

**Address to the South African Chamber of Commerce and Industries
Annual Convention**

Sandton, 15 October 2010

Let me utilise two international pointers to contextualize the environment in which this annual convention of the South African Chamber of Commerce and Industries is taking place.

The first event is the miracle of San Jose in Chile that has captured the attention of the world -- the successful rescue of 33 mineworkers who had been trapped deep in the bowels of Mother Earth.

The rescue team was a product of Chilean engineers, Latin American mining technicians, European expertise, NASA scientists and South African technology from Murray and Roberts, all working in an international partnership geared towards saving each one of those 33 lives.

Five days ago, in a conversation with Nelson Mandela, himself a former mineworker, he expressed hope that this partnership of rescuers would succeed.

A couple of days ago, the world bore witness to the publication of a unique piece of literature by this iconic leader entitled *A Conversation With Myself*.

Throughout this book, which provides a glimpse of the working notes behind his now-celebrated epic *The Long Walk To Freedom*, Madiba bequeaths to the world important manuscripts which showed that success in the midst of many challenges – including failures – comes not only through the efforts of one, but of many. This is the essence of a partnership approach.

As reflected in the programme of this annual convention of the South African Chamber of Commerce and Industries, you have invited me to share ideas on the subject: *A Partnership Approach to Greater Competitiveness and Productivity in South Africa*.

That's quite a mouthful. I can only retort with an earful.

However, reduced to simple terms, this is about how we can combine our efforts as South Africans to position this country to become, in the real concrete sense, a partner of choice and an important player in world affairs, yet premised upon a very strong and powerful economy.

Having said that, it is recognized by all and sundry that the greatest challenge confronting this economy is that of achieving high GDP growth rates in order to address mass poverty and the unacceptably high rate of unemployment – that is, around 40% of able-bodied South Africans.

Let's reflect upon the following problem statement: In 1994, at the commencement of Nelson Mandela's Presidency, with the likes of Chris Stals at the Reserve Bank together with Derek Keys and later Chris Liebenberg as Ministers of Finance, we had set ourselves the target for South Africa's sustainable economic growth rate at not less than 6% per annum to be realized by the year 2000.

This was not, as they say, a thumbsuck.

It was a scientific figure based on the need to grow the economy at that percentage above the population growth rate. Anything less would not be real growth.

Our current economic growth rate, 16 years since 1994, is hovering below 5% -- 4.4%, to be exact. In real terms, this growth rate, albeit in positive territory, is nevertheless insufficient -- which implies a **growth rate deficit**.

In its recently-published country report on South Africa the International Monetary Fund forecast a growth rate of slightly more than 6% within the rapidly-developing African economy, which currently – according to the World Bank – is the fastest growing in the world.

During his state visit to the People's Republic of China – which today has become one of the most powerful economies in the world -- President Jacob Zuma announced that the economic growth rate which South Africa requires should be around 7%.

Skeptics believe this could be a bridge too far. It may well be so, if things remain static. Yet several credible economists, who normally don't easily agree with one another, regard this target as realizable.

What is the magic tonic?

What factors need to combine?

Who are the key players that should come to the party to achieve this target?

Taking a leaf from the Chilean San Jose rescue mission, it wasn't, after all, a miracle. This was a concerted effort by many role-players, working against the odds.

Therefore, **“a partnership approach to greater competitiveness and productivity in South Africa”** requires the marshalling of all productive forces towards the single and strategic objective of lining up this country upon the trajectory of transforming it into a developed nation during the course of this Century.

We certainly cannot remain a developing nation throughout the next almost 100 years. We cannot enter the 22nd Century as an emerging market or a developing economy.

In as much as this country has fought hard to take its rightful place – albeit temporarily -- in the chambers of the United Nations Security Council, it is crucial that South Africa should be recognized for its strong economic muscle based upon sustainable high growth rates rather than merely negotiating our way into centres of power.

Over the past few months we have seen the President and the Minister for International Relations criss-crossing the world to gain support and strengthen political, economic and country-to-country relations with the BRIC countries (Brazil, Russia, India and China). These, together, form a powerful economic bloc.

Our quest to be part of this bloc is driven not by the passion to merely add the letter S behind BRIC so that it can sound like BRICS.

Rather, it must be a concerted effort to stand with these and other nations, mostly within the G20, as a powerhouse in our own right.

In his celebrated work on the competitive advantage of nations, the acclaimed writer Michael Porter – and one doesn't have to agree with everything he says – identifies a partnership approach amongst key national stakeholders within a country as being critical for competitiveness and success.

