

# POLITICS TODAY



AN EXECUTIVE BACKGROUND BRIEFING FOR PROGRESSIVE BUSINESS

## ADDRESS BY PRESIDENT JACOB ZUMA

### Working together we can do more to build a prosperous South Africa

Our role as government is to promote the creation of a better life for all our people. In doing so, we work closely with the social partners represented at NEDLAC including business. We cannot achieve these goals if each sector works alone.

It has been an eventful 18 years since the ushering in of democracy and freedom in our country. Work began then to reverse the legacy of apartheid and colonial oppression. Progress has been made in a number of areas although challenges still remain given the extent of the under-development of the black majority.

Politically, we have consolidated democracy. We have developed sound and functional democratic institutions. The executive, legislature and the judiciary as well as the chapter 9 institutions that protect and promote democracy work effectively.

We have made significant strides in addressing socio-economic imbalances. About three million houses have been built for the poor. Six million households have gained access to clean water since 1994. Electricity has been connected to nearly five million homes. The country's extensive social grants system now reaches more than 15 million people, 10 million of whom are largely vulnerable children. This programme has played an important role in reducing poverty.

To improve access to education, more than eight million children at primary and secondary schools benefit from school-feeding schemes. A similar number do not pay school fees. Financial support has been extended to students in higher education and further education and training colleges.

Statistics show a decrease in most crimes, including armed robberies, housebreakings and contact crimes. In addition to meeting basic needs like water, electricity and housing, our infrastructure development programme is building and revitalising many clinics, hospitals and schools. On Tuesday we celebrated the

replacement of 49 mud schools with modern schools in the Eastern Cape.

More importantly, income levels have also been rising in the country since 1994. Over the period 1993 to 2008, average real incomes for Africans increased by 51 per cent compared to a 35 per cent rise for Whites. Unfortunately, despite these achievements, the gap between rich and poor still remain. In that case, income inequality is still extremely high in South Africa.

Unemployment also remains a huge challenge. The situation at the bottom levels of income distribution is of great concern, as 80 per cent of households have no employed people at all. It has therefore proven difficult and is taking longer to re-engineer the economy to provide opportunities for those who were pushed into impoverished and remote rural areas under apartheid.

We have to continue searching for opportunities for economic growth. But unfortunately, the global economic climate remains negative. Our traditional lifeguards, the United States of America and the European Union, are both facing serious economic challenges. The oil controlling Middle East and North Africa are also having a share of their own difficulties.

The major link in various global supply chains, Japan, is still recuperating after their natural disasters. The rising global food and oil prices are placing pressure on China's inflation rate. These affected countries comprise more than two thirds of South Africa's export market.

The economic slowdown in the United States and Europe is not bound to clear up soon due to the severity of their structural debt. We must remember that these countries are the main importers of South Africa's manufactured goods. It can therefore be expected that exports of manufactured goods will be adversely affected.

We need to work together to ensure a robust response that minimises the impact on growth overall and especially on the poor. We have initiated important programmes to address these economic and social challenges. Our New Growth Path framework encapsulates the spirit of promoting a labour absorbing economic growth and development.



The New Growth Path focuses on six areas in which we are working to promote growth and jobs more intensively. These are: infrastructure development, agriculture, mining and beneficiation, manufacturing, the green economy and tourism.

Our core response this year has been the adoption of the National Infrastructure Plan, within the New Growth Path framework. Our infra-structure drive is about providing housing, sanitation, public transport and running water in the urban areas for millions of South Africans who are urban residents.

It is about connecting rural communities to economic opportunities through building dams and irrigation systems, connecting farms and villages to the energy grid and building schools and clinics. The National Infrastructure Plan opens a host of new opportunities for businesses, both as suppliers of inputs and construction services.

Beyond infrastructure, we are also advancing work in other areas which are critical in the creation of jobs for the South African economy. Specific resources have been allocated to industrialisation, the strengthening of SMEs and other policy measures. The emphasis on SMEs is on incubation, training, mentoring and symbiotic cooperation between small and big business.

