

**SPEECH BY FORMER PRESIDENT FW DE KLERK
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THE FUTURE OF SOUTH AFRICA

Worrying about the future is - and always has been - a central aspect of being a South African. Since 1652 visitors to our country have generally concluded that "it is a lovely place - but cannot possibly last for another five years." However, time and time again, experience has proved that the pessimists were wrong.

At the moment, South Africa is once again experiencing serious international perception problems. They arise from the news coverage of a number of recent and current developments in the country. Foreign observers and investors are, in particular, worried about the following news from South Africa:

They are concerned by radical policy proposals that were discussed at the ruling ANC's National Conference in Mangaung last month - including proposals for

- the establishment of a "developmental state" which would be "capable of intervening effectively to transform economic relations, at the centre of our economic agenda."
- greater "state ownership, including more strategic use of existing state-owned companies"
- greater state involvement in mining, falling short of outright nationalization;
- the utilization by government of the assets of insurance and pension funds for state developmental projects; and
- accelerated land reform that would dilute existing property rights.

Observers and investors are also worried about the role that is being played by South Africa's radical trade unions under the leadership of the trade union federation Cosatu.

- South Africa has a very poor record in terms of labour relations. According to the World Economic Forum's Global Competitiveness Report it is the worst of 142 countries assessed in terms of co-operation in labour-employer relations;
- Cosatu has continuously raised labour costs without commensurate productivity increases - which has inevitably resulted in job losses. South Africa's flexibility of wage determination is the fourth worst in the world.
- Our labour legislation is amongst the most onerous anywhere. South Africa's hiring and firing practices are the second worst in the world.
- Cosatu has steadfastly opposed proposals to open labour markets to the unemployed - including proposals at the ANC's 2005 National General Council for a two-tier labour system and more recent proposals for a youth employment subsidy.



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Observers are also worried about developments such as the Marikana incident on 16 August, when 34 miners were killed by police - as well as ongoing reports of farm workers strikes in the Western Cape. Ironically, this was not a case of oppressed trade unionists campaigning for a decent wage. Their monthly income of R 11 500 per month already put them on a par with average wages, on a PPP basis, in first world countries like Poland, Israel and the Czech Republic. Their incomes were twice as high as average wages in competitor countries like Chile and Malaysia - and already placed them in the top 20% of income earners in South Africa.

All these developments have undoubtedly had negative implications for present and future foreign investment. According to the UN Conference for Trade and Development, foreign direct investment in South Africa has fallen by 43.6% in the past year - the largest decline among all developing economies. This is serious since South Africa is dependent on foreign investment, not only for growth, but also to cover our large current account deficit.

On 27 September last year Moody's downgraded South Africa's sovereign credit rating from A3 to Baa1. Moody's referred to policy uncertainty ahead of the ANC National Conference in December and noted that "The revision reflects Moody's view of the South African authorities' reduced capacity to handle the current political and economic situation and to implement effective strategies that could place the economy on a path to faster and more inclusive growth."

Nevertheless, I believe that all these stories are creating a distorted picture of South Africa and its potential. I should accordingly like to bring some balance to the picture and spell out the reasons why I remain optimistic about South Africa's medium and long-term prospects.

It is important to retain balance in one's assessment of our complex society.

The fact is that there are often negative perceptions about Africa. It is interesting to note that before the FIFA World Cup that was hosted by South Africa in 2010, most foreign observers believed that the event would be a failure. According to a survey that was conducted before the event;

- only 29% of those polled thought that the World Cup in South Africa would be a great success;
- 58% expected that there would be problems with security;
- 57% thought that there would be transport and logistics problems; and
- 59% thought that the average South African would not benefit from the event.

Nevertheless, and after the event - the 2010 World Cup was generally regarded as having been one of the most successful and best run World Cups in history. According to a poll after the event

- 72% fully believed that the World Cup would have a very positive or positive legacy for South Africa;
- 54% thought that it would bring great benefits to South Africa.



