TICAD IV International Symposium on "Economic Development in Africa and Asian Growth Experience"

– Revisiting the Roles of Public and Private Sectors
in Accelerating Growth in Africa –

SYMPOSIUM PROCEEDINGS

Yokohama, May 27, 2008

Institute for International Cooperation
Japan International Cooperation Agency

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Meles Zenawi, Prime Minister of the Federal Democratic Republic of Ethiopia
Joaquim Alberto Chissano, Former President of the Republic of Mozambique
Donald Kaberuka, President of the African Development Bank Group

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Profile

Donald Kaberuka

Donald Kaberuka was educated in Tanzania and the United Kingdom where he obtained his M Phil (Econ) and a PhD in Economics from Glasgow University in Scotland. He served as Rwanda' s Minister of Finance and Economic Planning since 1997, and has been widely acknowledged as the principal architect of the successful post-war reconstruction and economic reform programme. In July 2005, Kaberuka was elected president of the African Development Bank (AfDB). He took office in September 2005.

Meles Zenawi

Meles Zenawi was born on 8th May 1955 at Adwa in Northern Ethiopia. He is Chairman of the Ethiopian Peoples Revolutionary Democratic Front (EPRDF) since 1989. He became President of the Transitional Government of Ethiopia and Chairman of the Council of Representatives (the legislative body of the transitional government) from 1991-1995. He was elected Prime Minister of the Federal Democratic Republic of Ethiopia in 1995 and re-elected for a second term in 2000 and 2005, respectively. He has recently written on the possibility of "Developmental State" in present-day Africa.

Jakaya Mrisho Kikwete

Jakaya Mrisho Kikwete was born on October 7, 1950, in Msoga, Bagamoyo District, Tanzania. He served as a minister for Foreign Affairs and International Cooperation for 10 years, from 1995 – 2005. Before that he served in other various ministerial posts. He was officially nominated to be the ruling Chama Cha Mapinduzi (CCM) party' s presidential candidate and he won in the general elections that were on December 14, 2005. He was sworn into office on December 21, 2005 to become the 4th President of the United Republic of Tanzania. He is also the Chair of African Union (AU) since February 2008.

Joaquim Alberto Chissano

Joaquim Alberto Chissano was born in 22 Oct. 1939, in Chibuto District, Gaza Province in Mozambique. He served as the Minister of Foreign Affairs from 1975-1986. After that he also served as the second President of Mozambique for nineteen years from 6 November 1986 until 2 February 2005. Since stepping down as president, he has become an elder statesman and is called upon by international bodies, such as the United Nations, to be a special envoy of the UN General Secretary in Africa. He currently chairs the Joaquim Chissano Foundation and the Forum of Former African Heads of State and Government.

Sadako Ogata

Sadako Ogata is the President of Japan International Cooperation Agency (JICA) and the Chair of the Advisory Board on Human Security. Prior to her current appointments, she served as the United Nations High Commissioner for Refugees from 1991 to 2000. Mrs. Ogata was Co-chair of the Commission on Human Security starting in 2001 and served as the Special Representative of the Prime Minister of Japan on Afghanistan Assistance. She was a member of the United Nations High-level Panel. She received a Ph.D. in Political Science from the University of California at Berkeley in 1963.

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Executive Summary

The symposium on “Economic Development in Africa and Asian Growth Experience”, sponsored by the Japan International Cooperation Agency (JICA), was held on May 27, 2008 in Yokohama as one of the side events to the Tokyo International Conference on African Development (TICAD) IV. The symposium was aimed at providing an opportunity to hear African leaders’ insights on the relevance of the Asian experience in accelerating economic growth in Africa in light of growing African interest in Asia in recent times. The event highlighted, in particular, the role of the state in promoting economic growth while maintaining equity through appropriate public policy.

The symposium featured several eminent leaders of Africa as panelists: H.E. Jakaya Mrisho Kikwete, President of the United Republic of Tanzania and Chairman of the African Union; H.E. Meles Zenawi, Prime Minister of the Federal Republic of Ethiopia; H.E. Joaquim Alberto Chissano, Former President of the Republic of Mozambique and Dr. Donald Kaberuka, President of the African Development Bank Group. Professor Joseph E. Stiglitz of Columbia University also participated in the discussion via recorded video remarks. Dr. Sadako Ogata, President of JICA, served as moderator.

The basis for the discussion was provided by the video message from Professor Stiglitz which was shown at the beginning of the program. He noted that while Africa’s economic performance in recent years has improved, sustaining widespread growth for a long period remains a challenge. He highlighted that it was important to get the balance right between the state and the market for sustaining growth in Africa. In doing so, policy debate in Africa could learn many important lessons from the Asian experience, including those pertaining to industrial policy.

President Kikwete, after summarizing the history of Tanzania’s industrialization in three stages, explained how government reforms led to economic recovery and growth in the manufacturing sector. Based on Tanzania’s experience, President Kikwete emphasized the role of the private sector in promoting industrialization, supported by sound macroeconomic management and other policies that created enabling environment. He also elaborated on his government’s efforts to promote public-private dialogue and partnership to improve mutual understanding.

Prime Minister Meles first stressed the limitations of the policy orthodoxy that has been applied to Africa in the past two decades and the need to have a pragmatic development strategy informed by the experience of the developmental states in Asia. In an attempt to address market failures, he emphasized two areas of intervention where the governments of Africa need to pay closer attention: infrastructure and technological capacity building. He urged the international community to allow Africa more policy space to design and implement their own development strategies as well as to provide technical and financial support in these two areas which, until now, have largely been overlooked.

Based on his experience in leading a post-conflict country, Former President Chissano explained how he addressed the daunting tasks of simultaneously maintaining peace and order, rebuilding democratic institutions and resurrecting the national economy. He pointed out, among other things, the importance of making the reconstruction process as participatory and as inclusive as possible. This allows for a sense of ownership felt by citizens and the benefits of economic growth felt as meaningful to their lives, particularly by those in the local communities and urban poors.

Dr. Kaberuka enumerated some of the salient features of the Asian growth experience, including the centrality of economic growth in national policy agenda, export-led and private sector-led nature of the growth and the equitable distribution of benefits among all members of the society. He then highlighted some important aspects of state behavior by Asian nations that successfully addressed market failures while avoiding state failures. These include support to the private sector without choosing winners with a clear exit strategy, high quality bureaucracy, general inclusiveness and correct sequencing of policies. Dr. Kaberuka concluded his remarks by proposing three policy areas that merit attention in Africa: redistribution, trade promotion and infrastructure.

Discussion among panelists that followed these initial remarks featured the following issues, among others:

There was a general consensus among the panelists on the importance of good leadership to guide the economy and the need to have appropriate policies and strategies where the government is given more policy space to design practical strategies that suit each country's unique situation. It was suggested that state failures should be admitted as being as much a part of the game as market failures.

The panelists unanimously recognized the importance of agriculture. They all pointed out the need to have agricultural productivity improved through the increased use of fertilizers and investment in infrastructure. This should be given high priority as a means to bring about economic transformation. Furthermore, in order to address Africa's challenges in accelerating and sustaining growth, the panelists strongly urged a combination of efforts between Africa and the international community, pairing good policies with strong outside support.

The panelists also added the following points in response to questions from the floor:
– Japan should view its aid and business to Africa from the 'enlightened self-interest' perspective and consider it as a long-term investment that would benefit Japan in the long term.
– Japan's private sector should become more aggressive in exploring possibilities for expanding trade with and investment in Africa as it provides a large potential market for Japanese products.

During the discussion, the moderator emphasized some of the points raised by the panelists such as the importance of making the growth as inclusive as possible; and of looking at social aspect of infrastructure development. The symposium ended with closing remarks by the moderator which stressed that what is needed for Africa is not a "miracle" but a solid and steady growth for which Africa should continue to strive, and that Africa and Asia should continue to strengthen the processes of mutual learning and understanding.

