

AFRICAN UNION

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**STATEMENT BY H.E. MRS. ELISABETH TANKEU, AU
COMMISSIONER FOR TRADE AND INDUSTRY**

AT THE CELEBRATION OF THE “AFRICA DAY”

TOKYO, JAPAN, 25 MAY 2009

**Mr. Chairman,
Excellencies,
Distinguished Ladies and Gentlemen,**

It is a great pleasure for me to be here today to participate in this year's celebration of "Africa Day". The theme that has been chosen for the celebration—"The Global Financial Crisis and its Impact on Africa" is very appropriate and timely. I wish to commend the organizers of today's celebration namely, the African Diplomatic Corps in Tokyo, the United Nations University and the Japanese Ministry of Foreign Affairs for the choice of the theme and thank them for inviting me to participate in the celebration. His Excellency, Dr. Jean Ping, the Chairperson of the African Union Commission, has requested me to convey to you his fraternal greetings and best wishes for a successful celebration.

**Mr. Chairman,
Distinguished Ladies and Gentlemen**

It is widely agreed that current global economic crisis is the most serious that has afflicted the world since the Second World War. It has its root causes in the failure of financial supervision and regulation in the developed countries but, because with globalization the world has become a real spider's web where everything is interlinked, the adverse effects of the crisis have not been confined to the developed countries.

Mr. Chairman, Distinguished Ladies and Gentlemen

Although the global crisis is not of the making of Africa, the countries on the continent are carrying a disproportionate burden of its adverse effects. According to IMF projections, Africa's economic growth will be reduced by half in 2009 and beyond. Before the crisis when the average rate of economic growth on the continent was over 6 per cent, most of the countries were not on target towards meeting the Millennium Development Goals. With the sharp decline in economic growth, the attainment of the MDGs by the target date of 2015 will become more difficult if not impossible. As a result of the global crisis, poverty and unemployment in Africa have become aggravated, with serious implications for social and political stability. African countries have

been more adversely affected than the developed countries in which the crisis has its origin, but unlike the latter, they lack the means to counter the effects.

There are many channels through which the global crisis has been transmitted to Africa. The major ones are trade and finance. Between 1995 and 2006, Africa's exports increased at an average of 12 percent per annum. The crisis has resulted in a sharp fall in demand, prices and export earnings of Africa's commodities. As at 17 March 2009, The Economist's commodity-price dollar index for all items had fallen by 40 per cent compared to a year ago. With heavy dependence of African countries on commodity exports, the impact of global crisis on their economies has been devastating. Tourism arrivals are declining and remittances have declined sharply. As a consequence, many countries are running into problems of fiscal and balance of payments deficits and unsustainability of external debt.

The second major channel through which the adverse effects of the global crisis are being transmitted to Africa is finance.

Foreign direct investment, trade finance and portfolio flows into the continent have all declined sharply. Investment in extractive industries in several African mineral resource rich countries has come to an abrupt end. Foreign bank loans and trade financing to African enterprises are being reduced as a result of risk aversion. Before the onset of the current crisis, many developed countries were not meeting their ODA commitments to Africa. With the adverse impact of the crisis on their economic growth, there is real fear that the countries may reduce their ODA to Africa as part of the response to the crisis. At a time that Africa needs more and not less resources, such a response will worsen an already bad situation. The cumulative effect of the impact of the crisis on Africa's trade and finance is the sharp reduction in growth and increase in unemployment and poverty. Within the continent,, the global crisis is rapidly turning into a human and development disaster.

In recognition of the danger which the crisis poses for social and political stability in Africa, the Policy Organs of the African Union (including the Summit of Heads of State and Government, the

Conferences of Ministers of Trade and Finance, and the Governors of African Central Banks) have contributed to the development of a Common African Position that sets out the main elements of the needed responses to the crisis at the national, regional and continental levels. The common position was presented to the G20 at its recent London Summit.