We are confident that our infrastructure build and also our programmes of industrialization, preferential procurement and localization will bring new opportunities and partnerships for business. We also need a dramatic improvement in education and training. This will help us respond to the extensive skills shortages in the economy.

We welcome the National Skills Accord signed by government, labour, business and the community sector as it will help us improve the employability of the jobless and foster greater labour demand. You would have performed priceless national service as corporate citizens if you absorbed as many of these jobless graduates and new artisans as possible.

Let me remind business and labour of the need to ensure shop floor peace and stability in the country, in order for us to continue the collective responsibility of promoting economic growth and development. We have gone through a difficult period in our country in the past few weeks with wild cat strikes, one of which tragically claimed the lives of 46 people in Marikana.

We should not seek to portray ourselves as a nation that is perpetually fighting. We must create a climate of constructive social dialogue, which South Africans are known for. The Constitution guarantees the rights of both workers and employers and the country's labour legislation outlines how all parties should enjoy these rights. We wish the parties well as they negotiate to solve both the mining and truck driver strikes.

The government will continue to provide support through the Department of Labour and its institutions. We are also mindful of our responsibilities, with regards to transformation generally in industries such as the mining sector. We are looking intensively at what we should do better to improve the implementation of the Mining Charter, beyond promoting BEE ownership to the improvement of the living conditions of workers on the mines.

The Department of Mineral Resources has been directed to intensify its monitoring and

evaluation work to bring the industry in line with the transformation objectives of the country.

Having spoken about the difficult global climate, the question to ask is what then should we do?

With the difficulties in the developed North, we have no doubt in our minds that the new Global order will be led by the developing south, by countries such as China and India.

It is estimated that the market size of the developing world will be larger than the developed world by 2020. It is therefore important that the developing nations trade amongst each other, in addition to doing business with the developed world.

We are promoting South-South economic relations effectively through forums such as India-Brazil-South Africa as well as BRICS. We should also look more within the continent where profound change is taking place. Trade between Africa and the rest of the world has increased by two hundred per cent since the year 2000.

Africa is posting an average growth rate of 5.5% and remains robust. It is impressive that over the past five years, seven African countries were among the 10 fastest growing economies in the world.

The mood among the Africans is better than at any time since the independence era in the 1960s and provides many opportunities for South African businesses. We will provide as much support as we can as government to create the right environment for business to thrive, so that we can deal with inequality, poverty and unemployment.

A prosperous and united South Africa requires that all of us look beyond our immediate interests to take the actions that will build our economy and our country. Ultimately, we are all citizens as well as economic stakeholders.

There are many ways in which as business you can contribute to building a prosperous South Africa. You can take the lead with innovative

investments that will build the capacity of the economy and create employment. That requires taking risks and thinking ahead of the curve, rather than just retreating into established industries and kinds of production.

You can do as much as possible to support new and smaller enterprises, through mentoring, local procurement and by paying invoices on time. We are running a campaign within government to promote the payments of SMMEs within 30 days by government departments. If we all do the same, we will contribute a lot to promoting the growth of SMMEs and employment creation.

You can also find ways to broaden ownership, through employee ownership schemes, community trusts and so on.

Finally, we should deepen social dialogue and share ideas on how to build a prosperous South Africa more regularly. Let me emphasise that we are optimistic about our country's future. At times, the going will look tougher than we ever imagined, given the backlogs and the rising expectations of the poor.

Some may become pessimistic when the international climate is as bleak as it seems, or when tragic incidents such as Marikana take place in our free and democratic country. There is no reason to be despondent. We have the capacity to overcome difficulties when we work together as South Africans.

Given the economic climate, things will not be smooth or easy. But this is a country that is looking forward, and we are all equal to the challenge, business, government, labour, community and all sectors of our society.

Working together we will succeed in building a prosperous South Africa, with more jobs and a better life for all.

**This is the edited extract of a recent address by President Jacob Zuma to business people in Johannesburg**