



**Africa Leadership Forum**

**LEADERSHIP  
IN  
AN INTERDEPENDENT WORLD  
AND  
WHAT IS EXPECTED FROM AFRICA**

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**Helmut Schmidt**

Former Chancellor of the Federal Republic of Germany

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**Ota, Nigeria**

24 October to 1 November 1988

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**Inaugural Programme of the  
Africa Leadership Forum**

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## **Introduction**

General Obasanjo mentioned my visit 10 years ago to Lagos. At that time, of course, I used to call the host of today, "General". Later on when we met again, I had the impression that he had grown a little bigger in the meantime. I then called him Field Marshall, but he deeply resented this title and from then on it has been "Olu" and "Helmut" and I think it will remain that way from now on.

Our host has given me a rather demanding topic to talk about: Leadership in an interdependent world and what is expected from Africa. I must confess that I have visited eight African countries only and the most that I have understood about them is through conversations with our host of today. But you can rely, if not in quite a few points on my judgment, certainly on my loyalty to the truth as I understand it. I no longer have any political or personal interests at stake. Also there is nobody obliging me to pursue the interests of anybody else. What I am going to say is what I think, whether I like it or not and whether you like it or not.

Some of the aspects that I intend to present to you are going to appear rather bleak, but please do not mistake me to be a pessimist. I am not an optimist either. I am just a somewhat experienced economic realist.

## **The Meaning of Interdependence**

What does one mean by saying that the world of today is interdependent? Let me give you a few examples. One hundred years ago a travel around the world would have taken at least half a year. Today almost any nation has its own international airline and all of these airlines are interconnected worldwide. In those days, 100 years ago, and even until World War II, it was quite different. At those times no Japanese could ever hope to sell his manufactured goods in Western Africa because it was the great seafaring nations who exercised a monopoly or oligopoly in connecting the five continents. Now today, 100 years later, imperialism, which in 1888 was the basis of the global economy, has been replaced by liberation, by sovereignty of the former colonies and they do not any longer depend, in theory, exclusively upon the markets and financing capacities of their former masters. For instance, Hong Kong or Singapore no longer needs London. Equally so, India does not depend any longer on the East India Company or on London and so on. But some former colonies are farther advanced in their economic emancipation than others. Many generations ago, before 1888, the Latin American countries, who had already become sovereign states, have stopped depending economically exclusively on Lisbon – in the case of Brazil – or on Madrid – in the case of the rest. Today, in 1988, quite a few African states still do depend economically on their former colonial masters. Many more African states depend on just too few markets for the sale of their export products.

Let me take the oil price as an illustrative example. The oil price illustrates the worldwide integration. There is no chance to export petrol, say from Lagos, at US \$30 per barrel if a customer can buy petrol in the North Sea for US \$12. The pricing system for petrol is

integrated worldwide and every customer and oil exporter, by worldwide telecommunication, hears within a few minutes of every change in the oil market in some place in the world, and how it will have an effect on his own oil proceeds.

This integration of one market is true – even to a greater extent – of the financial markets in the world. Whether it is short-term money, or interests on the short-term market; whether it is medium or long-term bonds which include the risks of devaluation and appreciation of the currency in which these bonds are being denominated; or whether it is stocks and shares: whatever happens in New York City, Chicago, London, Frankfurt, Hong Kong, Milan or Tokyo, all these financial markets are integrated. There is just one integrated interdependent global financial system nowadays and if somebody makes a mistake which has an impact on one of these financial assets or markets, the reactions, for instance in Tokyo, follow in less than 3 minutes! There is no longer a national stock market. There is no longer a national short-term money market!

This is a dangerous situation in so far as in former times when you had a national money market, a national stock market or a national bond market, you had national authorities, which regulated and supervised those markets. The New York Stock Exchange, for instance, had an authority to look into unfair practices, and set certain rules, which the market participants had to obey. The same was true in Frankfurt or in Tokyo. Nowadays you have international markets, but no international authority on top of these markets.

After the first oil price shock in 1973-74, the creation of the economic summit meetings between the major industrialized – and thus the most important financial – countries was an attempt to co-ordinate national policies in order to prevent breakdowns in the financial markets. These meetings in the beginning were rather successful, when we were meeting in small rooms away from the presence of television cameras. Nowadays, summiteers meet in ballrooms with 1000 journalists and another 1000 TV camera people and all they say is being said to the national audiences back home. So there is not much co-ordination of policies taking place right now.

Just let me say, within brackets, that already 60 years ago, when the financial markets were not that deeply integrated (although integration already had made some advances after the 1929 crash), we have seen that the lack of co-ordination among the major economic countries of the world and the lack of leadership after 1929 and 1930, brought the world's economy to its knees, By the way, and also in brackets, it also brought Hitler to power in my country, brackets closed!

It was a clear sign that one needed either international co-operation in steering the markets or that one needed international authorities. After World War II, in 1944/45, some such institutions were being created like, for instance, the International Monetary Fund, which in the meantime has lost most of its power over the last 15 years. Or like, for instance, the World Bank, the United Nations itself, or like the General Agreement on Tariffs and Trade. There was the lesson from the years of the Big Depression of the early 1930s that one needed some international co-operation if not authority. But meanwhile,

most of these institutions that were created immediately after World War II have lost some of their clout.

### **The Five Superpowers**

Today, we have five world powers of overriding importance, superpowers so to speak, because their decisions can have sweeping effects on the interdependent network of countries and of markets all over the globe. These five superpowers are: the Soviet Union, the People's Republic of China, Japan, the United States of America and, in a way, the European Community as it is not really an entity as yet but it's hopefully on its way to becoming one.

Over a short period of just eight years, from 1973 to 1981, OPEC was also an economic superpower. It now has lost its clout and power and it is not very likely that it will win it back. Look, for example, at how much the electricity supply in France has been liberated totally from the supply of petrol. I think that by now some 90 per cent of it is being produced by nuclear power plants. You may raise the price of petrol sky-high but in France the price of electricity will not be affected. What will be affected is traffic –cars, trucks, airplanes.

On the other hand, it needs only a very small quantity of supplanting oil by some other form of energy in order to make the oil cartel suffer, not to speak of the obvious inability of the OPEC members to agree on a joint strategy. But if they did, you ought to understand that this, then, would be more at the cost of the developing world than at the cost of the developed world. This is what is to be learnt from the events of the last 15 years. I don't really think that OPEC was really a superpower, but economically over eight years, they were stronger than the European Community. All of us dropped into high unemployment during these eight years. We had never seen unemployment before, for instance, in my country and all of a sudden we woke up with an unemployment rate of 8 per cent. We have never since been able to get rid of that. The same is true of France, Britain and others. It affected us but it also affected the developing countries who needed credits, got them easily and now find themselves in this debt predicament.

Certainly, neither the IMF nor the World Bank nor all these other international institutions are comparable with the aforementioned superpowers. I do not believe that a restructuring of those institutions will lead to anything. You can create a majority of 99 developing countries in the councils of these institutions and just one man from the North, but you will still depend on the one man from the North who supplies the money. So don't believe in that restructuring the voting rights in these institutions will change the structure. This is just one gadget idea that is being sold around. You need someone who supplies the money. The World Bank cannot print the money; it needs the money from a developed part of the world.

