STABILITY, POVERTY REDUCTION, AND SOUTH AFRICAN TRADE AND INVESTMENT IN SOUTHERN AFRICA

JEFF RADEBE, MP
MINISTER OF PUBLIC ENTERPRISES

KEYNOTE ADDRESS TO THE SARPN/CWCI CONFERENCE
PRETORIA
29TH MARCH 2004

I have been asked to address how we bridge the divide between South Africa and the region through development. So, let me begin in the conventional way by providing a thumbnail sketch of the infrastructure, resource and trade divide that exists between South Africa and the region. This audience is well aware of the other socio-economic factors that single out South Africa as an economic powerhouse in African terms. A glance at any economic map of southern Africa reveals the high concentration within South Africa's borders of an immense network of all-weather roads, railway lines, inland and coastal container terminals, telephone systems and communications, energy and fuel depots, petrol filling stations, post offices, banks, police stations and so on. This part of the world dominates international air passenger and freight figures for the continent. South Africa's six major ports feature high on the list of Africa's busiest ports, with Durban at the top.

Let us sink down into some detail that does not often find its way into discussions. South Africa is responsible for 42% of railways in Sub-Saharan Africa, about 47% of the total number of locomotives of all types in Sub-Saharan Africa, and critically, South Africa operates 96% of Sub-Saharan and 92% of Africa's total number of electric locos. South Africa operates 74% of Sub-Saharan rail freight wagons, and these move 91% of freight tonnage south of the Sahara.

Africa's rail and port networks are the main gateways and arterial routes for the continents exports and imports. Where rail is not well maintained, roads take over. But the majority of African roads are not all-weather roads, and very few have either tarmac or paving. These factors influence the transport costs of imports and exports. It is estimated that freight costs in southern Africa average about 16,42%, compared to just over 13% for southern Africa, excluding South Africa. The average costs for land-locked African countries are over 20%. The comparative global figure for developing countries stood at 8,7% in 2001.

Delays at border posts between countries also impact negatively on the ability of countries to trade with each other. These delays range across the spectrum from about four hours or so between South Africa and Botswana, and up to 36 hours between Tanzania and Zambia on the Tazara railway route. Delays cost the region about $48 million per annum!

But we should also note that non-distance related costs, such as tariffs and port charges, account for between 12 and 40% of inland trade costs.

When we back up the infrastructure record with the governance and administration framework, we are told that once again our country dominates in areas such as efficient and divergent revenue collection, the integrity of financial institutions, the strength of civil society, education and higher technical training, medical infrastructure, etc.

However, I would urge some caution as to what this all means. South Africa's infrastructure dominance has much to do with this country's history as a resource for minerals that at the turn of the 20th century played into a much larger global imperialism where South Africa's diamonds, gold and its geographic location served its colonial masters extremely well and ensured that the Cape became a springboard for imperialist adventures into the interior. At the same time, the peculiar status of South Africa as, in Basil Davidson's term, a settler colony for much longer than other colonies meant that it developed a particularly unique position in relation to Europe itself.

The years of Union, followed by the white Republic, were years that saw the emergence of state-sponsored enterprises in the rail, energy, iron-ore processing and metallurgy sectors. Eskom, Spoornet and Iscor have their origins in specific attempts by the nascent white state to undermine its dependence on Europe, whilst the Union of South Africa itself as a non-federal undertaking was shaped as much by the threat to unity by increasingly hostile tariff wars between the rail companies of the four colonies after the conclusion of the South African Boer war in 1902. These enterprises would later become avenues for other government policies such as the employment of white labour, but they started life as creatures of a particular domestic industrial policy supported by the mining companies and other established financial interests that pushed development in a particular direction to the exclusion of other interests. Interestingly, we still hear echoes of these early battles in present-day disputes over adjustments to preferential tariff regimes, and of the role of the state owned enterprises in South Africa's economy now.

Basically, let us not fall into the trap that suggests that there is something special about the people who live in South Africa itself that explains why we have become a regional powerhouse. There are other factors that explain why the rest of sub-Saharan Africa has the infrastructure profile it has.