That partnership between government, business, labour and civil society in our country should not merely be about a cacophony of good voices at forums such as Nedlac paying lip-service to the importance of national cohesion and high economic performance.

Such a partnership must be a concerted, strategic one driven by a realistic and realizable economic agenda, with the full recognition that we are an African country within the context of an African society, underpinned by a fast-growing African economy. This is a low-hanging fruit. But it must be exploited for mutual benefit with other African countries. That is strategic.

In the real world within which South Africa is located, beyond the African continent, this is still a world of dog eats dog -- as we have witnessed during the recent historic global recession.

From North America to the Eurozone, and across the Middle East right through to Japan, the reaction to that recession reminded us that it's every man for himself, and let the Devil take the hindmost!

The PIGS, thanks only to the good fortune of being located in Europe, were given a soft landing. In as much as trillions were spent to save large corporations, these countries were also given a lifeline – only just – so that they don't pull the rest of their continent down with them.

It was always going to be that the emerging markets – particularly the developing economies of Africa – were going to be left behind, with no Obamas or Merkels to save them.

Leading financial analysts have indicated that although the recession has passed, the world is still not out of the woods. This “thing” may yet again return... We are dealing with international economic variables here – nothing is fixed, and there are no guarantees.

This situation should send a clear message to a country like ours, located at the bottom-most end of the African continent, furthest away from all the

major industrial zones, that there is no room for complacency. The risks are too high for a modest economy such as ours.

There was a lot of self-praise on our part – correctly so – that the recent recession did less than expected damage to the economy owing to the well-regulated banking sector, including other financial institutions.

Yet no sooner had we celebrated this situation than the global currency war started a few weeks ago, which compelled the rand to go the other way. This saw the central bank getting into marginal systems overdrive in an attempt to mop up and stabilize the ratios.

At times, such a situation feels like a never-ending horror movie – where at the end of each dark passage, as you dash towards the light, more horrors lurk.

One shudders to think how much this economy can still hope to fight on if, as some voices say, this recession was not just a U-shaped one but could become a W – meaning we are headed for yet another dark tunnel.

How long can we hold on?

The strategy around productivity and growth needs to be well-known and understood by all the leading and key role-players.

A cohesive socio-economic partnership will need to address vital questions such as labour productivity, enterprise profitability, growth in agricultural exports, and targeted value-add manufacturing industries to improve the competitiveness of our natural mineral resources.

The latter is critical if we are not again to miss another resource bull-run in the midst of the high demand for commodities by countries such as China, India and Russia.

In addition, the country is faced with skewed ratios regarding government accounts, where social expenditure – due to poverty and unemployment levels – in real terms outperforms capital expenditure. This situation cannot go on for long.

The growth that South Africa requires under these circumstances is substantial and urgent. It has to provide jobs for people, to reduce their dependency on government in respect of housing, health, education and the provision of several basic needs.

Let there be no illusions: There is no benevolent country out there waiting to provide South Africa with a lifeline, free of charge, were things to go completely awry.

Recent events demonstrate that most countries continue to have serious economic problems of their own. When push comes to shove, even the European PIGS risk being left in the lurch – as nearly happened to Greece. Countries have got no permanent cousins – they believe in permanent interests.

Let me conclude by plucking a leaf from the area of Human Settlements. Human Settlements is not only about building houses, but about ensuring a coordinated integrated strategy among all stakeholders to build better homes and suburbs, more stable communities and neighborhoods where people have facilities and amenities within the proximity of their places of work.

The creation of Human Settlements epitomizes the essence of a partnership approach, where all stakeholders are united in one common vision, with one common mission – that of ensuring the provision of a better quality of life for all our citizens.

The same can be said regarding the consolidation of a partnership approach towards a greater competitiveness and productivity in South Africa.

It is my hope that these brief remarks should be located within the context of your deliberations at this annual convention of the South African Chamber of Commerce and Industries. According to your programme, there is serious dialogue and discussions which are led by eminent speakers and other contributors, ranging from a global economic overview, government policy directions, skills development, investment attraction, SMMEs, BEEs and so on – all geared towards a common vision for a successful South Africa.

However, the secret of our success, as the emblematic Nelson Mandela has just told us in his latest book, is never to stop -- but to continue our national dialogue on all matters, national or international.

He teaches that, as he has done, it is important for us to continue to conduct a conversation with ourselves. Our greater global competitiveness amongst other nations is assured as long as it is premised upon the solid foundation of free thinking and dialogue. And at all times, in that spirit, we should be ever-ready to project the good values that promote our national cohesiveness, while at the same time confronting negatives including the corroding effects of corruption, which must be fought by all and sundry, tooth and nail.