

## **“Africa - Dimensions of a Continent”**

The Bruno Kreisky Forum for International Dialogue kindly invites to the lecture of

# **MAXWELL M. MKWEZALAMBA**

**Commissioner for Economic Affairs, African Union Commission (AUC)**

## **AFRICAN ECONOMIC INTEGRATION AND DEVELOPMENT BEYOND THE ECONOMIC CRISIS**

Welcome address:

**Andreas Schieder**, State Secretary, Austrian Federal Ministry of Finance

**Walter Koren**, Director General AUSTRIAN TRADE, Austria’s foreign commercial service

Moderator and respondent:

**Georg Lennkh**, Special Envoy for Africa, Austrian Federal Ministry for European and International Affairs

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### **Maxwell M. Mkwezalamba - Commissioner for Economic Affairs, African Union Commission (AUC)**

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### **Georg Lennkh**

Guten Abend, sehr geehrte Damen und Herren. I would like to greet State Secretary Mr. Schieder, I would like to greet Minister Peter Jankowitsch, the Director General from the Federal Economic Chamber, and I would like in particular to greet Commissioner Maxwell Mkwezalamba from the AU Commission who agreed to come here for a lecture in this Africa series. We felt it is high time to now go into an economic subject, and who would be better qualified than he. I would also like to mention at this moment that I would like to thank those who have helped us to organize this evening. This is the Foreign Ministry, the Ministry of Defense, and also the Economic Chamber by improving the outreach for this evening. We will now have introductions from the State Secretary and from Mr. Koren. Then Maxwell Mkwezalamba will speak and afterwards we will have some discussion. Thank you.

### **Andreas Schieder**

Good evening, ladies and gentlemen, dear Commissioner, dear Director of the Bruno Kreisky Forum, I want to thank for organizing this evening and also for the topic and inviting me here because I think speaking about African economic situation beyond the crisis is one important issue as we are facing a global crisis. I have very often the idea that discussion on how fighting the crisis is a very national discussion and we can be happy if it's already a continental one, and the global, the real global perspective in the discussion is missing very much. So if we want to speak about economic integration and development beyond the economic crisis first of all also it is necessary that we point our finger at the now ongoing global financial crisis, making an analysis of the failures which have been done in the past. The deregulation which we were facing is affecting finally all parts of the world and creating not only losses in the rich man's pocket but also losses in the everyday people's incomes, creating mass unemployment, and deepening the social gaps in the societies all over the world. The G20 summit ahead on the 2nd of April is an important moment. The African Union will be represented as far as I am informed by Meles Zenawi and Muammar Gaddafi and our honorable guest. Therefore I think this is the good point not only to discuss what is the European position, but what is also the African position towards this G20 summit on the 2nd of April.

Africa is playing a specific role. It is a huge continent. It is a continent which is very often forgotten from the industrialized countries. And therefore it is important to be there. And it is necessary that the economic and social order is redesigned for this continent. It is similar to this discussion which we are facing in Austria that all Eastern bloc is seen as a bloc and the Americans are not able to distinguish between Eastern European countries. I think Africa has a similar situation that a lot of Western politicians are speaking about Africa and not willing to see that there are different situations applying to different countries in this big continent. One point in the global discussion which I think is very interesting is what Nobel Prize winner Stiglitz was pointing out recently. He is speaking about a new global loan organization which is going beyond the IMF, which is giving loans and credits not like the IMF but a little bit out of the US control, a global reserve currency system, and he is also proposing a world economic steering committee, a real one, which is representing all the five continents. These inputs are very important ones in addition to all these inputs which have been done also on the terms of regulation. If this is respected also the G20 summit and the following discussions can be very fruitful also for not only scoping the crisis but also going beyond. But also we know that reality in global politics is slightly different. Therefore I think it is very useful and helpful to have such a discussion as we have here today because it is a question of mobilizing, it is a question of a real global discussion and dialogue which the world today still is missing. Therefore I am very thankful that the Bruno Kreisky Forum is organizing such a dialogue because it is very much needed in the world. I think it will be a very interesting and fantastic evening as we need a real international dialogue also on economic questions.

### **Walter Koren**

Dear Mr. Secretary of State, Ambassadors, dear honorable guest from the African Union, Commissioner Mkwezalamba. I am very thankful to have been invited to the Bruno Kreisky Forum to tell you the Austrian business point of view concerning Africa. I think it is very important to have a dialogue. I remember that I had the honor to meet President Boutiflika from the Republic of Algeria. And he said to us, "that you Europeans look only to the East but not to the South". This stuck into my heart. Unfortunately we have to say it is true, and we really should put more emphasis to this huge continent in our neighborhood, geographically so near but quite far in our minds. And sometimes I feel that we Europeans do not see Africa, it is beyond our view. So it is time not only because of the crisis and not only in turbulent times that we should look much closer and better to our neighborhood in the South. What I said now in general terms is unfortunately reflected also in our foreign trade with the whole African continent. Exports reach 1.5 billion Euros. This is 1,3% of our exports. The same is true for the imports which reach 2 billion Euro, they increased by 19% last year. That is also in the same kind of percentage, 1,3%, 1,5% of the overall imports, and it is mainly raw materials as you can imagine, and also of course oil.

