

Speech of the Director-General at the African Union Summit

Addis Ababa, Ethiopia (January 2008)

Your Excellency, President Kufuor, outgoing chairperson and President of Ghana, Your Excellency, the chairperson of the African Union and President of the United Republic of Tanzania, President Kikwete, Your Excellency, the chairperson of the African Union Commission, Professor Alpha Konare, Excellencies, Heads of States and Governments, distinguished ladies and gentlemen.

I am fortunate in the sense that just before I got up to speak, within ten minutes the lights went out twice. It puts in context why you must talk about industry. Let me tell you what is going on in some of the factories now. When the power goes out twice like that, within ten minutes, if you have a food line you have to dump everything on that food line because everything is timed, that is loss to the company. If the power goes out like that in a textile mill, that fabric is inferior quality because it leaves a line on the fabric, so you are not competitive.

It puts in context why we should talk about industry. When some people saw the theme of this Summit, some people called me and said, do you think the timing is right? African leaders have more pressing problems, they have more pressing crises to talk about. Then I arrived in Addis. Three days I have been chased around by many journalists, international journalists, the same thing: “Dr. Yumkella don’t you think that industry, the theme, will be second fiddle”? Excellencies, I submit to you that you must talk about industry, let me give you a few reasons why.

This morning, a better person has done that, Professor Alpha Konare and the speakers before me but let me tell you why it is urgent. We have seen some encouraging signs of GDP growth in Africa. The last two years, 5 per cent, 6 per cent, 7 per cent, on average, but with the price of oil we estimate already about 2 or 3 per cent will be shaved off, so what we are happy about 7 per cent, maybe less. We already know, from some of the speeches this morning, that seven years into the achievement of the Millennium Development Goals it is very likely most of us will not. I speak to you today as a son of the soil not as a UN diplomat, so I will be frank with you. When you say we are doing reasonably well in industry, in a globalized competitive world the question is, compared to whom? If you are growing at 2 per cent and your population is growing at 3 per cent and other regions are growing at 9 per cent, are you really doing well or are you treading water? These are the realities today, it is about competitiveness, we compete or we die, we compete or we become irrelevant. Africa’s contribution to global manufacturing value-added is less than 1 per cent over the last few decades, but remember, most of global trade, 75 per cent of it is in manufactures, our contribution is 2 per

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cent or less, if we are lucky. Why is it urgent? Why should we talk about it today and not later? It is estimated that the African population will hit 1.4 billion by 2030, 1.9 billion by 2050. It is estimated also by Habitat that, by 2030, half of our population will live in the urban areas, think about that for a moment. All of these young men and women, millions of them, in the cities of Nairobi, of Addis, of Monrovia, Freetown, looking for jobs, what are we going to do? They just fade away into the informal sector, into the slums around the city, that is crisis, we are postponing a crisis. We cannot change the demographics, this is real, we will reach 1.4 billion. Where are the jobs? Are these young men and women going to be doing farming in the cities? We have the urgency to diversify our economies. We cannot rely on commodities alone.

Second point, when you look at poverty alleviation, we Africans should redefine it. All the time we talk about poverty alleviation. In my country, in Freetown, the market women make jokes now, they sell soap and they say this is PRSP, they are making a joke of it because we do not talk about wealth creation, we talk about poverty alleviation. So physically we are poor, mentally we are telling the youth poverty is fashionable. We should be talking about wealth creation, private sector wealth creation, that is the key, that is why we must talk about this. I was told by a foreign journalist “Dr. Yumkella, do you really think the leaders will listen to you? They want to discuss the united States of Africa?” I said of course it is important, I am one of the young generation of Africa, I want to see a united States of Africa but it has to be based on sound economy.

Let me give you an example, think about it, this is real. More than half of us, half of the countries here, depend on budget support to pay salaries of civil servants. Budget support, 45 per cent, 60 per cent, in my country recovering from war, it is maybe 70 per cent. Can you have political solidarity if you cannot control your economy, if you cannot pay civil servants, tell me? That is why I commend President Kufuor, I commend Professor Alpha Konare because they insisted that today we discuss industrial development before tomorrow we discuss African unity. In other regions, it is economics. You decided to change the Organization of African Unity to the African Union Commission because you wanted economics also to be in. You created NEPAD, do not put economics aside. When you look at the conflicts in the cities who are the bad (*inaudible*)? Is it old people? It is young men and women? When you look at the past Poverty Reduction Strategy Papers of Africa, we do not mention manufacture, we do not mention diversification, we will never mention wealth creation because we will not get funding. Is that how they do it in Asia? Is that how they do it in Latin America? Excellencies, please discuss the transformation of our economies.

