

ECONOMIC POLICY IN A CHANGING GLOBAL AND LOCAL ENVIRONMENT

Notes for a speech to the Department of Management at UWC, October 13, 2000

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One of the organisers asked me tonight whether I was going to make a “groundbreaking” announcement.

We were puzzled because we thought I’d already done that.

Yesterday we announced the Adjustments Estimates – the adjustments to the main Budget that Parliament votes because of contingencies or unforeseeable expenses.

I told parliament that one of the unforeseeable and unavoidable expenditure items came from the Department of Environmental Affairs. It was for the replacement of six fuel storage tanks that were lost when they floated away on a giant iceberg that broke off the ice shelf near the Antarctic.

The iceberg is high – 35 metres – and wide – the size of 17 rugby pitches or so, according to a scientist who was there. Our ship couldn’t reach it. Our helicopters couldn’t winch up the tanks because they were far too heavy; and although help was offered by a German ship in the area, and Russian ships and helicopters, it was to no avail.

We concurred with Environmental Affairs that this incident was both unforeseeable and unavoidable – and, actually, in terms of the whole budget, it was a tiny amount – some R1, 2 million.

Maybe that announcement wasn’t exactly groundbreaking, but at least it was ice-breaking, even if some of the media suffered severe sense-of-irony failure and had the Finance Minister warning about global warming and saying it was all Valli Moosa’s fault!

But there is another lesson that comes out of the story of the disappearing fuel tanks. And that is the world doesn’t always conform to our wishes, or even our best-made plans. We have world-class scientists at our base in the Antarctic. We think we’ve got pretty top-notch economists who help us draw up the details of the Budget after our elected representatives have agreed on our policy priorities. But there are some things we can’t plan for like floating icebergs that carry away our tanks, or a host of other more serious disasters like the floods which washed away so many of our people’s meager shelters.

The world is not one of our own making. But just because that is so, does not mean that we just fold our hands and accept that there’s nothing you can do about it, because engaging with it is part of our quest to make our people’s lives better and to make our democracy work.

We have to draw on the best of our collective intelligence to deal both with what we know and what we don’t know. Because we need to engage with his world.

This week, was a particularly difficult one in our world. Oil yesterday reached \$37 a barrel at one point – the highest price in a decade. In February of this year, the same oil was being pumped at \$10 a barrel.

The trauma and the violence of the conflict in the Middle East touched us all – not only in our hearts but also in our very lives. Surely there’s not one of us here who didn’t weep to see that

picture of a father trying to shield his child when he was shot. "The Middle East," reported the normally sober New York Times today, "is on the brink of an open war."

This week, the world seemed gripped by the grim words of the Irish poet W B Yeats who wrote in another era of turmoil and transition:

"Things fall apart/ the centre cannot hold/ The best lack all conviction while the worst are full of passionate intensity."

Its been a week of violence and conflict that echoes much of our own debates and the struggle we went through; its been a week where democracy has struggled to take hold in Yugoslavia; a week where the spin-off effects have knocked the Euro and the currencies of developing countries including our own rand. Its been a week on a roller-coaster – and I use that phrase because of the young life in Mitchell's Plain lost when a child fell from a roller coaster.

And it's a period where the most powerful country in the world has turned decidedly in on itself in preparation for the presidential elections.

Just two weeks ago we returned from Prague where I chaired the annual meetings of the International Monetary Fund and World Bank. There, there were scenes of more violence and discontent on the streets.

But at the same time, the African countries, including of course ourselves, tried hard to put the issue of growing world inequality on the international agenda.

We know that many of our neighbours are struggling to pay interest on debt, to the extent that they cannot invest in the education and health and welfare because they are dealing with the burdens of the past. We know too that the voice of Africa in those multi-lateral institutions – set up in 1944 with a vision to use the harnessed power of the world's humanity to combat the suffering that goes with economic powerlessness – is structurally small and weak. We said that we need to build a different kind of future.

We know that we live in a world where there are more telephone connections on the tiny island of Manhattan than there are in the whole of sub-Saharan Africa. We are Africans. We live on the poorest continent in the world.

