issues
- ❖ Identify three U.S. companies with investment problems and try to solve them over the year
- ❖ Construct communication strategy
- ❖ Schedule meetings with World Bank and Forum steering group

#### **Attendees: U.S. Steering Committee**

Haskell Ward, SEACOM, Chair of U.S. Steering Committee | Brian Fix, Salans | Casey Hastings, Motorola | Gary Messina, Raytheon | Joseph Tato, Dewey & LeBoeuf | Marc Cavaliere, South African Airways | Stanislav Vecera, Proctor & Gamble | Michael Dignam, Lockheed Martin/CCA | Richard Green, Lockheed Martin | Stephen Hayes, CCA | Mfundo Hlatshwayo, CCA | Rashida Petersen, CCA

#### **South African Steering Committee**

Stanley Subramoney, PricewaterhouseCoopers, Chair for SA Steering Committee | Iqbal Surve, Sekunjalo | Tina Eboka, Standard Bank | Rep., Kelly Group | Michael Spicer, Business Leadership | Junaid Allie, Group 5 | Geoff Rothschild, Johannesburg Stock Exchange | Jerry Vilakazi, BUSA | Rep., ARM | Catherine Grant, BUSA | Sizwe Gcayi, BUSA | Trudy, BUSA

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**Meeting:** Power Indaba Conference  
**Date:** Tuesday, February 23 | 10:00 am

**Key Discussion Points:**

Power Indaba is organized by CCA's media partners Spintelligent/ Clarion. It is an annual high-level two day meeting forum for ministerial delegations, power executives, policymakers and international financiers. The Conference was held in Durban, February 23, 2010, it is only event of its kind on the African continent and focuses specifically on investment in the African Power industry, and is the continent's best resource for up-to-date information on financing and new business within the sector. Stephen Hayes, participated in a panel discussion titled "Driving Investment Within The Utility Sector in Africa."

Hayes centered his comments around our member companies working to expand capacity and partnering with governments and local companies, like Symbion Power, expanding their business model into other countries; now working on projects in Tanzania with an eye also on South Africa; Buchanan Renewables, working on the largest renewable energy project in Liberia; Contour Global's, \$325 million-dollar Lake Kivu project in Rwanda; General Electric's turbine sales throughout the continent; Standard Bank, one of the largest financiers of power projects in Africa. Hayes also elaborated on three critical points to attract additional investment including:

- First, tackling inefficiencies in the system as soon as possible to make way for public/private partnership that work and are able to be negotiated with shorter lead times for more feasible return on investments
- Secondly, African utilities must move to a market-based pricing model thereby allowing investors in power generation to earn returns, the subsidies supply nets for the very poor can be addressed the through structured assistance programs
- Third, building human resources and capacity to increase the number of skilled experts, is critical to address past issues of maintenance of facilities

**Attendees:** Hon. Dipuo Peters, Minister of Energy - South Africa | Hon. Barbara Hogan, Minister of Public Enterprises - South Africa | Hon. Elias Mudzuri, Minister of Energy and Power Development – Zimbabwe | Admassu Tadesse, Executive Vice President, Development Bank of Southern Africa | Stephen Hayes, President and CEO, The Corporate Council on Africa | Moderator: Freek Robinson, South African Broadcasting Corporation.

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**Meeting:** **Gauteng Economic Development Agency (GEDA)**

**Date:** Monday, February 22 | 3:00 – 4:15 pm

**Key Discussion Points:**

The Gauteng Economic Development Agency (GEDA) is a trade and investment promotion agency with a broader economic development mandate. Given this mandate, GEDA has strategically identified securing investment in infrastructure as its top priority.

Areas of interest are:

Manufacturing | Heavy equipment | Aviation | Automotive | Business processing outsourcing

### Challenges

GEDA faces challenges in attracting investment into Johannesburg as a global city region due to competition from other city regions such as Shanghai, Mumbai and Sao Paulo amongst others.

### Opportunities

GEDA is planning to establish committees for post-world cup investments. Committee will work to set up forum clubs to match international businesses with local businesses.

