

WEATHERING THE GLOBAL STORM: POISED FOR BREAKTHROUGH?

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Premier, MEC for Finance, Distinguished guests, ladies and gentlemen.

It is indeed a great privilege for me to address you this morning.

This occasion is of course exceptionally important for sustainable development in South Africa.

It is equally important for us to understand and engage with the realities of our position in the world economy.

But, we have not surrendered our destiny to the oft-chill winds of the world. We cannot. We must not. We must ensure we are able to reap the benefits of the international community, while managing the risks that come with this.

The choice of such a grand venue is somewhat intriguing. Reminds me of the pause Clem Sunter¹ took from the high and low roads some year back to digress on the benefits and rules of the casino economy.

While we are not wagering our future here today, we are certainly looking to create a set of house rules that can secure a

¹ Sunter, C. 1994. *The Casino Model*. Tafelberg and Human and Rousseau, Cape Town.

socio-economic development path that we are capable of achieving.

Only 9 years ago, the global village came to our celebration. We were celebrating the end of one struggle.

But, at the same time, we were proclaiming the beginning of a new one.

We were celebrating our political freedom, but embracing the challenges of economic emancipation.

Many were tired and weary. Perhaps even wary of the future and whether we had the energy to continue. Whether we had the spirit to fight another day. Many asked: were we exhausted?

An old favourite of mine, Ben Okri, speaks thus of exhaustion:

*They are only exhausted
Who think they are.
They are only exhausted who no longer have a reason to
strive
And to dream and hope.*

Clearly we were not exhausted. We had high hopes for the future as we collectively stood in those long queues on 27 April 1994. Together, we wanted to stand united for a brighter future, to reach the incandescence that comes with the eradication of poverty, hunger and a lack of education.

This past weekend, we mourned as a nation the passing of a great leader of this country. A leader whose spirit could not be crushed despite the best efforts of the apartheid machinery.

Despite them unleashing their best brains on what they perceived - wrongly - to be a poorly educated boy from the sticks.

The indomitable spirit of Walter Sisulu guided us through many dark days in this country. As many have said, he was the locomotive that drove much of the struggle.

In Spirit, he remains with us. Dreaming that South Africa takes its place among the leaders in the world. That we demonstrate that political emancipation is followed by patient building toward sustainable economic transformation.

After 1994, South Africa embraced a broad-based socio-economic transformation.

We were driven by the ideals of a non-racial, non-sexist society striving for sustainable and inclusive economic development. We boldly set out our programme of action in the *Reconstruction and Development Programme*², which called for:

‘an integrated programme, based on the people, that provides peace and security for all and builds the nation, links reconstruction and development and deepens democracy’.

Domestically, our economic policy focussed on:

- Addressing the fiscal imbalances
- Transforming the state machinery to ensure more effective service delivery
- Eliminating constraints to investment and job creation
- Improving investment in social capital - education, health and welfare - to secure a brighter future for all South Africans.

We also returned to the international stage, with the confidence and bravado typical of South Africans. Our participation in the global economy enables us to foster higher levels of domestic growth and development.

Trade liberalisation has expanded markets for many South African industries, creating opportunities for production that were simply not there in the past. In addition, South African consumers now have access to a wide array of goods and services denied to them before 1994.

² African National Congress. 1994. *The Reconstruction and Development Programme*. Umanyano Publications, Johannesburg.

Gradual liberalisation of the financial account of the balance of payments enables South Africans to diversify their savings and earnings, at the same time opening access to a global pool of capital to fund investment in the domestic economy.

While challenges remain, we can be deeply proud of our achievements.

Economic growth has averaged almost 3 per cent between 1994 and 2001. In the 10 years preceding 1994, the economy spluttered along at less than 1 per cent a year.

Similarly, we have managed to bring the public deficit to manageable levels and to lower our debt. South Africa will not mortgage the future of our children for short-term gain.

Despite these apparent successes, many would have us retreat from the international stage. They say we should not liberalise trade and we should impose controls on capital movements.

They remind us of the 'political trilemma of the global economy', which Dani Rodrick³ describes thus:

'The political trilemma of the global economy is that the nation state system, democratic politics and full economic integration are incompatible

On the basis that international economic integration restricts domestic policy room, many would have us withdraw and forge a different, insular path to development.

We must pause to reflect on this. Certainly, being part of the global village requires that we pursue sensible macroeconomic policy. But, even in the absence of integration, this is the right thing to do.

Being part of the international economic community does not hinder us. In fact, it frees us to pursue policies that we could not otherwise do.

³ Dani Rodrick at p1 of '*Feasible Globalisations*', published July 2002

As a country, we cannot say we only have a market of 43 million people.

No - we have a market of 6 billion on the global stage.

We cannot say that we do not have savings to pursue investment. We have access to the global savings pool. We can invest more.

This enhances rather than restricts the policy room we have.

Thus, the question we should be asking is not whether it is a good idea to integrate with the global economy.

The right question is how do we do it to the best of our advantage.

We must free ourselves from the so-called trilemma and maximise our policy space.

It is hard work. It is not easy to penetrate foreign markets. But once there, we can nurture and demonstrate how proudly South African we are.

