

Speech by Thabo Mbeki at the Opening of the Ministerial Meeting NAM

Durban, 31 August 1998

Chairperson,
Your Excellencies, Ministers and Ambassadors,
Distinguished delegates and observers,
Ladies and Gentlemen:

Over the last few years, a number of words and phrases have entered into the vocabulary of international discourse. Among these are globalisation, liberalisation, deregulation and the information society or the information super-highway.

Stripped of the sophistication that attaches to these terms and processes, these represent the international context in which all of us have to work to eliminate poverty in our countries, to improve the quality of life of the millions of our people, to close the gap between the rich and the poor both internally and universally and to attain sustainable rates of economic growth and development.

The fact of the matter however is that all these processes originate from the developed countries of the North, reflect the imperatives of the economies and the levels of development of these countries and therefore, naturally, serve the purposes of our rich global neighbours.

At the same time, the very fact of the process of globalisation, in all its forms, means that our own success as developing countries in terms of the upliftment of our peoples cannot be achieved in conditions of autarky or self-contained development within our national boundaries or regions.

It cannot be achieved through opting out of the world economy and therefore extricating ourselves from the process of globalisation.

Accordingly, the question that arises is what intervention can the developing countries make to ensure that a process which, by its nature, will favour the rich addresses also what are clearly the more urgent needs of our peoples, millions of whom lack the most basic things that a human being needs.

It is clear that we, as the developing world, cannot make that intervention by autonomously affecting capital or trade flows or unilaterally altering any of the variables which make up the totality of the world economy.

The stark reality is that the power to influence the markets lies exclusively in the hands of those who dominate these markets, which we, even collectively, do not.

A few figures here will amply demonstrate this point.

Much is made of the increased flow of direct foreign investment into the developing world in the recent past and the fact that in aggregate these flows have significantly surpassed overseas development assistance.

The reality however is that the bulk of this investment still flows among the developed countries, with the developing countries attracting a mere 30 per cent of foreign direct investment in 1996. We must also take into account the fact that by 1994, China accounted for about 40 per cent of the total for developing countries.

Similarly, with regard to trade in merchandise, World Bank provisional figures for 1995, excluding China, show the developing countries as accounting only for 22,5 per cent of total world trade.

In its 1998 Annual Report, the Bank for International Settlements (BIS) makes some startling revelations which emphasise the extraordinary imbalance in the control of economic resources as between the North and the South.

"A hypothetical shift of 1% of equity holdings by institutional investors in the G-7 countries away from domestic equities would represent slightly more than a 1% share of total market capitalisation in 1995. The same funds would be equivalent to a 27% share of market capitalisation in emerging Asian economies, and a share of over 66% of Latin American equity markets."

Understandably, the BIS does not bother to place Africa on this comparative ladder.

Reflecting on these figures, the Bank makes this correct, yet ominous observation:

"An aspect of the international diversification of institutional investor portfolios... is the asymmetry between the investor and the recipient perspectives, especially in the case of emerging economies. The high concentration of institutional assets in some of the most financially developed countries contrasts with the relatively small size of many recipient markets. This asymmetry, coupled with the ebbs and flows that have historically characterised portfolio investment in emerging economies, highlights the potential for instability as a marginal portfolio adjustment by the investor can easily amount to a first order event for the recipient."

A marginal portfolio adjustment by the investor can easily amount to a first order event for the recipient! A slight turn by the sleeping elephant, to make itself more comfortable, can result in the complete annihilation of the entire universe of a colony of ants!

The scale of what we are talking about is also starkly demonstrated by the fact that, according to the same Report of the BIS:

"The volume of financial assets under management (of the institutional investors in North America, Japan and Western Europe)... exceeds that of aggregate GDP for the (18) industrial countries concerned."

But enough of the statistics. The reality we have sought to describe is, in any case, well known to all of us.

