



**MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA**

**SPEECH BY MINISTER OF FINANCE, PRAVIN GORDHAN
LAUNCH OF PARTNERSHIP BETWEEN BDFM AND BLOOMBERG TV
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Good Morning people and management team from Bloomberg and Business Day.

Thank you for the opportunity to join you on this occasion. This partnership of Business Day and Bloomberg is a sign of the times. It is an indication that you have this linkage between South Africa and the globe, Africa and the globe. In more ways than one, this partnership and this venture reflects the kind of dynamics that are unfolding in our environment.

Today is a day that the 1913 Land Act was published, a hundred years ago. Today is the day when essentially, the foundation of what we knew as apartheid in racial, social and an economic terms was actually laid.

I would like you to think about how this 1913 Land Act affects South Africa for the next hundred years? What would South Africa have been like if it became a true democracy in 1910: where all of its people had the vote in 1910; if the democratic institutions that we have today were the democratic institutions that were created in 1910; if people like Nelson Mandela didn't have to spend 27 years in jail before we could earn our freedom in 1994.

My complaint to people is that we don't sufficiently reflect history in what we write. It's easy to talk about the post-1994 generation with different tags given. That generation needs to know our history. It needs to know that what we call our

economy today, did not appear from nowhere, was not created by the ANC but was in fact inherited by the ANC. That when we talk about the South African project, a project which says that remembering 1913, how do we undertake the further evolution towards transformation of political institutions and space, our social dynamics and create better social cohesion; how do we get citizens to recognise and begin to own our democracy but more importantly feel that they are partners in this economy as opposed to being recipients of what happens in this economy. How do we get citizens to understand what they are entitled to but also what they are responsible for.

In many ways, the 1913 Land Act in its hundred years reflects the many challenges that our economy faces today and is likely to face for some time. But also, it reflects the positivity and the opportunities that we have because what we have demonstrated since 1994 is that we can overcome the legacy left behind by the 1913 Land Act but not all of it yet. Our spatial arrangements in South Africa and the spatial dynamics of our economy still reflect the remnants of what 1913 left us with.

So as we move into this venture of Business Day and Bloomberg both into South Africa but also from South Africa into Africa, you undertake this venture at a time when the International Monetary Fund (IMF) no longer describes the global economy as one-speed or two-speed but three-speed. That three-speed economy introduces its own dynamics and challenges - with the US recovering; with Europe still moribund and no indications that we are going to see changes emerging politically given the elections due in many countries; the slowdown that we are seeing in China; the challenges our friends in Brazil are having when they should be celebrating the Confederations Cup, when they should be welcoming the World Cup and the Olympics in the next few years. You can see how certain elements in their society are beginning to challenge what they perceive as the activities engaged in by the privileged but perhaps also reacting to the slowdown in growth. Similarly, India is slowing down as well. On the other hand, continents like Africa are reflecting a very different dynamic albeit off a much lower base than would be the case with other emerging markets.

What is interesting is that the focus has certainly shifted - as the G8 summit a declaration seems to indicate - to: how do we get more growth, how do we get more inclusive growth? How do we create jobs particularly jobs for young people and first time job seekers? How do we reduce inequality? How do we ensure that the economic institutions - not just the political institutions - are ones which help us to remedy these challenges on the one hand and move the global economy and our own domestic economy to a very different kind of setting?

It has taken about two and half to three years of debate within the G20 for the leading economies or the developed economies of the globe to recognise that this shift in focus from austerity to growth is long overdue, that unemployment is not a problem of just some of us in South Africa and other parts of developing or the

emerging world it is also a challenge for developed economies as well. But, more, inequality is a huge challenge in their environment and one which we need to overcome in our own right as well.

All of this must be achieved in a climate that is extremely volatile. All of you are familiar with the announcements coming from the US Federal Reserve's minutes of their meeting on the 22nd of May, the kind of impact that it had on emerging market currencies and bonds in the last two weeks.