I think we all share the opinion that there are many opportunities and there is a big potential, but sometimes maybe lack of financial means which would limit these opportunities. But it is our role to explore this potential and explore these opportunities. I represent the Austrian commercial service and I can tell you, we paid always and already since the year 1951 special attention to Africa. We opened at that time, in that year, our first office in Cairo, Northern Africa, the second already in 1953 in Kinshasa, geographically speaking in Central Africa. We now have a network which is not that big, I have to admit, of six trade commissions in Africa, in addition one small office and 15 advisors in different African

countries. We guide around 1.500 Austrian companies per year to the African continent. So everybody would tell me, yeah, it's little, 1.500, but it's already something, and of course we will increase that. 120 Austrian companies are really present with their own ventures in Africa. But of course Africa is not all one, there are different regions, different developments, different state of development. Our presence reflects that also. We are very much present in the Northern African region, actually present in practically every country in Northern Africa, and we are present in South Africa. But in between the presence should be better. We will work on that. For us I have to say black Africa is still, at least partly, a black box. But notwithstanding we organize trade missions, and this means we bring Austrian business together with African businesses. We organized 13 trade missions last year to many different countries. We organized also fora in Austria on Africa on different specific African countries. Already this year we guided Austrians to Libya, to Egypt. We pay special attention to the African Development Bank and we participate at trade fairs. Also we see the offer of internationally renowned trade fairs is limited, but anyway we participated at 15 trade fairs. We established a new initiative, pro-Africa, where we have the goal to guide Austrian companies to projects which are financed by the European Union or by the African Development Bank. So we have the goal to guide the Austrian companies specifically to detect these projects in different parts of Africa and of course also together with the Austrian Development Agency we have from our point of view a very good and nice cooperation. Last autumn we had a mission to Kenya and Uganda which the office of the Austrian Development Agency organized practically there, and we were very thankful. So we have to work closer together.

With the African Development Bank we have a new focus. We organized a workshop last year with several representatives of the Bank, coming from the headquarters at Tunis. At the beginning of this month only we had a 20 person delegation to Tunis to the African Development Bank in order to explore the possibilities. I remember that workshop we had, I learned that there are a lot of infrastructure projects in Africa. I was a little bit missing the fields of health and education. But anyway, maybe they are present also under the scope of the African Development Bank. But there was a lot of talk about infrastructure in all sense of infrastructure, from railway, road, ports, airports, telecom, energy is of special interest to Austria. The energy issue could be of strategic interest for Europe. Not only oil and gas, but maybe renewable energy. So there is potential in addition to the other sectors I mentioned like health and education.

One tends to say that in times of crisis we should look to other markets. But I think it is very unfair to say it like this. Africa should not be seen only as a market. I think it is a natural field of cooperation for us Austrians and for us Europeans. Concluding I think "Africa. Dimensions of a Continent", this series is a good initiative. I have to congratulate you. I am very thankful that a high grade Commissioner is among us and will tell us more about this beautiful and lovely continent I had a chance to visit several times, but there are still many white spots on my map, so I am eager to come again to your beautiful continent. Thank you.

#### **Maxwell Mkwezalamba**

Good evening to you all, excellencies, distinguished ladies and gentlemen. Let me begin by thanking the Bruno Kreisky Forum for International Dialogue for the invitation for me to be here this evening to share with you some thoughts on African economic integration and development, of course beyond the economic crisis. I would also like to specifically mention in this regard the role that has been played by Ambassador Georg Lennkh, the Special Envoy for Africa, Directorate of Political Affairs in the Ministry for Foreign Affairs whom I happen to have known for a number of years now, but also the Secretary General of the Bruno Kreisky Forum, Ms. Gertraud Auer Borea. But let me also acknowledge and note the presence of the high dignitaries, the former Minister of Foreign Affairs present here, the Secretary of State, and of course Mr. Walter Koren, the Director General of Austria Trade, and all of you present.

I always thought my presentation would be quite comprehensive in terms of coverage, but looking at the earlier interventions I am actually inclined to change my intervention a little bit. But still, coming from the African Union Commission probably we may want to know about this entity called the African Union and what it is doing in the continent. This is just by way of introduction, the African Union essentially is a grouping of 53 African countries excluding Morocco which is not a member for some reasons. The organization is actually focused on regional integration, promoting regional integration. The vision as is presented is essentially to build an integrated, a prosperous, and peaceful Africa driven by its own citizens and representing a dynamic force in the international arena. This is the vision that we have for the African Union. And as I said the *raison d'être* of the Union is to promote regional integration.

The way we look at integration obviously is that it covers a number of areas, the political, economic, social, as well as cultural. For me as Commission in charge of economic affairs I focus more on the promotion of economic integration. And in doing this we are working very closely with what we call regional economic communities. These are the building blocks of the African Union. We have about 8 of them that are currently recognized by the African Union. There is a mechanism in which we work with this regional economic communities, mostly by having regular meetings of the chief executives of these regional economic communities as well as the chief executive officer of the African Union Commission who happens to be my boss. These meetings intended to share information regarding what is happening at the level of the regions, but also at a continental level, as well as looking at how the decisions taken at the levels of the heads of state and government would be implemented. We realize that for us to be able to accelerate the pace of regional integration within the continent there is need for better harmonization and coordinaton of policies among these regional economic communities as well as between the regional economic communities as well as the African Union. So what we are doing now is to develop what we call a minimum integration in a program. This minimum integration program is intended to define some benchmarks as well as time frames for the implementation of Africa's integration agenda. The minimum integration program - as I said, for us integration is quite broad - does not only cover economic areas but also covers the other areas. The areas that have been defined so far include peace and security, trade and market integration, infrastructure, energy, governance, and human rights as well as agriculture and food security.

