

The Annual Baltic Forum Conference
Global Crisis – National Responses

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ABSTRACTS

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Thank you, Igor Jurgens for inviting me to my first visit to the Baltic Forum and also thank you to Viktor Makarov, too. I'm going to do something rather different: I'm going to talk about Africa.

The darkest thing about Africa is our ignorance of it. And this is true, this has been true for hundred or more years, it's even truer today, when in all this debate about recession hardly anything has been said in our newspapers and our media about the plight of the poorest continent in the world.

Ben Okri, for my mind, is one of the greatest living writers in the English language. A few years ago he won the Booker prize which is the main prize for novelists in Britain. And in his great book, "The Famished Road", he wrote:

"Everywhere there was the crudity of wounds, the stark huts, the rusted sink abodes, and the rubbish in the streets. Children in rags and little girls naked in the sand playing with crushed tin cans. The sun bared the reality of our lives and everything was so harsh, that it was a mystery we could understand and care for one another or for anything at all."

Needless to say, Africa is having great setbacks today, just like the rest of the world, but most of it is not retreating to the state that existed before, although you will find outrageous, near-universal poverty in some countries like Sudan, Congo, Guinea, Central-African Republic, Malawi and Chad. The big world crisis has hit Africa hard. Commodities, which have been an important part over the last few years accounting for African growth, the exports of these are down. And, of course, the oil-producing countries, Nigeria, Angola, Guinea; have been particularly hit by this. But non-traditional exports – flowers from Kenya, for example or vegetables from Uganda, mainly selling to Europe have managed not to be so significantly hurt.

Some would say there was another factor that preceded the recession by a year or so, which was food prices; they went up very sharply, and people say that this has hurt Africa. I don't think this is true of the food-producing countries. Take Nigeria, where in recent years agricultural production has increased by a very healthy 7.5% a year. And last year, when I was in Nigeria, I went out to the rural areas, where they were growing and processing their main crop – casaba. The high prices, farmers told me, were encouraging them to plant more and to process more. And this has been true all over Africa, where the urban sector is not too large and the rural areas, which still hold the majority of the population in all these African countries have benefited from these higher prices.

A third hit for Africa is that it's been crowded out of the credit markets because of the present crisis, just as countries like Nigeria and Ghana were preparing for the second time in recent years to float bonds on the international market. As we all know there is a great effusion of bonds from the Western world in particular, and it becomes too expensive for the market to think of buying African bonds. But Ghana, who is the first leader in this, had actually got to the

stage where it could dispense with foreign aid and concentrate on the bond market. That has been shattered, at least temporarily.

And then aid, foreign aid, which is a mixed blessing, in my opinion. And if you want the argument against it, you should read the new book by the Zambian female economist who used to work for one of the major banks in the US in a very high position, although she's very young, a woman called Dambisa Moyo, who has put the argument against aid. But nevertheless, aid is yardstick in the G8 for how much they want to help Africa. This has gone down, and I think in Russia it has also gone down.

So those are the negatives; now, let's look at the positives: until the present crisis, Africa as a whole, and I am talking about black Africa, was growing 7% a year on average. Now that's an average; obviously, countries like Sudan or Ethiopia or Congo, etc., Malawi were pulling that average down. So it means a lot of countries were over the average. Now compare this with the early 1990's, when economic growth on average was 1% a year. That is an incredible jump, by any measure of any economy in the world, from 1% to 7%. In fact, Africa in that period, believe it or not, was the fastest-growing continent in the world.

Today, the International Monetary Fund say that for this year and the next year, probably, the growth rate will be down to 3%. But that is still rather better than what has been forecast for the rest of the world, which is an average of 0.5%.

One way to measure the success of Africa is the mobile phone revolution; some of you, unfortunately, may call it the cell phone. One in three black Africans have mobile phones. And again, that is an average, it means in some countries you've got eighty percent usage, even in the poor rural areas, where they still live in small houses made of mud. I remember only a year ago sitting on a plane and next to me was a Dutch telecommunications engineer and I said "Where are you going?" and he said "I'm on my way to Congo". And we all know that Congo, the biggest country in Africa, has been at war with itself for what, 40 years? And today it's a total mess, there are no railways functioning anymore, there are hardly any roads, river traffic is down, because the ships don't work anymore. But he told me that in the Congo they're using special trucks with enormous power to go through the rural areas, the backwaters of the Congo, through the forests, through the savannah and plant masts for the signal of the mobile phones. This, to me, was an incredible statement. In Africa with mobile phones they're ahead of us! With my phone, which is a Swedish phone (and I have a Swedish wife, although I'm British), in Tanzania and Kenya, where again I was last year, you can use your mobile phone to check on bank accounts, to send money to relatives in distant villages, you can pay your bills; all this has probably added 1% to Africa's economic growth. It's rather like the old British policy during the early colonial times, when people like Cecil Rhodes were conquering parts of Africa - the British imposed a hut tax. Because they were developing the mines and developing industry, and Africans didn't want to leave their homes and lands to go and work there, the British put a tax on every hut. And to pay that tax the men had to go and work in the mines. Well, I think the telephone, the mobile phone acts rather like the hut tax. It pushes or forces African villages and people in the slum areas to earn more to get the phone that they so badly want and all their friends are getting. But I'll say another thing: Africa may be poor, but I think there's a lot of money in aggregate, stacked under the mattress, and has been for a long time.

Now, another good thing that persists even in the recession (and the mobile phone, by the way, is still growing in this time of recession) – population growth, which has long been a bugbear of Africa, is still falling. Contraception in some countries is up to about 50% of the population; that doesn't really go down in a time of recession.

A third thing is the number of stock markets that have opened in Africa. Even in war-torn Rwanda.

Fourth, there were, until the present crisis, seventeen countries with credit ratings opening the doors to the arrival of private capital. Around 500 stocks are traded in these stock markets; 85% of those are non-commodities.

War is now very rare in Africa; it's fallen faster than any other continent in the world. Only in Congo, Chad and the Sudan even in this time of recession and growing problems there has been falling war.

Banks, luckily (and I'm talking about the last ten years) all this period of time have been very conservatively run. Luckily, the foreign ownership of banks is small, controls on foreign exchange have limited banks from investing in the new fangled financial instruments that now plague the West. Thus, African banks have had almost no exposure to the sub-prime crisis, so there is no systemic risk for the African banks.

Corruption, too according to Transparency International has been falling. And this has got nothing to do with the recession, this is a long-term trend. Likewise democracy, according to Freedom House in New York that measures democracy all over the world – 33 African countries are now free or partly-free. In 1980 it was only 18.

Now, I was going to talk about Nigeria, where one quarter of all the black people in the world live, but I've just been warned that my time that my time is running out; and maybe I can talk about that in answer to a question. I hope somebody will ask me what is happening to the biggest "black" country in the world.

Of course, in summary I would say, all this achievement, not all of it, but let's say 65-70% of it has been set back by the present crisis. But beneath the crisis in its African variant, many of its citizens are ready to go, e.g. the mobile phone. Just as private capital which was on a fast increase before this recession returns, before commodities and oil prices start to turn up, and already we've seen that, we saw it on one of the graphs just here, and when business confidence returns, then Africa, I believe, will carry on progressing - not just in a range of 7.5% on average, as it was before, but perhaps going up to 8% or 9% or even 10%. Mr. Chairman, I say again: the darkest thing about Africa is our ignorance of it.