

# African-European Party Dialogue of Socialists and Democrats Overcoming Inequality as a Political Challenge

Windhoek, Namibia, 5 September 2017

## Economic Relations between Africa and Europe: How Can they Contribute to Overcoming Inequality?

### *An African Perspective*

*(Discussion paper presented by Walter Évora, Cabo Verde)*

Comrades,

It is an honour and a privilege to be here with you. On behalf of PAICV (the African Party for the Independence of Cabo Verde) and on behalf of the President of our party, my delegation comprising of comrade Romeu Modesto here present, Cabo Verde former Secretary of State – and myself - wish to thank you for the invitation that was extended to us to take part in this important gathering of the socialist family and for the opportunity to visit this wonderful country.

Allow me to extend special greetings and thanks to SWAPO Party comrades and to our comrades from Friedrich Ebert Stiftung for the hospitality and warm welcome, and through you we would like to extend our brotherly greetings to the entire Namibian population.

The topic we are discussing in this two-day dialogue has a special meaning to the parties of the socialist family. The fight against inequalities and injustice in this world are the foundation of our socialist and democrat parties.

We keep receiving news and data that show us that there is a pressing need for mobilisation at worldwide scale to combat the worsening and dissemination of inequalities, and this Windhoek African-European Dialogue of Socialists and Democrats could not have come at a better time as it is an effort in this regard.

## African-European Party Dialogue of Socialists and Democrats Overcoming Inequality as a Political Challenge

We are living in a greatly unequal world where we find people with huge accumulation of wealth on one hand and those who are lacking even minimum livelihoods on the other hand.

Data suggest that the wealth of the 8 richest men in the world is higher than the wealth of half the population of the whole world. Thus about 115 million children worldwide cannot go to school and have to work; and their work contributes in one way or another to increase the wealth of the richest.

I think this is not acceptable.

About 3 million children die of hunger and malnutrition every year. Money generates more money and knowledge generates more knowledge. If you have no access to funding and knowledge, you will not be able to break the poverty cycle; and those who have both money and knowledge are not willing to share either of them.

The new liberal market-based economy which is predominant through globalization seems to create great opportunities for those who have more money and knowledge, while setting up enormous barriers for those who lack money and knowledge.

Is this fair for harmonious growth of humanity?

Will the market solve the problem of structural causes of inequalities or should governments take actions in this regard? I leave this question for discussion.

Africa still struggles with horrible dramas; inequalities throughout the continent have almost reached biblical proportions.

Have economic relations between Africa and Europe contributed to reducing inequalities in Africa?

My answer is “No, they have not”.

I am not trying to blame Europeans or Africans for this. I am just observing a fact. Those relations have not efficiently contributed to reducing inequalities in Africa.

Can economic relations between Africa and Europe contribute to reducing inequalities in Africa?

My answer is “Yes, they can”.

## African-European Party Dialogue of Socialists and Democrats Overcoming Inequality as a Political Challenge

I am sure that our African political leaders are committed to developing their countries and I believe that European political leaders are aware that Africa must solve its economic problems; otherwise Europe itself will be negatively affected by African problems.

Who are the key players when it comes to economic relations between Africa and Europe? Who determines these relations? Are they states through their governments or great multinationals through their private economic interests?

Are the great European multinationals that operate in Africa willing to collaborate and participate in the African development plan, by fully meeting their obligations towards African states, by paying taxes, by supporting the reduction of “illicit cash flows”? It is estimated that, between 2000 and 2008, about US \$ 50 billion went out of Africa illicitly.

Are the great multinationals willing to reinvest in Africa a large portion of profits they make in Africa? Are they willing to share knowledge?

I believe that it is up to governments to take the lead.

I am of the opinion that economic relations between Africa and Europe can significantly contribute to reducing inequalities in Africa, provided that they firstly have a strong impact on the industrialization process of African countries.

Africa cannot continue to only be a continent that produces and exports raw materials without any single processing, without any added value.

We export cocoa and import chocolate. We export coffee and import coffee powder. We export crude oil and import refined fuel. We export fish and import canned fish.

African states should develop realistic and pragmatic industrialization policies and there is a need to invest mainly in processing industries. European states have long experience and are knowledgeable about this, for they experienced their industrial revolution many years ago.

Processing industries were the economic development drive for most of developed countries. In fact very few countries were able to develop without a strong foundation in processing industries.

## African-European Party Dialogue of Socialists and Democrats Overcoming Inequality as a Political Challenge

Obviously we need to invest in African infrastructure in order to implement this strategy. We have to generate electrical power because we cannot start processing industries without electricity.

A great deficit that Africa has to overcome and which is highly detrimental resides in the short territorial electrical power coverage. Electricity is a determinant for the transformation of people's lives and the modernization of societies. There are direct implications with regard to increased production, productivity and wellbeing of the population.

Africa has abundant riches and the potential for fossil energy resources, and possesses also colossal hydroelectric potential as well as other important sources of renewable energies.

The United Nations Economic Commission for Africa estimated that in 2010 African processing industries represented only 1.5% of the total processing industries worldwide.