Opening Address

Sadako Ogata, President of the Japan International Cooperation Agency (JICA):

Thank you, to the panelists, for being here coming all the way from their African respective countries and to the audience. We promise you a very interesting symposium.

As a way to start this symposium, I would like to say that Africa today is really marked by economic growth, exceeding more than 5% per annum, owing not only to the rise in oil and mineral resources, but also resulting from settlement of protracted conflicts and economic expansion in emerging markets, and this noted progress is really what we all admire.

The objective of the TICAD meeting that is starting tomorrow is really to advance policy debate and forge collaboration in order to further accelerate the economic growth that we have all noted through private sector initiatives or public sector leadership. Various modalities are attempted and debated. And I think this is what we'd like to figure out from the words of the African leaders today.

It is really also another question. They talk about Asian miracles that they are interested in. Are they really interested in Asian miracles? What are the Asian miracles? The objective of this afternoon's symposium is to learn and respond to growing African interest in the Asian experiences, and somehow try to map out common action plans. In this connection, I want to emphasize that this current symposium provides an opportunity to gain from the insights and experiences of the African leaders as they have worked out their respective development strategies. Does the Asian experience in their view have any relevance? But I have no intention of over-expounding on the Asian successes. I would like, then, to find out how they look at the world at large and also at Asia.

At the opening I wish to introduce a short video message from Prof. Joseph Stiglitz who had planned to be here this afternoon, and to share with you findings from a wide range of policy dialogues that Prof. Stiglitz had carried out, particularly focusing more recently on interaction between Africa and Asia. After this short video introduction, I shall call on each one of the panelists who has indicated certain thematic entry points to contribute to the overall discussion. And the general debate will follow, and after that a question and answer session between the audience and the panelists. So we'll spend a few minutes to observe and listen to what Prof. Stiglitz has to say.

Video Message

Joseph E. Stiglitz, Professor at Columbia University:

Prime Minister Meles Zenawi, President Kikwete, President Chissano, Madam Ogata and Dr. Kaberuka: It is a great pleasure for me to address such a distinguished gathering. I wish I could have been there with you.

This is an exciting time for this symposium. Africa's economic performance in recent years has improved impressively with an annual growth rate averaging about 4% during 1996-2006 with some countries doing particularly well, including all three represented by their leaders at this event: Ethiopia, Mozambique and Tanzania all grew at rates exceeding 5% during this decade.

Sustaining widespread growth for a long period in Africa at the rates achieved in these three countries in the past three years or so remains a challenge. To put the recent revival in perspective, it needs to be borne in mind in part that it reflects the recovery after the sharp decline in per capita GDP during 1980-1995.

The recent revival in part reflects the familiar African cycle of growth rising and falling with commodity prices: even those countries that have done well in macroeconomic management and governance have still not managed to attract much "non-extractive" FDI or attain significant structural transformation. The share of manufacturing in GDP has been practically stagnant since 1960. Africa remains predominantly a producer and exporter of primary products.

The policy debate and space in Africa in the past quarter of century has been narrowly circumscribed. In particular, the policy prescriptions have not been adequately informed by the lessons of East Asia. While there has been a growing recognition that there was excessive faith in markets at the peak influence of what has come to be called the Washington Consensus, the lessons of East Asia in getting the balance right between the state and the market are still not commonly brought to bear in analyzing the policy options for African countries.

Industrial polices in particular remain controversial. Whilst the costs of bad industrial policies can be high, that is also true of poor policies in all other spheres: the price of bad macroeconomic management or financial crises can also be very high, as the sub-prime crisis is showing us today. These are the examples of inadequate, insufficient regulations: a warning that one can have too little as well as too much government intervention. More generally, one has to get the form of government intervention in the economy right.

The answer is not to give up on macroeconomic management or finance but to get the policies right. Similarly, industrial policies can be very effective including those for technological change in agriculture.

Africa cannot sustain accelerated rapid growth of output and employment for long periods without reviving its moribund industrial sector and increasing its strength in the agro-sector including agro-business. In doing so, there are many lessons to be learned not only from East Asia but also Africa's own successes with activist intervention of the type so widely resorted to in East Asia. Recent examples of success in promoting horticultural and processed leather exports from Ethiopia provide valuable lessons.

In fact, the economic theory explains why it is that the government needs to be involved in promotion of new industries, processes of learning and transferring technologies. In fact, every country that has been successful has involved an important role of government in industrial policies.

Amongst the constraints to African growth, perhaps the two most commonly cited these days are those of governance and geography. But these are exaggerated; governance is endogenous and instead of lecturing governments on corruption we should be focusing on how the fiduciary concerns of donors can be safe-guarded and what capacities of the state need to be strengthened to realize their developmental potential.

Geography is, of course important but it is not destiny. Geography may well be an important explanation of why some countries are poorer than others. But Switzerland is landlocked and has done very well. And so are many other successful countries around the world. As I said, the excessive focus on geography may distract attention away from the policies and institutions needed to realize a country's growth potential.

Similarly the issue of absorptive capacity for aid boils down to one of the policy framework and forms of aid. Providing aid in support of appropriate policies in particular country contexts informed by the lessons of past successes, especially in East Asia, and for infrastructure should have very high rewards. You can leverage each country's own policies.

I've had the good fortune to see some of JICA's aid projects in Ethiopia and how some of the government projects in Ethiopia promote development and community mobilization. I saw some community involvement could not have only helped schools to use the aid more effectively but also actually helped increase enrolment and reduce dropouts.

These successes show that there is a bright prospect for Africa going forward. Aid can make a difference. It can help promote economic growth and can have an immediate impact on the well-being of those in Africa.

Let me conclude by showing my optimism about the future of Africa with leaders such as those that assembled here with partners like JICA willing to work with these leaders. The prospects are better than any points in the past four decades that I've been involved in African development. I only regret that I could not be with you to share in your discussions. I wish you all the best. Thank you.

Ogata: Thank you very much, Dr. Stiglitz. I think we all appreciated your word of optimism and also the emphasis on wide range of African development experiences. But also one word that you mentioned is the recognizing the impact and importance of the African government and leaders since we have the most outstanding leaders and representatives of their government. I think I would like to turn to them to listen to their presentations before we go into a wide debate.

First I would like to call on His Excellency Mr. Jakaya Mrisho Kikwete, the President of Tanzania and Chairman of the African Union. Mr. Kikwete, you have the floor.

Presentations

Jakaya Mrisho Kikwete, President of the United Republic of Tanzania:

I thank you, Madam Ogata, for organizing this symposium and for inviting some of us to participate in it. It's always a pleasure to be in the company of Prime Minister Meles Zenawi of Ethiopia who has done a distinguished job in rebuilding the economy; President Chissano, former president of Mozambique, who has again done so much in rebuilding Mozambique after devastating civil war; and Dr. Donald Kaberuka of the African Development Bank Group who has always extended a much-needed helping hand for the African development.

Well, I've been asked to be part of this panel but let me say for myself and other African leaders who are here, we've come to Japan to underline a collective view that Japan is one of our most dependable friends for African development. But we have also come to learn from Japan, because Japan's and Asia's development has provided inspiration for Africa's progress. Many Asian countries represent what's called Asian miracles, although they had been at the present level of development in Africa not long ago. Those successes are an inspiration for us.

It is therefore an important opportunity that we are holding this symposium to share our thoughts and experiences on visiting roles of public and private sectors in accelerating the growth in Africa. An opportunity for mutual learning between Africa and Asia.