The question that arises is - what must we do! Others would ask - in any case, given the power of the powerful, is there anything we can do!

I believe that our answer has to be a resounding - yes!

The first consideration on which we must base that answer must start with the realisation of the fact that the process of globalisation ineluctably results in the reduction of the sovereignty of states, with the weakest, being ourselves, being the biggest losers - those who, already the worst off, suffer losses of the first order as a result of a marginal adjustment by another, who is already the best placed and which adjustment is intended for his or her own further comfort.

If what we have said is true, it must follow that, for us to be able to influence the process of globalisation so that it also favours the interests of the poor, to be able to do something, we must ensure that ours becomes an important voice at the place to which we are losing some of our sovereignty.

The second consideration on which we must base our answer to the question - is there anything we can do! - is that for the first time ever, humanity is faced with the extraordinary reality that the world economy has generated and is generating volumes of resources which make it possible to end poverty everywhere.

Again, if what we have just said is true, and we believe it is, were ours to become an important voice at the place to which we are losing some of our sovereignty, then clearly we would say that the world economy should be managed in a way that ensures the transfer of resources from those who have them to those that do not, so that both end poverty among their peoples and achieve or maintain sustainable rates of growth and development.

In this context, we must make the fairly obvious point that the untapped markets in the world economy are those of the developing world, represented by us who are members of the Non-Aligned Movement.

Clearly, therefore, the further, qualitatively new expansion of the world economy must derive from the expansion of these markets or, in other words, the development of our economies such that we outgrow our designations both as developing countries and emerging economies.

There is no logical reason to assume that this would not also benefit the countries of the developed North. Indeed the opposite is true, as is being demonstrated even as we meet here at the XII Summit Meeting of the Non-Aligned Movement, that the poverty of some may very well become a threat to those who are well off.

This point was made eloquently and with great prescience by a writer in the London "Financial Times" in June this year when he said:

"At present the west, in general, and the US, in particular, seem blessed even by the dire misfortunes of others. But the stability of this world of divided fates is doubtful - economically and ultimately politically. Either sustained prosperity in the west will help bring stability and renewed growth to Asia and elsewhere, or the spreading crisis is all too likely to export instability to the west. Today's western complacency could tomorrow look mere vainglory." (FT: June 13/14, 1998.)

The questions we must all ask and seek to answer is whether a stable world of divided fates is possible, but more important, whether such a world, even if it were possible, is desirable. And, in this instance, my all includes the developed countries of the North.

Is it possible for some to maintain and expand their prosperity while billions of others are victim to dire misfortunes!

Our own answer to that question is - no!

Clearly, something must be done.

That doing requires that the political leaders of our contemporary world should face up to the question as to whether universal human values have any place at all in the ordering of human affairs.

How can it be permissible that some die of hunger and curable diseases and exposure to the elements because of poverty and perish in civil wars driven by competition for virtually non-existent resources when the volumes of wealth concentrated in some parts of our globe are themselves becoming something of a destructive force!

In this regard, the same Report of the Bank for International Settlements to which we have referred observes that:

"Inflows of international capital (into the emerging markets), in large part in the form of short-term bank credit, rose from virtually zero in 1989 to a peak of almost \$170 billion in 1996, to be followed most recently by major outflows. Coping with these swings has been enormously difficult, as they have generally fuelled existing spending booms on the way in and precipitated crisis on the way back out."

Enlightened self-interest should inform those who have that where the manner of the reproduction of wealth begins to precipitate crisis, our graduation out of the condition described as "developing" is, in reality, in their interest as well and is human as well.

If that 1% of the equity holdings of the institutional investors of the G-7 countries of which we have spoken and which amounts to more than two-thirds of Latin American equity markets, flowed into our countries and stayed as a productive resource, it is not difficult to imagine its impact with regard to the eradication of poverty and backwardness.

But to borrow a phrase, we, the poor, must become our own liberators!