In the area of infrastructure for example we would like to see what we have to do within some given time frame in terms of investing in infrastructure. This is one of our biggest challenges in the continent. And we believe that if we are to promote trade and investment then we need to address the question of infrastructure. Already we do have some infrastructure programs that have been discussed and approved by the heads of state. But the question now is to mobilize resources to implement these infrastructure projects. The resources required are quite huge. Studies indicate that we need between 10 and 15 billion dollars a year of a ten year period to address Africa's infrastructure requirements. And this is a very big challenge. But there is the commitment to address this infrastructure challenge that the continent faces. Already there is a pan-Africa Infrastructure Fund that has been launched by the African heads of state and government to try and mobilize resources, particularly from the pension funds, to support the financing of infrastructure.

In the area of trade and market integration - and this will also be of interest to the business people here - we are looking at basically creating free trade areas leading to customs unions. Initially this is something that would be done at the regional levels, at the level of the regional economic communities that I talked about, and then moving on to the continental level. But of course the minimum integration program would have to define the benchmarks as well as the time frame for moving towards a continental customs union. There has been some progress in some of our regional economic communities whereby already we do have free trade areas that is allowing free movement of goods within defined boundaries. There is a regional economic community, the Southern African Development Community for example, whereby a free trade area was actually launched last year. There is also another regional economic community in East Africa which is the East African Economic Community whereby they have gone beyond free trade areas to have a customs union. Three of our regional economic communities are working on establishing a free trade area. We believe this is a good basis for promoting inter-African trade, but is not only for promoting inter-African trade and investment, but also if you are to have an investor unless they are from Austria or some other country to go and invest in Africa then you would be assured of a bigger market. So that is what we are doing in the area of integration.

I would also like to mention here that we do have a number of activities. The private sector development for example is one area that we would like to promote, and this also as a way of promoting regional integration and development. I heard in the presentation regarding your participation in some of the trade fairs. But we also have business fora that we have been organizing as African Union intended to have business people network, but also to discuss with policy makers the constraints facing the private sector. We expect in the not so distant future, in fact probably by the end of this year, to have a private sector development strategy and action plan which we expect to implement as a continent and then looking also at the question of micro-finance which we find to be key as well. We have also been organizing a forum within the context of the EU-Africa joint strategy and its action plan. We do have the EU-Africa Business Forum which is organized on a yearly basis beginning in 2006. And this has also helped to bring together European and African business people to network, but also to share experiences.

We also agree that in order for us to be able to move forward Africa's integration agenda we need to develop some strategic partnerships, and we have done that with the European Union. I did refer to the EU-Africa strategic partnership which has identified some 8 partnerships that we are currently implementing. We have partnerships on peace and security, again of important to us in economic affairs is a partnership on trade and regional integration. But we also have a partnership on energy which is being implemented. We hope that this would also go a long way in supporting Africa's integration agenda.

Let me say, however, that we do have some challenges which we are trying to address. I think you have challenges pertaining to availability of financial resources, particularly to support our own continental body as well as the regional economic communities. But this is a matter that we are addressing by looking at some alternative sources of financing. We depend largely on contributions of member states for our programs. But contributions have tended to be inadequate and not so much reliable. And we are now looking into identifying alternative sources of financing the African Union. There is also this dependence on partners, particularly when it comes to implementing the programs' budget. We believe that we need also try to move away from that to focus on relying on our resources.

We need to also look at the impact. And this is something also of relevance here. The impact of the global financial and economic crisis and what Africa is doing about it. Africa's economic growth performance has been very satisfactory over the last 5 years. Look at the numbers. Growth has averaged about 5,5% as a minimum over the last 5 years. Inflation did decline quite substantially. In fact for a number of African countries inflation was in the single digits. Most of our countries had managed to reduce, maintain sustainable budget deficits. A number of reasons explain this. You had general improvement in macroeconomic management, but also improved governance. You probably may be aware that within the continent we do have the African peer review mechanism which is basically a mechanism put in place for self-assessment regarding economic and political governance issues by the member states. The APRM has helped a lot in terms of improving on governance in Africa. So we had quite an improvement in economic performance. But then comes the financial and economic crisis and we see that African countries are being negatively affected. We did do our first analysis of what was happening on the ground sometime last year. And of course when we did that initially we were saying that the impact was not that severe given that Africa is not that much integrated within the international financial system. What we saw were movements in the exchange rates, but also movement in stock prices. Two months down the road further assessment reveals that Africa is also being affected in terms of trade flows. Trade flows are on the decline. Economic growth performance generally is seen to decline. If I were to give you some examples, last year it was projected that Africa in general would grow by about 5.8%. Because of the global financial and economic crisis Africa on average is expected to grow by 4%, would have grown by 4% in 2008. As for 2009, again we are looking at about 6% growth rate before the crisis. But the latest figures indicate that Africa will only grow by 3,2% this year. But these are just preliminary assessments. These figures are likely to be revised downward as we go down the year. And I would not be surprised if the growth rate gets down to about 2.7%, 2.8%. But we continue to monitor the situation. There is also the issue of FDI. With the crisis FDI flows on the decline. And also remittances. The figures that have been given for some countries like Ghana, that also depend quite a lot on remittances, whereby these remittances are decreasing.