Well, of course, I was asked to speak about Tanzania specifically. It is not easy to speak about the African experiences because it's so vast and I cannot pretend to be an expert in what is happening in all the countries in Africa despite being chairman of the African Union. And it is not on the basis of acknowledgement that one is elected the chair of the African Union.

Madam Chair and distinguished participants, Tanzania is yet to transcend to the level of industrialized economy because the agriculture is still dominant; the share of agriculture GDP of Tanzania is 25.4%, but it employs 80% of the population. Tanzania's industrialization's learning path has traversed two or three major episodes. At independence, Tanzania had a very small industrial sector, mainly based on processing primary products for exports and also for import substitution of simple consumer goods. Of course this was the case because during the British colonial rule of East Africa, Tanzania, Kenya and Uganda were British colonies. But Kenya had the status of colony; Tanzania was a trusteeship of territory; and Uganda was a protected territory. The British concentrated all the industrial investments in Kenya. So the rest of us, Uganda and Tanzania, had nothing but Coca Cola plants, cigarette plants, or beer plants. There was nothing significant in the remaining two countries.

So in the search for development, in 1967 the founding fathers of our nation thought maybe nationalization or taking the socialist path would help the country through the development process. So the few industries that were there were nationalized, and all the commanding heights of the economy were nationalized, including banks. We embarked on that path but it turned out that industrialization then stagnated further; instead of having growth, there was actual stagnation and statistics show that industry's contribution to the GDP, which was 1.2% at independence, declined to 0.8% between 1968 and 1977 and went into the negative territories: –0.9 between 1978 and 1983, and then of course there was some improvement to –0.1 from 1991 to 1994. So this was the second phase.

The third phase. In 1986 Tanzania embarked on economic reforms. The hallmark of it was the liberalization of the economy, the investiture of industry, the investiture of the state enterprises. The private sector was instituted as the engine of growth. The government withdrew from directly productive and commercial activities and left that to the private sector. The government retained the traditional functions of the state: maintaining law and order, enabling an environment for the private sector to thrive.

So things began to change. Tanzania's industrialization came to the third stage. Manufacturing now begins to benefit and the share of manufactured exports increased from 3.1% in 1998 to 8.3% in 2007. The manufacturing sector has grown 5 to 8% per annum between that period. So this is the third part.

So what are the lessons from Tanzanian experience?　Two fundamental lessons we have learned. First there is a need to have right government policies, strategies, and measures in order for growth to take place. The measures that we took had the consequences of stagnation rather than growth.

The second thing that we learned is that there is a need for an active role of government in promoting growth, industrialization in particular, by creating an enabling environment for industries to prosper in the hands of the private sector. Third, there is a need for the government to create sound macroeconomic policies as well as specific policies friendly to industrial development in the country. Last but not least, we learned that there is a need to promote a vibrant private sector. So this comes now to the third point I want to underscore: the role of the private sector. The role of the private sector in promoting industrialization is indispensable in this case. This has been our experience.

The private sector is the major source of financing for industrial development, but also a major source of acquiring technology that is required. But also there is a need for a very vibrant public and private partnership. When we developed the right umbilical chord between the private sector and public sector, we have seen things turning around for the better. We have instituted, for example, in the country frameworks for dialogue in the private sector and the government. And we have found these frameworks and mechanisms quite useful. They have given encouragement in the private sector.

But from time to time we get time to sit down to discuss issues. We understand their point of view, they understand our point of view. We know what their constraints are. This is another important factor. But the other which is also critical for us in Africa is to build that private sector; because there is a danger that you may build a private sector but that private sector may not be indigenous. It may be all foreign. The risk is, it may create resentment at some point.

But because of the very low base of the private sector in our countries, there must be a role for the government. And that role of the government should go beyond creating enabling policies. Really, it is how to assist the private sector in Africa by the government. That's the other challenge; where you have governments where they themselves need to be assisted in order to be able to discharge their functions. So this is a question of which is first, chicken or egg? But we are building in our own small way, trying to see what we can do. So there is an area where we think we can benefit from sharing experience. But how have others done it?

Because I think in some of these Asian countries, including Japan itself, there must be a role their governments played, a significant one of helping build the Japanese private sector that we know of today. So we hope from this symposium, from our meeting, we may learn from Japanese examples and take you from that to see what can be done. Of course for us as governments we have the commitment to continue to play our role, maintaining law and order, and also the role of creating an enabling environment. Promoting industrialization in Africa is desirable, is necessary. We see the roles of the private sector and public sector, taking cue from the Asian experience on how they succeeded in doing it, so that Africa can also learn from Asia's example and experience. Thank you.

Ogata: Thank you very much, President Kikwete, for really going through your own experience in Tanzania of building the private sector, as you say, not only for providing enabling conditions for industries to grow but actually turning them into your own very close partners, in order to really build up private and public partnership. That is a role of government, as you say. You are ready to learn from Asian and Japanese experiences in how we did it in the past as well. Thank you very much for your comment. Now I would like to turn, as our second speaker, His excellency Prime Minister of Ethiopia, Mr. Meles Zanawi. He was a president.

Meles Zenawi, Prime Minister of the Federal Democratic Republic of Ethiopia:

Thank you, Madam Ogata. You have been such an old hand in Africa. You are one of the few who remember me as the president of the old transitional government. President Kikwete, President Chissano, and my good old friend, Kaberuka. Excellencies, ladies and gentlemen, our symposium today is designed to promote discussion on what African countries can do to sustain and accelerate the recent growth of the African economies, which, to a large extent, as Prof. Stiglitz was saying, is linked to current high global prices of commodities. We are among other things encouraged by the efforts of Madam Ogata to look at what role the African governments play in addition to, and I quote, "getting the basics right," in order to expand the basis of economic development.

I find the phrase, "getting the basics right", very interesting for two reasons. First, the reigning policy orthodoxy in Africa reduces "getting the basics right" to simply "getting prices right." The reforms that are adopted and all imposed on Africa since the 80s based on what Prof Stiglitz called the Washington Consensus, strongly implied that all governments needed to do or should do was to get prices right and leave all the development business to the market and private sector. That policy orthodoxy is partly responsible for the two decades that Africa has lost in doing in its development endeavours. And therefore, one of the crucial things that needs to be done is to scrap that orthodoxy as a failure, and as largely unsuitable for the developing countries.

I find the phrase interesting also because it implies that "getting the basics right" goes far beyond "getting prices right." I'm encouraged to make that inference because of the fact that among other things, discussions are being held here in Japan. And we all know how Japan has successfully developed. We know how tiger economies in Asia followed the Japanese pattern to development: the so-called Flying Geese Pattern. These are spectacularly successful experiences of development and I suggest that the governments in developing countries need to do a lot more than "getting prices right" if they are to achieve fast sustained and equitable growth. In other words, the second most important thing that we have to do to accelerate and sustain our growth is to replace the Washington Consensus with a pragmatic development strategy based on successful experience of East Asia. In East Asia governments have played an active and dynamic role to promote growth. They've done so not to stifle private economy initiative or cripple the market but to promote both by addressing market failures.

Developmental states in East Asia beginning with Japan have done so very successfully and there is a lot that we can learn from them. It can be argued and it has been argued that not every Asian country has had successful developmental state and that African states are not all alike. That is absolutely true. Not all African states can address market failures successfully because development economists would say not all of them have right political economy. African governments will, therefore, have to calibrate their role according to their political economy and their developmental potential.

Having said that, I will hasten to add that no government that limits its role to "getting prices right" will achieve sustained growth and more importantly economic transformation. That much we know from our experience over the past two decades. Two areas of intervention that have been overlooked in the past two decades appear to me especially important. The first area of intervention has to do with infrastructure. There cannot be sustained growth without adequate and proactive investment in infrastructure. While new opportunities for private and public partnerships in infrastructure investments have been opened up and while we need to explore and exploit this opportunity to the hilt, it is nevertheless true that without massive government involvement in infrastructure building there will not be the necessary investment in infrastructure to sustain and accelerate our recent growth.