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- 61% said that, as a result of the success of the World Cup, they thought that South Africa would be a good place to hold global events of all kinds.
- 42% felt more positive about visiting South Africa as a tourist.

In fact, South Africa has, on the whole, done pretty well since 1994.

- After decades of isolation and criticism, the new South Africa has emerged as a respected member of the international community:
 - We are regarded as an international model for democracy, constitutionalism, human rights and the rule of law;
 - We have set an example for national reconciliation and multiculturalism;
 - We have played a commendable role in promoting peace throughout our continent;
 - We have become a member of BRICS - the most dynamic group of global emerging economies;
 - We play a leading role in international forums - in the UN Security Council and in the African Union.
- We have experienced 18 years of economic growth - interrupted only briefly by the global economic crisis of 2008.
 - During this period, South Africa, under the guidance of Trevor Manuel, implemented sound macro-economic policies that helped ensure steady growth rates rising to 5% in 2004 - 05. They also helped to protect us from the worst consequences of the 2008 economic crisis.
 - We have the 28th largest economy in the world. We produce 30% of the GDP of sub-Saharan Africa with only 6.5% of its population.
 - Our public debt is less than 36% of GDP - and external debt is only 16% of GDP. Countries like the USA, Japan, Italy and Britain would die to have such low debt ratios;
 - Tourism now contributes almost 9% of GDP - more than mining.
 - Automobile production - at 7% of GDP - is two and a half times bigger than agriculture. In 2008 we produced 600 000 vehicles.
- We have also made remarkable social progress in many areas:
 - The percentage of the population living in absolute poverty has declined from 31% in 1995 to 23% in 2008 - largely because of social grants.
 - 94% of households now have access to drinkable water;
 - more than three million housing units have been built - enough to house almost a quarter of the population - with another million units in the pipeline;
 - three quarters of the population now has access to electricity and sanitation compared with only half in 1994;

International observers are constantly reminded of our failures - particularly in the areas of education, labour relations, unemployment and crime. However, many are unaware of our strengths and achievements.



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South Africa does very well in a number of the categories assessed by the World Economic Forum in its Global Competitiveness Reports:

- The regulation of our security exchanges and our reporting standards are the best in the world;
- Our banks are the second soundest in the world and our corporate boards are the second most efficacious. Our financial services and protection of minority shareholders are third best in the world and our ability to finance local equity is the fourth best internationally.
- South Africa is also in the top 20% in the world in respect of its legal rights index; investor protection; the quality of its management schools; reliance on professional management; the efficacy of its legal dispute settlement system; the size of its domestic market and university driven innovation.
- We are in the second 20% with regard to air, road and railway systems; property rights; the protection of intellectual property; judicial independence; availability of the latest technology and the size of our foreign markets. Despite growing corruption our record is still better than most of our competitors in Africa, Asia and Latin America.

Where we score badly is in those areas of national activity that fall under the responsibility of government. We are in the bottom 20% with regard to the quality of our education system; the business cost of crime and violence; HIV prevalence; and labour market efficiency.

What emerges from all this data is a picture of dysfunctional government on the one hand and a fairly sophisticated private banking and commercial sector on the other.

The good news, as far as I am concerned, is that government is increasingly aware of its own shortcomings and is in the process of adopting realistic plans to address them. It is doing so under the guidance of our National Planning Commission - which is led by former finance minister Trevor Manuel.

Although some of the National Planning Commission's analysis is open to debate, few reasonable South Africans would disagree with its overall vision - or with its identification of the challenges confronting South Africa.

The NPC presents a vision of a future South Africa that we all can share. It includes

- Constitutional democracy;
- unity in diversity;
- high quality education;
- health and social services providing security to all those in need;
- sustainable and equitable economic growth;
- fair employment for all;
- an environment in which business can invest, profit and contribute to national goals;
- an effective state and public service;



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- mutual respect and human solidarity; and
- a South Africa that contributes to Africa and to the world.