I would like to say a few words about these five superpowers. First of all the Soviet Union. Without going into details, I would like to say that, having personally visited the Soviet Union many times in my life – three times within the last 18 months – I think that

the chance of Gorbachev bringing about tangible economic success within a reasonable time frame is not greater than 50 per cent. A reasonable time frame means that even given the fact that the peoples of the nations within the Soviet Union have throughout history been educated to be patient, even given the enormous patience among the Russian people, it is unlikely that they and the Communist Party will just sit back, if after seven or eight years of talking and speech-making no tangible economic success is being reached; tangible for the masses, the man in the street and the woman in the household.

Gorbachev faces an enormous amount of inertia in his party, in the Soviet bureaucracy and among the economic directors and among the people all over that vast country.

Let us assume for a minute that he does become successful and I wish in the interests of the people of the Soviet Union and in the interests of their neighbours – for instance, also in the interest of my own country in Central Europe that he does become successful. Even then, will the Soviet Union not become an economic superpower? She is not and she will not become one in the foreseeable future. Even if Gorbachev is successful in making the rouble internationally convertible, the rouble will not become a world currency. Even in the case of the best success of Perestroika, Russia will remain of small importance in the commodity markets of the world except natural gas and petrol, not to speak of the markets for manufactured good, or the financial markets. She will also in the year 2000 or 2020 or whatever year we have in mind as a future date, remain as a military or strategic superpower, but economically she will be a medium-sized factor at best.

Just to illustrate how unimportant her impact on the world's markets is, let me quote to you the trade figures between the Federal Republic of Germany and the Soviet Union. The Federal Republic of Germany, being a small country of 60 million people, is the greatest exporter in the world right now. The Soviet Union is a country of 290 million people. Our trade in 1987 with these 290 million people in Russia was less than 30 per cent of our trade with the 6.5 million people in Austria, and more than half of Soviet exports consist of petrol and natural gas.

Let me make a remark about China. I think it is likely, at least it seems probable to me, that Deng Xiaoping's restructuring of the Chinese economy becomes more successful than Gorbachev's perestroika. Although, of course, Deng starts from a very low standard of living, as China is a developing country and is just beyond the threshold of the so-called least developed countries. There are several reasons why he or his successors might become more successful than the Soviets. One of the reasons is that in the Soviet Union you have no entrepreneurial tradition and experience whatsoever, whereas in China you have quite a bit of it because the Chinese entrepreneurs who lived along the coastline were only done away with in the 1950s and, beginning in the late 1970s, they have been given a chance to revitalize. They have maintained their connections with their relatives in Taiwan, Hong Kong, Singapore, Manila or Jakarta. But even if the Chinese restructuring will become successful, there is still no chance that early in the next century China will become an economic factor with influence on the world markets. Her foreign trade will be too small. Her capital formation, or her savings will be too small. Certainly, she will be a strategic superpower – she has reached that level already today – even if this

is not acknowledged in Moscow or Washington. She can easily fire nuclear rockets from submerged submarines and destroy Moscow or any other city in the Soviet Union or Los Angeles or San Francisco or any place in the USA. They are not boasting about this capacity. They have an enormous army. Their strategic weight will make itself felt in East Asia and Southeast Asia at least, or in what the Americans call the Pacific Basin in the years to come. She is a strategic superpower but not an economic one and certainly not a financial one. I will forego India because I do not understand enough about India, I have been there only twice in my lifetime.

Let me immediately go to Japan. Japan is already an economic superpower today and – in terms of finances – the one outstanding superpower, the financial powerhouse of the world so to say. There are just 120 million Japanese but their capital formation is about double the capital formation in the USA. They do not need all this capital, they export it – with implications of sorts.

I want to make it understood that Japan is already an economic and financial power. It seems very unlikely that she will also become a strategic superpower. There is some pressure on Japan from the Americans side to rearm, but they will not do it. They have several reasons not to do it. One is that they owe their enormous economic upswing over the last 30 years partly to the fact that they had spent just around 1 per cent of the GNP for military purposes. Even today, they spend, by NATO standards, only around 1 ½ per cent of their GNP whereas the United States spends 6 ½ per cent and the Soviet Union spends around 14 per cent. This is the reason why Japan is prospering and why economically speaking, the Soviet Union has remained a dwarf. If you spend 14 per cent of your GNP there is not much left for investment in your civil economy.

Another reason why the Japanese will not rearm is the fact that given the enormous size of their GNP, 1 per cent of it already makes their defence budget the third largest in the world. This fact already gives rise to concern among the South Koreans as well as the North Koreans, the Chinese, and to quite a few others around the rim of the Pacific Ocean. If the Japanese gave in to American pressure and spend more on military they would unleash protests and adverse policies from everybody else in the Pacific Ocean including Australia. They would be mad to rearm at a quicker pace than they have done so far. So Japan is and will remain a financial and economic superpower, but not a strategic one.

Let me make a remark about Europe. Everyone in the world is asking himself or herself what the year 1992 will mean. My answer is that it will not mean very much because the European Monetary System has not been finalized; the European governments shrink back from it. Partially they do not understand the necessity, partially they have the idea that this would mean sacrificing national sovereignty and so on. A common European domestic market with 11 currencies is not viable. It will take some time before the European Community becomes a single entity. If so, it will be a very powerful economic center of Europe, an economic superpower, no doubt about it, but right now this is really not underway.

Is Europe underway to become a strategic superpower? The West European states as separate states have a good and reliable alliance with the USA but there is no tangible trend to form a West European defence entity or system in alliance with America. For more than 40 years, an American General has been the Supreme Commander in Europe. So in terms of strategy, Western Europe is even further away from becoming an entity than it is in terms of economy.

Over the last decade, the Europeans have given up some of the coordinating influence that they did exert in the world of the 1970 both strategically and economically. There were many people in the West, especially in the USA, who divided the world into black and white. The Soviets, the communists were all black, and we were all white and you don't mingle with these blacks (or reds). At that time, my country – a medium –sized power – for instance, did not obey orders. We established a normal relationship with the Soviets, we concluded a number of treaties among which the most important was the treaty of the renunciation of force – not that the Russians were much afraid of us using our force, but we were afraid that they might use theirs.

In the 1980s, it is true that the European powers have more or less acquiesced to the changing moods in Washington DC, in the economic field, in the monetary field, and also in the field of currency exchange rates. This must not necessarily remain the case in the future. Right now, there is one leader in Europe, Margaret Thatcher. I used to say that she is the only man in my continent. It is a pity that she is on the wrong tracks; she is trying to regain for England a role which it played in the 19<sup>th</sup> century. She is really contributing to the West European process of integration and I would include Britain in your judgment that medium powers do have their responsibilities. If the medium powers of Europe, were only willing to unite, not necessarily in a federal state or super state, but if they were willing to create one single and common currency, one defensive system including the two nuclear powers UK and France, they could become the fourth superpower both strategically and financially. Financially, if there were one currency in Western Europe it would be a financial powerhouse of even greater import than Japan. But obviously Europeans are a little lazy. They face no real problems today, and that makes them enjoy life. They don't think too much about the problems of the future.