This is all the more so because infrastructural investment in Africa has been ignored over the past two decades. And as soon as our economies begin to grow, our creaking infrastructure is holding the growth back and threatens to completely undermine it. The other area for government intervention that I wish to highlight is what experts on Asian development have called "technological capacity building." Ultimately development is more about such technological capability accumulation than capital accumulation as such.

Governments have a critical role to play here. They have to build and run most of the institutions that train the required manpower and institutions that are required to promote the diffusion of new technology. This means that African governments have to go well beyond primary schools to create a comprehensive system of technical and vocational training and tertiary education system geared toward technological learning. These are the areas of public investment that have almost totally been neglected over the past two decades.

Your Excellencies, ladies and gentlemen, African countries need support and understanding of the development partners if they are to embark on projectiles of sustained and accelerated growth. To me the most important help we seek is to be given the policy space so that we can learn from successful development experience and design and implement our own development strategies. We want the stifling embrace of our development partners designed to implement a new liberal orthodoxy to be relaxed so that we can think and act for ourselves. The second most important help that we need from our partners is technical and financial support to dramatically increase investment in our infrastructure and technological capability accumulation.

It's very interesting to note that two emerging countries in Asia, China and India, have prioritized these very areas, these two areas, in their partnerships with Africa and we have already begun to pour billions into the sector. It is also interesting to note that most analysts agree these are the very sectors where Japanese assistance has been most helpful, successful developing Asian countries. I am aware that Japan has in recent years been moving in that direction in its partnership with Africa and I deeply welcome it. I am also aware that resources required are such that grant assistance to the sector, however much increased, will be inadequate. What is required is a mobilization of billions or perhaps even tens of billions of Japanese finance through various credit facilities to really make a difference. I am confident that Japan has bought resources and the will for such a dramatic increase in resource flows.

Finally we need the globally threatening environment to be restructured in such a way that it is less inimical to our development than it has been so far; not calling for level-plain field, because under current circumstances that would be too much to ask. I'm simply asking for the reduction and amelioration of the rules of the game to minimize the damage on our prospects.

That done, we will have more equitable trade and investment regime that could provide needed boost for our economic growth. Many of us here today have been attending the TICAD conference for many years and I've been talking about learning from Asia's development and accelerating our growth for almost as long as we have been attending this conference. People, particularly Asians, are, therefore, entitled to ask whether we are serious about learning from Asia and accelerating our growth; and if so, what we have done in that regard.

As President Kikwete said, I can only speak for my country. My government has rejected the new liberal orthodoxy and designed its own strategy based on pragmatic combination of the lessons of development experience of Asia, our own specific circumstances and our rational elements of the reform programs advocated by international financial institutions. This was not easy and I have to admit that we have to pay a steep price in order to be able to think and act for ourselves. But we have done just that.

As a result, for the past five years now, we have had Asian type growth in Ethiopia. Our economy has been growing at over 11% per year for five years. And our exports have been growing over 25% per year for the past five years. But this was not so because we struck gold, yellow or black. But in spite of the fact that so far we have had no luck in the mining sector. I would be the first person to admit that the five years of Asian-type export bringing fast growth proves nothing about the prospects of Ethiopia or the continent as a whole.

We need to sustain such growth for at least for a few decades before we can confidently say we are successfully learning from Asian experience. What I hope the example of my country shows that we are serious about learning from Asia, that we are making serious efforts toward that, and that we are beginning to see Africa of light at the end of the time; and as a result of our efforts, to learn from Asian experience. Thank you.

Ogata: Thank you very much, Prime Minister Meles Zenawi, for your very honest and severe insight into what you have gone through. But perhaps many of the outsiders, including my country in trying to give aid, have not quite addressed this in sufficiently strong terms.

You said you had overlooked intervention, especially infrastructure building in the institution building connected, and also that the technological capacity building requires much more serious addressing than you have gone through yourself. And I think on our side we did look into infrastructure but not sufficiently in trying to see how that affects your own community life and people involved in the development procedures. And also I think we may or may not have addressed sufficiently technological education and the importance of higher education connected with technological development, but maybe have gone through what we think were your immediate needs. I think this is the kind of dialogue that helps us from the side of those who are trying to assist in the African development, to look seriously at your own experiences in your own insight and honest remarks. Thank you very much. I will now turn to the third speaker, Alberto Chissano, former president of Mozambique.

Joaquim Alberto Chissano, Former President of the Republic of Mozambique:

Thank you, Madam Ogata. I would also like to thank you all for having invited us to this symposium and given us this opportunity to interact with the Japanese people, Japanese partners. I am also delighted to meet with my former colleagues and now head of states, Meles Zenawi, Prime Minister, and also President Kaberuka. I have worked with all of them. I know more or less what they think but since I left sometime ago, I will learn your new thinking today. Three years after I stopped following the day-to-day of the governance in our countries. I have been asked to speak about the issue of governance and economic growth, in the post-conflict country, and the strategy to make growth inclusive of it.

The Republic of Mozambique had been in a conflict over 16 years. This conflict was caused by the minority regimes of southern Africa, namely the Apartheid regime and the Ian Smith government, because they were afraid that Mozambique would play a role in support of the liberation movements, and second because they were afraid that the United Nations sanctions were going to have effect because Mozambique was going to apply sanctions. And therefore they recruited Mozambiquans and together with their own forces, they invaded Mozambique. That's how the conflict started, only a few months after the proclamation of independence. Mozambique became independent in June, 1975. In February and March, 1976 we were already at war in the region with the Mozambiquans who were uprising. In fact, this was led by the resistance, including some Portuguese who did not accept the proclamation of independence of Mozambique.

At the end of the conflict such as the one we had in Mozambique, institutions were mostly destabilized and social tissues were torn apart. There was a need to rebuild all the democratic institutions and constitute social tissues. But I should clarify that some of the most important institutions in Mozambique did not exist when the country came to independence, such as the judiciary, the legislative and the police. We were to build them only after the end of the conflict. This had and still is to be enforced by capacity building process, which requires a lot of resources; I mean capacity building of all the institutions themselves. It was not easy to have these resources. It is with emotion that I am speaking here before Madam Sadako Ogata, who worked with us tirelessly in the process of the resettlement of more than 1.7 million of returned refugees from the neighbouring countries and more than 4 million internal displaced people. We also had to handle hundreds of mobilized combatants and reconcile the people who hated each other until the signing of the peace agreement in October, 1992, and have them live together in their villages of origin. Vocational training programs were undertaken in order to create self employment among former combatants. Participation in democracy involving all segments of society in democratic process through truly representative national political parties and civil society is essential not only for the success of the electoral process but also for the unity of the country and reconciliation. I emphasize the word, truly national political parties, because sometimes political parties which are created are not truly national.

If political issues are dealt with adequately, then the economical construction and later the economic growth can be of the first implementation. However, there is a need for timely and sound material and financial support from all local and international partners and stakeholders. In all countries, the issue of governance is important for economic growth. However, in the post-conflict situation, governance means among others the actions meant to involve all segments of the society to participate in the activities of national construction and later on economic growth. Here the leadership's capacity of persuasion and coordination is put to test. The key for success is contact with people and listening to their views and respecting their natural skills and experiences which have to be taken into account. The organization of the society is important; if people feel the ownership of the reconstruction and development process, many of them should be organized in a way that interests and priorities of each different group are met, such as women, youths, peasants, workers, teachers, health workers, demobilized soldiers, journalists, NGOs, religious leaders and so on.