I think the risk of ODA commitments are not being fulfilled, also becomes quite an issue for the continent. We have been looking at the attainment of the millennium development goals by the year 2015. We have done assessments in the last 3 years. The assessments have indicated that Africa is off track in meeting the millennium development goals, of course excluding North Africa. North Africa is like to meet most of the MDGs. But for the rest of Africa, we are not likely to meet the MDGs. Now clearly with the financial crisis and with the risk that we stand in terms of reduced overseas development assistance these MDGs are not likely to be achieved by 2015 and they haste the need for the commitments to be realized. These are some of the challenges that Africa faces in view of the global economic and financial crisis.

We have been discussing these matters. And fortunately for us we have been invited to participate in the G20 summit in London. The chairperson of the African Union Commission and the Prime Minister of Ethiopia will be leading the African Union delegation to the G20. And we have discussed issues that we would like to put on the table. I will share with you some of the issues that we would like to see addressed as to mitigate against the impact of the crisis on African countries.

There is the issue of voice and representation within the BWIs, the Bretton Woods institutions. This is a matter that Africa would like to be addressed. We would like to see more representation at the boards of these organizations. Ideally for Africa it would be good if we could have 5 executive directors as opposed to the current 2, one per region. But of course we do know that one region of Africa, North Africa, according to the World Bank is actually with the Middle East. But ideally this is something that we would like to see. There are of course discussions regarding increasing the number of seats for Africa to 3. But if we could get more, so much the better. Then there is also the question of representation within senior management positions at the World Bank as well as IMF. This is a matter that would need to be addressed. We believe that if this were to be done, then we would have people speak on behalf of Africa when it comes to the various discussions that take place. Otherwise with a limited voice there is not much that we can do. Then you have issues surrounding the resources of the international financial institutions as well as the multilateral development banks. We believe that the crisis requires that these institutions be adequately resourced to deal with the crisis. Issues to do with recapitalization of the African Development Bank for example become key. Also making more resources available to the IMF as well as the World Bank and other multilateral development banks. But it is not just a question of increasing the resources but also the flexibility with which these resources are made available to African countries particularly.

How do we increase the resources available to these institutions? There is something that we are proposing, but of course maybe you would also stand to give your views pertaining to this. For the IMF we are looking at two things. One, sale of gold. The IMF does have gold reserves. So we would like to see a sale of gold, then the proceeds used to support African countries in crisis. Then the other one is an issue of specially growing rights in favor of Africa. If this was to be done then the quota of these African countries would increase and therefore make it possible for the African countries to borrow more from these institutions in terms of this crisis. Clearly there are challenges regarding the sale of gold since this would have some impact on the gold prices. But given what has happened in the last year whereby the gold price has actually increased from around 400 and something dollars per ounce to now 900 and something. We believe that such a sale of gold would not reduce prices of gold quite significantly. But this is something that we would have to deal with.

Then also we are looking at the allocation of resources, let's say by the World Bank. Currently we have what we call a debt sustainability framework which does put a cap on the level of borrowing by African countries and thus gives them limited policy space. We would like to get this reviewed to increase policy space for African countries. We know that because of the crisis the developed countries have had to spend more than they would normally have to spend. But the IMF does not have to stop them from doing that. Basically they are widening their budget deficits. But in the case of Africa that is not the case. And this is also where we are saying that if there are going to be any standards, if they are going to be applied - they should actually be applied informally across the world, having some countries be subjected to more conditionalities whereas you have other countries being subjected to fewer conditionalities. Again, in this case the issue of conditionalities of these institutions would also be important.

And then also the question of trade. We believe that Africa cannot develop, regional integration in Africa cannot proceed if we continue to rely on aid. We believe that trade is the engine of growth and any conclusion to the Doha development round would be the way to go. This is something that we are also putting on the table. And then relating to this is the question of protectionism which seems to be surfacing in view of the difficulties that are there included in the global economic crisis. We would like to see a situation whereby countries do not resort to protectionist tendencies, so basically looking at free trade.

You see the global financial crisis, the global economic crisis will impact a lot on the poor, the most vulnerable. We believe that the poor, the most vulnerable will require support. There will be need for resources to be put into safety net programs, for example in the area of infrastructure, so for people to be doing something so that they can generate some income. We also would like to see some resources, banks set aside, by the international financial institutions as well as the developing banks to support the financing of safety net programs and then supporting regional integration in Africa. And in this case the financing of infrastructure is key.

On our side we are also doing our best. We would want to say that we will continue with the implementation of macro-economic reforms. I think that is very important. But also issues of governance, these are being addressed. As I said we have the African peer review mechanism that is there and it has helped a lot in terms of having a number of countries

signing up onto the African peer review mechanism. And actually we already have 9 countries that have been completed their reviews and they are in the process of implementing their national programs. We also want to look very closely at domestic resources mobilization. In about two month's time the finance ministers will be meeting to look at the mobilization of domestic resources to finance our own regional integration and development and obviously also mobilization of resources from the diaspora. We are already in discussion with the World Bank with the support of the European Commission to develop an African remittances institute that would help us in mobilizing these resources from the diaspora.

