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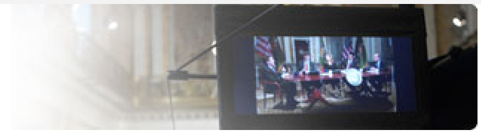

Deputy Secretary of the Treasury Neal S. Wolin University of the Witswatersrand, Johannesburg, South Africa Remarks as Prepared for Delivery

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Good morning. Thank you so much, Boris, for that kind introduction.

It is a pleasure to be here. And to those of you studying here at Wits – the future leaders of Africa – it's a particular privilege to be with you.

When I was studying development economics as a post-graduate at Oxford in the mid-1980s, I spent a lot of time with a group of Wits graduates who had been very active in National Union of South African Students.

We spent countless hours talking about the future of South Africa, and to be in South Africa now is to marvel at how far this nation has traveled over the past few decades. South Africa today is taking its place as an important regional and, indeed, a global leader.

I must say that I wish this trip coincided with the World Cup. But perhaps I'll just have to come back again next year. I have no doubt that South Africa will host a great tournament, and I am looking forward to the U.S. side doing as well as – or perhaps better than – it did in the Confederation Cup that South Africa hosted so well earlier this year. Let's hope for U.S. versus Bafana Bafana in the final.

Johannesburg is the final stop of a three-country visit that took me first to Rwanda and Tanzania. In both of those countries, and here in South Africa, I've had the opportunity to talk with senior government officials and also to talk extensively both with people in the private sector and in the development community.

Taken altogether, it's been a visit that has made me hopeful for the future of Africa – and for the future of U.S.-Africa partnership.

I will talk a bit this morning about my trip and particularly about the important development efforts with respect to agriculture, infrastructure, and financial inclusion that were a large part of my focus here in Africa.   But first, I'd like to take a step back and look more broadly at the global events of the past year.

One year ago, the world's financial system faced the most severe financial crisis in generations. Global credit markets had frozen. Global trade was collapsing. We were truly standing on the edge of the abyss.

Proving – if anyone still doubted it – that the nations of the world are inextricably intertwined, the fallout from that crisis hit Africa hard. In South Africa, your economy slipped into a recession for the first time since 1992 as exports plummeted. And across the continent, trade, investment and growth slowed substantially.

There were few who would have predicted with confidence that, one year later, we would begin to see signs of recovery and growth as we do today.

One of the key reasons that we have succeeded in stepping back from the brink is that together, we approached the crisis with tremendous international cooperation and coordination. Indeed, that is one of the most significant and positive outcomes of the past year. There is now a broad recognition of the importance – and also the power – of coordinated international action.

When the G-20 leaders gathered in London last April, they agreed to a coordinated recovery program – to spur growth, to stabilize the financial system, to restore the flow of credit, to mobilize financial resources for emerging market economies, and to keep our markets open for trade and investment.

In the United States, the Administration and Congress had already enacted a sweeping economic recovery package. And we established a Financial Stability Plan designed to recapitalize our financial system; to get credit flowing again to American families and businesses; and to stabilize the spiraling housing crisis.

In South Africa, the primary budget surpluses you have run in recent years allowed your government to put forward a powerful fiscal response.

Within months of the London meeting, global economic growth turned positive; industrial production began increasing; international trade recovered by ten percent; financial markets improved as interest rate spreads narrowed.

By the time G-20 leaders gathered in Pittsburgh two months ago, it was clear that recovery was in our sights. This past week, the United States announced third quarter GDP growth of 3.5 percent on an annual basis. Finance Minister Gordhan, in his medium-term budget policy statement last week, projected positive growth for the South African economy in 2010.

For sub-Saharan Africa overall, the IMF is now projecting a healthy 4.1 percent real GDP growth rate in 2010. Private capital inflows to Africa are forecasted to expand again next year. The value of exports from sub-Saharan Africa, which shrank by 38 percent this year after six years of double-digit growth, is expected to grow by 13 percent in 2010.

No doubt, tremendous challenges still remain. This crisis was years in the making, and full recovery cannot happen overnight. But the improvements we are seeing would not have been possible without swift international action.

From the perspective of the U.S.-South African partnership, what is just as important as the fact of the international coordination is the forum in which that coordination took place. The primary forum for international crisis response was not the G-7 or the G-8 – but the G-20.

The shift towards the G-20 reflects the critical importance of emerging economies like South Africa, India, Brazil and others. To be credible – and to be effective – global economic coordination in the 21st century must take place in a broad and inclusive forum.

The growing importance of emerging economies must also be reflected in the governance of international financial institutions like the IMF and the World Bank. In Pittsburgh, the G-20 committed to a shift in IMF quotas of at least 5 percent to dynamic emerging market and developing countries and to an increase of voting power at the World Bank of at least 3 percent for developing and transition countries, on top of earlier shifts.

We are hopeful that these reforms will be made in the near future.

The close partnership between the leading nations of the world – developed and emerging, north and south – will not and cannot end with the passing of the financial crisis.