But it is essential to give value to the traditional institutions such as traditional chiefs without violating the democratic principles. All must participate in the decision making through a democratic process beginning from discussion of issues through the preparation of the main legislation to the electoral elections for local and national structures. So for us, democracy does not mean just going to the ballot box but means all this kind of participation. The work of the local authorities, namely in district and sub-district levels, enables more efficient planning and execution of their construction program. It constitutes a base for this decentralization. However, at this stage of reconstruction, the leading role of the central government is very important as the aim is still to unite and reconcile, and the collective action to face the market challenges and to create a basis for a future development process. The development processes, however, cannot wait for the completion of their construction stage. In Mozambique, we dealt with two aspects simultaneously as we carried on the implementations of the market economy policies, which attracted investments towards development. The constitution had been changed before the attainment of peace in 1990 to open up a market-oriented economy and the multi-party democracy. The privatization process was underway. The construction of the main destroyed infrastructure such as roads, some railroads, bridges, power lines, power stations, schools, medical centres, water facilities, commercial establishments, and banks among others took us five years, which was a short time if we take into account the magnitude of destructions. About two-thirds of the schools, health and commercial networks, thousands of kilometres of roads, power lines, and more than 50 bridges including big ones of up to five kilometers in length, we also had to deal with the recovery of the environment degraded by the war, including the fauna and flora, leading to the creation of peace parks. This was possible through first of all massive mobilization and motivation of the people.

I must confess that we could not do much to empower the people as we had learned from the experiences of some of our friendly countries in Asia. We just could not afford as a state to get necessary funds and materials. Had we had them, the results would have been much more remarkable. We thank the NGOs and other donors who could act in that sense because people have the initiatives. They do their best, but they should be empowered for them to attain quicker and better solutions. A national private sector could be created as a main lever of economic development. This could eventually bring us closer to the attainment of the MDGs by 2015. Surely, this level of reconstruction could not be possible without the timely and sound support from the international partners including governments, multilateral organizations such as the United Nations family, the European Union, the international financial institutions such as the World Bank, the IMF, the ADB, and various funds and international NGOs. JICA's contribution was vital for the construction of bridges and new schools and agricultural projects, other social projects and humanitarian aid. It is worth mentioning the participation of Mitsubishi Company in construction and development of the prestigious aluminium smelter plant in Mozambique as an example of an initiative combining the private and public sectors of neighbouring countries of low and medium income with the farthest and developed high-income country producing the results which care for the social advancement of the people living with its neighbours and causing the creation of a number of small enterprises providing services to it.

The successful participation of that company in the campaigns to combat malaria and HIV is another example of the combination of efforts of leadership without stakeholders. In this case, by leadership, I refer to the leadership of the region, namely Mozambique, Swaziland, and South Africa combined. The whole international participation that I refer to could not have been possible if it had not been attracted by a good planning, good choice of priorities, and assurance of good and transparent implementation of the programs where checks and balances are possible not only by the international stakeholders but also by the domestic ones.

The third program we have introduced while implementing the first two was the program for poverty reduction. It was urgent to care for the most vulnerable people. Economic growth was the result of the combination of all three processes.

The lesson we could learn was that if the economic growth is to raise the enthusiasm and the confidence of the people on their better future, such growth should be felt as meaningful to the lives of the citizens, particularly the local communities and the poor people in the towns.

Whatever economic growth attained must have a social impact in the livelihoods of the citizens. In other words, we should not content ourselves uniquely with the big indicators in percentage of growth like the two digits we have obtained and sustained during a relatively long period in Mozambique. It is necessary to have such figures reflected in the social and economic development. Because the people owned the programs and had cultivated the work ethos and honesty at all levels, they did not always wait for government hand-outs, but worked hard to improve their livelihoods with, obviously, some support from the government and international community. Their slogan was: 'If you want to achieve something, you have to do something. If you do nothing, you will get nothing.' These would be the literal translation of what they say in one of the local languages, to mean that if you want to be helped, help yourself in the first place. This was the slogan that was taken also as a country's policy. Let me conclude by rephrasing the late Mwalimu Julius Kanbarage Nyerere of Tanzania who taught us that the three essential factors for bringing the development of a country were people, land and good governance, which means good leadership. I thank you for your attention.

Ogata: Thank you very much, President Chissano, for sharing with us your observational experience of what led the Mozambique reconstruction, and why it was so successful. To me, the Mozambique repatriation, the post-conflict reconstruction is probably one of the most successful experiences we have had, and in that I think you were emphasizing that the government leads, but it has to lead the societies where everybody participates, and you have to have an inclusive participating society if you are going lead the very difficult reconstruction effort.

And this we will all think of as a very important lesson for the future of Africa but also for the Asian societies and countries.

Now for the 4th panelist, I would like to turn to Dr. Donald Kaberuka, President of the African Development Bank Group. Dr. Kaberuka, you have the floor.

Donald Kaberuka, President of the African Development Bank Group:

Thank you very much, Dr. Ogata, a friend of Africa, who is probably one of the very few knowledgeable people in the world about the challenges of development in that continent. In my own country, she is a household name. I also want to thank Japanese colleagues who are here. We are working together via JICA and the JBIC on many projects already in Africa, which may not be known to you. In Tanzania, we are financing with JBIC a road between Tanzania and Kenya. We are financing a road in the northern part of Mozambique and many other projects, and I want to thank them for that. I also want to thank our leaders who are here, the panelists. They have said it all, therefore I can afford to be very brief.

Number one, the Asian miracle was preceded by many years of despondency and books rather talked about the opposite, the Asian dilemma. That was in the 1960s.

Let alone the fact that, in 1997, after the Asian financial crisis, I was attending a World Bank meeting in Hong Kong and there were many people ready to write off the Asian miracle then.

Those long lists of things which had gone wrong in Asia. But since then, many more countries in the continent have not only continued to grow, but the number of countries has increased. And of course, the link with Africa is growing. Almost 30% of our exports, African exports, are now to Asia.

Now what are the lessons? I think the leaders have said it all. The rest is abundantly documented. Let me pick just a few. One I think, which should be obvious, was putting at the center of the development, the growth agenda–economic growth matters–into the center of the agenda. But it had four characteristics. One was that it was export-led. On the African continent, our first attempt was import substitution. That was the first big difference. In Asia, it was export-led.

Second it was private-sector led. But, as our leaders have said, the state was very much present. It was a private sector development very much pushed by the state. And finally, the opportunities of growth were widely shared early in the process, as President Chissano is mentioning. Now, in the documentation, a number of other things have been mentioned: education, ill-attention to education, to savings.

But again as President Chissano says, there is the whole issue of stability, which is a large component of governance. And by stability, I mean not simply stability of the political system but stability of all the systems. They were very predictable. You could predict what will happen next year, in two years, in three years in terms of policies.

Now these in the minds of investors make a big difference. If you can predict the policies a few years hence then you can factor that into your own calculations. So, stability of systems and policies.

But I want to go back to this issue of the role of the state because indeed at the heart of the Washington Consensus was perhaps a misunderstanding–and an understandable one–of the role of the state. And I think Mr. Meles Zenawi has mentioned the need to… how do you avoid market failures without causing state failures? I think the Asians got it early. They did so by creating what are called strong state institutions.

Now, what is the state which avoids market failures, which deals with market failures while avoiding state failures? In our own analysis, I think four things happened in Asia in terms of this state behavior. One of them was that it provided the much-needed support to the private sector but without choosing winners, and also having a clear exit strategy; behaving much more like a venture capitalist. But also, I think what is important: there was a quality bureaucracy, a high-quality bureaucracy. Bureaucracy has a bad name, but in fact here on the continent, bureaucracy have a good name. It is a quality bureaucracy which does exactly the right things which private people need to do their business.