This is a challenge, but of course we are doing something. But we expect that the discussions within the G20 would lead to some favorable solutions that would go a long way in supporting African countries. So this is basically my presentation. In the interaction we would be able to cover more the areas that are also of interest to you. But all I can say for those that are interested in investing in Africa, the opportunities are there. Of course we have had problems because of the crisis regarding falling commodity prices, in the demand for commodities. But indeed there are opportunities in a number of areas. The investment climate which so many people tend to worry about is right and the African Union is working with the member states to ensure that countries do implement sound macro-economic policies to ensure that countries do create favorable conditions for private sector participation. At this point let me thank you very sincerely for your kind attention and I look forward to having some good interaction with you. I thank you very much.

### **Georg Lennkh**

Commissioner, thank you very much. In fact you did cover quite a large area. I know we had been in the same dilemma how to frame this evening because there are so many issues one might wish to address. I would just like to make a few remarks on what you have said and perhaps add a few questions. Essentially on the nature and working of the African Union, the African Union is obviously a very different animal from what the OAU had been. I am not a specialist at all in economic matters. I am now dealing mostly with the political side. On the political side we observe that there are objectives, there are visions that the African Union would like to achieve. There is for instance one interesting aspect and that is also mentioned in the joint EU-Africa strategy, is that the African side requested Europe to look at Africa as one which is in a way a contradiction because there are 53 countries and we all know how different they are. At the same time there is the organization called African Unity and wants to be looked at as one. You have said that you are going to present a number of issues, proposals to the G20 meeting. It would be interesting to know how the decision making is actually working. Do you consult the ambassadors in Addis who are representing their countries or have you called in the finance ministers? How do you come to such policy formulations? The one thing that we have discovered after we have sat in Lisbon and drafted these 60 papers of strategy and action plan is, we noticed that the further you got away from Addis the less people know about this and that there is still some distance to go to come to this integration. Of course similarly when you mentioned 8 regional organizations that are now being recognized. I remember there once was an AU summit with the special topic "institutional cacophony" because there is a problem of overlap and of competition sometimes. I remember the former chairperson was discouraging any political role of regional organizations. How does this work on the economic side? How would the African Union look at the regional economic communities in terms of subsidiarity? When it comes to integration for instance, would you try to go for a regional integration first or is it better to make certain steps already on the scale of the continent? So this is one series of points that I wanted to make. I have one other, but would perhaps come later with that. That is on certain of the subject areas. Which of them do you consider most important? You mentioned infrastructure. We have discovered that one of the main problems of Africa, certainly for some regions, is unemployment, massive youth unemployment. How are we going to cope with this? How are you going to cope with this? Can we do anything about this? These were just a few remarks. Perhaps then we go to a round of questions from the public.

### **Maxwell Mkwezalamba**

Thank you very much for those questions. Just a quick run through the questions. One, yes indeed, we would like Africa to be treated as one. This is what we also have included in the EU-Africa joint strategy. This is not always the case when it comes to dealing with our partners. I think we had emphasized so much on this in the EU-Africa joint strategy because we seem to have already three instruments for dealing with Africa, including North Africa which has a separate instrument, but also South Africa. But we would like Africa to be dealt as one. We of course do realize that these differences among African countries, all of them are not the same. But to support Africa's regional integration efforts we need to be looked as one because for us what we are talking about is to get to a united Africa, a united Africa in division.

In fact, I could also mention here something to do with even the economic partnership agreements. The way they are being handled in dealing with the various negotiating groups fail to take into account even in the whole question of Africa's geographical divisions according to the five regions.

In terms of decision making we have the heads of state and government, the assembly, which is the policy making body. The African Union assembly is chaired by a chairperson. They meet twice a year to consider items that need to be considered. But their meetings are prepared for by the ministers of foreign affairs, what we call the executive council. The executive council is supported by a group of ambassadors in Addis Abeba. So we meet starting with the ambassadors, and then the matters go to the executive council, that is the ministers of foreign affairs, and then to the heads of state for decision. Now, there are obviously areas that would require expertise from relevant sectoral ministries. So we also do have a sectoral ministers meeting. In my case I work with ministers of finance and planning as well as ministers who are responsible for integration, who either be trade ministers, or in some countries foreign affairs ministers, and yet in others ministers in charge of planning. For the global financial crisis what we did was to have a meeting of finance ministers. We brought together ministers from all countries within the continent but also central bank governors. They deliberated on the issues. These issues were taken to the assembly in February this year. So the heads of state also pronounced themselves on the recommendations of the ministers because the ministers make recommendations to the heads of state and the heads of state take a decision. So the decision is collective and therefore the issues that I highlighted have been arrived at in a collective manner.

As for the RECs, I did not go into detail because of time. But as I said we have these regional economic groupings which are the building blocks of the African Union. There are eight of them. And what ambassador Lennkh did say is right, if I look at Africa's integration efforts they are also being hampered by the existence of all these eight regional economic communities, and most of them with overlapping membership, very common in Eastern and Southern Africa whereby you have a country belonging to more than one regional economic community. I'll give you an example. You take a country like Malawi, Malawi is a member of a regional economic grouping called SADC, Southern African Development Community, and then it is also a member of another regional economic grouping called COMESA, the Common Market for Eastern and Southern Africa. So what happens? you have Malawi agreeing for example to the setting up of a free trade area in SADC by some year, it's already there now by last year, then you would also go to COMESA which includes again some of the countries from within SADC agreeing to have a free trade area by 2010. So this presents a problem and hence the need to harmonize these matters. Because of these problems some RECs are already working towards harmonizing their activities and programs. This SADC, COMESA, and East African Community have already met and agreed to have one free trade area. So that will also help us in accelerating the pace of regional integration. Otherwise, doing it the way it is at the moment would be extremely difficult. And this is one of the challenges that we face.