We can rail against globalisation all we like, but the reality is that the world is becoming increasingly more integrated. The writer, VS Naipul, who set his novel "A Bend in the River" in Kisangani in the Congo wrote there: "The world is what it is; men who are nothing, who allow themselves to become nothing, have no place in it."

Phillip Gourevitch, a young American reporter who recounted the horror of the genocide in Rwanda in his book, asks the question of the Congo today: "But what if a country of nearly 50 million men, women and children become nothing? What is its place in the world?"

We cannot afford to become nothing in the world because, if we do, we betray every hope vested in us by our people who have fought so hard for a decent system that would allow them to simply be human beings who can hold up their heads with pride and accomplishment anywhere they go.

Most of you here tonight are people who have become precisely that. Human beings who can walk the world with pride. Many of you have struggled against the legacy of inequality and the cruelty of racism precisely to become something.

We are giving out awards tonight to honour those achievements – because they are no small achievements given the paths that so many of us have walked.

That is one reason why we put so much of our budget into education. At R51 billion it's the single biggest expenditure item in our budget. We should reflect on the fact that it's about the biggest slice spent on education of all the developing countries because it is what stands between the vast gap we have to overcome between our past and future. We need to concentrate in developing our indigenous human intellectual capital.

I was reflecting too on Australia and what they did to develop (now the Oz dollar has taken a beating, and what did they do wrong? Maybe we're just too far south). But two decades ago the Australians were very poor. They became rich because of what they invested in human capital. Now they can afford to sit for two weeks in a stadium in Sydney and watch the Olympics.

We are faced here with the legacy of apartheid.

This is now what we have to correct. It must be one of the priorities of our country, because if we cannot provide our people with the skills to compete not only in their own country, but also in the world, then our future is not our own.

Many of you who are graduating will become our business leaders of the future. It is you who will make decisions about investment, about spending. It is you who, as much as the government, will shape the future not only for yourselves but for all our children.

It is worth reminding ourselves that we live in one of the most unequal countries of the world. That hasn't gone away just because some black people are now rich.

Along with Brazil, we have probably the highest gap between rich and poor in the world.

Just as the huge inequalities in global wealth are unsustainable, so are the inequalities in our own country. If you are going to make a successful future here, we need the stability that comes with comfort and security for all our people.

That is why we need to work together – academic institutions such as this, the private sector and civil society. It has to be the burden of this generation. It has to be touched, smelled and lived; we just can't walk away from it.

But development is an arduous task and we still have a long way to go.

One of the biggest challenges we face – in terms of propelling economic growth so that it can better sustain our people – is to increase the level of investment, particularly domestic investment. Our domestic investment has dropped slightly from 16.5% to 14.9% in the past two years. The tough decisions taken by Government need to be supported by the private sector and in our private lives.

Business confidence has not shown the same sense of security as our fundamentals. If you look at the Africa Competitiveness Report produced earlier this year, in all the indices that were calculated on the basis of interviews with business people – in other words on perceptions – we rank in the bottom 10. But in all the indices that can be measured on the basis of objective criteria – like some of those things I've just mentioned – we rank, often in the top 5.

We have to ask why?

One reason may well be to do with another part of our legacy: the high inequality in access to the formal economy on a racial basis. Black people still are represented only in a small number of businesses and are generally weak in the private sector.

We need to change that. We need a strong private sector.

Black economic empowerment is not only good for the individuals who are empowered – it's vital to correct a skewed economy.

It's also vital for our democracy. Too many times in Africa the place where people thought they could grow rich was through the government, so you had the building of kleptocracies, and we have to guard against that.

So these are two of our key challenges: to raise the level of domestic investment and to empower more of our people to take an active part in our economic affairs.

And all this adds up to the challenge of ensuring that we are something, not nothing in the world.

To take our place in the world, and to make it a more equitable place, we need peace, stability, prosperity. Each of us can do something to achieve this. For those of us like yourselves, empowered with education, with skills, with heart and with humanity, we look especially to you as partners in our future.

This is the challenge of the moment; it's the moment that belongs to all of us. Let's make the best of it.