And again it's important, as Madam Ogata just mentioned, that that kind of state left no-one behind. It provided safety nets for those who were very poor, it provided opportunities for children from poor families to get education, and therefore get into the non-exclusive mode of operation. That is very critical.

But I think something which the state here has done, which we are trying to grapple with in Africa, is much more complex. This is what I call it the sequencing issue. How do the things follow each other? We are very poor countries. Our governments don't have enough resources. So, how do things follow each other? If you can't do things at the same time, you have to say number one is more important than these at this point in time.

And I think two things have been done excellently in my view. In all these countries, agriculture came first, including here in Japan. And that agriculture had strong support of the state. I believe it still does. Second, the trade system had strong support of the state. I gather that in Japan, the Ministry of Trade was a quite a powerful ministry in terms of promoting trade and investment. Now, this kind of sequencing, how you do things, is critical both in time and also in space. Now, in some of these countries also, I found that they have not attempted to do everything everywhere at the same time. It's like, in some regions which have been selected to try things out and as they mature they show success, they are rolled out into other parts of the country. There are some lessons for us here, but there are some difficult political economic choices to be made. And I think that we have some lessons to learn here.

Now, what are the ways to work together as you go forward? I have three proposals to make. One, which would be obvious, I think President Kikwete has mentioned it. What you can use in the common language, is the tortoise. If there is a run between the tortoise and the rabbit, the tortoise always beats the rabbit, because the tortoise is very consistent, is like a marathon runner. The rabbit gets tired quickly. Now we need to sustain the policies, the growth, of today, so that it's not growth for five years, for 10 years, which then spurts out. We don't have a way of sustaining these policies. And one way of doing it is exactly what President Chissano is saying: ensure that the benefits are shared from a early stage so that everyone has a stake in what is happening, whether it is within the country originally, so that no one feels excluded from the benefits of this growth.

The second is one again which PM Meles just mentioned. Look, it's not in a derogatory sense. Nations prosper by trading. No nation has prospered without trading. You prosper by producing things which others want to buy. This is how nations have prospered. But it cannot happen until there is basic infrastructure. It will not happen, as is the case today in Africa, where only a quarter of population has access to an all-weather road–a quarter of the population–where less than a quarter of the population can access electricity. And we see the example with the mobile telephone revolution, which has increased agriculture productivity. And there I am making a case, like PM Meles, for infrastructure.

If sequencing was an issue, this one is it. And I think an alliance between JICA and the African development bank and other institutions, for us to try for a period to help our countries, break some of these constraints around the infrastructure nexus, which then will make it possible for trading to happen both within Africa and between Africa and the rest of the world, would be quite a major input in the coming few years.

Let me just give two examples and I will stop. For many years, agriculture in Africa has suffered because of what were known as policies biased towards people who live in the cities. Now, the opposite is happening. The price for food is very high, which means in theory the farmers should be getting the benefits of the high prices, but they are not because the roads are impassable and, therefore, the signals are not getting to the farmers. They are seeing good prices but they cannot benefit. Therefore, in the short term, they are unlikely to respond. Now, something has to come in to ensure the incentives get to the farmers, the poor people, and part of it must be the infrastructure: a road that is passable so that the farmers can get the benefits of these high prices.

Therefore, I agree with Madam Ogata. The infrastructure is for the people, not simply for the big picture, which is also very important. And I think an action between the African Development Bank and JICA here would be quite critical, as we are doing already. Second, which is bound to happen, is that, this time, fertilizer prices have increased almost five times–between the beginning of this year and now, some fertilizers have increased almost five times and, therefore, there is no way farmers can respond, because they have no means to respond. And, therefore, a state action must be needed. Reducing the cost of doing business, in the roads, but also ensuring they are given the support at the beginning by the state.

In countries where the state has been supporting the farmers, which was in the beginning of the agenda for shared growth, which I think is the biggest lesson I can draw from the Asian experience. Now there are many other things which we can share, but I think that the leaders have said it and I want to stop here.

Panel Discussion

Ogata: Thank you very much, Dr. Kaberuka. Now, I think you have summarized and also emphasized some of the points that have been raised among the panel members. And I think it was, the tortoise and the rabbit, but what is very important is that benefits are shared, and you need strong responsible government, but the government has to have an inclusive social policy as its base, that is the lesson you have heard. Also I think some of the lessons that you are repeating here are very relevant in Japan today.

Because of the economic growth needs, the social issue is very serious responsibility for government. I won't go into that detail but it is an issue right now that we are also facing as the economy has grown and developed and the infrastructure, the roads are good all over the country and all that. But still what is the role of the government? What is the role of the private sector? How are the people to be treated? Long life? We have a very long living population. The population structure is very much upside-down from what you are facing. But still the importance of the role of the government is relevant here. But I think it is relevant everywhere and I don't want to get into details because you have emphasized the importance of government, the importance of people.

At the same time, how do you bring more benefits through the private sector?

But the wide spread of the benefits, and also the issue of the infrastructure, will be very prevalent in the current TICAD discussion. And I would hope there would be a sharpened attention on some of these points. I cannot possibly summarize all the wise things and the important messages but perhaps you could start exchanging your views a little bit and if we have some time I will invite some questions from the floor as well.

I won't go through the same order. Any one, any kind of observations you want to emphasise at the point, please. Mr. Meles Zenawi, why don't you come in with any of the observations you want to emphasize at this point?

Meles: I really want to say one or two things with regards to Don's intervention today. First, that agriculture has to start the process of development.

If it is the end of development, then there is no economic transformation, but if an economy is going to be transformed from the bottom up, it has to be driven by agricultural growth. My understanding is that there are very few countries other than those who have struck gold, oil, who have transformed their economies by means other than first focusing on agriculture and transforming agriculture.

And secondly, I want to go back to what Professor Stiglitz was saying in his intervention about mistakes of industrial policy that happened from time to time being part of the game. One of the most effective development institutions in the history is Ministry of Trade and Industry here in Japan. Even that ministry got things wrong. One of the perhaps serious mistakes made by that ministry was to tell Honda to stick to motorcycles and not venture into cars. And so, even the best make mistakes.

But as Prof. Stiglitz was saying, none of the mistakes of the Ministry of Trade and Industry in Japan could remotely compare with the mistakes in Wall Street in recent years related to sub-prime loans. None of it could compare with it. And that's the market.

And so, if we are prepared to live with mistakes of the market as part of the game, we have to live with mistakes in government industrial policy also as a part of the game. It is usually less expensive than mistakes of the market, usually but not always.

Sometimes as our illustrious teacher and leader from Tanzania, Mwalimu Nyerere, he was perhaps the most respected leader in Africa, but he made a mistake, as President Kikwete was saying, in the second phase of Tanzania's development. He made a mistake in my view not because he emphasized the government intervention but because he stifled the private sector initiative. None of us are suggesting that the state should stifle the private initiative or smother the market. But the state has to be there. Without the state, there is no sustained growth.

Kikwete: Let me thank my fellow panelists here for the sub-supporting proposals that have been made or contributions that have been made. Of course, as I was saying, each one of us has a different background. And the Tanzanian experience has to start with redefining the role of the state in terms of its involvement in the directly productive and trading activities. After we redefine that, we can then start to take a different trajectory in terms of promoting growth of the country.

Of course the role of the state remains critical, but for many governments in Africa, our biggest problem really remains with resource constraints. You rarely see the role of the state, but you have to do something. For example we are trying to promote agriculture in Tanzania. And one of the things we thought we could do is help in irrigation infrastructure, the major infrastructure to take waters from the lakes or rivers and take them to the farming areas and leave the farmers with the role of taking the water to smaller canals or pipelines from this bigger infrastructure.

