

**NOTES for Speech to SA-Israeli Chamber of Commerce by the Minister of Finance,
Trevor Manuel, 27 July, 2000**

Thank you for inviting me to be here with you tonight.

In many ways, this period marks the beginning of a new era for the relationship between South Africa and Israel.

Both Israel and South Africa come from backgrounds where we have had to deal with rapid change in the past few years. As the Chamber knows, there used to be very positive links between Israel and the previous South African government. But changes in the political structures of both countries have meant that we have had to build a relationship anew.

This time four years ago, soon after I started as Finance Minister, things were very different. Many important business people, some of whom are your members, questioned who we were, what people in the ANC knew about economics, what we were capable of?

In that time, we've focused on creating macro-economic stability. We've focused hard on that, to the point where we were sometimes criticised for it.

But we took the pain, and now we're beginning to see a little gain.

We have much more fiscal stability now than this country has known in the past 25 years. We've managed to maintain that stability in the hardest of times, through the Asian crisis of 1998. We took a knock – some of our newer, black businesses particularly took a knock. But we stood our ground and survived a financial crisis that sent much of the rest of the developing world into a spin.

That's where we are today: we live with a comfortable deficit, our overall debt is down, inflation is the lowest it been in two decades, and taxes – both for individuals and companies – have been consistently lowered by the new government.

All of these have been entirely necessary conditions for our development. Necessary, but not sufficient.

Our growth rate of about 3,5% is too low to generate jobs. It is true that economic growth took a knock because of the 17.7% decline in agriculture due to the effects of the floods on this sector. And even though the manufacturing sector has been buoyant with output up by an average of 4% in the first few months of this year, we are concerned at the lack of labour-absorbing investment both domestic and foreign. We have a wealth gap that is the largest in the world and unsustainable in any society that needs to develop.

So we still have many challenges ahead of us.

But we are in a better position than ever to meet those challenges. For one thing, we are a far more consensual society than ever before. We have structured bargaining councils where labour, business and the government meet to hammer out their differences and find a way forward. The latest of these is the Millennium Council, which has put firmly on its agenda two of the most pressing economic issues we face: how to increase savings and how to generate jobs.

We've just had now, for instance, the Labour Minister announcing changes in labour legislation, changes that have been negotiated with trade unions and cautiously welcomed by business. OK, perhaps neither side is jumping over the moon at the proposed amendments, but as a colleague of mine in the ANC said in the final early-morning negotiating sessions for the new constitution in 1996: "It's better that all of us are a little unhappy, than that some of us are very unhappy."

We must be careful not to sell ourselves short. We need to remind ourselves that things could have been very different. We come from a fractured, violent history.

What we have been able to do in this country is to try to live with our past but not forget it. That is a lesson we learn from Jewish history. If we forget.. we risk the same injustices--- racial oppression and dictatorship – repeating themselves in generations to come.

The new Holocaust museum in Cape Town -- thousands of miles and nearly two generations away from where and when the atrocities against Jews, political dissidents and others were committed by the Nazis – is a sign of memory, or, in the poignant words of Milan Kundera, the struggle of memory against forgetting.

SO neither should we forget in South Africa where we come from – our painful past, the injustice perpetrated on the majority of our people.

But that does not mean that we must lose sight of the way forward. We owe ourselves and our people that responsibility, to look for ways together that we can help develop our country, and make it a safer and happier place for everyone.

We need to be less harsh on ourselves, and to stop blaming each other – a sign of our divided past – for our collective shortcomings.

Our government is now an elected one. It is the embodiment of the will of the citizens of South Africa: that means that you, business people, as much as us in government need to recognise our collective shortcomings and identify what needs to be done.

What have we achieved so far?

Now we have fiscal stability; we have substantially restructured state assets and will continue to do so with the blueprint that has been drawn up by my colleague Jeff Radebe's department.

We have reached a milestone with the SADC trade agreement, finalised just this week, which will reduce trade tariffs to zero in September. This is the first step to creating a free trade zone in southern Africa where a substantial amount of our trade is conducted.

There have been the labour market changes I referred to above.

And our President is making his mark on the world, making sure that the problems of Africa, which affect us deeply, are not pushed aside in the rapid technological and developmental strides that are being made in the richer countries.

But we are still faced with serious challenges here. They are *our* challenges, not just the government's. They are challenges for labour, for business, for our citizens and for government.

I'd like to spell these out for you. Better still, I'd like to give them to so that you and we, in government, can collectively begin to solve them.

The challenges we face are:

- The level of foreign direct investment is still too low to create jobs
- The savings level in our country is too low
- Too few jobs being created
- Youth unemployment: We have thousands of people coming onto the job market, with inappropriate skills to handle the jobs that are available.
- An unacceptably high level of crime – and worse still, a perception that we cannot deal with it adequately.
- A health crisis of major proportions, with HIV and AIDS threatening to cripple the economically active part of our population in the next two decades.
- A continuing severe racial imbalance in wealth and access to the formal economy

These challenges must occupy our collective mind. The challenge belongs to all of us. You hold it in your hands

This evening I would like to leave you with those challenges as much as I take them away with me. I invite you to engage with us so that we can help solve the problems of development in our country successfully, and together.

I thank you.