We entirely agree that there is need for subsidiarity. There are certainly things that the regional economic communities can do better. In pushing forward the regional integration agenda we work closer with the regional economic communities on the understanding that there are things that the RECs can do better, and then there are goals that the African Union can also do better. But we need to have that synergy, the Commission doing the coordination role, and the meetings that I referred of the chief executives have helped in harmonizing the programs.

Infrastructure clearly is a serious issue. There is a question of youth unemployment. We need to look at what we need to do to promote private sector development. We already do have some activities intended to promote private sector development. But also the whole question of microfinance which we think is critical. We have produced a microfinance policy and we are also looking at the establishment of a microfinance guarantee scheme so that that way we can also get more people to start their own businesses and therefore try to help in addressing the problem of unemployment in Africa.

#### **Question**

Irene Freudenschuss. Thank you very much, Commissioner, for a very interesting presentation. I wanted to come back to what you said a bit fleetingly about the economic partnership agreements because these are of course something that we as member of the European Union are also faced with in our current work. I understand that there is a lot of dissatisfaction with how the process of the negotiations has gone. There is reflection about doing some major effort in kind of recalibrating the exercise, at least on the side of the EU member states. And also in various regions it appears that the economic partnership agreements are actually currently hampering the regional integration process that the

economic communities that you mentioned are trying to promote. What is your assessment of these things? Is there any advice that you might wish to offer us on how to proceed there?

### **Question**

I work for the Austrian Development Agency. Maybe it is interesting for the audience and maybe also for the Commissioner that we have supported the African Union as far as I know in two ways, two smaller ways, but I think important ways, in human rights training for African Union peace soldiers and also for the establishment of the gender desk. I would like to make now a link between development and security. More and more it becomes clear that development cannot be conceived without security, human security, but also just personal security, and freedom of violence, and freedom of conflict and armed conflict. And security cannot be conceived without development. Some African countries have severe problems with armed conflicts, some are post-conflict countries, some our countries in which armed conflict is going on, some are fragile state, and some are failed states, Somalia, Congo eventually and others. So this is also addressing the issues of unity and diversity, diversity in terms of providing security. Could you explain to us in how far the African Union has strength and power to influence peace, to influence the reduction of armed conflict which eventually would contribute to economic development? I saw the title "Economic Crisis and Beyond". I think to talk about the beyond, what is further important, not only the economic crisis, but also a social crisis, and a stability crisis. How far are you able to address those linkages?

### **Question**

Peter Jankowitsch. Commissioner, thank you for a very far reaching and highly interesting communication. I have two questions which are a little distinct. The first one concerns the international partnerships of Africa. You have mentioned at length what Africa is doing with Europe. But new partners are appearing on the horizons, including China. There has been, at least in European eyes, something of a Chinese invasion of Africa in the direction of raw materials. There are also apparently efforts to buy up land in Africa and grow vegetables for China in Africa. How do you see this move of China in the direction of Africa? And how should we think about it? My second question is something completely different. It returns to economic integration and it is perhaps a little early to ask it. But have you ever also considered the possibility, like we did in Europe, of a common currency? That is certainly not an easy thing to do. Many of the currencies of African countries are rather weak except perhaps the South African Rand. And there is also a problem that some African countries have a monetary union with a partner outside Africa, namely the French speaking countries with the Franc CFA. So I am wondering how you look at these matters of integration in the monetary field?

### **Maxwell Mkwezalamba**

On the economic partnership agreements, yes, I think there have been some problems here. One has been our insistence that today also we focus on the development dimension. This is something that we have insisted on. Regional agreements are only some of these issues, but it is there. The process has been done at the level of the negotiating groups. Initially we had four. But there was also a proposal to create another one for East Africa, taking away some countries from ESA negotiating group. When that matter was discussed of course the other countries within ESA were not particularly happy because this was like something that has been initiated elsewhere and not within the continent. One other thing that we also see is the fact that the African Union Commission has not been actively engaged in these negotiations. And yet there is a decision at the level of the heads of state and government. This decision emanates from 2003 to give a coordinating role for the African Union Commission in negotiating these economic partnership agreements. But from what I understand, if we participate in these negotiations at the level of the negotiating groups we are there merely as observers which is not right because we want to speak with one voice as Africa. So we are yet to see this happen because the way our partners have also been playing it is like a kind of divide and rule. And this is also why it led to some countries' signing the economic partnership agreements, the interim ones, others not signing because of this game that has been played. During the Lisbon summit the leaders discussed quite extensively and said, that we needed to review it. And that's why we could not even conclude the EPS discussions by end of December 2007. We have had another thought within the African Union. Only last week the ministers of trade were meeting in Addis Abeba to among other things discuss this issue. We have developed our own template for negotiating this EPS. This template was discussed by the trade ministers and we hope that we can now go and negotiate with one voice. This is what I would like to say. But clearly if we proceed the way things are being done, yes, we say economic partnership agreements currently do not support Africa's regional integration efforts and we would like them to do just that. Of course there has been the argument that yes, even if we are to do that, you need to look at the configuration of the

regional economic groupings. And that of course has been quite problematical on our side. But we are trying to address that.