You see that one as being desirable. There is a need for fertilizer. So we tried with subsidy to subsidize the fertilizer prices. In fact, we trebled the budget. After trebling the budget… As Dr. Kaberuka is saying, the prices of fertilizer have been almost impossible. The price of DAP fertilizer has increased from 250 dollars per ton to 1,250 dollars per ton. So all the subsidy has completely been wiped out. And the urea has increased from 200 to 250 to 650 dollars per ton. So we cannot treble the state capacity to meet the trebling of the prices of fertilizer.

Of course, the other is infrastructure development. It's so capital intensive. Huge sums of money are required and we are working from the standpoint of poor government. So these are the areas where we get comfort when TICAD is focusing on infrastructure, or when you see the European Union increasing the budget for infrastructure, when we see Dr. Kaberuka and the African Development Bank increasing the budget for infrastructure. Left alone, these are wishes we all know have got to be made good. But there isn't much that we can do without the necessary support.

So the only thing I was trying to say is not that we don't know what needs to be done. Our biggest problem now really is constraints about how much we can do that can really meets the requirements of the country or the requirement of the society, that we have the responsibility of leading from poverty to prosperity. Thank you.

Chissano: I think all has been said. Because the main point here is to emphasize what all have said, that the state must lead. We are speaking about good leadership. Which means you have to lead. You may not leave all to the market to decide. And we have emphasized that all the countries in Africa are not the same. The policy of one-size-fits all does not work. It doesn't work for Africa, it doesn't work for the world. We sometimes are blamed for bad leadership, bad governance. Although we want to accept this blame, we would like that those who blame us should know from where we came from.

What did colonialism leave when we came to independence? We are in a process of construction of almost everything, but I would not expand it here because we would need much more time. I would come to present the situation. These rise of prices of food commodities, of food, these rises of prices, where Africa will be, we need tremendous efforts.

We are speaking about the green revolution. Is Africa in a situation to have this green revolution to succeed, with Pres. Kikwete just said about fertilizers?, The affordability of fertilizer with the rise of fuels? If you have to have a tractor moving around to make agriculture and to have fertilizer to increase productivity… Our peasants don't make two tons of maize per hectare. And Japan makes what, ten, other countries make ten. So this is a very critical situation, which the world has to look at if you want, I repeat, to attain the MDGs, but more if we want Africa actually to develop.

The countries in the developed world can say "Well, this is none of our business, this is for Africans to solve their problem." Because they think they are living well, why should they deprive their citizens of some money because they have to help the other countries to run? But they should not forget they are just islands. We are going to be more and more the majority living with nothing. And so they may be flooded by this ocean. Because they are islands and they are becoming more and more islands. So I think combination of efforts to change the world is a must.

Kaberuka: Just briefly, if this debate was taking place 10 years ago we would be describing Africa in very fatalistic terms. A forgotten continent, a continent of problems and so on. I think today, in terms of how debate shifted, now you hear Africa is turning a corner and it is right. So I think what we need to do is to seize this opportunity to see what can be done.

Just look at the numbers and the leaders around here. You will see that the fastest growing region of Africa growing today is not the region with oil and minerals. It is the region of Ethiopia, Tanzania, Uganda, Mozambique and Rwanda, which has no minerals and no oil, because of the combination of good policies and strong international support at the right time. So I think what we are saying here is if we can maintain this momentum, progress even without oil is possible. Because at the end of the day, it is to ensure our country is not dependent on oil or minerals.

Second, it is important, together with Japanese authorities there is a program called a New Rice for Africa, in which the bank and JICA are closely involved, where you get up to five tons per hectare. This can be done as long as we do the right things and ensure our farmer get the signals. And I am hoping that in response to this food crisis which can be an opportunity for farmers, if we do the right things and the possible, progress to the agriculture revolution is possible.

Ogata: Thank you very much. I think there are lots of other things to be discussed. We did not talk about the implication of globalization which has a very serious impact on all the state and the leaders. However good the domestic policies are, they are affected by globalization in many ways, which means to those environmental issues, to the climate change issue. And there is even the question of issue of food and fertilizer price increase. They are all affected by the globalization trend which I hope another seminar would be able to deal with them, because Japan is also very much affected by globalization.

Now I would like to have, because the participants really want to have, some questions from the floor. And I think we might have time for about three questions. If you are precise into the points, I think panelists can answer.

Kikwete: Suggestions are alright, not only questions. How do you get out of this predicament? It is a shared responsibility.

Questions and Answers

Audience 1: My name is Masaki Miyaji. I came from Mitsubishi Corporation, the purely private sector.

From the private sector's point of view, investment environment in Africa is not charming enough for us because of less competitiveness. As you know, for private companies investment is for making a profit, not for the charity.

The competitiveness at the international level should be low in order for projects to survive for ever. However, infrastructure is not enough, weak labor scales, less technology, fewer possible partners in that country, particularly the private sector; it means small domestic savings in African countries. Law regulation for foreign direct investment is not strong enough. Small markets in Africa and so on. From that point of view, I believe the government governance, strong leadership and commitment for the project are prerequisite.

From my company it is a fact that we invested in these three countries. In Mozambique, the model project that President Chissano raised, that is actually my baby in Mitsubishi Corporation. And I met President Chissano before we made it, for several times, to confirm how much presidential commitment we could get. And I did it and we invested.

Tanzania we invested in an office building there and in Ethiopia we invested for some of the fertilizer projects. Then the president here well knew how government or governance commitment is important for the private sector investment.

My questions is: what are the charm points or charm fields in your country?

In other words, do you have particular focusing industry to develop in the future? That is one question. Because each country should have its own situation and it is not the same in each country.

Audience 2: My name is Tadahiko Ito. I am a member of the group of the parliamentarians that are committed to advancing the TICAD process. And I think the two major issues that the parliamentary group would like to promote are education and infrastructure building, but not in a way that the tortoise and the hare will compete. But both can coexist and the hare and turtle can live happily. And that's the outcome I expect. I would like to know the needs of Africa.

Audience 3: My name is Izumi Ohno. I am a researcher at the Japanese University. We have a graduate school program. We receive your students from your countries too.

I have a question. I am organizing a forum to activate Japanese ODA, International cooperation policy debate. And I am the enthusiastic advocator that Japan should do much more in working with Africa. My main struggle is that people say why Japan should be increasing our aid to Africa. Particularly given the tight resource constraints, Japan has also lots of internal problems. So from your perspective, African perspective, how could you answer this question?

I am also advocating we should increase aid to Africa and additional aid should be first focused on growth leaders countries. With the possibility of stabilizing the economy and political system, and will to do more for the further step. But that may imply some selectivity and focus.

And how about this idea. Japan should be focusing on some selective countries with potential growth leaders.

Kaberuka: Let me say that the needs for Africa infrastructure are estimated at about 22 billion dollars per annum. At this time what is available mainly from international financial institutions does not exceed about 7 billion dollars per annum.

Now that means money from financial institutions and what they can synergize from the private factor. We fully realize this kind of money cannot come from foreign aid alone. It will require us to mobilize, as Pres. Kikwete was saying, partnerships from private sectors as well. At this point, Uganda with the Japanese Bank for International Development were financing a dam together. We have private money in there. You have JBIC and you have African Development Bank. And they will be generating 400 megawatt electricity for East Africa. So it is possible to work to together in this way.

Now, where should Japanese aid be concentrated? I think the first answer is this. Our countries seated here have all different needs as Pres. Chissano has been saying. They have there national plans. Now each country is different from the other. A small country emerging from a conflict–let us say Burundi–has different needs from countries like Tanzania, Ethiopia which are moving on.

It is important to look at what are the priorities of the country. See what other countries who are supporting are doing and decide where you can have maximum impact.

