

INTERVIEW WITH MR. FRANSISCO MANTERO ON THE RESPONSE OF THE PORTUGESE PRIVATE SECTOR TO THE CRISIS AND THE ROLE OF THE AFRICAN MARKETS

Sotiris Mousouris (President of the Hellenic-African Chamber) : *Portugal managed to complete the program contained in the “memorandum” in a rather short time. What were in your opinion the reasons and what role was played by the public and the private sector?*

Francisco Mantero: Portugal adopted a front-loaded adjustment program based on a number of measures geared to raise income and cut public expenses in the shortest possible time: (i) a huge increase in taxes (income and corporate taxes as well as the VAT among others) , (ii) major cuts in the salaries of civil servants and in pensions entitlements, (iii) a complete freeze in promotions and wage increases in the civil service and State-owned companies and (iv) an unprecedented reduction in public investment. These measures were complemented by a number of so-called structural reforms with mixed results. Together, the policies adopted were instrumental in reestablishing the external credit worthiness of Portugal in spite of missing the budget targets and a continuous increase in the public debt. But in the end what made it possible to exit the program without conditionality was the improvement of the external environment beginning in 2013, the lowering of interest rates and the exchange rate depreciation as a result of the ECB policies and the reduction by half of the oil price.

S.M : *What were the effects of the crisis on the private sector and how the business responded?*

F.M.: The private sector responded to the crisis with a major reorientation towards the non tradable sector, including in traditional industries used to sell in the domestic market. There has been a significant increase in competitiveness due to lower wage rates and the exiting of the market by less competitive companies. This was accomplished despite an important credit crunch, which obliged companies to diversify their financing needs. Privatizations also played an important role in financing the fiscal deficit. But finally the decisive factor was a “silence revolution” of the private sector initiatives in improving management, innovation and increased international trade and investment in new markets outside Europe.

S.M : *What was the role of exports?*

The role of exports was decisive and is due to an extraordinary and quick reaction of the Portuguese private sector to the tightening of the domestic market as a result of the memorandum policies. Exporters efforts in diversifying markets outside Europe was a priority, which has been successfully achieved by our companies in new markets in Africa, Latin America and Asia, while keeping at the same time the traditional markets in Europe and Africa. As a result of this private sector initiative, the Portuguese exports rose in 2014 to 42% of the GDP against 28 % in 2011. The target now is to reach 50%.

S.M : *How important are the economic relations of Portugal with SubSahara Africa and what were the developments during the period of the Memorandum and since then?*

F.M.: African Lusophone (Portuguese speaking) countries (Angola, Cabo Verde, Guiné-Bissau, Guiné Equatorial, Moçambique and São Tomé e Príncipe) have more than 53 million people and 2.117.878 km². The common official language is Portuguese. They have common

legal basis, significant cultural ties, deep strategic geographic location integrated in important regional economic communities, untapped economic potential. These six countries are integrated in three different African Regional Communities. Angola and Moçambique in SADC, Cabo Verde and Guiné-Bissau in ECOWAS, Guiné-Equatorial, São Tomé e Príncipe, and also Angola, in ECCAS. In total these Economic Regions represents a market of around 721 million people. During the Memorandum, Portuguese companies reinforced as much as possible their trade, investment and social ties with our brother African Lusophone countries. We did it in 3 ways: (i) increasing our exports and investments, (ii) attracting capital inflows for African investment in Portugal, and (iii) through migration of skilled and high skilled workers to Africa. Presently we estimate that around 700.000 Portuguese nationals are living and working in 3 SADC countries: Angola, Moçambique and South Africa, besides other African countries. Many of them set up locally their own companies with African partners. The trade between Portugal and the Lusophone African countries is already significant. The possibility of holding market shares in these countries, assuming their deeper regional integration, could result in USD 7.3 billion (12% of total exports in 2013) for Portuguese exports in the next three years (assuming a constant propensity to import of African Lusophone countries. The growth of African Economic Regions will create new trade and investment opportunities for both domestic and foreign companies. It is expected an increase by USD 265 billion at the GDP of the three African Regional Communities where Lusophone countries are members. The growth of African Economic Regions may allow an increase in Portuguese exports in about: 38% in ECOWAS, 32% in SADC and 29% in ECCAS. This growth may correspond to an amount of around USD 1.2 billion in Portuguese exports, assuming the current market shares. Our business relations with Africa are a key element of Portuguese economic foreign policy: in the past, including during the Memorandum, now and in the future.