But of course, Peter (Bruce, Publisher and Editor-in-Chief of Business Day Financial Mail) and his team have to do a bit more educational work amongst their colleagues in the print media, if not other media as well, because to have a leading newspaper have as its headline "*Zuma something, rand falls*" is really an insult to the intelligence of South African citizens. It means that we are willing to sacrifice independent journalism, we are willing to sacrifice facts, we are willing to misinform citizens and we are willing to not inform citizens about what is really happening in the globe and why they should also know day by day what's unfolding; what is the impact of what is happening in the financial markets on the lives of everyday citizens. To have a headline like that is playing politics with the wrong kind of issues, I believe, because what was happening globally was beginning to impact on South Africa. At the same time, as we have said on many occasions, there is no doubt that South Africa has its fair share of problems which I'll come back to in a minute.

Today is the day when all of you are going to stay up to listen to (US Federal Reserve Chairman) Mr Bernanke, to see whether his pronouncement are going to remedy the disjuncture between his previous announcement and the intent underlying that announcement and the way in which the market interpreted that announcement. The hope is that he will be able to most strongly communicate that yes the intent is to taper quantitative easing, the intent is not to do it suddenly and the intent is to do it on the basis of objective data emerging from the US economy.

But the one lesson that we learn from the past two weeks is that the United States is still a major player in the global economy and notwithstanding what all of us see as the drift to the East and the South - what the US does, does matter. And it's an issue we, as emerging markets and developing countries, have raised within the G20 context, that what the countries do or not do has huge spill over effects on the globe.

The last two weeks was a demonstration that the miscommunication or lack of adequate communication can in fact have serious consequences firstly for the markets and secondly for the manner in which inflows and outflows operate within emerging markets. And today, you will find that all of us who are developing country members of the G20 would be repeating that warning: Beware of spill over effects of your actions and take greater account of the fact that you do own with your life the reserve currency and that you are still the dominant economy in the world and

therefore, manage both your internal and global affairs in a responsible way so that the negative impacts on our economies are not as acute as they would seem.

Let's move to the mining industry which has also been very current in our discourse in South Africa, Here again, those who are journalists or commentators can do the South African public a lot of good and provide an important service if you leave the PWC report on the global mining industry and communicate what it says.

What it says - on the basis of an analysis of 40 largest mining companies in the globe – is that financial markets have lost confidence in this industry.

The observations are interesting:

- the markets have lost confidence that costs can be controlled
- that discipline with capital expenditure will occur
- that new CEO's - and half of the ten top mining companies have new CEO's - will be able to deliver on their promises
- that returns on capital will improve
- that the industry won't pile back into too many new projects or expensive deals when prices rebound - some CEO's have lost their jobs as a result of miscalculations on this matter
- resource nationalism will not overwhelm the industry. It is not a South African phenomenon is a world-wide phenomenon particularly on the African continent
- and that commodity prices will not collapse.

Now obviously the study indicates that some areas are controllable, for example, over expenditure and delays on capital projects. Some are less controllable by management, for example commodity price volatility. It's within this global context that we then look at our own mining industry. From a government point of view, we are very clear - although there is an element of scepticism which, sometimes it begins to reduce itself to what I believe is unnecessary cynicism - that we have a role to play as government to normalising this industry. We have a role to play in getting all of the important stakeholders around the table; we have a role to play in stabilising the economy, ensuring that it goes back to both stability on the one hand and the level of productivity that current circumstances would allow. At the same time we have a responsibility to inform you that this time it is tougher to take on that kind of task given the fact that we are now confronting the migrant labour system which the 1913 Land Act began to initiate by the way. There was a commentator on the radio this morning who put the historic perspective very well.

The Land Act was not just about what some are saying that you could not buy land on the white area. It was also part of a political and economic strategy at that time to drive people off the land to ensure that they do become migrant labourers, available as cheap labour to the mining industry both diamond mining and gold mining at that

point in time, and that as a transition to manufacturing begins to happen that they would provide temporary labour which remained temporary for the next few decades.