There is just one problem in Europe, that is unemployment even though it is not that high. The problem of inflation has been overcome. The problem of anxiety over what the Russians might do to them has vanished for the time being. Thus, the Europeans are leading the good life and don't think too much about the future. But this may not necessarily remain the case in 10 years' time. Also, one has to understand that the European nations are old nations and in a way they do show signs of old age.

Let me make a remark about the United States. Forty years ago, immediately after World War II, America produced more than half the world's aggregate gross product. America was the one and overriding economic superpower. Very generously, she used that position to help others, for instance through the Marshall Plan, generous to the point of even including her former enemies (Japan, Germany) to become the recipients of aid.

In the meantime, the situation has changed. Quite a few countries in Europe as well as Japan have grown up economically. However, even if the American GNP nowadays is only a fraction of the world's product, they are and will remain an economic superpower. But it is in the financial field that the Americans are vulnerable. Over the last five years they have created a mess for themselves by spending more than they earned.

In particular, the Federal budget spent more than the revenues of the Federal Government. There was not enough capital formation inside America to finance the growing debt of the Government. The capital had to be imported from other countries – Japan, Europe, especially West Germany – which led to a situation in which America, right now, has become the biggest international debtor. Thus, America is in a rather awkward economic situation. I do not know how long it will take until the new administration understands this and takes a decision to do something about it. However you will easily understand what it means to have to pay interest on a foreign debt of, say, \$500 billion. If you calculate that at an interest rate of 8 per cent it would mean that you have to transfer \$40 billion per annum just for servicing the necessary interest. As yet it was not necessary to transfer all this interest because many of the owners of American bonds bought American stocks, enterprises, hotel chains, even complete airlines.

Americans resent this of course, I understand that. They might put a stop to this with some kind of protective law, but in that case they will have to transfer the interest to the outside world. Moreover inflation could reduce debt. I am not going into details, but having been in the United States about 100 times in my life, I am deeply convinced of the vitality of the American nation, especially of the vitality of the American entrepreneurs. I think they will overcome their present difficulties by the end of the century. Nobody in the world would then doubt the economic superpower quality of the USA again and, of course, they will retain their strategic superpower quality.

One may ask whether the stock market crash had anything to do with the American foreign indebtedness. In the first place, the answer is No! But it has something to do with the underlying causes for the increase American foreign indebtedness. It has something to do with the fact that if you, as Reagan has been doing over five years, create by means of budgetary deficits, i.e. a super Keynesian deficit spending, additional purchasing power in your economy, then this purchasing power goes somewhere else. It did buy imported goods from other countries, it also bought stock. If there had been less cash in the hands of all these credit card holders in the USA, they would not have bought so many stocks, they would not have pushed up the Dow Jones index much higher than the stocks were really worth in terms of yield divided wise for instance. The stocks in America were overvalued. Even more so the stocks are overvalued in Tokyo. The stock market is an assembly of insane people! They are very peculiar human beings, who react immediately without knowing where to go. If somebody starts selling, then the neighbour follows suit, then the next person starts selling and within 2 minutes all of them starts selling American stocks – I really mean within 2 minutes, literally.

Thus, the American stock market crash had something to do with the foregoing overvaluation of American stocks, which had something to do with the super deficit

spending in the USA. It could happen again. But luckily enough the stock market crash didn't destroy too many banks or private enterprises or even private persons. It was being dealt with in a rather prudent way particularly by the then head of the American Federal Reserve, Paul Volcker, who supplied enough short-term money to those who had financed their stock purchases credit-wise and were now in danger of collapsing. It remains to be seen whether the next stock market crash will meet with the same amount of prudence.

Now let me come back to the world's economy as a whole, having tried to characterize the five major players – of which China and Russia are going to become major players in the strategic field but not in the economic field.

I think much of our political and economic fate will depend on the more prudent or the more imprudent future behaviour of the superpower United States. All of us are deeply interested that the USA behaves in a prudent way both economically and politically. But I would also like to stress that some medium-size economic factors will have a bearing on our own economic well being.

For instance, medium-size economic factors in the American hemisphere. Argentina was once a booming country, rich as one could be; it cannot be excluded that she gets back on track. Brazil might get back on track; other countries might. Then there are some medium-size economic factors in Asia. I will not speculate about India, I do not know enough about it. But look at the so-called four little tigers. Whoever could have anticipated 30 years ago the enormous industrial and financial development of South Korea? Whoever would have foreseen, that in Singapore, out of the swamps at the tip of Malaysia where you had just Raffles Hotel and that was all, such a booming industry would be developed due to the prudent dictatorship of just one man and due to the industry of the people there, the Chinese population in the main? Who would have foreseen the unbelievable development of Hong Kong and who would have foreseen that the roughly speaking 20 million people of Taiwan would be able to develop their country into such a booming economic entity? In the future, there will be other examples as well. But also in a negative way, the smaller economic factors probably have a bearing on the fabric of the world's economy. For instance, Iran, Iraq, Syria, Israel and some others in the Middle East, almost all of them can set the Middle East ablaze if they act imprudently. Their actions can have significant influence on peace and war in the rest of the world, on oil prices, on oil markets, on shipping markets, on ship building markets and on financial markets. Negative effects in the first place or some similar negative effects could be triggered off by an international war in Southern Africa. Negative effects could be brought about by a financial collapse of one of the major Latin American debtor countries.

But also positively, there could be other events which are not really foreseeable. I seem to sense that the little country of Finland, between the Baltic Sea and the huge Soviet Union, is now undergoing an economic development which is amazing. With just 4 million people, Finland is underway to present itself as an outstanding manufacturer, rather than just a country that exports timber and other raw materials. Some of the West European

countries could emerge as important factors although they are economically just medium-sized. The capability of exercising peacekeeping influences by the Non-aligned countries could play a positive role in cases of danger.

The three mentioned strategic superpowers – the USA, Soviet Union and China – may no longer be so eager to intervene by force in conflicts far away from their home base. The Soviets are retreating from Afghanistan, they exert influence on the Cubans to leave Angola. They are negotiating secretly the future of Kampuchea. There were three preconditions, set by Mao Tsetung and later by Hua Goufeng and maintained under the leadership of Deng Xiaoping; that the Soviets had to fulfill before Beijing would be willing to normalize its relationship with Moscow. The first was to get out of Afghanistan, the second was to diminish the military deployment along the thousands of miles of the Sino-Soviet border. These two conditions are in the process of being fulfilled. And the third one was to make Hanoi get out of Kampuchea, and this could very well happen also to an extent that it satisfies the Chinese.

I think it is likely that these two strategic superpowers – China and the Soviet Union – will very quickly normalize their relationship. I will be deeply astonished if Gorbachev does not visit Beijing during the lifetime of Deng Xiaoping. It will not lead again to a very close brotherhood as existed between Mao Tsetung and Stalin. It will not lead to an alliance but to a normalization of relations and the emergence of a situation advantageous to both of them. Advantageous to the Kremlin, because it takes the nightmare off their back that something might happen in their Asiatic backyard, thereby enabling them to concentrate more on maintaining their grip over Eastern Europe which is becoming more delicate in the future due to Perestroika and, in particular, Glasnost. And it will benefit the Chinese because they in the future could show the Japanese or the Americans that they have a Soviet card to play and to the Kremlin that they have an American card to play. It will liberate Chinese foreign policy.