At this point we are putting lots of emphasis on the kind of things we are being discussing. Regional infrastructure, national infrastructure, skills and building capacities for the government. And I think I would like to welcome Japan to join us in this kind of emphasis.

Melez: Let me comment on two of the three issues that have been raised. I would fully support what Kaberuka has said on the infrastructure issue. It's mainly roads infrastructure for utilization of water resources. Both irrigation and drinking water, and power. So these are the key issues in infrastructure. More transport in power.

Now, why should the Japanese support Africa when they have their own domestic problems? and if they do, should they be selective?

Now you are talking about enlightened self-interest rather than general principles of international solidarity so on and so forth. So I will focus on enlightened self-interest. This is not to say there are no considerations other than self-interest in this interaction.

There are two important considerations in my view. First, the highly developed countries in an environment of globalization have to live with Africa whether they like it or not. Now Africa can be a player, a positive player at the table or it can be a spoiler. It will have to be one or another. If Africa becomes a failed continent you will get the benefits of the failures as much as the Africans: in terms of trans-boundary crime including terrorism; in terms of trans-boundary diseases, such as Ebola and so on and so forth.

So I think it would be prudent for the Japanese to keep these dangers bottled in Africa. And the only way of bottling them in Africa is by removing them from Africa.

Because once the genie is in Africa there is no way of bottling it. That's the first point.

The second point of self interest is when Africa develops, when you support Africa it's like any investment. The only difference is, this is long-term investment. If you are in on the action when the seeds are being sown you will be in the action when the harvest is being collected. It will not be next year, may not be after five years. But sooner or later what would be sown in Africa is going to be harvested.

Japan is the part of the sowing; it will be part of the harvesting. If it is not in sowing it will not be in harvesting. And we are talking of one of the most well endowed continents, not only in terms of natural resources, but also in terms of population.

Final point in terms of industry is that we focus on Ethiopia. Our policy is agriculture leads industrialization. At our stage of development, agricultural development has to lead industrialization. And as the consequence of that, agri-based industries have to lead the industrialization. So the first industries that you have to develop are the labor-intensive, local raw materials; those come from local raw materials. So we have selected two: Prof. Stiglitz was talking about livestock, we have quite a bit of livestock. And we have focused on leather processing and leather sectors industry. And the other one is the textile industry.

Let me say about the questions raised by Mr. Masaki (Miyaji) about the investment environment in Africa not being competitive, that we are not being conducive. Well, you could also look at it the other way round. What is it that you would like to see more than Africa, in terms of being a large market for Japanese goods? If you were in any place in Africa or any road in Africa, nine out of 10 cars will be Japanese. Walk into any electronic shop, and the cameras will be Japanese. The TV we have is Sony or Toshiba; it will be Japanese. The cameras will be Japanese. So I think that itself is a major indicator, that this is a place to invest.

Japanese goods are already accepted. People need Japanese goods. In fact, Africa is the Japanese market. It's the market for Japanese goods.

Go into the construction industries. The major truckers–almost everything consumed there is Japan-based. So I think this should be a sufficient indicator for Mitsubishi I think, to come and locate business in Africa. It will be very close to the market. You don't need anything else other than that. What else do you need?

An investor needs political stability. Except for a few isolated hot spots, the rest of Africa is at peace. The fear that there is instability in Africa is not a subject any more, unless you intend to invest in Darfur where there is a conflict now. But if you want to invest in Africa and do business in Africa, there are so many countries where you can go and invest.

You need guarantees that you will get your money back. In most of these countries, there are investment regimes and laws that guarantee an investor to get his or her money back. And most of our countries are part of the multilateral investment guarantee agencies of the World Bank. We are part of international center for settlement of industries investment disputes. And all these are not Africa-based. This assures against risk.

In the past, as I was saying, our example was it was fashionable to go socialist, to nationalize. These days, that fashion is out of the market. So at least you are assured, all countries are now aspiring for market-based economic policies. You need macroeconomic stability. Most of the countries in Africa have attained macroeconomic stability.

The only issue of concern now is high petroleum prices, high food prices, which are actually threatening one particular indicator of macroeconomic stability inflation, which is almost the problem now world over. So you can go with the list of issues you like to see.

Even with the rates of return Dr. Kaberuka will help us. The rates of returns for investment in Africa are higher probably than the rest of the world. So even in economic terms, in market terms, Africa is a place where a friend from Mitsubishi can look as a destination for investment.

Kikwete: Promote education infrastructure: what are the African needs? Africa needs to be helped to develop science education. That's critical. I am speaking of the examples of Tanzania. We came into a phase where we could have tripled in these two years, enrollment into secondary school from 190,000 to 450,000 in these two years. But this was done through community participation. The people themselves volunteered to build the schools.

But they need laboratory equipment for science education. It's an area where African Development Bank is helping us. So if you can have as many volunteers as possible to contribute laboratory equipment for African schools, that will be the biggest support you will have rendered to Africa.

The last is selective, yes, because you can't do everything. Again, I repeat what my colleagues have said: infrastructure, if you have to select, select infrastructure. Roads, railways, power and water supply.

Why should you do it? First, it is the duty of humanity to help those in need, at least for those who are better off. But second, make the pastures in Africa greener so that you don't have problems of migration. I was speaking to OECD two years ago, they were busy in Europe erecting stringent migration laws, I said, "You are wasting lot of time. As long as pastures are green on the European side and brown on the other side, you cannot stop this flow. Both people will always be there." It is that responsibility. I thank you.

Chissano: I would not say anything. My president is going to arrive and he will say lots of things about the future. I can speak about the past. But if one question came and told you to pinpoint one industry, I would say we have said it all here. We want to know now, from what we have said is of your interest.

For instance, Mitsubishi, he mentioned is in Mozambique dealing with aluminum smelter. This aluminum smelter produces ingots; these ingots are sold outside. And we buy the construction materials, aluminum construction materials. Roof sheets and beams, everything and we import aluminum; why not an industry? A second industry to make use of, add value to this aluminum which is smelted in Mozambique. You don't have to ask questions like that because you have it there, the needs are there. I could name a lot of things. We have spoken about fertilizer. We have gas in Mozambique, they have gas in Angola, we have gas in Tanzania, but there is no factory for fertilizers in the region.

We have what you call the process: the process in Malawi, the process in Mozambique, the process in Tanzania. But here we are saying fertilizers are of high price. Is this not a profitable industry? This doesn't have a market? With whom you are going to compete. Because there is no other person who is doing it. It is time someone has to come and start doing something.

You are going to come and say "Give me space because I also want to start competition." We came here several times to Japan to present all these. Power, hydropower; the second dam in Mozambique is yet to be built. We came here and said we want to build that dam.

Now one small example of a joke, to end up with a joke: I discussed with the Japanese authorities here about construction of two bridges. One was the Ruvuma border with Tanzania. Another one was a Zambezi bridge. Do you know what question was asked there, "Is there much traffic to justify the construction of the bridge?"

And I said, "How can I know because there is no bridge". Now the bridge is being built and it's only after other people came to say, "Yes, we are going to build a Zambezi bridge with only 80 million dollars." They said "We are coming to build." Then Japan said, "Okay, we can contribute 9 million dollars," but up to now they have invested only one million dollars. So you see how things are.

Others have come where there is good competitiveness, an enabling environment and so and so on. You don't see it, other people come and see it and then you come and run and do something. So, thank you very much.

Ogata: In concluding, I would just like to say thank you to each panelist for bringing your own experience, observation and your advice. And I think we started talking about the possible African miracle. I don't think we need a miracle. I think there is solid, steady growth taking place in Africa today. That is what we have to recognize and help.

Japan, and I don't talk on behalf of Asia or anything, on part of Japan and those who are engaged in this process. Thank you very much for having us here. And it was a privilege for me to be able to chair this meeting. Thank you for the audience.