

# NOTES FOR A SPEECH BY THE MINISTER OF FINANCE TREVOR MANUEL TO THE YOUNG LION OF AFRICA FUNCTION, JOHANNESBURG, 20 JULY

*Please note that the Minister expanded on the introductory section of this speech. The rest is largely the same as was delivered, and includes extracts from a prepared speech and from the Ministry's notes of actual delivery.*

## Introduction

Today, the richest nations in the world convene for their summit in Okinawa.

At first, the rich did not want to hear the voice of Africa. They suggested that Japan speak for us. But we fought, at least, for our voice to be heard, and now indeed it will be.

*(Here Minister spoke about similar meeting in Cologne a year ago)*

We could not let anyone else speak for us because part of our problem in the world today is that too many others have always spoken for the poor.

## The world and SA today

We did not go to Japan with a begging bowl, although we are poor.

We live in the poorest continent in the world, and we live in a world, where according to recent figures (\*from Development Innovations and Network), one quarter of the world's population today control 85 percent of the its industries and consume 80 percent of its energy supplies.

We live in a world where technological innovation and progress is rapidly improving the quality of life for the rich parts of the world, but the leaps and bounds which technology is making are leaving the poor behind at an ever-quickenning rate. We live in a world where 100-million people use the Internet daily and yet almost half the world – most of them who live on this continent – have never made a phone call.

We live in a world where, when jobs are created they are in the informal sector or under conditions of massive exploitation; where about 250 million children are employed in low-wage labour around the world, but where Danish workers launched a general strike two years to demand a sixth paid week of vacation.

This is the world that our president has gone to describe to the leaders of the most powerful nations.

We have not gone there with a begging bowl. We have gone, yes, for our people, but also because such inequality, such rapidly expanding inequality and growing poverty, is not going to be sustainable even for the rich.

Where will they export to? On what will they spend their surpluses? As Business Day reported today, 700-million future consumers on this continent must somehow make sense.

## SA

IN SA, an old tourism slogan used to be: “A world in one country”.

Well, yes, We have lions in game parks and faux leopard-skin coats in glitzy shopping malls, deserts and forests, mountains and plains. But the slogan had an ugly truism, too.

We have one of the highest GDPs in Africa but the largest wealth gap in the world.

In business, we have a situation where just 45 companies on the JSE out of 660 listed have more than a 10 percent representation of black (or women) ownership and a more than 20 percent representation of board membership

In the past year according to a Business Map survey, we have a situation, where in a period when the JSE All-Share index rose by 14%, all but 2 of the black controlled shares decreased in share price. Johnnic is the only black-controlled firm that has increased its share price faster than the JSE index. And where 13 black firms bore the worst brunt here of the Asian crisis of 1998 and saw two thirds of their market value wiped away. Overall, the number of black controlled firms as a percentage of firms listed on the JSE looks set to drop to one percent this year.

This disparity is reflected not only in ownership and control but in management around the country as well.

Business Times recently reported that of the 3 942 directors in JSE-listed companies, only 449 are black (11%).

And a University of Cape Town report found that Africans constitute less than 6% of management in the country, Asians, about 3,5% and coloureds just over 3 percent.

We live in a country where many of those who still control business believe that when we talk about racism, we are deviating from the main goal, which should be building the economy. They say we are carping, and blame affirmative action for our failures.

But where is the affirmative action with figures like these?

Racism and the stumbling blocks in the way of economic development are inextricably linked. If we do not confront racism, we do not spread wealth and economic ownership. If we do not do that, we have no foundation to our democracy

As the President has said, our aim is to abandon racism, to build the economy, and to compete globally. "Five years after the arrival of a democratic order," he said last year, "we have not made much progress, and may very well be marching backwards with regard to the objective of deracialisation of the ownership of productive property. Clearly something is not right"

But there is a bright side, too. It is shown right here in this room in the commitment that some of our largest players in the business sector have made in putting their money into an emerging firm like the Lion of Africa Insurance Company. Established less than a year ago, Lion of Africa now has a client base that includes Standard Bank, Tongaat-Hullett, the Southern Sun group, the Premier Group of Properties, even that cheeky chicken business always getting into trouble with advertising authorities – Nandos --and Johnnic Properties. Statutory bodies like SA Mint and the Reserve Bank Building also support it. Bearing in mind that insurance is usually spread around the market place, we should ask other big players in the private sector to spread theirs in the direction of emerging firms.

The big broker community, such as Forbes and MIB has also shown trust and support in this venture. That commitment is shown, too, in the example of people like Adam Samie, the chief executive of Lion, and Fred Robertson, its chairman. Adam Samie started in this business 28 years ago as a filing clerk. Now he runs what we hope will soon become one of the most successful players in the industry. Apartheid never intended that many of the successful entrepreneurs sitting here tonight should become so. Now we have got rid of apartheid, we need to deal with the hangovers of racism and its legacy so that the talent, so long squashed in our country, can be used for the good of us all.