Let me briefly comment on the improvement of the climate with regards to superpower rivalry and what it means for the rest of the world. It means, I think, for the time being, a considerable decrease in the probability of a great war. How long that period is going to last, I would be very hesitant to make any prognosis.

We have seen several changes in the climate between the three strategic superpowers. One, the deep clash between Mao Tsetung and Khrushchev was not foreseen by any of us in 1957. It did not lead to a great war, except some skirmishes on the banks of the river Ussuri. Secondly, the period of détente brought about by some strategic understanding between the Nixon Administration in Washington and the Brezhnev leadership in Moscow – I refer to the ABM treaty, the SALT I agreement, and the Non Proliferation Treaty, for which negotiations were begun much earlier under the Johnson Administration. There was a period of détente between Moscow and Washington from the late 1960s onwards.

The peak was reached in 1975 when both of them appeared under the guise of being a European power at the European Summit in Helsinki where some 34 other European

states were gathering. Two years later, détente had withered away and by 1980 we had the USA embargoing the Summer Olympics in Moscow even as we had other embargoes as well.

Then you had the exchanges between President Reagan's "evil empire" and some other nice words coming out of Moscow. We had a new period of tension. The Soviets were afraid of possibly losing a new round of the arms race in outer space, called the Strategic Defense Initiative (SDI). Now to the great astonishment of the world, the man who called the Soviet Union "the empire of evil" has embraced Mr. Gorbachev and vice versa. At present, we live in a period of renewed detente not only between Washington and Moscow, but also between Europe and Moscow, and between Moscow and Beijing. But let us assume that the fortunate 50 per cent chance that is crucial for Gorbachev to become successful in his economic experiment does not come true, but that the unfortunate 50 per cent chance for his failure materialize. Or let us assume that he fails to make perestroika a success within reasonable time. That would probably lead to a replacement of Gorbachev by some more conservative leaders in the Soviet Union. Of course, they would then blame Gorbachev for anything that had not worked: for the unrest in the Baltic provinces, in the Ukraine, in Armenia, in Kazakhstan, in Kryghistan, in Azerbaijan etc. They will tighten the grip domestically and they will, of course, not be able to bring about economic success either. If he failed they will fail even more. So they will need something in order to catch the public's eye in the Soviet Union, that is some equivalent success in other fields. It could very well be in the field of foreign policy. So I would not take it for granted that the present period of détente is going to last until the end of the century or the next 11 years. I would pray that it lasts but I cannot take it for granted. If I were a government in the West I would not neglect my defences right now. I would not give up my alliances right now because I don't know what is going to happen in the Soviet Union in 10 years' time or in 5 years' time. There is one aspect that gives some hope. The detente between Moscow and Washington also embraces disarmament, so far only in one field, namely intermediate nuclear forces, medium range nuclear missiles. They are being destroyed under mutual observation and control. Factories are being destroyed. Gorbachev dearly needs an economic success. He dearly needs a decrease of his defence expenditure. This is going to be for the next five years at least, as long as he stays, and he should stay in power by my assumption. It will make him willing to engage in further arms limitations, reductions and destruction. This will liberate some of his economic capacity for the use of the civilian population – consumer goods, investment goods and so on. Therefore, it sets an example for the rest of the world. If you look into the books and find out how many per cent of the gross national product some developing countries are spending for military purposes, you will find that quite a few of them are spending even more than the Soviet Union. Chile would be one example. I could also cite some examples from Asian soil. I will not give you any names. Of course, as much as 14 per cent of GNP in the Soviet Union is hampering the economic development of that country, as it is also hampering the economic development of those countries in Africa, Latin America, or Asia. It maybe that the good example of arms reduction in the Soviet Union and USA, and perhaps also in Western Europe will set a good example for those developing countries that spend much too much their resources on military purposes. But of course, you have to feel secure to decrease your military

budget. You have to have treaties or agreements with your neighbours, which make you feel sure that nothing dangerous is going to happen. So you need to have a foreign policy that feeds into your economic purposes.

Let me for the moment summarize what I have said so far. *One*, the structure of the world's economy has become multi-polar with some poles bigger than others. *Secondly*, the financial markets of the world have become largely integrated but still have flexible exchange rates between the currencies and especially between the major currencies, which means that these currencies do lack dependability for somebody who is living outside the territory of that currency and that the financial markets of the world do lack some calculability over longer stretches. The ups and downs of important currencies such as the Dollar make these world financial market very volatile. Thirdly, we do have integrated markets for commodities and agricultural products, especially for oil, not necessarily already for manufactured goods. But in all these markets there are no international institutions which could exert great influence or great power like the United Nations, the IMF, or the World Bank etc. Peaceful co-existence between the big superpowers does seem rather likely on a world scale, especially between the Soviet Union and China, but also between the Soviet Union and the USA given the enormous breakthrough by the INF treaty. But this is something I would really like to stress. Global peaceful existence as just co-existence is just not enough. It is a phrase that was coined in Bandung decades ago. A great ideal, an ideal to which I would adhere as long as I live. But it is just not enough. If all of us adhere to peaceful co-existence there is not going to be a solution, let us say, of the debt situation in Mexico, or any other economic predicament in any other developing country.

Peaceful co-existence ought to be paralleled by peaceful and prudent and fair economic co-operation of governments, which, right now, is rather scarce and so does not seem to be on the upswing. I understand that in such a situation in the past 10 or 15 years or so, some political leaders from the developing countries have asked for a new economic order of the world. I must admit that I have never really understood what different people who have used that word "order" really meant by it. In general, they obviously meant that the industrialized countries should live a little less affluent and that the developing countries should benefit for such sacrifice. But never did I really understand how those who preached this new economic order perceived how this was going to be brought about.

I am rather skeptical. Let us assume that the IMF, the World Bank, UNCTAD or GATT renew their powers and influence to change the policies of governments of sovereign states. But even the IMF, the World Bank or UNCTAD cannot make, for instance, the Canadians buy wool or cotton in some of other continent of the world. If you by an act of God or the World Bank, of GATT or UNCTAD make wool or cotton or rice more expensive in order to thereby create a higher income in the wool or cotton or rice exporting developing countries, these commodities will very quickly be replaced by others that the consumers in the industrialized countries find cheaper.

For instance, OPEC tried to set up a new superpower, very intelligently maneuvered by Sheikh Yamani, to raise oil prices all over the world by limiting the oil supply. They were very successful in the beginning. (By the way, they wrought havoc in a number of countries' economies. The Brazilian debt crisis would never have occurred if not for the two oil price shocks). But the result was that all of us in Europe enlarged our programmes to build nuclear power plants. We are using much more nuclear power now. So the idea of setting up a cocoa OPEC, or a coffee OPEC, or a tin OPEC will more or less lead to similar results. The people in the industrialized countries' market place will switch their demand to some other good that can replace the former that has become too expensive. So I would really like you to understand the enormous flexibility of the markets for consumers in the USA, England, France, Italy or Canada. They would just switch to another product.