Let me talk about the future. You have heard the descriptions, I have already complimented people here, (*inaudible*), they have given you and the Regional Economic Commission precedents. We are not moving in industry. When I talk about industry of the future, I am not asking you, your Excellencies, to

practice the old industrialization, the classic industrialization, today it is about building competitiveness. Let me give you examples.

Dubai, the Gulf countries, they know oil will expire, they knew that already, so for the last 15 years they decided to transform their economies. Today, in Dubai, tourism, manufacturing, is just as important as oil production, it is about building competitiveness. In Asia, I have travelled a lot, you gave me the privilege, two years now, to be the first African from sub-Saharan Africa to be Chief Executive of the UN, in fact, I am probably the youngest. I have to speak frankly to you, I see Professor Adedeje, I am sure he is saying "but I told them all of this 30 years ago". So what I am telling you is nothing new but it is urgent, it is urgent because we are left behind, we are poor but our poverty means we have to change the business model. Creating competitiveness, it means we do not need to rely on commodities, today you create your own competitiveness. I see ministers of industry here, what I see here is what I hear from them, some of you have sent your prime ministers to visit me, this is reality.

The first message is competitiveness, let us create our own competitiveness, let us not rely on commodity. The second message, we should avoid what (*inaudible*) our economies called, 20 years ago, I was still a graduate student, the Garden of Eden syndrome. God gave us natural resources, so what do we do in the Garden of Eden, we pick the food we eat, we pump the oil we export.

Do we have time? Can you tell me today, in the twenty-first century, that Cameroon and Nigeria cannot co-operate to produce fertilizer, to produce plastics? Can you tell me that in the twenty-first century that our people in UEMOA are not ready to add value to cotton? I feel sorry for some of our African countries when I go to Geneva - I have been invited by Pascal in the debates about cotton - they are struggling to send a message forward. But I said to some, look at the (*inaudible*) we have expanded acreage of cotton production over the last twenty years. Look at the statistics from the World Bank. We have been cutting the trees just to increase acreage, but the price has been falling for ten years. It is time today that at least they get together to do the first stage of transformation, let us begin to produce yarn. It is not impossible. Let us begin to produce (*inaudible*). Let us tell our new friends - his Excellency and others mentioned the scramble for Africa - we should be happy everybody loves us. everybody wants to come here now. President Konare mentioned summits today, I was so impressed; summit with this, summit with that, the question is, what is the content? Is it a relationship that says: 'we continue to live on commodities'? We have done it for 350 years. In the twenty-first century, we cannot do that. Because 75 percent of global trade is in manufactured products. That is the reality. Sometimes we cannot do it alone.

So my third message is that today, from global production, you do not have to do everything. We call it in economics fragmentation of the value chain. Countries can produce components, assemble, and sell together. You have the regional economic commissions, these for me are what I call the smart partnerships. The Airbus 380 consists of four million parts, produced in over twenty countries, assembled in Europe. Can Africa not begin to become practical today - to begin to look at the fragmentation of value chains?

Last two messages, Excellencies. I feel energized, I want to go on. After two years of waiting, finally we got to talk about industrialization. But I know time is limited. I know time is limited, the energy crisis, you saw the example. If we do not solve the energy crisis, the energy poverty will remain poor. You cannot talk about competitiveness if you cannot assure anybody that your factory will have power. Let me tell you the realities, what I have heard from your ministers of industry. Every factory in most sub-Saharan African countries has to have its own generator, its own bore well for water and then dispose of its own waste, this already shoots up its costs by 30 per cent. People say Africa has population, cheap labour. Cheap labour? What is your transactions cost? Every factory is dying, I am sure His Excellency, President of Nigeria, where I spent three years going to Cameroon and others, they closed down over 30 textile mills from 1999 to about 2003. Do you know how many people were sent out of a job? Today, President Kikwete mentioned smart partnership. In Asia today, in July I was there, going from country to country, (*inaudible*). Everywhere I went it was about energy, then they started talking everywhere about bio-energy, now the civil society is going to challenge me. Asia talks about bio-energy but in Africa we have been made to be afraid, we cannot even talk about it, if the Africans do bio-energy they will starve. They are doing it in Asia, the target is that in Asia in another five or six years they will have one million hectares of jatropha. Jatropha is natural to Burkina Faso and Mali, it is natural to Africa! I went to President Uribe of Colombia in October, he said young men in Colombia will plant 3 million hectares of palm, we are number three in the world. I said, really, let me see the figures, 3 million hectares, I said why? He said for social inclusion and to meet our energy needs. Not all of us can go into bio-fuels but can you tell me that Cote d'Ivoire cannot do it? Cote d'Ivoire has been the number one in cocoa and coffee, Nigeria, Cameroon, Ghana. Can you tell me we are not capable of doing it sustainably? Let us not be scared, this is the twenty-first century, it is about ambition, borrowing technology, best practice and being responsible, getting capital we can do it. I will give you three examples and then I will sit down.