Today, we've got confront the migrant labour systems. Today we want South Africans to understand the kind of conditions that people who work in mines come from in respect of their sending areas. Today we need people to understand that all of us need to invest in the sending areas to ensure that there is development in those areas. We need to understand that there are new dynamics within the labour movement. There are different organized elements that have emerged; very different from even two years or a year ago.

Our responsibility as government is to ensure that where necessary the labour relations system must be adapted. It must accommodate the shifts that are occurring within the industry, within the labour movement. But more, importantly is to normalise the labour relations environment, return the industry back to organised collective bargaining and ensure that employers and employees are able to sit across the table and work out how they going to share the benefits amongst themselves and also ensure that the representation question which underlies much of these disputes within the mining industry is resolved in a constructive way.

Those within the industry who believe that they need to provide the right kind of leadership will also say to us, that perhaps there are cultural issues within the industry that need to change as well: how management relates to workers; how management relates to unions; how management communicates with its workers; how management communicates through unions rather than directly to workers. All of these are issues that have actually emerged.

From a government point of view, we are absolutely committed to ensuring that through the infrastructure plans that we have, that we continue to improve the logistics that will enable the mining industry to thrive. We hopefully will soon get a step ahead of our energy requirements so that energy is not a constraint on mining or any other parts of the South African economy. If we work together over the next few years, these are the issues that we will tackle together.

Finally, I don't think that the kind of pessimism that we see portrayed in the media, - I asked by one gentleman here, why all this pessimism and he said to me it reflects pessimism in the market place. I asked him if is it our job to reflect pessimism or our job is to inspire optimism because it is optimism that we acquire now otherwise we send out negative vibes. On the one hand we say we want global investors to come to South Africa and on the other we say what a lousy country we are. On one hand we say there are so many attractive things about this country: its democracy, democratic institutions, openness, liquid capital market, protection of investors' rights, a sound legal system that works more than most parts of the world, so on and so on. All the pluses that works for us: budget transparency; the excellence in the financial sector and in many of the professional services that we have to offer.

This is what all of you and I would be saying if we need investors who are interested to come to and invest in South Africa or through South Africa to operate in the rest of Africa. At the same time, we can't seem to get over our pessimism. We can't seem to get over the current discourse that says in order to be credible in South Africa you have to be anti-ANC; that to be credible citizens in South Africa we have to take the stance against this government. But when you look at the statistics, this government has delivered in the last 19 years. But there is a lot of problems. Yes, if you ask people will say corruption. Tell me which country does not have corruption and how many of us have not engaged in one or other form of this activity? It might be called something more euphemistic.

But short cuts are part of the capitalist economy and the way business happens in this environment. There are many in government who want to fight corruption to the point where we make it less of prominent factor in our lives. But we've got to learn to work together to do it. We've got to create a social climate, and social partnership which ensures that we look down on people - as we did 10 to 15 years ago as people did not want to pay their taxes - and ensure that they became outlaws within our environment.

Beware the narrative that we trying to create at this point in time because we have a lot going for us. We've got a lot that we have done and a lot more - given the history of where we come from - that we still need to do. There is no perfect human being. There is no perfect institution where human beings are operating, I do not know if there is a perfect cyber world that we are going to discover in the next ten years or so.

Let me conclude by saying that from our point of view this venture of Business Day and Bloomberg is an exciting one. It certainly reflects the time. We must complement Peter and his leadership team for this visionary project that he came up with. It anticipates the future it anticipates where we are going as South Africa and the African continent. On the part of Bloomberg, it is the recognition that Africa is the future over the next 10 or 20 years and there are exciting prospects here. But finally for us as South Africans, let us find a new spirit of positivity, let's try to create a new narrative that sells our country in a positive way both for South Africans and foreign investors. As we try to overcome our own limitations in government - in respect of implementing the National Development Plan and creating the institutional capacity to do so - what we want to do is to work with you and other social partners so that we can achieve the kind of dream that we want for South Africa.

Thank you very much