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Statement

by

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Your Excellency, Ahmed Ould Teguedi, Chairperson of the Executive Council;
Your Excellency, Dr. Nkosazana Dlamini-Zuma, Chairperson of the African Union Commission;
Honourable Ministers;
Excellencies;
Distinguished Ladies and Gentlemen.

This will be my third visit to Malabo, and I cannot help noticing how much change has occurred. I feel honored to be given this platform and cherish the opportunity of addressing you once again, at the moment where we will be discussing the "future we want".

Your Excellencies,

Less than 2 months ago, workers in Dongguan, Guangzhou, Huizhou, Jiangxi and Shenzhen went on strike. Their grievance was related to better working conditions. They had one key contentious issue; their pensions. Since they migrated from rural agricultural settings three decades ago to contribute to the industrialization of China, they are now entering a new stage. They are concerned about the socio-economic consequences of the rising living costs, on well being, and more importantly their future. Recently, textile and toy factories are closing down, driven out of China by rising labor costs. Production has been shifting to Bangladesh, Cambodia and Vietnam where salaries are five times lower. It thus follows that some Chinese workers are worried about their ability to sustain their acquired middle class status. There is a common element to this social movement; a rebellion against traditional conditions of labor in China and the rejection of migrant status by those who have now lived in megacities for so long. I mention the Chinese workers to draw the lessons and opportunities for our own agricultural transformation. For the majority of the Chinese industrial

workers, 25 years ago, they were farmers. The poverty levels then, in relative terms, were higher than Africa. The Chinese fostered massive migration to urban areas for the nascent industries accompanied by significant changes in rural areas. The combination of massive migration and increased agricultural productivity were the tipping point for poverty reduction in China. It translated into a GDP growth that went from 3.8% in 1990 to 199 around 10 per cent over about two full decades.

What it means is that the problems China is confronted today have very little to do with reality of the seventies. The same applies to the individual workers. They have forgotten those past times. They now want better social protection, better conditions and access to credit and consumption. In one generation, the majority of the Chinese face fast world problems leaving behind the poverty spectrum.

Comparatively speaking, China's poverty rate in 1990 was 60% compared to Africa (excluding North Africa) at 57%. Furthermore, the average income of the extreme poor living in Africa (excluding North Africa) was $0.69 compared to $0.83 in China.

Why it is that Africa does not have now the same problems as China? Since our socio-economic realities were so similar, part of the answer lies in the fact that Africa did not have an agricultural revolution and did not use industrialization to reduce poverty. China instead helped the world halve extreme poverty. But one cannot be simplistic in the analysis. It is true that Africa's aggregate need to reduce poverty was much higher than China's. Countries with very good initial conditions, like China, had a shorter mileage to cover in poverty reduction than those with poor initial conditions like many African countries. Unlike China, the structure of the economic growth in most African countries did not respond to the need of the structural requirements for inclusive growth. In recent times though,

significant reduction in poverty in Ethiopia and Rwanda has been linked to rapid growth in agriculture. Unfortunately, this does not hold true for extractive sector driven economies like Angola, Nigeria, and Zambia as well as a good number of agriculture based economies.

We need to seriously rethink our policies on agriculture. Its share of GDP has been decreasing. It is now below one third of the economy. The most important driver of agricultural transformation, productivity, grew by 38% in Africa since 1990 whereas in China it grew 133% over the same period. The progress in agricultural productivity level has been uneven across countries, ranging from an increase of 325% in (country) to a decrease of about 40% in (country). The varying initial conditions for different countries on economic, social and political environments make region comparison on the agricultural productivity challenging. But it should prompt us to identify which policies have made a significant difference and stop acting as if it will happen by accident. We are not talking about rocket science.

There has been a significant reduction of income of the rural population. Their lives have been often circumscribed to self-sufficiency, resilience and poverty alleviation. They have not been linked to a modern economy. It is well observed that countries with low agricultural productivity tend to be less industrialized. The simple reason is that agriculture is the main source of raw material needed for industrialization. Keeping it in its infant form does not allow for labor reallocation to other emerging economic activities.

The main difference between China and Africa is that China had the policy determination rather than just "will" to charter a path that consolidated its growth and structural transformation. Its leadership had vision. It worked, but even there, now, it has to change.

We note that the kind of industries that are labor intensive are the ones giving trouble to China. We do not rejoice but see a real opportunity for Africa as relocation of part of the Chinese and other Asian industries will look for a younger and promising African market.

Evidence suggests that there are five conditions common to all cases of successful agricultural transformation: Macroeconomic and political stability; effective technology acquisition; access to markets; clarity of land tenure systems and easiness of industrial initiative; and employment-creation outside the agricultural sectors. These five conditions must be sustained for decades for successful agricultural transformation to take root. African countries still do not pass this test.

The transition out of poverty in China witnesses the development of a policy environment supportive of an industrialized and commercialized agricultural sector, which increased food production, income, and created jobs outside the sector. This is extremely important as Africa will record the largest population growth over the next 40 years. Youth unemployment can be absorbed by smart agricultural policies, including agri-business and agro-industries. They both have the capability to break the subsistence farming cycle. They can, through careful planning and execution, link African farmers to regional economic value chains that must be better connected to global value chains. Allow me to take you to Homgrown Kenya Ltd, a large scale plantation that grows and processes a range of flowers and vegetables for export. It was established in 1986, invested over $100 million and currently employs over 8,000 people. One of the particular features of Homegrown is that it also buys vegetable from local small holders for processing and export. It has its own in-house farmer training and extension services, benefiting over 1000 small scale farmers. It has an explicit value addition strategy despite unfavorable policy and infrastructure environments.

Agriculture and agro-business are powerful drivers of trade with shared benefits. Overall, the whole of Africa lags behind, accounting for less agricultural export or manufactured goods than say Thailand. African countries have yet to make significant progress toward adding value to primary agricultural commodities or achieve compliance with international standards. All African countries account for less than 10% to global value addition. Our ratio of trading cost to production is 12% compared to 4% for Western Europe and 7% for Latin America.

The gap between supply and demand for African consumers is huge. The demand for food and agricultural products is increasing dramatically. The need to meet this demand will also be answered by strengthening Africa's nascent agribusiness and agro-industry sectors. Food security is important but years of investment through FDI did not allow African farmers to leap into a green revolution or countries to reduce their import bill. Africans continue to buy yoghurts or milk from Europe.

As we look back at our agricultural contribution to the world economy, we should recognize African contribution to the transformation of many developed countries. It is high time that the riches of our soil fuel Africa's transformation. Africa should capitalize on regional differences to boost trade. Higher-value added products destined for domestic and regional markets as well as non-African markets could revitalize agriculture in all regions. It is estimated that current revenues from export could triple if domestic and intra-regional markets were galvanized.

We have to talk less about our 60% unused arable land and more about being the least productive in the field. We cannot live out of the potential. We have to live out the reality.

Some Chinese workers are angry and demanding more. We can learn from their example and avoid rebellion. However, a scale of problems, we are way behind. The issues faced by China or Brazil, Turkey or Western Europe are mostly middle class issues, not poverty issues.

Dongguan, Guangzhou, Huizhou, Jiangxi and Shenzhen are manufacturing powerhouses. But so were Manchester, Liverpool, Amsterdam or Marseille. They moved on. The Chinese centers will also evolve. We, in Africa, should be on the look out and remember that not only we can do it, but because we have learned, we can do it better.