Topography and climate have something to answer for the way in which infrastructure emerged in Africa, but these by themselves do not explain the particular colonial paths that development took. We cannot underestimate the devastation of apartheid South Africa's deliberate and calculated policy of destabilisation. To cut a long, painful and detailed story short, we are still counting the costs today of the widespread implementation of a coherent state plan from the late 1970s onwards to reduce southern Africa's infrastructure quite literally to rubble. Place on a map many of the regional infrastructure development plans for rail, road, bridge and building repair, refurbishment and maintenance across Angola and Mozambique, and one finds the old battle zones of the wars and conflicts that covered those dreadful decades.

So, the divide between South Africa and the region probably extends beyond the allocation of resources, infrastructure, the operation of integrated networks of systems, and the legacies of greater stability in the state economic and private sectors than practically all of the other Southern African Development Community (SADC) countries have experienced over the past 50 years.

The divide extends therefore to a totally different recent experience of our combined historical legacy. South Africa's first decade of freedom, indeed, from the very first minute of its birth, saw a country living in a neighbourhood of close friends who have overwhelmed us with their own generosity of spirit, despite all that apartheid South Africa threw at them. Instead of having to join in a society of frontline states ranged against a rogue country in the region, we have been able to join with them in a more constructive relationship to build the sub-continent up again. But South Africa does that with most of its own critical infrastructure, expertise and resources intact.

This phenomenon, I submit, is the beginning of the bridge that will ultimately close the gap that exists between us. But it will not be done if South Africa surges into the continent as a new imperialist, ready to take advantage of the new atmosphere of openness and confidence that is returning to the continent.

Government has taken note of the superb "African Development Report 2003" of the Development Bank of South Africa and the New Partnership for Africa's Development (NEPAD) secretariat, as well as the thought-provoking analysis of the operation of South Africa companies in the rest of Africa conducted by BusinessMap. I am sure that you will have occasion these next two days to reflect on these findings. But I think we would all agree that the fact that strong perceptions exist that many South African companies and enterprises come across as arrogant, disrespectful, aloof and careless in their attitude towards the local business community, consumers, work seekers and even governments, is a cause for major concern. I think we should also note that nature of South Africa investments in many African countries, as stretching across the more traditional areas of minerals and resource exploitation, through to services and more and more through a retail presence.

Just last week another important gathering of experts, activists and academics met to discuss South Africa's first decade of freedom. Salim Ahmed Salim, former Secretary-General of the OAU and now heading the Mwalimu Nyerere Foundation, as usual made some salient remarks about where we are today and what challenges face us. In drawing his conclusions, Salim noted what he called the "pioneering dynamic that South African investment is unleashing across the Continent. Through the medium of private investment, South Africa [he said] is sharing with the rest of Africa its relatively advanced capital and technological endowments." But he then went on to caution that "as this country consolidates its linkages with the rest of the Continent, it may be appropriate to devise mechanisms for ensuring that the investments are directed towards areas of higher social benefits and promoting sustainable economic development." He then expressed the hope that "perhaps the effective operationalisation of the NEPAD programme may lead to such outcomes."

I would hope, as the Minister responsible for the activities of most of the large state-owned enterprises (SOEs) in South Africa, that Dr Salim's fears and hopes find careful reflection in the Boardrooms of South African companies generally, but I believe they will find echoes in the state-owned enterprises that operate in Africa. At the same time, a close look at the infrastructure and development agenda of NEPAD highlights new and exciting projects that cut through the destruction of the past, and identifies projects that rise above the calamitous past that often holds us as a continent back. I refer in passing to the greater Inga project, the Western Power Corridor, and the proposals for a railway linking the Great Lakes region to southern and eastern Africa more effectively.

I have taken the liberty of asking your permission to distribute copies of our recent publication "Africa First!" as a shortcut to some of these plans and projects. We believe that, working together with colleagues in the rest of the continent on important projects like the ones I have already mentioned, we will in fact bridge the gap between Africa and the world.