It is crucial for many African countries to invest in processing industries, which will enable them to create millions of jobs, at the same time contributing to technological diversification and capacity building. It will equally generate income for the people.

This path towards the African industrial revolution should be accompanied by strong regional integration because great markets promote competitive production, create an economy on a large scale and offer great trading opportunities between African Countries.

The United Nations Economic Commission for Africa has conducted significant studies about the same issue. Documentation is available. We do not need to reinvent the wheel.

Furthermore the African continent has tremendous potential in agriculture.

It is estimated that the world population will reach 9.8 billion inhabitants in 2050, which sets a big food challenge ahead of us.

The United Nations estimate that 26 African Countries will double their population by 2050. Nigeria will be the third most populated country in the world. It will be not only a big challenge for Africa, but also a tremendous opportunity because 63% of the world arable and uncultivated land is in Africa.

## African-European Party Dialogue of Socialists and Democrats Overcoming Inequality as a Political Challenge

This leads me to ask the following question: should African states carry on with this accelerated rhythm of selling large areas of agricultural land to non-African great multinationals and governments? I will not answer this question. I leave it to you to answer.

If we want to enjoy food security and if our ambition is to supply other countries with food items, we need an authentic agricultural revolution in Africa. We need to increase the production and productivity by expanding irrigation agriculture. We should invest in hydroelectric infrastructure, introduce new technologies and selected seeds; invest in transport and storage infrastructure as well as in the electrification of rural areas.

Moreover the farmer should not be an illiterate that continues to use the same tools that were used 200 years ago. This is where Europeans can come in, support Africans and be strategic partners. European countries have long experience and knowledge in agriculture, which needs to be shared by investing in capacity building.

Raw materials alone cannot bring about development. Development will be attained mostly through the training of Human Resources, our African main source of wealth. I wish to remind you that the large majority of our population are youth. And we are still not giving credit where it is due: to strength, energy and youth idealism that can transform our societies. We need leading specialized training and investment centres that can train Africans so that we realize the reality of our countries, in order for us to acquire necessary business skills so that we can assume the development of our continent at full speed.

Some comrades might be wondering: “Yes, we agree with you; everything you have said is so nice but how can we get the funding to implement the transformation of the African economy?”

There is a very interesting study conducted by the United Nations Economic Commission for Africa entitled: “Innovative Financing for the Economic transformation for Africa”.

The study shows that the potential of African financial resources is tremendous and it goes on to confirm that the continent possesses the necessary means to fund its own development.

African Countries generate more than US \$ 527.3 billion through Inland Revenue, compared to US \$ 73.7 billion received in private cash flows and

## African-European Party Dialogue of Socialists and Democrats Overcoming Inequality as a Political Challenge

US \$ 51.4 billion in formal development assistance. This is an indication that there is tremendous potential in Inland Revenue.

The assets of Africa pension fund are increasing at an impressive rhythm. For example, South Africa saw the assets increasing from US \$ 166 billion in 2007 to US \$ 277 billion in 2011; Nigeria went from US \$ 3 billion in 2008 to US \$ 14 billion in 2010; and the Namibian pension fund assets amount to N\$ 16.3 billion (US \$ 1.84 billion). The assets of the Kenya pension fund represent an estimated wealth to the tune of K Sh 700 billion (US \$ 4.56 billion).

Africa earns more than US \$ 168 billion per year from minerals and crude oil and has more than US \$ 400 billion in international reserves locked up by central and reserve banks.

Remittances by Africans that live in the diaspora went up to US \$ 60 billion in 2012. The World Bank estimated that during the next decade, the remitted amount by the diaspora from Africa could amount to US \$ 200 billion.

Africa has the potential of increasing international capital markets between US \$ 5 billion and US \$ 10 billion annually by securitizing remittances from its diaspora communities.

The capitalization of the share market in Africa went from US \$ 300 billion in 1996 to US \$ 1.2 trillion in 2007.

About 39 African countries issue treasury bills and 27 African countries offer treasury bonds with more than 700 securities to the value of US \$ 206 billion issued by African countries in December 2011. The emergence of respectable security market is within reach.

Bank revenues are also estimated at about US \$ 60 billion and there is high liquidity in the banking sector.

At least ten African countries have established sovereign wealth funds.

The illicit cash flows from the continent reached US \$ 854 billion during the period between 1970 and 2008, which is equivalent to an annual average of about US \$ 22 billion in lost financial resources.

If reduced, such flows are the financial resources that can be available for the implementation of national and regional development programmes and projects.

## African-European Party Dialogue of Socialists and Democrats Overcoming Inequality as a Political Challenge

The private equity market in Africa is worth about US \$ 30 billion. In 2011, private capital firms made available US \$ 1.5 billion for transactions in Africa.

All this, among others, indicates resources that would have supported development programmes and projects in Africa if relevant instruments had been implemented.

Comrades, the dialogue between us, African-European socialist and democrat parties, must be a sincere one that should be useful to find ways and means for the development of the African continent.

Due to time constraints I end up here and I hope that I have been able to pave the way for the discussion that will follow.

I thank you.

