

**ADDRESS BY MINISTER T A MANUEL
ITALIAN CHAMBER OF BUSINESS
HILTON HOTEL, SANDTON
4 NOVEMBER 2004**

Good evening ladies and gentlemen

As we are celebrating our tenth year of democracy in South Africa, we are indeed privileged to join you in celebrating your 20th anniversary.

I want to thank you for inviting me to address you in this celebration. But, more importantly, I want to congratulate the chosen businessman and businesswoman of the year, and to applaud the chamber's commitment to our democracy and economic development.

And to ask that our relationship continues to deepen, and that, together, we enjoy the fruits of Africa's sweetest political and economic emancipation.

The increasing numbers of shiny new Italian sports cars on our roads tell an important story of how far our partnership has come over the past decade.

They tell of confidence in the way we are taking this country forward.

And of an economy in which people have the freedom to dream and to aspire.

People are coming to know that their own destiny is now in their hands. Hard work, initiative and entrepreneurship lead to success. Some of us – humble politicians especially – will not quite make it to the Lamborghini league.

But that is fine. At least we can still dream. And patiently, step-by-step, each of us can find opportunity to give expression to our dreams.

Over the past ten years our young democracy has emerged strong and resilient, unwavering in its quest to ensure a prosperous life for all. We have travelled a long road and are beginning to see the returns from our efforts in an expanding economy.

Structural change to support faster growth

In the decade prior to 1994, economic growth averaged less than 1 per cent a year.

Since then it has averaged almost 3 per cent a year. We have just entered the 24th quarter of continuous positive growth. This marks the longest structural expansionary phase in the history of the South African economy.

We have also witnessed a remarkable transformation in the structure of the economy. A largely natural resourced based economy has given way to a more modern, dynamic and resilient economy in which higher value added manufacturing and service are thriving. In fact, the services sector currently contributes close to 70% to GDP.

We need to constantly remind ourselves just how far the people of South Africa have come over the past decade:

- The fiscal deficit has been brought down to 2,4 per cent of GDP in 2003/04 from well over 7 per cent a decade ago.
- Fiscal debt-GDP levels have been lowered to 37 per cent from 48 per cent in 1996, with the portfolio substantially diversified to include a manageable 18 per cent of foreign debt in the total debt stock.
- Debt service costs have fallen to 3,8 per cent of GDP in the wake of substantial declines in the country risk premium and improved management of our debt portfolio.
- Marked improvements in tax policy and administration have been the cornerstones of the turnaround in overall fiscal performance.

Just last month, Moody's Investors Service announced that it has placed South Africa's country rating on review for a possible upgrade. This was in recognition of the country's significant improvement in external liquidity, our modest reliance on external debt financing, and our macroeconomic policies.

Within one week of this announcement Fitch Ratings revised the outlook on South Africa's sovereign rating from stable to positive, an unprecedented vote of confidence in the South African Economy.

In addition to securing a sound fiscal base, we have been able to provide a firm anchor for monetary policy by introducing inflation targeting.

The benefits of this are beginning to emerge, with inflation firmly within the target range and inflation expectations moderating.

These improvements in the fiscal and monetary positions, give us the headroom to explore important policy initiatives to give impetus to the growth acceleration we are seeing.

A growth rate of 4 per cent and beyond is eminently achievable for this economy in the years ahead. Not, of course by government working alone. But, by every worker and every entrepreneur coming together to give expression to fuel our acceleration.

Openness and trade reforms

Over the past decade, South Africa integrated enthusiastically in the global economy accepting WTO commitments and confronting the challenges of international competition, bolstering our own efforts to boost domestic competition.

We allowed access to our markets through trade and tariff liberalisation and pursued a range of mutually beneficial free trade arrangements with our major trading partners.

We even managed to conclude a Free Trade Area agreement with the EU in 2000. Now, that was not a simple matter, but a commitment to engagement and negotiation eventually prevailed. Today, the EU remains our most important trading partner.

But, more needs to be done. The WTO and our partners in developed countries must grasp the nettle and take the hard decisions that are going to make a meaningful difference in the lives of the poor.

If we are to break cycles of dependency in developing countries, genuine market access must be on the cards. Not for the products that are convenient to the powerful. But for the products that matter for the powerless.

We cannot genuinely talk of trade and development unless governments and multilateral organisations take on the hard issues and break cycles of dependency in their own countries.

Subsidies that exceed the GDP of most developing countries – taken together - simply have to be reconsidered!

South Africa will not waiver from this agenda until we begin to see genuine progress being made.

Exchange controls

Over the past decade, exchange controls have been liberalized, as our financial markets have deepened and our regulatory structures and capacity have been strengthened. This has allowed us to both attract capital and for SA businesses to expand their global reach.

We have long declared ourselves open for business, assuming the responsibilities attendant with such a decision. We can do this on the back of an unwavering commitment to sound macroeconomic and fiscal policy.

In the MTBPS, we built on the reforms announced in the Budget Review. This year, to further entrench our reintegration with the global economy, we have now:

- Allowed foreign governments, companies and institutions to list their instruments on South African exchanges.
- Exchange controls on real investment abroad by South African companies were abolished.
- The compulsory repatriation of dividends from offshore profits will no longer apply.

These measures enable our companies to expand their footprint world wide from a proudly South African base.

Reducing the cost of doing business in SA

The bulk of new economic opportunity is going to be found in rapid acceleration of the activity in the private sector. We have in place a macroeconomic and political foundation to support such growth.

While maintaining this, our efforts now turn to improving the microeconomic environment for business activity, lowering cost structures across the economy, rolling back constraints to economic development and ensuring that our businesses continue raise their competitiveness in the global economy.

Critical initiatives in this regard include:

- We can reiterate the commitment made by the President in his State of the Nation address in May to reducing the cost of doing business in SA through extensive investment and reinvestment in an already developed and modern economic infrastructure. Over the next 5 years, Transnet will invest upwards of R37 billion in rail and port infrastructure. In addition, ESKOM envisages investment of about R80 billion in expanding energy generation capacity and transmission networks to meet our burgeoning needs.
- Improving competition and access in telecommunications will raise efficiency following the introduction of a fixed-line operator for which discussions are well under way.
- I have announced a review of the burden of tax compliance on small businesses, focusing on ensuring our entrepreneurs engage in growing their business, not on filling in forms!

Sure, there is much to be done. But, I am confident, that we have the commitment, energy and stamina to ensure that we are able to conquer this challenge.

Empowerment

I have spoken a lot lately about black economic empowerment. This is not something that any of us should take lightly. In fact, it is something that we all need to embrace, as it remains fundamentally important to the sustainability of our growth path.

Our focus has to be on broad-based economic emancipation to complement the political emancipation of 10 years ago.

For sure, meaningful participation in ownership and control in the economy is important. But, more important is ensuring that everyone in this economy, I mean everyone, black and white, young and old, men and women, have access to economic opportunity.

We can, and we must, harness the potential of everyone committed to our country to take us to that higher plane of growth and development.

In conclusion, let me say that the recent economic performance reflects an economy that is strong and resilient, coiled on solid foundation ready to spring to higher levels of wealth and wellbeing.

We are most definitely open for business and encourage dialogue and engagement with our partners in the Italian Chamber.

For these partnerships, as they grow ever stronger, fortify us to the next level of growth, development and joint prosperity.

I thank you