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Q&A Summary

South Africa's Experience of Social Dialogue: Internal Dynamics and External Engagements

HE Kgalema Motlanthe

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INTRODUCTION

This is a summary of a Q&A session held at Chatham House on 17 September 2013 with HE Kgalema Motlanthe, Deputy President of the Republic of South Africa.

HE Motlanthe was accompanied by South Africa's Minister of Finance, HE Pravin Gordhan; Minister for Mineral Resources, HE Susan Shabangu; and Deputy Minister of International Relations and Cooperation, HE Ebrahim Ismail Ebrahim. The delegation was also joined by Ambassador R S Molekane and Director General for Mineral Resources Dr Thibedi Ramontja.

QUESTIONS AND ANSWERS

Questions

South Africa remains highly dependent on the mining sector for its exports. Is a conscious effort being made to diversify the country's market base? To what extent would this effort be a phenomenon of South Africa's external relations, as well as internal developments?

Could you give an insight into South Africa's external relations? How far does China remain an essential export market to South Africa, and is South Africa engaging in new relationships in other parts of the world?

How do you perceive South Africa's position within the global market place? To what extent does the global market place drive aspects of prosperity and economic opportunity in South Africa?

Kgalema Motlanthe

HE Motlanthe stated that the global market has a direct impact on the South African economy. He used the automotive industry as an example: any slowing of the global automotive industry has a direct impact on platinum mines in South Africa, because it is a major consumer of platinum. He noted that this is true of other commodities in the South African economy.

HE Motlanthe stated that South Africa continues to maintain and strengthen relations with the United Kingdom, which is its top trading partner.

Question

How does growth in China, a major consumer of raw products, directly affect South Africa?

Kgalema Motlanthe

HE Motlanthe stated that the Chinese economy has a growing appetite for all manner of raw materials, which South Africa will continue to supply. However, South Africa has informed its Chinese partners that these resources are finite, and that South Africa needs access to China's markets. He noted that South Africa must add value to its raw exports, and work towards diversifying the economy to reduce the reliance on mineral resources.

HE Motlanthe stated that South Africa is raising the issue of raw exports on behalf of all African countries. Although South Africa currently accounts for 50 per cent of intra-trade within the continent, the volume of trade across Africa could be increased through even development and improved inter-connectivity between Africa's one billion people.

Question

Could you comment on the South African position on the mining industry, given the new Africa Mining Vision?

Susan Shabangu

HE Shabangu stated that the Africa Mining Vision recognizes Africa as a major exporter of commodities, while exploring how to add value to raw exports in order to create a sustainable society throughout Africa. Adding value to raw exports will harness the human resources opportunity present in Africa, address unemployment and enable Africans to benefit from their resources.

HE Shabangu said that for South Africa, the Africa Mining Vision repositions Africa as a major global competitor in a way that recognizes that the continent's natural resources must contribute towards creating a better Africa.

Pravin Gordhan

HE Gordhan stated that part of this paradigm shift in trade relations has been the call for resource mobilization in developing countries: that rent accrued from the mining of commodities must make a contribution towards creating a fiscal base in each African country that multinational companies operate in. These fiscal resources must be reinvested in education and training capabilities.

HE Gordhan stated that African countries are not the sole determinants of this process. The multinational companies must sign up to a social and economic commitment; increasing transparency and thereby improving good governance.

Question

Do you see the role of the Southern African Development Community (SADC) changing in the next 10 years, and how do you see trade transforming across Southern Africa?

Kgalema Motlanthe

HE Motlanthe stated that a large amount of South Africa's current account deficit can be attributed to the country's contributions to other members of SADC's Southern African Customs Union (SACU), which covers Namibia, Botswana, Lesotho, Swaziland and South Africa. He noted that the South African government has been debating how to create synergies in the region, through allowing freer movement of goods and people, and increased collaboration in the regional economic community. He added that cooperation in infrastructure development can help create inter-connectivity.

HE Motlanthe stated that the population of Southern Africa is essentially one people, accentuated by a lack of natural borders separating SACU countries. When social grants are allocated, there is an influx of people from Lesotho, Swaziland and Botswana who collect their payments in South Africa. HE Motlanthe noted that the South African government has been considering how to create a political arrangement that ensures these contributions also benefit South Africa, by improving the education and skills of workers who come to work in South Africa.

Pravin Gordhan

HE Gordhan stated that there are different levels of regional integration in terms of trade. SADC's ultimate vision is to emulate the EU, with a customs union that covers the SADC region whereas the intermediate aim is to establish a triple free trade area between SADC, the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC).

HE Gordhan said that other ambitions of SADC include regional integration in infrastructure development, improved access to land-locked countries, harbours and trade routes, and intensified trade between countries. He added that as EU demand in South Africa has fallen in recent years, SADC demand has risen, particularly for manufactured products. This will help to build regional value chains in Southern Africa.

Question

Could you explain what beneficiation of South African resources means in practice, and how will you incentivize multinationals to develop finished products in South Africa?

Pravin Gordhan

HE Gordhan noted that there has been a change in global production and demand patterns, particularly for commodities. Countries such as China are moving from an export-led growth path to an internal consumption-led growth path. He stated that for many African countries, demand for commodities is falling. African countries need to find alternative uses for resources, by increasing internal consumption as a driver of growth.