Africa has been particularly vulnerable to external trade and economic shocks because of its excessive dependence on the markets of its traditional partners in the North and heavy reliance on exports of raw materials. The key to minimizing this vulnerability is the development of national and regional markets, the diversification of economies, the strengthening of South-South cooperation, and the building of capacities for the enhancement of competitiveness, greater value addition to raw materials and the production of industrial goods. Thus the strengthening of regional integration and building of infrastructure, human capital and appropriate technology are being accorded high priority in Africa's response to the global crisis. So also is the strengthening of the economic and political reforms that have been a major factor in improvement in the economic performance recorded by African countries before this crisis. The establishment of African regional financial institutions such as the African Investment Bank, African Central Bank, and African Monetary Fund, are also being fast tracked as part of the response.

A global crisis of the current magnitude requires a global solution that must be inclusive. For too long, global economic and financial governance has been shaped and dominated by a few countries with greatest shares of world trade and output. Although Africa is a major source of the natural resources that power the growth of trade and income of the major players, it has remained perpetually marginalized in the governance and institutions of the systems. But when the global system malfunctions, as it is doing now, the continent has been the major victim of its tragic upheavals. There is something fundamentally wrong with a globalization process in which Africa does not share much in the benefits but has to carry a disproportionate burden of its malfunctioning. The present crisis offers a unique opportunity for the reform of the global economic and financial governance that will give greater representation and voice to Africa as well as enhance solidarity among nations, both

rich and poor. The last Summit of African Union was categorical in its determination to see Africa involved in the process of reshaping the global financial and economic system. At the last G20 meeting, Africa was represented by South Africa, the Chairman of the NEPAD Heads of States Implementation Committee and the Chairperson of the African Union Commission (AUC). This is a step in the right direction.

In addition to a fundamental reform of the global economic and financial governance and institutions, the expected global responses to the current crisis as highlighted in the African Common Position include:

- Enhancement of multilateral surveillance of policies in the areas of exchange rates, banking systems and capital account movements;
- Regulation and supervision of domestic and international financial systems;
- An international programme of debt forgiveness and write-off for all developing African countries to release resources to counter the adverse effects of the crisis;
- Integration of Africa into the coordinated effort to stimulate global aggregate demand;
- Reduction of conditionalities and the need to frontload funding by the IMF, the World Bank and the Multilateral Development Banks;
- The need to enhance and deliver on ODA commitments;
- Improvement of Debt Sustainability Framework;
- Greater policy space for developing countries in the management of their economies;
- Avoidance of protectionism by the developed countries as a response to the global crisis;
- Successful conclusion of the Doha Development Agenda with significant development outcomes;
- Greater coherence in programmes and policies of International Organizations (especially among WTO, UNCTAD, World Bank/IMF);
- Support for Africa's Regional Integration and in particular the development of regional infrastructure.

Prior to and after the G20 meeting, the African Union had engaged its development partners on the above elements of its common

position. While the G20 at its April meeting had addressed some of these issues, a lot still needs to be done to take on board the interests and concerns of Africa. For example, the proposal for the allocation of 0,7% of the stimulus package adopted by the developed countries to be allocated to a vulnerability fund that can be used to assist developing countries in mitigating the effects of the crisis has not received the much needed support. Although the G20 has committed itself to providing additional resources of about 1.1 trillion dollar to the Bretton Woods Institutions and the Multinational Development Banks, the commitments are yet to be honored and the modalities to be determined. It is important that the commitments made by the G20 in London be quickly met. They should not go the way of previous commitments that promised much, but in the end delivered little to African countries.

Mr. Chairman, Distinguished Ladies and Gentlemen,

We are all well aware that Japan is a major player in the global economy and a key development partner of Africa. Through the TICAD process, it has been contributing to the development of Africa and the efforts of the continent in meeting the challenges of development. It is the expectation of the African Union that Japan will assist in the achievement of a new global economic and financial architecture that adequate account of Africa's interests and concerns. We also expect Japan to ensure that the implementation of the Yokohama Plan Action serves as an effective instrument for dealing with effects of the global crisis on African countries.

Long live Africa-Japan Partnership

I thank you for your kind attention and wish you successful celebration.