Even if we assume that somebody for sometime brings about another OPEC, let's say a coffee OPEC, it is true that we needed more petrol for our industry but we do not need more coffee. If coffee becomes three times as expensive as it was yesterday we might even drink a little less coffee or we might drink the same amount, that's true. But if it works and if the coffee producers get a better price for their coffee then very quickly other people in the developing countries will find out that coffee can also to be grown on their soil and in their climate and within a very short while this monopoly will break apart just like the OPEC monopoly did.

Nobody believed Harold Wilson, then Prime Minister of England, when he told us at one of these European Council meetings to look ahead to the future when the British would become self supporting with regards to oil and would find oil in the North Sea. But he was right! The British do not need oil any more from anybody! OPEC made it possible, by increasing the price of oil to a level where investment became economical to exploit the deposits of oil under the North Sea. The same would happen with a coffee OPEC. So do not be too optimistic in that field.

In my judgement, one thing is necessary, namely that the industrialized countries should to a much better degree help with official development aid. But in order to get private bank credits, be careful in your demands as canceling debt will dry out credits. If you tell a banker that some of his claims in certain developing countries are going to be erased, what do you think will make him lend fresh money afterwards? These are privately-owned banks. They do not have to act upon a decision of the government. Even the government would not make such a decision.

Of course, quite a few of these loans will be cancelled or restructured, but right now I have the uncertain feeling that in the attempt to solve the different debt crises in the world, leadership is lacking. It is not just one debt crisis, as the structure of the debt, for instance in the case of Poland or Yugoslavia, is not to be compared with the debt of Mexico or Brazil, and needs quite different instruments in order to be solved. But I don't really see leadership on the side of the debtors.

There is no real leadership on the side of the creditors either. That is true. You have the Paris Club, you have the London Club, you have the meetings of the IMF, the meetings of the World Bank etc. They are making little progress, but from time to time they do. It is one of the fields where the world is blatantly lacking leadership or cooperation.

Some people in the developing countries often say: “why don’t you create additional Special Drawing Rights (SDR) on the IMF?”. If one does this it would just enlarge the rate of inflation all over the globe and you would suffer more from it in the developing countries than in the industrialized countries because you already have higher domestically generated inflation rates than we in Central or Western Europe have. The long run effect of creating SDRs would just be higher rates of inflation. It may be done. The world will not break into pieces because of it, but it won’t help. It is one of these recipes that can be shouted to a great assembly but if carried out it would not help the whole process. It will just spread inflation throughout the world.

Generally speaking, I think one has to distinguish between different kinds of debts. Some debts are owned by states or by state banks or by state governments, who are the creditors. In that field, my advice would be rather sweepingly in the direction of relief or forgiveness, at least in many cases.

Secondly, you have debts where the government or governmental financial institutions of creditor countries have guaranteed – without becoming really big creditors, - say to a private bank in Munich, with the condition that if a firm in Africa or Latin America would not pay interest in due course or pay back on the principal amount, then the guaranteeing institution will pay the difference. This is already a different case.

I serve on the Board of the state- owned company guaranteeing insurance in Germany (Hermes). When we meet twice a year, we have to pay out guarantees more and more. Where do we get the money? The Federal budget of course! But then it is for the Parliament to say: “enough, you will get no more” and Parliament is sovereign in its budgetary decisions and it sets the limits. We cannot take on additional guarantees as long as we see that under the existing guarantees we are being called on to pay. There are limits to that!

The third category of debt is where the debtor is a firm or government from a developing country and where the creditor is a private bank. I would be rather careful if I was in government to tell my private banks to write off all these credits. If I told them to do that it means that morally they acquire legitimation to ask the state to bail them out. In fact, the biggest banks in my country have not forgiven great parts of their outstanding credits but have built, out of their profits, reserves against outstanding debt, which eventually will be cancelled out on either side of the balance sheet. This of course means that they pay less tax as their profits are being decreased.

But most of the banks in the USA, for example, have not, so far, been able to build up reserves against outstanding debt, because they are not allowed to do so according to the US banking and tax laws. So if you ask, for example, Citicorp in New York to forgive

\$500 million debt by a Bangladeshi firm vis-à-vis Citibank, they can do so only by immediately writing it off against the profits of the present year in which the write-off is taking place. If this happens not only with Bangladesh but also at the same time with a few other countries, they will slip heavily into the red that year. So they try to postpone such acts in order not to go into the red. If they have to do it because the debtor defaults, it will mean that they have to show losses at the end of the year. Their stock at the stock exchange would fall and they would not pay taxes at all – no profit, no income tax. This means that the normal taxpayer in the end is the one who bails you out in Bangladesh.

The fourth category of debt, namely in which a private firm, let's say a machine tool making firm in France, has delivered some machinery to, let us say, Zaire, against a 18 or 24 months payment and the payment is not coming and nobody guarantees its claim. It is impossible to tell this firm that they should just forget the claim, as it might mean the eventual bankruptcy of that firm. What I am trying to tell you by these four examples is that it is easy to shout debt forgiveness but it does need a particular examination of different case and they will have to be dealt with in a different way.

To repeat, if the state in an industrial democracy is the creditor, it is rather easy to ask them to forgive a particular debt, but in the other cases it becomes rather more difficult. I am in favour of dealing with the other three cases, which are more difficult. This would lead to the outcome where you do not just forgive all the outstanding debt, but you reschedule and lower the interest rates, prolong the repayment time frame and partially forgive. The general idea of debt being forgiven will not work.

Defaults of states have happened in history. This is true, but never was it of such an order of magnitude at one and the same time. It is no use to compare one or the other default earlier on during the industrial age with the present threat of a default of quite a number of states at one and the same time, having effects on one and the same global banking system. At that time, there was no global financial system.

Of course, consolidation, prolongation or debt relief or debt forgiveness may help the debtor countries or their economy for the time being by taking some pain off their neck and taking care of some concerns. If they, on the other hand, afterwards pursue the same policies and practices which they have been pursuing for the last 12 years, they will easily be in the same situation within the snap of your fingers and you will not find again someone to supply them readily with fresh money.

It was unthinkable in the 1960's and the early 1970's that the industrialized countries would provide so much credit of different categories to the developing countries. It was unthinkable! – But for the oil shock. The reason why there was so much money available in the Western banks had to do with the enormous cash flow in favour of the oil exporting countries, such as Saudi Arabia and others in the Gulf in 1973/74. First, the oil price quadrupled, then it quintupled, then at its peak it was US \$35 or US \$40 on the spot market per barrel, whereas in 1972 it had only been US \$1.20. It increased more than thirty fold.

The oil-producing countries neither had the capacity nor the perception of what to do with these enormous riches. They did the normal thing, which many of us would have done; they just put it into banks as "3 – months money", not only in New York but also in London and Frankfurt. Therefore, the banks had the financial capacity to answer positively to the request of Brazil – which could not pay its petrol bill because it was 5 times higher than half a year earlier, while its coffee receipts were not 5 times as large as they used to be half a year ago. So the banks agreed and extended a credit. Three months later, Brazil could not pay the petrol bill for the next three months! Coffee prices had not gone up, so Brazil needed an additional credit, even while it could not pay back the first one. The first credit was prolonged and practically became long-term although in a formal way it was just a 3 – months credit. Another 3 months credit was added on top of it and after another 3 months, the same thing happened again and then again.