We must support each other. That's what empowerment is about. We can complain and moan about the JSE, and its racial skewness, but those of us who make investment decisions should ask ourselves: what are we doing to support empowerment?

In the US Marcus Garvey is held responsible for all kinds of things from Rastafarianism on the one hand, but including economic empowerment. He taught that unless communities support each other (in that community) in their ventures, empowerment would not work.

Former president Mandela, among the many wonderful stories he tells, tells one of how, as a young artiled clerk, he was sent by his principal, who had settled here from Lithuania, to the other end of town, to End Street, on a bicycle, to buy him sandwiches for lunch. Why? Because the man who sold sandwiches was also from Lithuania. He wanted to empower him.

This speaks about the need to empower each other. It's interesting to see how many black professionals don't take their business to black businesses.

When we start to empower each other, that's when we'll start to march forward.

And remember we're in for the long haul. As Cyril Ramaphosa said recently, it's not a five-year policy. For many of us in this room it will be a life-time policy.

A few months ago, Don Ncube, the chairman of Real Africa, was quoted in the Financial Mail, pleading for patience. "How long has Anglo-American been around?" he asked. "Anton Rupert was once bankrupt. Black empowerment has only been around four years. Ask the same question 10 years from now and the situation will be different. You have to give it a chance."

Look at Malaysia: it has taken the Bumiputra Malays, who make up half the population, 30 years to accumulate 20 percent of that country's wealth. And, like our black-owned firms, they were hardest hit by the Asian crisis of 1998.

We have to continue battling racism, because without racial equity we cannot build the economy or compete globally. We cannot do the other two without tackling the first.

## The importance of skills

But we also have to look at ourselves and the initial path we have trodden towards black economic empowerment in our new democracy. So far we have concentrated on black control and ownership. Much of the black empowerment was initially financed by banks and financial institutions so that "capitalists without capital", as Business Map's Jenny Cargill put it, could buy into corporate establishments.

We need now to concentrate on better management skills so we can correct some of those skewed figures I referred to earlier

We need to build on skills in the IT sector because if we don't we will become even more victimized by what Manuel Castells calls the new "technological apartheid" of the world. Access to education could be the greatest wealth we bestow on our children.

One of the most successful black-owned companies, Business Connection, owned by the Mophatlane twins, which specializes in systems integration in the Microsoft operating systems platform, is now looking for global partner. It began with a five-person staff and now employs 70. "We are often asked," said co-owner Benjamin Mophatlane recently in an interview, "where did you get your black IT staff?"

But there are some good people out there and when we can't find them we take on promising individuals and train them.

“Our biggest challenge is to keep the skills because we need to grow.”

Indeed that may well be the biggest challenge for all of us

## Government policies

The government has put certain policies in place that will spur on this process. We have legislated a skills levy on business, so that we all pay for the skills that we will need in this country. We have also put into place a new tender procedure that will favour historically disadvantaged business. New regulations have been put out for comment and when those comments are in we will study them and refine our laws to make sure they serve their purpose.

We must remember that the longer we delay in building skills and spreading them across the population, the faster we are left behind by the rich countries for whom technological innovation means more profit, more development, and perhaps, in the short term, more forgetfulness about the rest of humanity whose standards of living are falling.

In an industry as complex as the insurance industry, where so many mergers are taking place, it is important to build an indigenous base where wealth will stay in the country.

For instance one big brand of soft drink that things go better with. Last year took \$100 million out of the country back to Atlanta, Georgia.

We need to help develop a black middle class not only so that a few can pursue personal wealth – as the President put it, “a grand house, a grand car and a grand salary” -- but so that we can mould our society into one where the wealth is better spread and where skills development becomes an integral part of business.

There is another reason, too: if we care about our democracy, we need to make sure that the public sector never becomes a place where the elite can accumulate wealth.

The stories of what goes wrong in some parts are legion. Look at some of the detail of how Zaire was governed under Mobutu, where the state became his personal seta of wealth, as well as for his cronies. Granted he'd learnt it from the King Leopold who had used the Congo as his personal fiefdom.

But the lesson is that wealth must be by dint of hard work in the private sector, not by dint of political fiat or executive dictates.

The state must serve the people, not the elite. If we don't have a thriving private sector, how will we do this?

In South Africa, as in the world, sharing of wealth will depend largely on access to education.

## Conclusion

This is the challenge for all of us here: for government and particularly for the private sector, both black and white. Unless we pursue economic development and a better life for all, our democracy will lack sustenance. Without sustenance it will wither. And we too, instead of taking our place in the world, will continue to exist as part of the vast excluded peoples of it. Fighting racism is the key element here.

In the meantime, we could borrow the words of the Irish poet, WB Yeats, our President's favourite poet. In a poem called "He wishes for the Cloths of Heaven", he bemoans the fact that he has no embroidered cloths "enwrought with golden and silver light."

*"...I, being poor, have only my dreams  
I have spread my dreams under your feet  
Tread softly, because you tread on my dreams."*

Together, supporting each other, we could turn those dreams into the cloths of heaven.