Neither would reasonable South Africans disagree with the NPC's diagnosis of the problems confronting South Africa. They include:

- High unemployment;
- poor education - especially for black South Africans;
- inadequate and antiquated infrastructure;
- spatial planning that marginalises the poor;
- unsustainable resource-intensive growth;
- an ailing public health system;
- poor public service delivery;
- corruption; and
- the fact that South Africa is still a divided society.

The National Development Plan makes proposals to address these challenges. We might not all agree with all aspects of these proposals - but at least they provide a pragmatic, inclusive and rational basis for discussions about our future.

More good news is that the ANC's National Conference last month strongly endorsed the National Development Plan as the primary blueprint for the future. Perhaps, even more significantly, it elected Cyril Ramaphosa - who is Deputy Chairperson of the National Planning Commission - as Deputy President of the ANC. Ramaphosa - who was the ANC's chief negotiator during the negotiations that led to the adoption of our 1996 Constitution - was Nelson Mandela's choice as successor.

After the ANC chose Thabo Mbeki in his stead, Ramaphosa withdrew to the business world where he soon became one of South Africa's most successful businessmen. Accordingly, he has widespread experience both in the politics of the ANC and in the realities of business. Some observers expect that during President Zuma's second term, he will play the kind of Prime Ministerial role that Thabo Mbeki played during the Mandela presidency.

Among its other proposals, the National Development Plan makes provision for an enormous infrastructure development programme during the next 15 years that will require more than US\$ 500 billion investment. The plan makes provision for the upgrading of South Africa's aging power generation; transportation; telecommunication; municipal; education and health infrastructures.

All this will create enormous opportunities for foreign investors.

I also remain an optimist about South Africa's future because of the excellent foundation that our non-racial Constitution has created for present and long-term stability.



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Ironically, the virtues of our Constitution were best articulated by one of the ANC's top ideologists, Deputy Minister Ngoako Ramathlodi. In an article in September 2011 he complained that during the negotiations "apartheid forces" had succeeded in "emptying the legislature and executive of real political power." They had done this by "immigrating substantial power away from the legislature and the executive and vesting it in the judiciary, Chapter 9 institutions and civil society movements."

Exactly. The Constitution did not devolve absolute power on parliament and on the executive. It provided them with all the powers they needed to rule - but required them to do so within the reasonable constraints established by the Constitution and the Bill of Rights. This means that power is, indeed, dispersed throughout society; that unconstitutional laws and conduct can be checked by an independent judiciary; that ordinary citizens can promote their legitimate objectives through civil society organisations and that they can appeal to Chapter 9 institutions to defend their rights.

A second reason for optimism is that South Africans who support the Constitution are now fully in step with the best elements in the international community. Any government action that deviates too significantly from international norms of democratic and economic governance will be severely punished by markets and international opinion.

Thirdly, no modern state can successfully govern against the will of substantial minorities. The United States would not be able to ignore the reasonable interests of any of its minorities. Neither can South Africa. There is no way that government will be able to achieve important national goals if it alienates significant minorities and interest groups.

Fourthly, those who support pragmatic constitutional and economic approaches have an enormous advantage in the political debate. Ideological approaches - like apartheid, the ANC's National Democratic Revolution and communism - simply do not work. They inevitably end in economic distortion or collapse - and always result in unacceptable human repression and suffering.

Finally, support for the constitution is no longer a black/white thing. Black politicians, journalists, businessmen and religious leaders are in the vanguard of those who support the Constitution. They know that it is the best guarantee for the continuation of freedom, reconciliation and national unity - and they also know that it advocates transformation. The principles of democratic governance, openness, accountability, responsiveness and the supremacy of the rule of law are not alien 'Western' constructs: they are the fundamental requirements for successful societies everywhere - in Europe, in the Americas, in Asia and in Africa.

South Africa will succeed - provided that we can work together as South Africans to support our Constitution; to demand the rights that it guarantees; and to achieve the vision of human dignity, equality and enjoyment of human rights and freedoms that it articulates.



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So the next time you see negative headlines about South Africa, I would invite you all to look a little deeper at the picture and consider the enormous potential that our country offers.

I, personally, am confident that we South Africans will once again prove that the pessimists are wrong.

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