This was the reason why Brazil built up that enormous foreign debt. On the other hand, the Saudis started great projects at home and partially abroad – new airports, highways, a new capital etc. If you go to Riyadh or Jeddah you see what has been built in the meantime. So they learnt to use their enormous receipts at home. This was the end of the so-called recycling of petrodollars. After 1981, Petrodollars were no longer deposited in the Western banking system, they were used at home. Subsequently, the oil price dropped and now even Saudi Arabia does not know how to finance the rest of its enormous investment projects. This means that even after resettling all present debts and even if fresh credit is going to flow it will be on a smaller scale than in the 1970s and 1980s. It has to be on a smaller scale because in the future it has to come from the capital formation of the savings inside the developed industrialized countries. So it will be very difficult for the developing world as a whole to attract fresh credits financed by the capital formation of the savings in America or in Japan or elsewhere. It will be rather difficult to attract that capital because America itself is willing to pay 8 per cent interest on mid-term and long-term capital currently and may be even willing to pay more. How can you compete with an interest rate of 9 per cent? You cannot! In other words, even after a general debt consolidation across the board you still need another additional change in the world's economic set-up.

I mentioned that the United States have gotten themselves into net indebtedness to the rest of the world in the order of US\$500 billion. It doesn't really matter if it is US\$200 billion more or less, what matters is that even today, this very week in October, they need additional credit from the outside world. They take into the American economy capital formation and savings from Japan, from Germany, from the Netherlands, from Switzerland and the rest of the world and even from the developing world as far as the developing world is paying interest and is servicing the old debt.

America used to be a net exporter of capital otherwise the Marshall Plan would never have been able to function. She has been a net exporter over decades, the biggest and richest and strongest economy of the world, which was able to export capital and give credits to others. Now she is a capital importer and as a very robust, powerful economy, she can afford to offer high interest rates. As long as America needs, to a considerable amount, capital from the outside world, you will not get it. The United States is able to

pay high interest rates and will appear to be much more safe to the potential creditor than for example Bangladesh. So the consolidation of the budgetary problem in the USA is one of the inevitable preconditions for establishing a normal flow of financial funds from the developed world to the non-developed.

In order to prevent your lapsing into the same situation as before and in order to ensure the prospective creditor of fresh credits, you need to convince yourselves and themselves that you will be able to export as much as to create some export surplus for yourselves so that by the difference of exports and imports you can at least pay interest on the new, fresh credits. This would need ingenious intelligence on the side of the developing countries – finding new markets, planning new products. It would also mean that the free trade system of the world is being maintained. It does not look like that, if you look at the terrible nonsense, which the Americans, Canadians, we Europeans and the Japanese are doing in protecting their respective agricultural production. Thus, there are not very bright prospects for the developing countries to enter into a period where they have export surpluses.

If you get into a race of subsidies then it really means a race of financial capacity and you will have to lose that race by necessity. This is a field in which you have a legitimate claim to the North, much more so than the claim for debt forgiveness. On the other hand, I am rather skeptical, knowing that any government has to be reelected every once in 4 or 5 years due to the constitution of our countries, and farmers still have some votes that count. I confess to having been a conspirator in this nonsense, unwillingly, but because of the other party in the coalition. This party then supplied the Minister of Agriculture, and it so happened that he believed that the well being of the German farmers was, so-to-speak, his national anthem. Once or twice I got into a dispute with him. I stopped him once when he was in Brussels at some ministerial council meeting, and I told him to withdraw his position. But I could not do this more than twice in eight years, otherwise I would have lost my coalition. In this position you sometimes have to compromise, so I can only repeat what I said earlier: there is hypocrisy on the side of the West or the North. Free trade is a different matter and there you have a very legitimate claim.

I must tell you that I have never seen a farm like General Obasanjo's in Europe. This farm here obviously is an example for the competitive edge of low wages as long as it does prevail. I guess it will prevail over a couple of decades. You should take advantage of that situation and get yourself out of debt before the situation changes.

The question is not only how much the West or the North is prepared to absorb of agricultural products but also of products in the field of modern telecommunications technology. Therefore don't make the mistake that in one decade all the sub-Saharan African countries try to plant coffee and then ten years later, at the same time, they all try to produce computers. This will not really lead you very far. It needs coordination between yourselves. It seems to me that the most important thing is that you develop your agriculture to an extent that you feed your own people.

Without export surpluses, after some reasonable time, you can never hope to service debts, old ones and new ones alike. If you get new debts you have to service that new credit. Therefore, I think that quite a few political leaders in the developing world are betraying themselves by believing if only we would get debt relief we would be out of trouble. They would not. Nor will necessarily the banks in New York be out of it, but this is another subject entirely.

There is another field in which leadership and co-operative leadership is highly necessary. I am talking about population. I made a positive remark about China's expectations in the economic restructuring. I will now want to qualify that remark. When I first talked with Deng Xiaoping about this problem in 1975 – Mao was still alive – he was rather optimistic that the birth rate would not be a major problem. The last time but one, in 1983 or 1984, when Deng Xiaoping and I (I was already a private person) talked he said we are now a little less than 1 billion and by our one child per family policy we hope to control population growth so that by the end of the century we would not be more than 1.1 billion. This year, we had talked again, and Chinese experts say that they now foresee that the Chinese population will be 1.2 billion, almost 1.3 billion. My guess is that it will clearly be beyond 1.3 billion and in the year 2020 it will be 1.5 billion Chinese. How can you have economic success of restructuring if you have that enormous rate of growth of population?

They have been successful with their measures in the cities. They have been as unsuccessful in the rural areas where almost 80 per cent of the Chinese live in villages. The measures have been rather harsh – I would not wish to be responsible for such measures even if they were not as brutal as some measures that have been taken under previous governments in India, but the Indian measures have failed totally.

Let me give you two views. At the beginning of this century, we were 1.5 to 1.6 billion people on earth. Right now we are more than 5 billion. By the end of this century we would be 6 billion people. A lot of them will wish to eat, to have a job, to cook their meals, to drive a car, to ride in a plane etc. Much of this growth has taken place in the developing countries. In the last 20 years, the population of the developing countries has grown from 2.2 billion to 3.6 billion! That is an increase of 60 per cent in twenty years. The population of sub-Saharan Africa grew over the past 20 years from 220 to 400 million, which is an increase of 80 per cent.

On the other hand, in that same time frame of 20 years during the period 1965 to 1986, the population in the industrial democracies or industrial market economies has grown only from 630 to 740 million, an increase of less than 20 per cent. Now, we can easily foresee that by the year 2000 there will be 6 billion people or more living on this earth. 800 million will live in the industrialized countries. Think how you will make these 800 million people take decisions in their parliaments or their banks with a view to helping the other 5 billion people in a tangible, meaningful way. It is not very likely! The voters in Idaho, in Georgia or in Texas may be idealists, but only to some degree.