S.M. : How do you see the prospects of SubSahara Africa and what is the impact of the Chinese slowdown and the decline of petroleum prices?

F.M. : According to the recent (October 2015) World Bank Report - Africa Faces Challenges of Sustaining Growth, Sub-Saharan African countries are continuing to grow, albeit at a slower pace, due to a more challenging economic environment.

The World Bank disclosed that growth will slow in 2015 to 3.7 percent from 4.6 percent in 2014, reaching the lowest growth rate since 2009. These latest figures are outlined in the World Bank's new Africa's Pulse, the twice-yearly analysis of economic trends and the latest data on the continent. The 2015 forecast remains below the robust 6.5 percent growth in GDP which the region sustained in 2003-2008, and drags below the 4.5 percent growth following the global financial crisis in 2009-2014. "Overall, growth in the region is projected to pick up to 4.4 percent in 2016, and further strengthen to 4.8 percent in 2017. Sharp drops in the price of oil and other commodities have brought on the recent weakness in growth," said the report. The report noted that other external factors such as China's economic slowdown and tightening global financial conditions weigh on Africa's economic performance. "The end of the commodity super-cycle poses an opportunity for African countries to reinvigorate their reform efforts and thereby transform their economies and diversify sources of growth. Implementing the right policies to boost agricultural productivity, and reduce electricity costs while expanding access, will improve competitiveness and support the growth of light manufacturing," said Makhtar Diop, World Bank Vice President for Africa in a statement issued in Nairobi. According to Africa's Pulse, several countries are continuing to post robust growth. For instance, it says Cote d'Ivoire, Ethiopia, Mozambique, Rwanda and Tanzania are expected to sustain growth at around 7

percent or more per year in 2015-17, spurred by investments in energy and transport, consumer spending and investment in the natural resources sector.

S.M.: Any advice to Greek entrepreneurs regarding Africa?

F.M.: Africa is desperately short of investment, both from local and international investors: an estimated extra US\$ 90 billion a year is needed for infrastructure, without considering further amounts regarding other business. Infrastructure bottlenecks alone are estimated to cut growth in Sub-Saharan countries by 2% a year. Lack of infrastructure is also avoiding a deeper regional African Economic and Monetary Communities integration. Indeed African regional markets eliminating trade barriers as customs and enlarging the access of products and services to those markets represent great opportunities to European exports and investments. Greek companies, as European Union companies, can benefit of the cooperation facilities and mechanisms for the private sector stated in the Cotonou Agreement (EU countries and Africa, Caribbean and Pacific countries) and more recently from the Economic Partnership Agreements (EPA) between European Union, African countries and economic regions, as well as can take advantage of the European Union – Africa Infrastructures Trust Fund and the blending funds of the New Investment Facility for Africa amongst others. Moreover Greek entrepreneurs have to invest in setting up their own networks in Africa based on the knowledge of African culture and wisdom, like for instance the African proverb "*You should never visit a village without someone that the village knows.*"

FRANCISCO MANTERO, was born in Lisboa. Graduate in law by Lisbon University.

He is President of the Board of ELO – Portuguese Association for Economic Development and Cooperation and among other:

- Member of the BusinessEurope's Development Policy Working Group representing the Business and Industry Confederation of Portugal (CIP-CEP);
- Member of the Steering Committee of Portugal Africa Foundation and several other councils.

Since 1973 he has worked in management of African companies as well as in companies related with the Continent. He was member of the Board of the Africa-Europe Forum, that was based in Paris.

In 2004 he set up, on behalf of ELO (Portugal), the Business Council of the Community of Portuguese Speaking Countries (CE-CPLP) coordinating with the business associations of the other Portuguese speaking countries, at the time: Angola, Brasil, Cabo Verde, Guiné-Bissau Moçambique, São Tomé e Príncipe and Timor-Leste. He was appointed by the Prime Minister of Portugal in July 2012 member of the Working Group for the Portuguese economy's internationalization and Development. Since 1988 represented Portugal in EBCAM – European Business Council for Africa and the Mediterranean having been President two times: 1992 and 2006.

Since June 2004 until October 2014 was Secretary General and after Vice-President for Portugal of the Business Confederation of the Community of Portuguese Speaking Countries.

He was decorated by the President of the Republic of Brazil with the Order of Cruzeiro do Sul (Commander), by the President of the Portuguese Republic with the Order of Mérito (Commander) and by the President of the Republic of São Tomé and Príncipe with the National Independence Medal.