It is not easy understand and manage the gyrations of global capital and foreign exchange markets.

But, we can do it in partnership with each other.

We can do it if we work together to free ourselves from the trilemma.

We can do it if we remain proudly South African.

We can do it if we engage the world in debate about global governance of financial markets.

If we work together with our fellow developing countries, especially our friends in Africa.

But above all, we can do it if we harness the energies of all our people.

It is against this backdrop that we can weather the global storm and look to the future with optimism. Thus, BEE must succeed.

The past year has been particularly challenging for the world economy.

Geopolitical uncertainty compounded weaknesses that were already evident in the major economies.

Growth forecasts were consistently revised downward over the course of last year, as the reality of weak global demand weighed on global production, which compounded and was compounded by rising unemployment and worsening fiscal positions.

In the event, in 2002, these economies realised growth of:

- 2.4% for the US
- 1.0% for Europe (EU)
- 0.8% for Europe (Euro region)
- 1.8% for the UK

Despite this global weakness, the South African economy again demonstrated its resilience to return growth of 3 per cent, capitalising on the strength of the domestic economy.

Trade benefited from the weakening of the currency in 2001, but most heartening was the accelerated pace of investment, building a platform for future growth.

The outlook for this year remains quite uncertain, as mixed signals continue to emanate from many regions across the globe. In its recent *World Economic Outlook*⁴, the IMF forecast global growth of 3.2 per cent this year, rising to over 4 per cent next year.

While the US remains the engine of global growth, the performance of the newly industrialised countries in East Asia remains impressive. Of these, countries such as Malaysia hold important lessons for us in South Africa as we manage the trilemma.

⁴ International Monetary Fund. April 2003. *World Economic Outlook*. Washington.

Malaysia is expected to grow by 5 per cent this year, rising to almost 6 per cent next year. 30 years ago, Malaysia faced similar empowerment challenges to those faced by South Africa today.

The indigenous population owned and controlled negligible amounts of the local economy, suffering years of marginalisation and exclusion.

The sustainability of their growth performance over the past 30 years is underpinned by a number of very sensible domestic policy choices.

In particular, their commitment to broadening participation ensured the economy could benefit from the talents, spirit and energy of all its people.

While mistakes were made, Malaysia's courage to try, its commitment to success and the overwhelming realisation that everyone matters, has led that country to a solid position in the world.

It competes with the best, demonstrates enviable vibrancy that is required for sustainable economic growth and development.

South Africa's time has come. Borrowing again from Ben Okri,

*We are at a precious moment
In times ovulation*

*We are now at that rate intersection
That magic favours
That history adores
That legend has no need to embellish
Because it is already a legendary moment
In its own wonderful right*

We must collectively seize this moment in human history. We are faced with a time when collectively, we can embrace fundamental economic transformation in our country.

We have been tested by the gales of globalisation.

In 1998 and in 2001, we were buffeted by external speculation.

But we did not capitulate.

Indeed, we emerged stronger for that experience.

We have stood strong in the face of the global slowdown. Dug in our heels, refused to quit.

So, now to the future. History will not judge us easily.

We have an enormous responsibility to our forefathers and to our children.

That responsibility demands that we place ourselves on a sustainable growth path where every one of us can realise our hopes, dreams and aspirations.

Like Malaysia and others before us, we must weave the bright colours of South Africa indelibly into the global tapestry.

The policy that Lionel October from the **dti** will outline later today provides a framework for sustainable black economic empowerment.

The BEE policy which he will address has its roots in ANC policy. On 28 May 1992, we convened a policy conference which produced a document entitled "Ready to Govern"⁵. We said then,

We envisage a dynamic private sector, employing the skills and acumen of all South Africans, making a major contribution to the provision of good quality, attractive and competitively priced goods and services for all South Africans. Small business activities, which contribute significantly to job creation, should be actively encouraged by a democratic state. Special attention will have to be given to the informal sector, small- and medium-sized businesses, co-operatives, farming and village economic activity and generally to the encouragement of development in poor and depressed areas.

⁵ Ready to Govern, record of ANC Policy Conference, held 28 to 31 May 1992.

We focus on a balanced approach to empowerment. Not mere ownership targets, but empowerment that goes deep into our villages and towns and pulls people into the economy.

We must engage and deliberate. This policy must work. We must also remain vigilant of quick fix schemes and apparent easy answers. They do not exist. Nor can we rewrite all of the rules of economics, especially those that talk to wealth creation and accumulation. Government can shape policy and promulgate legislation, but government cannot create entrepreneurs. We will have to toil in the African sun to secure success. But we certainly will.

Hernando de Soto⁶ reminds us that growth in developing countries depends on bringing to life dead capital. While he speaks directly of physical capital that is embodied in the assets of the poor, South Africa must bring to life its human capital.

The upcoming Growth and Development summit can build on engagements like this to bring us together to foster a shared vision for the future.

We are indeed poised, now we must march boldly into that future, taking all South Africans with us

I thank you.

⁶ De Soto, 2000. *The Mystery of Capital*. Black Swan, London.