So the idea of development aid, in my view, is a moral necessity, and you are certainly totally legitimate in asking for it. However, I don't believe it will have a major impact, given this enormous population growth here in the South and the very modest population growth in the industrialized countries. My conclusion is that you ought to deal with the population explosion at the national level. Population control does make it necessary to raise the standard of living; meaning food and shelter for the old aged parents. This has to be organized. If you are an affluent society, you can organize a pension system. But this is a long, long way ahead of you. But food and shelter for the elderly is essential so that they do not feel that they need sons and daughters to care for them when they are old.

Let me point here to a closely related problem. All over the globe, not only in developing countries but also in our countries in the North, the forests are being cut down to a too high extent. The Greenhouse Effect will come about due to the accumulation of carbon dioxide and other gases in the troposphere and the stratosphere, some 10-15 km above our soil. There is no doubt among the scientists of the world that the Greenhouse effect is real. It is not a theory. It is something that is being measured although the period since we measure this change of climate is too short as yet. We cannot with some precision foretell when exactly the earth will have been warmed up by 1 degree centigrade, what it will mean as regards the melting of inland glaciers, ice caps, etc or when the oceans will climb up and by how many centimeters.

The production of carbon dioxide is the inevitable result of burning petrol or coal or natural gas or lignite or timber. You can filter away the so-called acid rain and many things, but you cannot filter away carbon dioxide. There is no way to get around that physical fact. The danger is enormous but right now not quantifiable. On the other hand, the risk of nuclear energy is also enormous and not quantifiable as yet. The risk is that a good engineer who builds a nuclear power plant can also build bombs. The distance between peaceful use and non peaceful use becomes ever smaller. The other danger is mishaps like Three Mile Island which was modest, or Chernobyl which was disastrous. Some such incidents will also happen in the future. The greatest danger in the nuclear energy supply is the fact that no government in the world so far has found or engaged in a solution of the disposal of nuclear waste. It is being piled and will radiate for 10,000, maybe 50,000 years.

It is unclear if in 50 years time we will not talk so much about population explosion but about changes of climate brought about by the Greenhouse effect. It may lead to situations which are not being foreseen as yet. Some fertile soil might receive too little rain in the future and become desert. Some deserts may become fertile. It could be a great problem.

There is theoretically a way out of that problem, that is the use of solar energy. There is no economic use possible of solar energy except heating water and solar cells on your rooftop in order to supply your house with warm or boiling water. I think that a scientific breakthrough in that field cannot be excluded whereby you enable yourselves to produce electricity directly out of solar energy. It may not be necessary in this country or in other sub-Saharan countries where there is enough sunshine. There is much too little being

done in that field, and it could be one of the chance for countries that live under the sun. I could even perceive solar energy being stored perhaps by hydrogen technology. I don't know. I am not a prophet. But I think this is one of the fields in which some of the more advanced of the countries may have a particular future. Of course, as long as you sell gasoline for nothing there is no great economic instigation to put money into the research of solar energy.

My impression is that developing countries should as much as possible make their future economic development independent of just one market, or just one country in which the market takes place, or of just one market or just one good. To become self-sustaining in food and agriculture, diversify your export products, diversify the markets of the world and study the markets as the four little tigers in Southeast Asia have become great economies due to the availability of cheap labour. There is an enormous amount of cheap labour available right now in developing countries which is not being used industrially although it may be rather cheap compared with labour in England or in France or Belgium.

If you were somewhat successful in containing the population explosion, somewhat diversifying your produce, your exports, your markets for export, the outcome could be rather impressive. In the long run, any of us can only buy if at the same time he or she sells the same value. The Soviets are lagging behind economically, they would love to buy investment goods in the West and in Japan but they cannot pay for it. The West does not need additional Soviets natural gas or petrol, and the rest of the world doesn't need more Russian vodka. So their ability to buy investment goods in the Western, Japanese or Korean markets is limited by what they can sell. And as long as they do not enable themselves (instead of producing tanks and rockets) to produce manufactured goods, which would find buyers in our markets, they cannot import very much from the West or Japan.

And the same of course is true for anybody. My country would not be able to import about 30 to 31 per cent of our GNP from abroad if we were not at the same time able to sell about 32 or 33 per cent of our GNP to the markets abroad. So there is no way around the necessity to – in the main by your own effort – enable yourselves to sell more in the outside markets in order to be able to pay for more imports. There may be some overlapping periods, rather short; if you stretch them out too long you will again get into debt that is not repayable and not serviceable.

Right now, there are three main villains in the trade equations of the world. The greatest villain is the USA, importing about US\$130 or US\$140 billion dollars per annum more than they export. The next largest villain is Japan, exporting about US\$80 billion more than they import. The third one is my own country, the Federal Republic of Germany, exporting about US\$40 billion more than we import, and there are some more villains. What is really striking is the fact that if you add the Japanese export surpluses plus the German plus the Dutch and a few smaller ones on the one side you end up with the American import surpluses on the other side. The import surpluses, or the export deficits

(which is just another word for the same thing) of the developing world do not really matter much in the economic global equation.

If I may give more unsolicited advice: get your money control policies, money supply policies, budgetary policies and your borrowing abroad, whether by government or by private enterprises, under control. It would be nice if you could also dampen the military expenditures in some of the developing countries. In doing so, find your own ways. I would think that it is generally not advisable that the developing countries follow the systems that have been developed in the West, in Europe or in North America. These are different cultural heritages, different cultural backgrounds. The ridiculous idea, first of the Europeans, to export Christianity by force to the rest of the world and, now by the Americans, to export democracy by force to the rest of the world seems rather queer to me in the light of history. Do not let yourselves be too impressed by the systems developed in the West.

What I mean is that contrary to what most of my European countrymen or my American friends are thinking I do not believe that a military dictatorship, by itself, is a wrong thing for a developing country. I do not believe that a one-party government, by itself, is a bad thing for a developing country. It depends on the traditions in that country, its cultural heritage and we Europeans should not criticize a developing country that does not introduce a Western type of democracy. I would never criticize that. I would criticize dictators who put people into jails who have not done anything wrong or who execute people just because they dislike them. But an enlightened dictatorship cannot be very bad; the accent lies on “enlightened”.

A dictatorship that does not understand economies runs onto the rocks, of course. Korea has never been a democracy, it only seems to be one. Singapore has never been a democracy, although it has elections. In fact, they have a one-man rule. The same is true for Taiwan. But, obviously, the people who rule these countries have a good economic feeling or had good economic advisers.

I would not criticize a non-European or non-American country because of a totally different type of government. But I would criticize them if they violate what we call human rights, the basic rights of the individual. There, I make a great difference. But the way in which you organize your political system or your economic system should be of your choosing. If a developing country wants to follow a democracy, this type of a constitution, this type of society, I have no argument with that. I would like it. What matters to me more is the respect for the basic rights of the individual. I would rather have a government I can do away with without blood shed if it does not do a good job.

As it concerns the situation in South Africa, I do know that the black population will be hurt more than the white population for a long time. Secondly, I do know that most of the Frontline states economically would be hurt more than South Africa. Knowing both these facts, I as a person would still favour economic sanctions only for one reason, namely to show the blacks in South Africa that there are some whites in the North who want to be

on their side. I do not believe that the sanctions themselves will create a great change, except an economic change to the negative in the Frontline states.