While much has been done to stabilize the global economy, we now face the tougher and longer-term challenge of laying the foundation for more stable, balanced, and sustainable growth going forward. We can only succeed if we approach this endeavor with a deep sense of common purpose.

I'd like to focus today on three areas where I think continued partnership and cooperation between the United States and South Africa is particularly important:

First, financial regulatory reform; second, the rebalancing of the global economy; and third, economic development here in Africa.

The financial crisis of the past year had many causes. Not least is the fact that many of the world's economies have an outdated approach to regulation, incapable of managing the risks inherent in the 21st century global financial system.

We cannot let this moment pass to achieve comprehensive reforms on a global level.

South Africa has a significant role in this process, and much to contribute. You come to the table with a great deal of credibility. Your banks are solvent and have been well managed, with little exposure to toxic assets. South Africa's financial regulation is strong.

But make no mistake: the fact that South Africa's financial system has fared well relative to others should not diminish the vigor with which South Africa approaches the international regulatory reform effort.

You have suffered greatly from the economic fallout of the financial crisis. And as South Africa's financial sector continues to grow and to develop and to become more globally integrated, you will have an even greater stake in ensuring financial stability.

Recognizing the inadequacy of our own regulatory approach, the Obama Administration has proposed to Congress the most sweeping set of regulatory reforms since the 1930s. We are working aggressively with Congress to enact those reforms.

But even as we push for reform at home, it is critical that our efforts here are matched by corresponding efforts around the world. If the United States acts alone – indeed, if any G-20 nation acts on its own – little will be achieved. Financial firms and activities will simply migrate towards the places of regulatory weakness.

That's why we must all work towards consensus on setting higher capital standards; a simple leverage ratio to constrain excess risk-taking; and appropriate standards for executive compensation. And we must establish deadlines for implementation of these new standards.

We look forward to working with South Africa – in the G-20, in the Basel Committee, and on the Financial Stability Board – as this process moves forward. As the events of the past year have shown, the stability of the financial system doesn't just matter for New York, London, and Tokyo – but for Johannesburg, for Lagos, and for Nairobi, too.

Another challenge we share as members of the G-20 is the challenge of building a more sustainable and balanced model for global economic growth.

In the lead-up to the crisis, some of the world's largest economies relied upon the American consumer as the primary engine of growth. Americans made it easy. For far too long, we bought too much and saved too little – running up large external deficits and international debt.

Meanwhile, other nations relied too heavy on exports, running large external surpluses, building up large foreign exchange reserves, and leaving themselves vulnerable to the collapse in demand that followed the financial crisis.

The imbalanced growth model of recent years is not just undesirable, it's unsustainable.

Americans today are spending less and saving more. The U.S. deficit will decline as our stimulus spending winds down over the next year. The combination of increased saving and a falling deficit means that the United States and U.S. consumers can no longer be the driving force of global expansion.

There is a consensus on the need for change. In Pittsburgh, the G-20 adopted a Framework for Strong, Sustainable, and Balanced Growth that avoids the pitfalls of the past.

Achieving balanced growth will not be easy. To have meaning, the words of the Framework must be matched by actions – actions at least as bold as the actions taken in response to the immediate pressures of the financial crisis.

As a key member of the G-20 and as a nation with important trade relationships with China and other large economies, South Africa has an opportunity to step up to the plate – here in South Africa, that should have been a cricket metaphor instead of a baseball metaphor! – to step up to the plate and be a leader in pushing for a more balanced, sustainable model for global economic growth.

Reforming financial regulation and restoring balance to the global economy will benefit every nation, not just the richest and not just those in the G-20. But at the same time as we partner to meet those common aims, we cannot ignore the more direct and immediate needs of the developing world – and, in particular, the needs of sub-Saharan Africa.

As the United States approaches development assistance to Africa, we are especially focused on those areas that we believe will do the most to promote strong, country-led, sustainable and inclusive growth. Three areas are vitally important: infrastructure, agriculture and food security, and financial access.

Poor infrastructure, particularly in the power and transport sectors, remains a key growth constraint in most if not all sub-Saharan African countries. It keeps farmers from getting their goods to market; limits the growth of small enterprise; and leaves millions of children without access to clean, safe drinking water.

Agriculture, too, is an area desperately in need of smart investment. With three quarters of sub-Saharan Africa's poor population living in rural areas, achieving higher rates of agricultural productivity is a key to economic growth and durable poverty reduction and food security.

And finally, as African nations seek to promote the growth of small businesses – including in the agriculture sector – expanding access to credit and other financial services will be essential.

The United States is focused on these priorities – and, at least with respect to the first two, has committed substantial resources.

At the L'Aquila Summit in July, President Obama and other leaders pledged $20 billion over three years to increase agricultural investments globally, with the United States contributing at least $3.5 billion. We will work to support country-led agricultural development plans in countries that show a corresponding commitment.

At the G-20 meeting in Pittsburgh, G-20 leaders called on the World Bank to establish a new multi-donor trust fund to support innovative bilateral and multilateral efforts to improve global nutrition and build sustainable agricultural systems –including programs like those developed through the Comprehensive African Agriculture Development Program.

