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**ADDRESS TO THE 60TH WORLD ASSOCIATION OF NEWSPAPER
CONFERENCE AND**

THE 14TH WORLD EDITORS FORUM

CAPE TOWN, 6TH JUNE 2007

TREVOR MANUEL, MP, MINISTER OF FINANCE

President of the World Association of Newspapers, Mr Gavin O'Reilly,

President of the Newspaper Association of South Africa, Mr Trevor Ncube,

**Chief Executive of the World Association of Newspapers, Mr Timothy
Balding,**

President of the World Editors Forum, Mr George Brock,

Distinguished Delegates,

Ladies and Gentlemen.

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Thank you for the invitation to address this distinguished forum. I should not hide the fact that the task is indeed daunting – given both the audience and the fact that I have missed so much of what has preceded this lunch.

Despite our presence here in Cape Town, the focus of media attention this week has shifted to the G8 Summit in Heiligendamm, on the German Baltic Coast. For the past few weeks, the preparations for this Summit has seen the bulk of copy from Germany focusing on the demonstrations, both peaceful and violent – at times threatening to overshadow the purpose of the Summit itself. As though on cue, temperatures have been raised by early initiatives and disagreements on Climate Change, and the tasks at hand compounded further by announcements on missiles and where they should be pointing. All of this overshadows a few key initiatives taken by the German government – to enlarge the discussions on key developments by the inclusion of the “G5” – Brazil, China, India, Mexico and South Africa; as well as a different set of discussions with important African countries on development on our continent.

Added together, these matters must raise fundamental questions about globalisation – present and future, and perhaps tangentially whether the G8 can claim to be the only voice on global economic developments at a time when the shifts of development and output change the global balance of power. At hand is the contradiction of development – sustained high rates of growth has seen the inclusion of hundreds of millions of people into the world’s market economy, and of a decline in global poverty due to growth in the emerging economies; yet there are growing disparities in wealth and incomes both within and between countries.

Against this backdrop, there are important questions about who wins, who loses and who cares.

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Amartya Sen¹ addresses the problem as being that of global poverty and global fairness, he writes,

“So what about global inequality and poverty? The distributional questions that figure – in explicit or implicit form – in the rhetoric of both of the so-called antiglobalisation protestors and of the no-nonsense ‘proglobalisation’ defenders need some critical scrutiny. Indeed this issue has suffered, I would argue, from the popularity of some oddly unfocused questions.”

He then proceeds to explain that part of the central problem is an over-reliance on the logic of the market and that ‘global capitalism’ is typically more concerned with markets than with, say, establishing democracy, or expanding public education, or enhancing social opportunities for the ‘underdogs of society’.

He further argues that the inequalities of globalisation are closely tied to a number of institutional failures that have to be overcome.

I am sure that we have all heard these arguments sufficiently often for them to sound almost trite. But what perspective do we take on this and with what consistency do we allow these ideas to be articulated? Or does this matter at all? Is solving this problem any less interesting than reporting merely on the protests or the defence?

The issue is clearly about the policy choices that a country or group of countries makes, about the room they have to exercise those choices and about the fundamental precepts that inform their choices.

Yet another Nobel Laureate, Joseph Stiglitz² raises the challenges more forthrightly in arguing,

¹ Amartya Sen, Nobel Laureate , “Identity and Violence” Allen lane, P132/3

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“While policies based not on ideology but on a balanced perspective of the role of the markets and the government are more likely to promote growth and efficiency, there is a broader vision which I would like to try to articulate. It is based not just on an understanding of our economy but of our society and it goes beyond the materialistic values that are paramount in the growth and efficiency agenda. There are three cornerstones: social justice – views about equality and poverty; political values, particularly democracy and freedom; and views about the relationship between individuals and the communities in which they live.”

We must accept that these processes determine who wins, who loses and by the margin of each.

But, there are other faculties that come into play that relate to the capabilities of the nation state.

Kemal Derviş³, presently the administrator of the United Nations Development Program writes:

There is really nothing that automatically leads to the inclusion in the world economy of countries that have been marginalized by history, geography, civil war, governance failures, and/or foreign power struggles on their soil. Globalization does not “work” for these countries. The linkages that exist between them and growing parts of the world are insufficient. Some optimists think that global growth will eventually “reach” these countries as it will the poorest parts of India and China. Unfortunately, there is nothing inevitable about this. To make an extreme comparison: there is no reason for the growth of the world economy to benefit the moon! China and India can use the apparatus of the nation-state to “create” linkages between their own prosperous regions and their poor regions. Somalia and Sierra

² Joseph Stiglitz, *The Roaring Nineties*, Norton and Company, p194/5

³ Kemal Derviş, *A Better Globalization*, Center for Global Development

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Leone can do very little on their own to create equivalent linkages between themselves and the dynamic parts of the world economy.