There is one personal advice I would like to give to the young leaders in Southern Africa. It is not enough to speak English when one is asking for the ticket at the airline ticket counter; so educate yourselves. English is the lingua franca of the world whether the French like it or not, whether the Russians like it or the Chinese. This is going to be a fact of life for the next 100 years or maybe longer. You will be able to pursue your interests only if you speak good and fluent enough English and specialized English if it comes to economic and financial matters.

The second thing is, let your young people learn and study economics – business administration as much as international economics. Economics is a field that does not lend itself to military command. The Soviets have tried to do this over 70 years, and look where they have ended up. There are many fields that a military government can deal with, but with regards to finance and foreign trade, they should hire good economists. There are not enough good economists in the developing world as yet and it is not even enough for an economist to study that subject at university level alone. Even if he or she studies the subject at Harvard, he or she has to travel around and compare the findings with the facts of life and try and find out which of these factors are relevant for his own country, for his own economy at home and what he can use of it. Which are the markets in North America or Europe that could be supplied with manufactured goods based on cheap labour in sub-Saharan Africa? Right now there is almost no good, that you supply to the European markets, why not?

It is more than desirable that in the future you export a little more than cocoa from the one country and petrol from the other one. But you have to take your own decisions and do not believe that the so-called experts of the World Bank know it all. They are benign people, they try and do their best. What they think is best, is not necessarily the best for you. You have to find out yourselves.

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6. Alexander A. KWAPONG, (Ghana), Lester Pearson Chair for Development Studies, Dalhousie University, Halifax, Canada; former Vice-Rector, United Nations University, Tokyo
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12. Col. Raji RASAKI (Nigeria), Military Governor of Lagos State.
13. Helmut SCHMIDT (Federal Republic of Germany,) Former Federal Chancellor
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14. Justin LABINJOH (Nigeria), Senior Lecturer, University of Ibadan
15. Zamani LEKWOT (Nigeria), Major-General (Rtd.), former Governor of Rivers State, former Nigerian Ambassador to Senegal
16. L.B.B.J. MACHOBANE (Lesotho), Minister of Education
17. Rev. M. Stanley MOGOBA (South Africa), President, South African Institute of Race Relations; and Secretary of the Conference of the Methodist Church of Southern Africa
18. Viktor M.P. MPOYO (Nigeria), Industrialist (oil industry)
19. Dragoljub NAJMAN (Yugoslavia), former Assistant Director-General, UNESCO
20. Lopo Fortunato do NASCIMENTO (Angola), Governor of Huila Province; former Prime Minister and Deputy Executive Secretary, ECA
21. Letitia OBENG (Ghana), former Regional Director for Africa, United Nations Environment Programme
22. Anezi N. OKORO (Nigeria), Professor of Medicine, University of Nigeria Teaching Hospital, Enugu
23. James ONOBIONO (Cameroon), President, Compagnie Financiere et Industrielle
24. Hans D'ORVILLE (Federal Republic of Germany), Senior Officer, UNDP New York and Coordinator, InterAction council Secretariat
25. Oyeleye OYEDIRAN (Nigeria), Professor, University of Lagos
26. Tayo SERIKI (Nigeria), Chairman, Siemens Nigeria
27. Albert TEVOEDJIRE (Benin) President, Centre Panafricain de Prospective Sociale; former Deputy Director-General, International Labour Organisation
28. Bilikisu YUSUF (Nigeria), Editor, New Nigerian
29. Terencia LEON-JOSEPH (Peru), Administrative Assistant

## **Background Note**

### **The Africa Leadership Forum**

Despite over a quarter of a century of political independence, Africa's aspirations and hopes remain today largely unfulfilled. This has not been, however, a period of unmitigated failure in the history of the continent. There have been successes in education, public health, import substitution industries, and in the continuing process of de-colonization. The problems of development, peace and security, the health of the world economy, and improving the environment are interrelated global issues, as they do not admit of piecemeal solutions.

And yet all countries find that in the absence of true global cooperation, they have to tackle particular aspects of them. At the national as well as the regional level in Africa today, the inadequacy of information, data, and resources further complicates an already daunting problematic state of affairs.

African leaders have frequently come to leadership positions with limited experience. Though most of them have often battled on, confronting their awesome problems of development and nation-building essentially not only unprepared but unaided, their efforts have been, at best, only a qualified success.

It is quite clear therefore that Africa cannot afford to continue its journey with ill-prepared and unassisted leaders. Those on whom the burden of leadership will fall in future must fully comprehend the nature of their responsibilities, duties, and obligations. In other words, they must be given all the necessary exposure and carefully planned preparation to be able to meet the challenges that they will inevitably face.

This new task is all the more apparent when one considers the level of preparedness of our leaders of tomorrow who are clearly not bothered by anything other than the pursuit of their professional careers. They have little time to devote neither to acquiring a comprehensive knowledge of their own countries and their region nor of the cultures of their diverse peoples. Nor even to learning about and understanding the actions taken by their present leaders where they do not impinge on their own areas of expertise.

Most young potential leaders have focused primarily on single issues, lacking time to look at wider, critical regional and world challenges. The time for comprehensive study and reflection, for sharing experiences with persons inside, let alone outside their countries, region, and field of concentration is very limited. Opportunities for such detached discussions and contemplation are even rarer.

This problem is however not helped by the dearth of private institutions in Africa that are devoted to preparing potential leaders with that essential global outlook, which will enable them to cooperate within and across national, regional, and institutional boundaries. Furthermore, it has become increasingly difficult, if not impossible, in many

African countries to gain access to relevant and timely information on most national, regional, and global issues.

Experience in and out of Government and in international forum bears out this situation, one that must definitely be addressed and remedied. One solution in this regard is to launch the “Africa Leadership Forum”, and to charge it with the task of conducting a series of meetings which may be national, sub-regional, regional and international in dimension and may vary in duration. The purpose will be to enhance the knowledge and awareness of current and young, potential African leaders, placing special emphasis on diagnosing apparent failures of the past; on understanding multiple dimensions and complex interrelations of local, national, regional, and global problems; and on seeking out appropriate solutions.

## **Objectives**

The purpose of the forum is to encourage a thorough diagnosis, broad understanding, and an informed search for solutions to local, regional and global problems, taking full account of their interrelationships and mutual consequences.

To that end, the Forum will develop, organize and support programmes for the training of young and promising Africans with leadership potential so as to expose them to the demands, duties and obligations of leadership positions and to prepare them systematically for assuming higher responsibilities and meeting the challenges of an interdependent world.

The Forum will also endeavour to generate greater understanding and enhance the knowledge and awareness of development and social problems, within a global context, among young, potential leaders from all sectors of society, cutting across national, regional, continental, professional and institutional borders. This may foster close and enduring relationship among participants, relationships promoting life-long association and cooperation.

Furthermore, the Forum will support and encourage the informed search for appropriate and effective solutions to local and regional African problems and to global problems from an African perspective – within the framework of global interdependence. This will nevertheless include the consideration of phased action programmes, which can be initiated by various countries, sub-regions and institutions in the continent.

In addition, there will be specific weekend seminars organized as Farm-House Dialogues to be held quarterly.

## **Financial Aspects**

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