In Kenya today there is a company, ABE, Advanced Bio Extraction company. One company, 160 employees producing artemisinin for Novartis and big companies but it is connected to 7,000 farmers, that is the kind of model we should be looking for.

In Egypt, there is a company called SEKEM producing a branded product, organically produced, called ISIS, you see it in New York, you see it in London but this man was a medical doctor, 30 kilometres out of Cairo you can visit him. An entrepreneur with 160 workers but connected to 3,000 farmers linked to global markets. He has built schools, hospitals and now he asked me “Dr. Yumkella can you work at that because I want to build a university for the community”. In today’s model, trade matters, it matters, but it is what you trade. If we remain cocoa, coffee and cotton traders we will remain poor, we have no control over price, we cannot add value but the reality as we discuss partnerships today, as you negotiate trade and partnership you ask the question, I can sell a commodity, no tariff, what happens if I add 5 per cent value, what happens if I add 10 per cent value, will I have the same access? That is the key, otherwise you remain a commodity producer.

So, ladies and gentlemen, your Excellencies, I am one of you, young, maybe too old to speak to my big fathers like this but I am a young man also who is impatient because I have others behind me, millions younger than me who are even more impatient. We have problems now with Senegal because why? We are exporting our problems to our brothers in Senegal because our youth are moving with their feet, they are going to Senegal to reach the Canary Islands, 3,000 die, they say we don’t care we will still go. I tell my European friends it is in our mutual interest that we redefine poverty alleviation, these kids are leaving, they don’t care anymore, they have lost hope. We are giving problems to Libya and Algeria because they have to contain some of these kids but what will happen when we are 1.9 billion, the problem today is nothing and this is just thrity, forty years from now. What do we say to these young men and women? You know everybody loved us in 2008 when we were going to all the summits and we sold all the iron ore and the oil, now we have nothing, you must diversify your economies. Sorry, I am preaching to you my fathers, a son talking to his father for the first time should be courageous. One of your former colleagues, President, I asked him, what do I say to my fathers. He said, young man, think about it, they ask you once, talk to God, what will you do? and I was dumbfounded. He said speak from your heart. So, I speak from my heart, I do not speak as a diplomat. I talk to you that, yes you were right to put this on the agenda but I beg you, do not take it off the agenda. You do not industrialize in one year, it has to be on the agenda, we have to have benchmarks. Are we progressing? Are we diversifying? The examples in Africa are many. When you talk to our friends in Asia, Cote d’Ivoire, for example, when you talk to our friends in China and India, say “Hey, my interest now is to sell chocolates to 100 million Chinese” that is the deal. You know why?

Finally and last example, this is real. I was sitting in a big conference we organized in Malaysia in July on bio-energy, three days, the last day a big banquet, Vice Prime Minister was there and he said “Dr. Yumkella now we get to the best part” and the industrialist says “now we launch our chocolate”. Immediately I turned to him and said “does that mean you are going to grow cocoa now in Malaysia like you

did with oil palm” he said “no we don’t have to, now we bring it in, we add value, we brand it”. That is the new globalization. We can do it sustainably, renewable energy can happen, my brothers in Libya, I visited them, I said look, God gave you the sun, you have oil, you have money to invest in research, to use solar to create hydrogen energy, what happens in 40 or 50 years when the oil has run out. It is not impossible. Dubai has just created a new zone for what they call future industries and future energy industries in renewables. We take advantage of the global knowledge system to push ourselves forward.

In closing, forgive my arrogance, forgive my passion, if we do not have passion, if our youth lose hope, something else will happen. They have to be angry like me, not at you, but angry at our condition. I live in Vienna, a Sierra Leonean, for ten years we were the poorest country in the world, we are happy today that we are now the second poorest. I went to undergraduate university 25 years ago, many times we did not have light and water, but it did not reduce my ambition. I excelled, I went to the United States, I taught there, today I am the Chief Executive from the poorest country of the world, it means it can be done. Under globalization, skills, knowledge, determination, ambition, we can move forward that is what the youth want to see. Excellencies, we can blame colonializing for the past 350 years but we cannot and must not blame colonializing for the next 50 years because we are here today. Thank you.