And bilaterally, through the Millennium Challenge Corporation, the Overseas Private Investment Corporation, the Export-Import Bank and the U.S. Agency for International Development, the U.S. is investing heavily in infrastructure – from Cape Verde, to Togo, to Tanzania.

So we are committed to assist African nations in their development. But as President Obama emphasized so eloquently in Accra: where we provide assistance to African nations, we will do so not as a patron, but as a partner.

Two countries where our partnership is strong – and where I've just spent time this week – are Rwanda and Tanzania.

The last time I was in Rwanda was in the late summer of 1994, only months after the genocide that shocked – and stained – the conscience of the world.

Last week, I laid a wreath at the Kigali Genocide Memorial Center. I was struck not just by the overwhelming sense of tragedy but also by a deep wonder at Rwanda's ability to rise from such darkness and build a brighter future.

Today, Rwanda is a leader not only in reconciliation, but also in economic reform. Indeed, those two projects go hand in hand. Economic growth is central to President Kagame's vision for taking Rwanda forward, in unity, with a sense of common purpose.

One of the keys to that growth is the promotion of partnerships – between governments, multilateral institutions, and the private sector.

In Gisenyi, on Lake Kivu, an American company has joined in a public-private partnership with the Rwandan government to develop a $325 million power generation facility to extract methane from the lake – scaling up a pilot project supported by the International Finance Corporation and the African Development Bank.

The project will more than double the power generation capacity in a country where today only 6 percent of the population has access to electricity. And it will do so with minimal impact on the environment.

The government of Rwanda is also pursuing partnerships to strengthen its agricultural sector – a key driver of the economy. For instance, working with the U.S. Agency for International Development (USAID), American dairy processor Land O' Lakes, and the African Development Bank, the government is providing livestock, training, and technical assistance to small dairy farmers and agro-processing firms to increase dairy production, improve quality, and expand the value chain.

Innovative projects and partnerships like these represent development partnership at its best: focused not on short term aid, but on building lasting local capacity; developing infrastructure and markets; *investing* rather than just assisting.

But what's even more significant is that these projects don't just stand alone. In Rwanda, development partnerships like those I visited complement a much broader strategy of liberalization, reform and openness to investment.

Tanzania, too, has recognized the need for economic reform – having largely abandoned its statist past and made great progress in transforming itself into a market-oriented economy.

Tanzania continues to score well relative to its peers in the U.S. Millennium Challenge Corporation's (MMC) ratings. Recognizing the progress made in Tanzania, the U.S. is supporting the country's efforts to improve its infrastructure with a $698 million MCC grant, the largest in the world. These funds support Tanzania's investments in roads, energy, and water. Deficiencies in those areas today present significant barriers to growth.

Through its Kilimo Kwanza – agriculture first – program, the Government of Tanzania has committed to make significant investment in its agriculture sector. The U.S. and international organizations are working to complement Tanzania's own investments.

For example, in Bagamoyo, just outside Dar es Salaam, I visited a project run by the International Institute for Tropical Agriculture, with support from USAID and the World Bank. The project focuses on the local staple crop, Cassava, and helps give farmers the tools and the knowledge they need to dramatically improve yields and move up the value chain.

So again, where the United States sees that African nations are working to strengthen governance and accountability, making it easier for their citizens to do business, and investing their own resources in development and growth, the United States stands eager to partner.

But we look to African nations to lead the way.

As the largest economy on the continent, the largest investor in African nations, and an example to African nations of the potential for growth and development, South Africa has a unique ability to promote the kind of reforms and commitments that are so essential.

And with respect to financial access and inclusion, South Africa has an especially vital role to play.

The G-20 leaders recently directed the establishment of a Financial Inclusion Experts Group to support new modes of financial service delivery capable of reaching the poor and to scale up successful models of small and medium enterprise financing.

This group will be particularly important for Africa, where less than 20 percent of people have access to financial services. South Africa has substantial expertise in this area, having had great success in establishing basic bank accounts for the poor, as well as promoting mobile banking – efforts which have dramatically increased financial inclusion.

We encourage South Africa to play a leading role in the Financial Inclusion Experts Group, and we look to South Africa as a global leader in the promotion of financial access and inclusion.

The agenda before us is a daunting one: sustaining economic recovery, reforming our financial systems, achieving balanced and sustainable growth, and supporting the efforts of developing nations to overcome the many obstacles that stand in the way of their security and prosperity. None of these efforts will be easy. But all are essential.

One year ago today, Barack Obama was elected the forty-fourth President of the United States. Americans of every age, race and faith stood together and declared that it was time to renew our nation's promise. A year ago, a moment of possibility echoed around the world, including, I suspect, right here to Johannesburg.

At the time, President-elect Obama said that "this victory alone is not the change we seek. It is only the chance for us to make that change."

I think that one of the changes that we've already begun to make – in the United States and in the world at large – is that we are approaching global challenges in a new spirit of partnership. And we have a chance to do a great deal more, together – particularly here in Africa.

Thank you.

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