There was a question pertaining to peace and security and development. We do realize that of course there cannot be peace and security without development. Neither can there be development without peace and security. And as such peace and security is one of our key pillars. In fact the new strategic plan of the African Union Commission has peace and security as a strategic pillar, but we also have development cooperation and regional integration as another pillar. For me as an economist I think we would have to deal with development issues to get rid of the peace and security issues that we currently see on the continent because I think a number of them arise out of fighting for the limited resources that we do have. So we will promote this pillar on the development, regional integration and cooperation so as to also be able to address the problems of peace and security. But for peace and security there is already a lot that the African Union is doing. We do have for example a continental African peace and security architecture that includes the African Peace and Security Council that also meets on a regular basis to discuss a number of issues in this area on the continent. But with also the support of the European Union we have this Africa peace facility which was signed sometimes last year, and there is about 300 million Euros that have been set aside to help in financing some of the Africa peace keeping missions within the continent. But actually what I would like to say is that the peace and security pillar is quite developed with its own architecture. And I think Africa has done very well in this regard.

What are we doing to address these issues? Of course there is a peace and security architecture. There are also instruments that we have been able to use. You talk of instances where you have coups for example, countries would immediately be suspended. We have done that already for Madagascar. We did it for Mauretania. And we hope that following that then these countries can return to constitutional order. Of course peace keeping operations are quite difficult in terms of the resources required. And if you are looking at the Darfur peace keeping operation for example. I know about a year ago we were saying that we probably would be spending something like 20 million dollars plus, very expensive operations. And this is something that becomes extremely difficult for us to undertake. We had also similar problems in Somalia whereby within the financial resources of course we managed to get support from the European Union, from the Chinese, and others. But basically it was extremely difficult. And that was why even some of the countries that had pledged some soldiers were not able to provide them owing to the need for them to also bring their own resources. But it is quite a challenge. But as I said this is one area where we have done very well.

Partnerships. We have a number of strategic partnerships. You have EU-Africa, China-Africa, and then you have India-Africa, Africa-Brazil, Africa-South America, Africa-Turkey. These are to us strategic. Of course within the African Union we are saying that we are probably having too many partnerships and we should review them and focus only on those that will be of strategic importance to the continent. Clearly, for the EU-Africa we don't have any difficulties. We have a joint strategy, a joint action plan which we are currently implementing. For the others I know we have had the summit. But after the summit two years down the road there is nothing to show for the summit that took place. China happens to be playing a very big role in Africa's development. The Chinese have come in in a big way in a number of our African countries. They are aiming for infrastructure development. They are into mining. A little bit of development assistance, but a little bit of that. We believe that we need to deal with China. But of course we are looking at that at the continental level. Currently China is dealing with countries on a bilateral basis. And it is obviously because we do have some countries that do not have diplomatic relations with China. That's where we are. I think that is a political angle. But basically we are for this strategic partnership because of the benefits it brings. Of course there are discussions regarding having this trilateral arrangement, EU, Africa, China. We are discussing that within the African Union, and at an appropriate time when we should be able to determine whether indeed the trilateral cooperation would be the way to go, given also that there are areas of course that we could find the three working together. But just to tell where things stand as of now really is the question of saying, why don't we maintain the two partnerships separately. But maybe you can share with me your views.

Common currency. Yes, there are thoughts on creating a common currency. In my presentation which I did not follow religiously I talk about establishing financial institutions for the continent. We have the African Central Bank, African Investment Bank, as well as the African Monetary Fund. This is as per our constitutive act. The African Central Bank creation would be part of monetary integration. We do have the Abuja Treaty which has laid down some steps that would need to be taken to get to the establishment of an African economic community. The creation of a common currency is something that would have to be done as the final stage, as stage six. We do realize that this is something

very complicated, is not something that we can do over night. There will be need for work to be done, particularly in harmonizing our policies, getting to some kind of macro-economic convergence. Of course we have to develop the convergence criteria like you have done within the European Union and move towards that. We have already started working on the setting up of this institution, the African Central Bank. We are having discussions with central bank governors because we know we cannot create the central bank without the involvement of the central bank governors. So the road we see happening is that initially we will set up an African monetary institute and then work on getting to convergence before we have a fully fledged central bank that then would issue a common currency. The work we are doing would determine the stages and the time frame for the setting up of the currency. But we feel that this is important in terms of promoting trade and regional integration. Currently you have so many currencies and the trading becomes extremely difficult. But there are also challenges. You are looking at the sovereignty issues as well. To get a country to surrender its sovereignty of conducting monetary policy to this continental body is something that we will have to deal with. There are countries that I talk to do, some of the big players, why do we need to set up the central bank. There are always questions like that. Once we have a central bank we would require for example that member states give up part of their reserves to be managed by this African central bank. Again that is going to be another difficult issue. So we do realize that it is complicated and it may take some time. What I've been saying is that probably by 2021, 2022 it should be possible to have the central bank and a common currency. But the study would determine.

