

Address to the Commonwealth Club, World Affairs Council and US/SA Business Council Conference

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San Francisco, USA.

Michael Edwards, in his book 'Future Positive', captures the essence of the dilemmas of the current economic relations between the rich and poor countries, where the process of globalisation has brought benefits to mainly developed countries of the North, while the developing countries of the South are still struggling to survive within this integrated world economy. He says:

"Over the last 50 years, the record of international co-operation has been disappointing....It has failed to get to grips with the fundamental challenge of our times: reshaping global capitalism to spread the benefit of economic growth more evenly across societies, reduce its social and environmental costs, and achieve a basic level of security for everyone"

I am certain that most of us agree that the process of globalisation has brought about many possibilities for rapid advancement of humanity, for poor and underdeveloped countries to take advantage of this process to take a quantum leap and close the huge technological and economic gap.

I am also certain that few amongst us will disagree when we assert that a global society presents us with the opportunities to collapse both time and space, so that a village health worker in Uganda could perform some of the most difficult medical procedures with the assistance of a surgeon sitting in her office in San Francisco.

To be able to do this, it requires of the people in a poor country such as Uganda to have access to education, to have access to satellite technology, and for the doctor and nurse in Uganda to be up to speed with the latest telemedicine technology. It further requires that Uganda itself must be able to develop generally, sufficient capacity in order to benefit from this technological revolution.

In other words, the world and particularly the developing countries have an opportunity to advance faster than would have been the case previously.

The tragic and unfortunate irony is that developing countries continue to be spectators in the globalisation process, a process that is undoubtedly irreversible, with devastating results for the millions of people of such countries. This marginalisation of poor and developing countries needs an urgent and comprehensive response.

Noting this continuing marginalisation of the developing countries, despite the huge possibilities offered by globalisation in the fight against poverty, James Wolfensohn, President of the World Bank, in a speech to the Tenth Ministerial Meeting of UNCTAD in Bangkok on 16 February 2000, said:

"In Sub-Saharan Africa the number of people living below \$1 a day level has grown,... And the prospects for future reduction in the numbers of those living in poverty do not look bright. Recent World Bank estimates, based on a 'business as usual' scenario of continuing slow growth and recurring crisis, show that by 2008 the same number of people may still be living on under \$1 a day.... In fact, the numbers rise in Sub-Saharan Africa by nearly 40 million."

He concludes that these figures "call into question the ways in which the world has been doing development.... Poverty remains intractable despite economic growth in many countries."

The negative outcome of this global economy is aptly described by Michael Edwards in Future Positive:

"During the 1990's, workers in South Wales celebrated the benefits of large-scale inward investment in manufacturing industry, especially from East Asia. Late in 1997...the celebrations in South Wales were cut short, providing a useful reminder that globalisation carries risks as well as opportunities."

The South Wales problem, itself an unfortunate consequence of the stock market and banking collapses that swept the East Asian economies, is one of the many illustrations of this increasingly interconnected world of cause and effect, where problems in one country have an adverse effect on neighbouring countries.

The USA is currently experiencing one of its longest economic growth periods in many years, thanks mainly to the ingenuity and enterprise of the people of this country and the impact of technology. This happens at the same time as we witness significant improvements in the global economy and forecasts for continued growth are indeed positive.

At the same time, we note that this impressive economic performance has not yet resonated in developing countries, as it should have. Indeed, the many problems and conflicts that characterise some of the developing countries impact negatively on the processes that are essential for these countries to join the current economic progress.

However, notwithstanding some specific problems in some developing countries and especially African countries, there are many among these countries that have and continue to have stability and are at peace with themselves, countries that have responded positively, even under very difficult circumstances, to the prescriptions of both the prospective investors as well as the multi-lateral organisations.

Many of these countries have created the necessary climate conducive to investment for example by liberalising their trade, privatising state owned enterprises, reforming their tax system and generally adhering to the prescribed injunctions, all done in an attempt to attract the necessary investments.

The response from the developed countries, to these attempts by especially many African countries to stay within the confines of the rules, has been to treat the African continent as one country, and therefore, to punish a country on the one end of the continent for the deeds of another on the other end.

In our own country, we have been assured that our economic fundamentals are correct and sound. We have developed a stable and effective financial and fiscal system. We have reduced tariffs to levels that are comparable to the advanced industrial countries. We have reformed agriculture to make it the least subsidised of all the major agricultural trading nations. We have restructured our public sector through privatisation, strategic partners and regulation. We have an equitable and sophisticated system of labour relations that is continually adjusting to new developments. We play an active role in all multilateral agencies in the world.

Yet, the flow of investment into South Africa has not met our expectations while the levels of poverty and unemployment remain high.

Part of the reason for this state of affairs is the failure to restructure the global economy so that it also benefits developing countries and addresses the concerns repeatedly raised by developing countries.

In the same speech that we have already referred to, Wolfensohn states that:

"In order to have a balanced and inclusive world trade system, we need to pay special attention to developing countries' current problems with the design and implementation of the rules of the game in international trade."

He continues that:

"Developing country membership in the World Trade Organisation has risen rapidly in recent years. 110 of them are now members. But membership does not equate with influence. Many developing countries have limited or non-existent representation in Geneva. And where the rules have already been set - for example in the case of customs valuation procedures - they have often been based on developed country models, which can be inappropriate and prohibitively expensive for poor countries. In fact many WTO signatories have been unable to comply with agreements negotiated under the Uruguay round."