If I may just quote from the conclusion of that booklet: "not only is it important to revive and rebuild infrastructure that has fallen into disuse, or has been marginalized through other budgetary concerns, it is imperative that we explore new opportunities to break down the definition of peripheral and central areas within the nation-state and establish cross-border corridors that by their very nature will redefine what is the periphery." Because "re-ordering the arteries of economic activity to emphasise greater access and trans-frontier contact within the continent alongside improved corridors that link the coast of Africa with its hinterland provides a major opportunity for enriched trans-African trade and development in this era of globalisation."

NEPAD itself can only find expression in the fulfilment of country, sub-regional and regional development programmes. Participating states have an obligation therefore to martial whatever resources they have towards clearly defined, environmentally informed development initiatives that derive not from the desire for grand schemes but from what they can contribute to the future of people themselves. Thus, the whole Inga hydroelectric project on the Congo River may well become one of the engineering wonders of the world, but its purpose is to power the continent so that Africans can drive productive plants and machinery, derive energy and lighting for domestic use, to power computers in schools, and to drill boreholes into our thirsty soil.

NEPAD also rests, though, on a conceptual understanding that projects must involve decisions of governments and people, of communities and of inclusion. Governance and the improvement of financial probity and the integrity of institutions is a sine qua non of the whole NEPAD environment. The objective, in the words of some NEPAD documentation, is to place Africa on a path of lasting growth and development. The means can only come through participation, legitimacy, probity and commitment to a people-centred model of development.

Security, peace and stability are absolutely necessary for the success of our projects as well. It is one thing to depend on governments issuing mine clearance certificates before development work can proceed in Angola or Mozambique. It is quite another to expect people to work and to build when warlords, gangs and rebel groups terrorise everyday existence through violence or simply by demanding protection fees. But most important of all, instability and insecurity themselves cause people in the affected areas to be alienated from ownership of the projects, to say nothing of their personal security, and shakes the foundations of confidence of any funding agency. That is one of the reasons why peacekeeping operations, assisted by demining efforts, and the consolidation of legitimate government at all levels in Africa remain a critical if underfunded activity on our continent. And that is why we should all be concerned about developments in Cote d'Ivoire, Equatorial Guinea and DRC as much as with the need to restore normalcy in Swaziland and Zimbabwe.

In our own small way, we have instructed our SOEs to "conduct their business in Africa with the utmost probity and with irreproachable ethics. In countries where they operate they must consciously and deliberately promote employment, particularly of women and the disabled, help develop small, medium and micro enterprises (SMMEs), procure goods and services, and work alongside communities at all times to secure their well-being. At all times, due deference to local law and custom must be central to their attitude and approach to work. In essence, they must integrate commercial viability and returns on investment with the need to encourage sustainable development towards the upliftment of communities and national/regional economies".

At this stage we do not have separate monitoring structures in place to oversee the activity of SOEs in Africa, other than the instructions we have given them and the requirements of the Public Finance Management Act (PFMA). I have suggested that perhaps a special Code of Conduct may be one way to go. Another has been the suggestion that all SOEs operating in Africa should report regularly to Parliament, according to specific requirements, so that Parliament can play an oversight role. It may be, too, that the African Parliament may be a useful instrument to act as a guardian of all development activity in Africa.

We have however begun some work to assess the socio-economic impact of SOE activity where they operate. Much of this work lies in the future as social impacts emerge, but we have attempted, through participation in environmental impact assessments and the like, to see what can be done. At the same time, I have made a call to the representatives of African countries to feel free at any time to approach us if they have concerns, problems or words of advise, to ensure that either consciously or unconsciously our SOEs do not stray from the path we would prefer them to walk. Government can lead to stop us becoming the new imperialists, and we trust that most in the private sector would agree with our approach.

With those few remarks, I hope that you have fruitful discussions on an interesting and critically important topic. No economic processes ever move by themselves, and we would not be doing our duty if we didn't follow these developments very, very closely, and hopefully be able to take steps in good time to prevent problems from arising.

It is sobering too to recall that as we celebrate 10 years of freedom in South Africa, we must also commemorate the tenth anniversary of the genocide in Rwanda. These two events highlight the precarious nature of our cause for freedom and development.