

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 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.