Not only are developing countries disadvantaged by lack of capital flows, but also by rules and regulations that make the world trading system unbalanced and biased against the very countries that need a fair trading system so that these countries, which represent the majority of humanity, benefit from international rules of trade.

We need to create a situation where developing countries are themselves part of the rules-making process and that the rules take cognisance of the specific realities of the developing countries, rather than approach the rules from a 'one size fits all' perspective. We agree with Wolfensohn, that we should ensure that the implementation of these rules does not place unreasonable financial and technical burdens on developing and poor countries.

There can be little doubt that in this century there is a fundamental need to ensure that we overcome the challenge of development and eliminate poverty. However, to do this requires that we ensure a massive resource transfer into the developing countries. At present there is no concerted and co-ordinated attempt to deal with this problem. The result is that more and more developing countries slide ever further into poverty.

It is also the case that the developing countries must take responsibility for their development. However, they can only do this successfully if the barriers to any real accumulation and growth that now stand in their way are dealt with. The main areas are:

- The need for more and better managed aid so as to deal with the basic needs that will have to precede any form of development in certain areas.
- There is an urgent need to facilitate flows of Foreign Direct Investment into the developing countries, something that requires a complete structural change in the current conditions. There has to be reforms in developing countries that will surt investment. But there also have to be major reforms in the way in which decisions are made about development.
- There needs to be a reduction of debt or cancellation in many cases. Without this there will be no development in most of the developing and poor countries.
- The world trade system will have to be adjusted within the framework of the WTO so as to eliminate imbalances against the interests of developing countries. This needs to be achieved through a broad-based and balanced development round in the Was soon as possible.
- Given the deterioration of the social infrastructure in many developing countries that has often resulted from the structural adjustment programs, the need to rebuild this infrastructure is vital.

Many essential micro economic reforms that have to be made in regions, communities and sectors to combat poverty and to generate development cannot be carried out because of the basic constraints caused by this imbalance in the structure and governance of the world economy. At present, the political and economic power of the developed countries mean that they continue production in products that are more competitively produced in the poorer developing countries.

Chairperson

Since our arrival in the USA on Sunday, our belief in the possibility of success in addressing all these challenges has been strengthened by the fact that there is a very close and important working relationship between our countries as well as between our peoples. Our economic links have also been growing and I hope that our visit and interaction with the different sections of the American society will further enhance and consolidate these mutually important ties.

Currently two-way trade between our two countries is R36 billion or about \$5 billion. In 1995 it was R19 billion or just under \$3 billion. In the period from 1994 to 1999 the USA contributed the largest inflow of foreign investment into South Africa with a total investment of some R21,5 billion. This is some \$3 billion.

There is a tendency to think of our visits as always being something new where we have to convince each other that this relationship has to continue. The relationship will continue - what we are talking about is the intensity and the quality of that relationship.

The South African Economy

The size of the South African economy, ranking in the top thirty in the world and the largest on the African continent, has given it a prominence for many decades. In addition, its mineral wealth is unsurpassed and its industrial capacity considerable. But in 1994 it was one of the many overly protected and inefficient developing economies that were almost entirely dependent on the vagaries of the world's primary product markets.

In the year 2000 the situation is significantly different. The South African economy is emerging as a very competitive manufacturing economy. We are moving towards a fully free trade agreement with the European Union economies. We are about to conclude negotiations for a free trade agreement with other 13 members of the Southern African Development Community (SADC). We have started negotiations with Brazil and Nigeria as precursors to links between SADC and Mercosur and Ecowas respectively. We also concluded a Trade and Investment Framework Agreement (TIFA) with the USA. The TIFA will no doubt develop in time into further liberalisation between our economies.

By any measure these are signs of a confident and dynamic economy. The reasons for this confidence are the results of hard and consistent work to reform our economy and the excellent relations we have built with both the business and labour constituencies.

Like any economy we have our ups and downs in the economy. Like all developing countries we are buffeted by the world markets - but we have survived these storms as well as, if not better, than most.

Our greatest challenge is to improve the lives of our people. The levels of poverty and unemployment are too high. The costs of apartheid have been high and it is for this reason that we are still a developing country despite the modernity of our economy and infrastructure. We have approached this fundamental challenge in a very strategic and considered manner. It was clear that unless we reformed our economy and engaged successfully with the world economy then it would not be possible to grow. Accordingly, this was the first task that we embarked upon. This was not an easy choice as it entailed job losses in the uncompetitive sectors. So whilst we have succeeded in generating hundreds of thousands of new, better quality jobs we have lost more inefficient ones. This process has now largely come to an end and our task now is to generate new jobs in the new more efficient sectors. We are also addressing poverty relief and rural development. Our prudent fiscal policies have meant we can provide extra resources to these needs without taking on additional fiscal risk.

The democratic system in our country is an established reality, underwritten by a constitution which strongly protects and advances human rights.

Using all the possibilities we have, we are also playing our role, together with other African countries, to contribute to the creation of the situation in which we bring to an end the violent conflicts, wars, instability and denial of human rights that have characterised a large part of our continent.

We will succeed in this regard as well as in the struggle to end poverty and underdevelopment in our country and continent, provided we can count on the kind of support you gave us as we fought together to end the system of apartheid.