HE Gordhan stated that in this context, beneficiation or value-addition means developing internal capacity, and finding new ways to sell products emerging from commodities.

Question

Are practical steps being taken to improve education in South Africa to generate capacity within the process of beneficiation, and to lead to inclusive social growth?

Susan Shabangu

HE Shabangu stated that the South African government has incentive schemes to encourage multinational companies to invest in new industries, because beneficiation is about moving South Africa away from a reliance on commodities, towards industrialization. She noted that the government is collaborating with the private sector to invest in research, and is improving the education system to increase capacity.

Question

South Africa's service industry is well established throughout sub-Saharan Africa. Is the priority for the government now to focus on innovation in the manufacturing industry?

Pravin Gordhan

HE Gordhan stated that the government is focused on both the manufacturing sector and the service sector. South Africa's service industries have been very successful throughout Africa, and through partnering with other African companies, these service industries will contribute to economic development across the continent.

Questions

How can the United Kingdom and South Africa expand bilateral trade? What is South Africa's position on the trade facilitation talks currently underway in the WTO?

Ebrahim Ismail Ebrahim

HE Ebrahim stated that these issues were looked at during the recent UK-South Africa Bilateral Forum. The United Kingdom and South Africa have committed to greater collaboration to promote scientific exchange, and have also launched a business forum. He noted that there is commitment from both sides to achieve the target set in 2011 to double trade from £10 billion per year to £20 billion by 2015.

HE Ebrahim said that the United Kingdom and South Africa continue to cooperate at the political level, especially in trying to overcome trade obstacles put in place by the impasse of the Doha agenda at the WTO.

Pravin Gordhan

HE Gordhan stated that the inconclusive Doha negotiations have hindered trade facilitation and left developing countries vulnerable; it is still unclear what developing countries will receive, and what developed countries will settle for. He noted that South Africa will continue to push for palpable benefits for developing countries.

HE Gordhan stated that one challenge to trade facilitation between South Africa and the United Kingdom was the potential for increased competition to become unhealthy, to the point where new demands were constantly being proposed. He noted that this would not create the right trading environment needed to achieve the target of doubling of trade between South Africa and the United Kingdom.

Questions

There was relative economic stability in Zimbabwe when the MDC ran the finance ministry. Now that ZANU-PF is running that ministry again, there are concerns that this economic stability may be compromised. Do you share these concerns, and does South Africa or SADC have plans to engage with Zimbabwe on its economic policies?

Could you comment on the challenges and opportunities for engagement between South Africa and the South African diaspora in the United Kingdom?

How can multinational consumer goods companies in South Africa work in greater partnership with the government in terms of social dialogue, beyond complying with basic standards of compliance and transparency?

Many international solidarity movements supported the ANC's struggle against apartheid. What role can these supporters play in today's South Africa, to fight against inequality and poverty?

What is the future for law enforcement agencies across Africa?

Ebrahim Ismail Ebrahim

HE Ebrahim stated that the SADC monitoring team in Zimbabwe declared the elections to be free from violence, if not entirely fair and credible because of certain irregularities. He noted that despite these irregularities, it was clear to SADC that ZANU-PF won the elections, and that the result fairly reflected the wishes of the Zimbabwean people.

HE Ebrahim said that South Africa was appealing to the international community to lift sanctions against Zimbabwe to help the country recover economically and politically, and to encourage investment. He stated that another five years of instability in Zimbabwe would not be useful for the region, nor for the international community.

HE Ebrahim stated that the ANC was keen to link up with those who assisted them in their struggle against apartheid. He noted that one way anti-apartheid campaigners and the diaspora can assist South Africa is to promote the positive achievements the country has made over the past 20 years, such as the implementation of constitutional democracy, which is often overshadowed in the international press by negative reporting.

Kgalema Motlanthe

HE Motlanthe stated that those who supported South Africa's struggle against apartheid could help the government today by providing honest feedback on how to improve governance. He noted that a significant weakness in South Africa is the basic education system: although there is 96 to 98 per cent enrolment at entry level, only 22 per cent of those matriculate. He said that the government would welcome those who could assist in teacher training at the basic level.

HE Motlanthe stated that law enforcement units in South Africa are services, which can be trained to adopt and apply humane methods of dealing with conflict situations. Law enforcement services must know how to de-escalate tensions and must only use open fire in self-defence situations. He noted that following the events of Marikana, President Jacob Zuma has established a Commission of Inquiry to draw lessons out of the experience and to ensure it never happens again. He said that the minister of mineral resources has been engaging with stake holders in the mining industry, to listen to all concerns during the shaping of the resultant regulatory framework.

HE Motlanthe stated that beyond the borders of South Africa, police commissioners cooperate in the SADC region, and that hopefully this will be the pattern across the continent.

HE Motlanthe noted that Zimbabwe is working towards stabilizing the economy by allowing Zimbabweans to use regional currencies. He said that the Global Peace Agreement de-scaled tensions between ZANU-PF and the MDC, which contributed towards elections which were not accompanied by acts of intimidation and violence.