- GEDA has knowledge of regional projects that require large-sophisticated company involvement - partnership opportunities.
- GEDA assists with project funding where necessary

<http://www.geda.co.za/live/index.php>

### Next Steps

- ❖ CCA extended an invitation to GEDA's CEO Blake Mosely-Lefatola to address CCA members and discuss partnership opportunities in Washington, D.C.

**Attendees:** Brian Fix, Salans | Casey Hastings, Motorola | Gary Messina, Raytheon | Joseph Tato, Dewey & LeBoeuf | Marc Cavaliere, South Africa n Airways | Michael Dignam, Lockheed Martin/CCA | Stephen Hayes, CCA | Mfundo Hlatshwayo, CCA | Rashida Petersen, CCA

#### **GEDA**

Blake Mosley-Lefatola, CEO, Gauteng Economic Development Agency  
Mudunwazi Baloyi, General Manager: Investment, Trade and Projects Facilitation  
Sindi Moloto, Director, Gauteng Economic Development Agency

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**Meeting:** **Opening Dinner with U.S. Ambassador Donald Gips**

Dinner was hosted at U.S. Consul General Andrew Passen's residence

**Date:** Tuesday, February 23 | 6:30 – 9:00 pm

### Key Discussion Points:

U.S. Ambassador Donald Gips in his remarks informed the Forum's steering group that overall U.S.-South Africa bilateral relations are improving. He noted that access to ministers and other officials has dramatically improved. The ambassador also stated that there have been discussions on how to address economic and jobs growth on both sides of the Atlantic.

### Challenges:

- S. African ministries are over tasked, presenting difficulties in reaching mandates
- Perception of corruption in S. Africa, raising challenges for U.S. companies

### Opportunities:

- U.S. embassy engages business on both sides openly and welcomes increased engagement with S. Africa's private sector

### Next Steps



- ❖ U.S. Ambassador Gips to address U.S. steering committee in Washington, DC

**Attendees: U.S. Steering Committee**

Haskell Ward, SEACOM, Chair of U.S. Steering Committee | Brian Fix, Salans | Casey Hastings, Motorola | Gary Messina, Raytheon | Joseph Tato, Dewey & LeBoeuf | Marc Cavaliere, South African Airways | Michael Dignam, Lockheed Martin/CCA | Richard Green, Lockheed Martin | Stephen Hayes, CCA | Mfundo Hlatshwayo, CCA | Rashida Petersen, CCA

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**Meeting: Dinner Conversation with Business Leadership South Africa (BLSA)**

**Date:** Wednesday, February 24 | 6:30 – 9:00 pm

**Key Discussion Points:**

Business Leadership South Africa's board members fully support CCA's engagement with BUSA and more importantly, supports the mission of the U.S.-South Africa Business Forum.

Prominent discussions items included the effects/ affects of Chinese investment in South Africa and the African continent as well as U.S.'s lack of a strategy on Africa. BLSA members believe South Africa is capable of negotiating good terms with China and views the relationship as strictly business. BLSA members noted that the U.S.'s lack of a strategic plan for Africa is hurting its business interests on the continent.

**Next Steps:**

- ❖ CCA will continue engaging BLSA in its efforts in South Africa

**Attendees:** Haskell Ward, SEACOM, Chair of U.S. Steering Committee | Brian Fix, Salans | Casey Hastings, Motorola | Joseph Tato, Dewey & LeBoeuf | Marc Cavaliere, South African Airways | Michael Dignam, Lockheed Martin/CCA | Richard Green, Lockheed Martin | Stephen Hayes, CCA | Mfundo Hlatshwayo, CCA | Rashida Petersen, CCA

**Business Leadership South Africa Board Members**

Michael Spicer, BLSA | Saki Makozoma, STANLIB/ BLSA | Andre Lamprecht, Freeworld Coatings/ BLSA | Ebenezer Essoka, Standard Chartered | Kennedy Bungane, Standard Bank/ BLSA

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**Meeting:** Breakfast Meeting with American Chamber of Commerce - South Africa

**Date:** Thursday, February 24 | 7:30 – 9:00 am

**Key Discussion Points:**

CCA informed the American Chamber of Commerce – South Africa that it is organizing business bilaterals to compliment the U.S. Department of State’s bilateral commissions. In South Africa, CCA recognizes the serious issues around increasing investment into S. Africa and recognizes that this a long term effort. CCA is seeking a collaborative effort with the AmCham.