#### **Question**

There is a steady increase in flow of refugees, especially from the Sahel zone to Italy, to Malta, and to Spain. Do you hope that this process ceases?

#### **Question**

Brigitte Brenner. I'd like to talk about the regional question. In the regions a lot of money is flooding in and so the economy in certain aspects is flourishing. This is the western coast which is Guiney, Cote d'Ivoire, and I am talking about drug money which is flooding in and which is destabilizing in the last years severely this whole region. What is the impact of the economic crisis on this sector of the economy and if the African Union has a strategy how to sustain this region and these already fragile economies?

#### **Question**

The first question concerns the economic partnership agreements. Recently the European Union has received an official letter claiming that the situation right now with some countries having an interim agreement and others do not have an agreement is actually harming regional integration. Could you give an example in which way it is harming regional integration? The second question concerns the African Remittance Institute you mentioned. It is currently being developed as you said. Can you tell a little bit more about his idea, about what this institute should do, and it its purpose is to use remittances more for productions, and if yes, how this institute intends to do this?

#### **Question**

From what I have learned from your presentation as well as from the media reports circulating at the moment the G20 summit is a very important milestone. But some of the expectations from the meeting involve complicated political decisions, for example such as the issue of protectionism, trade, and some suggest the sale of gold deposits at the IMF. Does the African Union have a fallback position in case some of these demands are not met by the international community?

#### **Question**

All leaders from time to time are real terminators of the past. For the last 40 years most of the decisions have been working very, very strongly and also all bilateral institutions try to create a kind of background which might help our governments to start a kind of development formation. What makes me sad, you never see quality of life in Africa. The continent is becoming a kind of democracy or bureaucracy. Only Ecovas has nearly 14 institutions using thousands of bureaucrats with all diplomas, we never get any results concerning the quality of life. At this moment only one institution, SADC, is using the word quality of life for the people. We have Ecovas, we have the Central African Community, SADC, and others. How do you manage to be able to meet together to find at last a way of using all bargaining formations you have at this moment? ??? This is the only question I want to put, how to survive in the future? Because traveling in Africa is not really the hope, it is hopeless. I feel very sad to travel in Africa.

### **Maxwell Mkwezalamba**

There was a question of refugees if it is going to stop. I do not know. Of course this is a matter that we are discussing. In fact the whole question of migration, mobility is a partnership within the EU-Africa joint strategy and is faced by the action plan. So we continue to discuss these matters to see what we can do in Africa or what could be done in Europe to make sure that we manage this issue. But really I cannot tell you as to whether this will stop or not. But I think the only way to look at it or discussing it today, even if you look at the question of ODA, if we don't deliver on our commitments on ODA then you continue having people leaving Africa simply because they don't see much happening to improve their quality of life. So I think we need to work together in addressing this problem.

Regarding drug trafficking, this is a matter that is of course of concern to the African Union. Again, we are also discussing it within the EU-Africa partnership. We have a department of social affairs that is specifically mandated among other things to be dealing with the issue of drug trafficking. We had our cabinet meeting earlier this week. There was also a report regarding a meeting that recently took place to look at what is happening in the Gulf of Guinea. But this is a matter that we would like to address.

Regarding the African Remittances Institute, I don't have any details right now. This is basically a concept that we are to develop fully. It is just that the objective is to look at mobilization of resources from the diaspora. We know resources are coming to Africa through different channels. But sometimes resources cannot get there because it is costly to send money. But we hope that this African resources remittances institute would address some of the problems that we currently face, to bring in more resources from the diaspora.

The interim agreements hampering regional integration in Africa, of course, yes. Like I said, you have these negotiating groups. And within these negotiating groups you would have to have a common external tariff that would then be applicable to other countries, excluding the ones that we would not be part to these agreements. In the case of the EU and the ESA, maybe no duties between ESA and the European Union. But then you have one common external tariff with countries that are not part of this arrangement. If you get one country doing that, signing this interim agreement without having the involvement of the others, then clearly in terms of moving forward in promoting trade within the region, this does not seem to work out right. That is what I could say. As I said as well, you look at the configuration of these negotiating groups, not very much consistent with our own geographical configuration. But for the interim agreements it is mainly because this should have been negotiated together with countries within the regional grouping. And that would also promote some movement of goods and services within that particular region. But in this case it is only between that country that has signed the interim agreement with the European Union. So that becomes a problem.

The G20. Do we have a fallback position? No. We would want to push for the issues that we have put on the agenda. And we hope that the G20 will listen to us.

### **Georg Lennkh**

Thank you. I would like to add two points of clarification perhaps on the economic partnership agreements. I was around when this whole thing was started, it was about 13 years ago. And in hindsight I must say it was something born out of a technocratic mind. It had a certain objective, that is to get around the WTO regulations. And I think we have to blame all ourselves that we did not pay enough political attention to this issue right away. And suddenly, about three years ago, we discovered this was a very hot political issue. So now we have to see how we get out of that. On migration. We have made a big progress. The progress is that Africa and Europe now recognize both that this is a problem for both of us, and we have to work on both sides to somehow come to solutions. It is a very tricky problem, a very emotional problem. But the beginning has been made so that some progress can be done.

Commissioner, thank you so much, this was a most interesting evening. I hope that we will see you again here. I thank all of you for having discussed with us.