Remarks by Tony Trahar, Chief Executive, Anglo American plc to the Conference on the Business Response to the Commission for Africa 5 April 2005

Good morning. I am delighted to be able to join the Conference in spirit this morning – even if in person I am currently in the United States. I apologise for not being able to join the debate.

The subject of your deliberations is of central importance to every company doing business in Africa. The Commission for Africa’s Report is a very welcome initiative which not only highlights Africa’s central problem of poverty but also sets out a comprehensive action plan which, if implemented, has the potential to make a real difference.

The Report reminds us that 30 years ago the average income in sub-Saharan Africa was twice that of both East and South Asia, whereas African incomes are now half those in East Asia. Indeed, East Asia is fast becoming a major factor in the global economy whilst much of Africa is effectively marginalised. A lot of commentators speak about the perils of globalisation but much of Africa faces the alternative and greater risk – of exclusion from globalisation. The review of the Millennium Development Goals in September will highlight the extent to which international development problems are concentrated in Africa – both in traditionally poor rural areas and in the sprawling townships and informal settlements which are so much a feature of many African cities. In most countires, urbanisation has occurred in pursuit of opportunity; in Africa it is too often the result of desperation.

And yet the companies represented at the conference today know that Africa is far from deserving of ‘the hopeless continent’ tag with which ‘The Economist’ encumbered it some years ago. South Africa, Botswana, Ghana and Namibia – to name but four countries where the Anglo Group operates are all fine places to work. There are an increasing number of role models. All the companies here today, do good and profitable business in Africa. But we also know that if effective action is taken:

- against conflict, corruption and poor governance;
- against HIV and the social conditions in which it thrives; and
- to strengthen weak governmental capacities and the rule of law; or
- to address the inadequacy of much of Africa’s infrastructure

it could be so much better. What the Commission’s Report seeks to do is to outline what each of the major players within the global economy and within Africa can do to make these things happen.

Business should welcome the Commission’s emphasis on African-owned solutions and on the central need for improved governance. This echoes and reinforces the role and mission of NEPAD and the Peer Review Mechanism. We recognise the need for targeted investment in health systems, education, capacity building and infrastructure in those countries where investment is likely to be well used. Whilst the private sector has a part to play in all of these areas, public investment is likely to have the leading role.

Business must also welcome the Commission's recommendations on trade facilitation and liberalisation. We need to move beyond an era in which the average European cow attracts a larger income in subsidies than the livelihood of a significant proportion of African people. Rich world agricultural subsidies – which have destroyed so many livelihoods in developing countries - need to be dismantled and market access improved across a range of products. Both Africa and the world economy need a successful conclusion to the Doha 'Development' Round and business should not be shy of arguing the case for a liberalisation road-map. Within Africa too we need to see the dismantling of barriers to regional integration and wholesale reform of customs procedures.

But where I think much of the discussion should focus today, is on the Commission's recognition that sustainable growth will not ultimately come from the pockets of Western governments but from a renaissance in productive African enterprise. Although this dimension of the Report has commanded little media attention, it is in this respect a departure from public-sector dominated development models.

In arguing the case for a better enabling environment for business in much of Africa, I do not focus principally upon international companies – important though foreign direct investment is. Rather, there is a need to encourage a respect for enterprise from farms to small firms. We all know from our experiences how difficult it can be for small and medium sized African business to become established and to grow in the formal economy. This makes it difficult to maximise the developmental linkages down the supply chain that major businesses can otherwise generate.

In South Africa, Anglo American is meeting the challenge through a vigorous programme of procurement from black economic empowerment companies and small business development – but in other parts of the continent conditions are a great deal more challenging. As the Commission’s report notes it takes 203 days to start a business in the Democratic Republic of Congo. Although this is an extreme example, the combination of red-tape, arcane licensing requirements and lack of access to capital in much of Africa makes it unsurprising that so much enterprise is stunted or driven underground or that there has been large-scale capital flight. In relation to access to capital a lot could be achieved in some countries through the formalisation and codification of property rights against which to secure borrowing.

Chairman, the Commission challenges business to play a more active role in development. It talks of a sea-change in business’ role. It is a challenge that Anglo American is happy to meet – subject only to the caveat that all concerned recall that our principal accountability is to make a return for our shareholders. But my belief is that the circle can be squared. Sustainable business is not about ‘slash and burn’; it is about the pursuit of profit through an intelligent regard for the societies in which we work. Anglo American works primarily in the mining industry and we have resolved with other leaders in our industry to play our part in maximising the beneficial developmental impacts of our sector. That means, for example, supporting the Extractive Industries Transparency Initiative – so as to improve the governance of the revenues which we generate and to reduce the potential for corruption. At a national and regional level it means working in partnership with governments, other companies and civil society groups to tackle wider social and economic challenges of relevance to our business – such as capacity building or tackling the tragedy of HIV/AIDS. And at local level it involves seeking to generate lasting benefits for the local communities where we work – through providing jobs, skills, safe working conditions, supply chain opportunities and social investment. To that end we have instituted a socio-economic assessment process at our major operations to ensure both that our managers have a rounded understanding of both the concerns and priorities of our neighbours and of how to maximise our beneficial local economic impacts

As we understand more about the implications of sustainable development for our business we see also the unique potential of partnerships. We recognise that business has enormous potential to solve problems, to innovate and to bring knowledge and resources to bear. With each remembering our proper roles we are happy to work closely with governments and the international development institutions. We are also committed to working through organisations like the Global Compact, the World Business Council on Sustainable Development and the International Council on Mining and Metals to share some of what we have learned with smaller companies and with civil society groups.

Africa’s fortunes are, I believe, on the turn. There is an opportunity to build upon success and to make good governance and sustainable economic growth the African norm. I hope we can all commit to playing our part in that endeavour.