The AmCham stated it has similar goals to CCA and is greatly interested in working closer with CCA on a regular basis.

**Challenges:**

- Unfavorable perception of S. Africa inducing rethink on increasing investment in the country
- S. Africa views international companies (e.g. U.S.) as working only in top levels of S. Africa’s formal economy and not looking at other areas that might contribute to job growth
- S. Africa’s stringent labor laws

**Opportunities:**

- AmCham to keep CCA informed of issues U.S. companies are experiencing on the ground
- CCA to assist AmCham with cooperation with S. African government
- Opened conversation for cooperation and membership discussions
- AmCham’s views on S. Africa will impact CCA as it moves forward

**Next Steps:**

- ❖ Identify framework for increased collaboration between CCA and AmCham
- ❖ Work with AmCham to include U.S. success stories in CCA news clips

**Attendees:** Haskell Ward, SEACOM, Chair of U.S. Steering Committee | Brian Fix, Salans | Casey Hastings, Motorola | Joseph Tato, Dewey & LeBoeuf | Marc Cavaliere, South African Airways | Stephen Hayes, CCA | Mfundo Hlatshwayo, CCA | Rashida Petersen, CCA

**AmCham**

Donna Oosthuyse, Citigroup | Gary Carroll, IBM | Paul Horsfall, UPS | Mark Kelly, Motorola | Tim Wood, Second Stage Capital Partners | Carol O’Brien, AmCham | Len Moulton, 3M | Craig Allen, U.S. Embassy

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**Meeting:** Discussion with Pan African Chamber of Commerce

**Date:** Thursday, February 25 | Afternoon

**Key Discussion Points:**

Pan African Chamber of Commerce has a membership of 2 million SME’s and 29 national chambers. Chamber intends to position Africa as the continent of the future with priority on public-private partnership in regional integration.

The chamber has a formal relationship with the Africa Union and has recently moved its offices to Addis Ababa.

Organization has comprehensive entrepreneurs guide to business development.

**Opportunities:**

- Partner with Pan Africa Chamber of Commerce to highlight CCA member companies activities on the continent

**Next Step:**

- ❖ Solidify possibility of special program or workshop around CCA's infrastructure conference in Washington, DC or G20 event in Toronto, Canada

**Attendees:** Sipho Mseleku, Pan African Chamber of Commerce | Jonty Sander, Africa Strategic Advisors | Stephen Hayes, CCA | Mfundo Hlatshwayo, CCA | Rashida Petersen, CCA

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**Meeting:** Breakfast Meeting with General Electric

**Date:** Friday, February 26 | 8:30 am – 9:30 am

**Key Discussion Points:**

BUSA advised Eskom and other stakeholders that a 35 % tariff increase was not sustainable for business development. Issue of corporate governance in the U.S. (Sarbanes-Oxley) identified as barrier for S. African investment to U.S. market. BUSA advised group that it is working with the government of Zimbabwe to strengthen its private sector.

**Challenges:**

- Business community in S. Africa is unhappy about public discourse as discussions are very different from policy direction (e.g. nationalization)
- S. Africa collectively not clear on growth path
- Issue of skills development and deteriorating educational system

**Opportunities:**

- GE has a long-term view of Africa
- Eskom tariff increase and S. African government's policy to open space for independent power producers

**Attendees:** John Krenicki, Jr., GE | Jay Wileman, GE | Thami Mbele, GE | Darryl Wilson, GE | Tim Richards, GE | Lazarus Angbazo, GE | Rajen Moodley, GE | Jerry Vilakazi, BUSA | Stephen Hayes, CCA | Joseph Tato, Dewey & LeBoeuf | Mfundo Hlatshwayo, CCA | Rashida Petersen, CCA