Clearly, without a more balanced report on both the winners and the losers, especially those trapped by history, we will not have a basis to improve on the way in which the world functions, the manner in which institutions function and the way in which globalisation plays itself out across the globe. And, if we cannot fix what is so obviously imperfect, then the losers from globalisation will either shout more loudly, or they will disengage from the process – either way the struggle for a more equitable and fairer world will be vanquished. And that is not an outcome from globalisation that most of us will be able to live with.

As beneficiaries of globalisation, the media must acknowledge that there are losers. As nation-states, we cannot abrogate our responsibility to those who lose out in the global shift of resources, goods and services. To make our world a better place, we must have the honesty to admit that the losers in the globalisation game are almost always those who are poor to start off with, those living in fragile states, those who have not received a decent education. In our increasingly interconnected world, it is becoming increasingly costly not to care.

Towards the end of the second world war, when the world was facing a set of daunting challenges, challenges principally of reconstruction but also to provide an enduring security, global leaders decided to form three institutions – the International Bank for Reconstruction and Development; the International Monetary Fund and the body deferred for 55 years, the International Trade Organisation. The two that were established were born of compromise – some of which still bedevil these bodies, but they initiated their work. A year later, in a major rethink, the League of Nations was replaced by a significantly revamped successor, the United Nations Organisation.

What is significant about this period was that the leaders of key world states recognised the crisis and responded with institutions. While the context is very

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different today, it is instructive that world leaders were of the view that the major global challenges facing us then could be tackled better through joint, collective effort. Does this view have traction today?

A few decades ago the world's economy was dominated by the US, Europe and Japan, constituting roughly 75% of global GDP. Today, the world is a very different place. Global GDP is about US\$50 trillion. Of that amount, in current *US dollar* prices, the G7 makes up about 57% and the rest of the world 43%.⁴ In current *PPP* prices, the rest of the world accounts for more than 55% of world GDP and the G7 45%.

Rapid growth in population and inclusion into economic activity has made possible a dramatic rise in GDP in many developing economies. In economic terms, India, China and a number of emerging markets are now major players in the world economy, and given projections of growth will overtake many of today's largest economies in 20 or so years.

The pattern of global governance has to change to respond to these changes. If our institutions are to be strong, representative and robust enough to tackle the major problems of the world, then the status quo must be challenged.

If we accept the reality that the integration of the world's economy has outpaced its institutions by far, then we must also accept that equilibrium will not be possible without institutions capable of constructing the policy consensus. And, in order to do this, the legitimacy of the multilateral institutions is paramount.

Yet, there is very little disagreement on the fact that the IMF and World Bank are constrained by a huge deficit of democracy. The G20, at its Ministerial Meeting held in Melbourne in November 2006, agreed on the need to reform them. This

⁴ Africa accounts for 1.9% of world GDP in 2006, and Sub-Saharan Africa 1.5% in US dollar prices. In PPP terms Africa accounts for 3.3% and Sub-Saharan Africa 2.6%. Source: World Economic Outlook.

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meeting was attended by, amongst others, both Mr Paul Wolfowitz, in his capacity as World Bank President, and Mr Rodrigo de Rato, IMF Managing Director.

The communiqué adopted was emphatic in its statement

“We reiterated the position expressed in our October 2005 Statement that the selection of senior management of the IMF and the World Bank should be based on merit to ensure broad representation of all member countries. We welcomed consideration of any steps to ensure a fully transparent process for the selection of the IMF Managing Director and the World Bank President.”

I need not remind anybody present here that the World Bank is just in the process of appointing a President. The commitments made by all G20 Member states, including both the US Treasury and the Federal Reserve Bank have been completely ignored. The (sole) candidate, Mr Bob Zoellick, is competent and has a credible track record both as a manager and a conciliator. I have no doubt that in a fair contest, with a properly constructed panel, Bob Zoellick would probably emerge as one of the strongest candidates. The problem is that the US administration lacked the courage that its candidate needed by way of support. It relied on what Joe Stiglitz recently described as, “the appointment of the President of the World Bank is perceived as a birthright of the USA.” And so, the legitimacy of both the institution and the candidate are compromised.

On the voting structure of these organisation too, we must pose serious questions. The organisation’s structure is based on a shareholding formulated in 1944 during World War Two. The United States holds 18 per cent of the shareholding, and while there has been some variation to the shareholding structure, the USA as the biggest shareholder still has veto power. The presidency of the World Bank should not be determined merely by its citizenry.

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As some of the world's leaders gather in Heiligendamm to tackle issues ranging from global climate change to development in Africa, from world trade to security; we must constantly raise the voices of the people not there, not represented at that table. The major problems of the world affect all its citizens and we can only begin to develop solutions to these problems when we change towards a more inclusive system of global governance. There is a need to revive the discourse on global public goods, to recapture the global commons...to recognise the interdependence and interconnectedness of our changing world, more importantly, to design a set of institutions and governance arrangements to meet the needs of everyone.

And newspapers must continue to ask difficult question, 'who wins, who loses, who cares?' Or perhaps it simply does not matter – the issues are not sufficiently racy, there are no dramatic pictures, and healing sells fewer newspapers than gore.

Thank you