

NOTES FOR SPEECH TO PSG ONLINE SECURITIES LTD

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Trevor Manuel, Minister of Finance

I noticed from your annual report that that one of your spiritual mentors is John Maynard Keynes. If there is one important lesson he taught all of us – particularly us politicians its this: “When the facts change, I change my mind. What do you do sir?”

What does that mean?

For business, it might mean diversifying, shrinking, cutting back or expanding. For us in government, it means grounding policies in fact, in the reality as best we understand it. And if that reality changes, then we must change our approach.

All of us in government came from the long struggle for democracy a struggle where the moral imperative was overwhelming. We needed to deliver democracy, and to measure whether or not we are succeeding because unless ordinary South Africans can see, feel, or touch democracy in their everyday lives, we have a problem.

Now that we have established democracy, we need to grapple with problems that may not be of our own making. They may be due to the legacy of what South Africa has been – its huge inequality – and it may be due to the processes of globalization, to the effects of the swoops and turns in the international economy; it may even be that we are affected by a speech of a candidate in the US presidential election.

The point is we need to develop a way to deal with those problems, even if we don't feel they're our “fault”. We need to know what kind of decisions we'll take.

Because if we don't begin to solve unemployment, or poverty, or inadequate growth, or crime — then we don't transform our country into one that shows our people and the world that democracy can indeed deliver a better life for all.

It also means we can no longer afford to be guided by vague theories – on the left and the right, that don't find a place anymore – but that we need rather to actually tackle real problems. Because

ordinary people experience real problems that are about issues of life, and that's what we need to focus on.

It's been something a surprise to me that our own business community is often slow to appreciate the actual realities in our country.

Here's an example: recently the World Economic Forum put out the Africa Competitiveness Report for 2000/2001. The report does two things: it ranks countries according to criteria gleaned from interviews with business people – in other words, according to perceptions. And then it ranks countries on the basis of objective – that is, scientific and measurable – criteria.

In those ranking based on perceptions, such as the "Improvement Index" constructed from questions about "a direction of change", we come 17 out of 24. And in the "optimism index", we rank 18 creeping in just above Zimbabwe, Swaziland, Cote d'Ivoire, Mauritius, and Namibia.

But on the basis of objective criteria, we are rated in the top ten in openness to trade, on lack of import barriers, on the availability of foreign exchange, and on tax policy. We rate highly in the quality of infrastructure and telecommunications. For instance, there are just under 1 million Internet connections in the country.

The economy is experiencing lower interest rates and inflation rates than it has for decades, and in fact the debate in this country around interest rates is not, as it is in many other parts of the world, will they go up or not, but will they come down or not.

It is interesting to note that in the European Union countries, statistics showed that after they'd won a big soccer game, the economy went up – because national confidence was boosted.

We need to boost our national confidence.

We have received upgrades in almost all our investment ratings, the latest being from Standard and Poor soon after the Budget, and our debt, as a ratio of GDP, is now about 47%. Not only is it on a downward trend, but its way below the debt/GDP ratio recommended by bodies such as the European Union in terms of the Maastricht criteria, even for developed countries. The level they put as an acceptable debt ratio is 60% of GDP.

These are some of the successes we have achieved during our short era of democracy. For instance, very soon after our democracy was established everyone said the provinces were going to collapse. But look at them now. In most, the financial management is so much better.

But sometimes we in government have to wonder whether our own business people, our own citizens, believe enough in our country. Look at the level of domestic investment, for instance, as a proportion of GDP.

Last year, it fell to 14.9% from 16.5% the year before.

Perhaps this could be attributed to the Asian financial crisis. But perhaps, too, it is motivated by factors more intrinsic to South Africa's past, and indeed, present.

We need to be frank about this. We know that we have a relatively small, albeit growing, black business sector. Business in our country, is still largely in white hands. When we look at the falling levels of domestic investment, we need to ask why?

Is it because some of our business people don't feel as South African as they used to? Is it that with the economy opening up, both globally and locally, they are not competitive enough to stay in business?

We from government's side will do everything to assure all of our citizens that they are indeed citizens. One of my most pleasurable moments in government was last week when Callie and Monique Strydom returned home and met so warmly with the President. And then there was Gugu Radebe, held in another part of the world – OK in his excitement he forgot to say Nelson Mandela, he just said Nelson when he thanked our former president – but he too came home to safety. That shows us what we are. We are South African, we have spent the bulk of our lives here; we have no other home.

There are big things happening here – all sorts of exciting investments like that made by BMW. But how can we attract the foreign direct investment that we need to grow, if our domestic investment is lagging?

This is a challenge to all of us. At the end of the day, our citizens, all of us, will suffer from lack of growth. It is surely our commitment to each other and to our democracy that should make us at least open our eyes to the happily changed circumstances of our economy.

Your group's motto is Let's Do It Right. That's a motto that the whole country needs to adopt. We in government have begun to identify the challenges that face us all and to start trying to tackle them: Challenges that might inhibit investment, such as crime and the HIV/AIDS epidemic.

The President has also appointed an International Investment Council comprising some of the world's top business leaders who can both help us get the word out about South Africa's attractions, and can also advise us on how best to take up the challenge of globalization.

We are also blessed with a determined people who have everything to gain from economic success.

If we celebrate our successes and face our challenges we could become the engine-room of growth in southern Africa.

That surely must be an exciting prospect to local and foreign business whose expertise and knowledge of local conditions can open up important niche markets for them.

Already there are examples of this happening. BMW, for instance, has identified South Africa as the place to manufacture all its right-hand drive cars for export. CorningWare has established a major catalytic converter plant in Port Elizabeth.

These are not insignificant achievements. For our part, in government, we need to keep managing the economy prudently; we need to start curing the social ills of poverty and unemployment, and of crime and disease.

For your part, in business, you need to support us in that task, perhaps most of all by believing in, and investing in, our country.

That way we all go forward together.