We have to lead the global offensive according to which all humanity should take advantage of the fact of the emergence of the possibility to end poverty in the world in fact to devise ways and means by which this can be achieved.

What we speak of is not the expansion of a system of charity and aid, important though these are, but resource transfers which would ensure that those who are on the margins of the world economy themselves arrive at the point where they can achieve their own sustainable development.

The market, so called, has no inherent mechanisms, intrinsic to itself, as a result of whose functioning this objective will be achieved. The new God of our world, the market, is not informed by a tablet of commandments on which is inscribed - thou shalt banish poverty in the world!

Mere mortals must address this challenge, consciously and purposefully.

And therein lies the challenge to the Non-Aligned Movement!

In as much as the slave cannot ask the slave-master to provide the strategy and tactics for a successful uprising of the slaves, so must we, who are hungry and treated as minors in a world of adults, also take upon ourselves the task of defining the new world order of prosperity and development for all and equality among the nations of the world.

For the weak to challenge the strong has never been easy. Neither will it be easy to challenge powerful vested interests on the current and entrenched orthodoxies about the modern world economy.

We must therefore organise ourselves to mount that challenge of historic importance to the evolution of human civilisation.

Clear, any among us who is preoccupied with denying his or her people their democratic and human rights, who is fixated on waging wars against others, who is too busy looting the public coffers or who thinks that he or she must bow in supplication for charity to those whose wealth sets them aside as the mighty, will not have the time to participate in meeting this historic challenge.

That is why all of us also see the Non-Aligned Movement as the repository of democracy, human rights, good governance and the sovereign voice of the poor of the world.

But we must see our Movement also as a serious instrument for the transformation of a world driven by the process of globalisation, so that we meet the objectives of the upliftment of our peoples of which we have spoken.

The institutions of global governance are central to the achievement of this objective.

We are therefore correct to be focused on the matter of the restructuring of the United Nations system so that it pursues an agenda truly determined by the united nations of the world.

Further, it would seem to us that, as a Movement, we must radically review the manner in which we make our interventions into such important organisations as the World Trade Organisation, the International Monetary Fund and the World Bank.

I speak here of a review which will influence these organisations to address the issue we have raised, of setting a new agenda focused on the sustained and sustainable development of our countries.

We will also have to look at ourselves, to see whether the way we are organised and the way we work as a Movement, the way we cooperate and work with one another as members of this Movement, whether all these are such that we will be able to live up to what to us seem to be obvious challenges and opportunities of our age.

In this context, we must set rational objectives, however challenging they might be to the established order, about such critical matters as the international system of governance affecting politics, the economy and security, global capital markets, world trade, human resource development, the emancipation of women, technology transfers, the information society, intellectual property, the environment and poverty eradication and seek to speak with one voice on these matters.

I am convinced that on all these matters and others besides, you will be able to provide the advice to our Heads of state and Government which will enable them to take the important and seminal decisions they have to adopt.

I am honoured and pleased to welcome you to the new South Africa towards whose birth this Movement and its individual members contributed so much. Our indebtedness to you all knows no qualification.

You will pardon us if you suffer any inconvenience while you are in our country due to our negligence or failings. It is, after all, given to the young to make pardonable mistakes.

I am also honoured to welcome the Summit Meeting of the Movement back to the African Continent.

Whatever the problems we may be experiencing anywhere on the Continent, as Africans, we are convinced that our Continent is set on the road towards its Renaissance and that we, the children of this ancient land have it within us to bring about that rebirth.

We trust that this Movement, which stood firmly with us as we fought for the end of colonial and apartheid rule, will walk with us in a firm and meaningful South-South partnership, a critical element of whose agenda must be the achievement of an African Renaissance.

We welcome you to the City of Durban, which is located not far from the burial place of a great hero among our people, King Shaka of the Zulu and trust that this example of courage, vision and fearlessness will characterise our Movement as it prepared to lead us into the new millennium.

Thank you.