

**ADDRESS BY THE HONOURABLE MEC FOR ECONOMIC DEVELOPMENT & PLANNING,
MR. CNM PADAYACHEE AT THE EXPORT AWARDS LUNCHEON AT EMNOTWENI ARENA
ON 23 MAY 2008**

The Speaker of the Provincial Legislature, Mrs. Y N Phosa,
MEC's present,
Honourable Members of the Provincial Legislature,
Executive Mayors and Councilors from the various municipalities,
Our sponsors, ABSA
The members of the panel of adjudicators,
The Exporter of the Year Award Finalists,
Esteemed Guests,
Ladies and Gentlemen.

Today I stand in the midst of champions of the Mpumalanga trade sector and other giants that make our province tick.

I feel privileged by this opportunity to honour and celebrate the achievements and successes of exporting entrepreneurs, who, as a way of life, do not shy away from grabbing opportunities as they arise, and convert challenges and risks into gainful endeavours.

Exporters play an important role in the economy particularly through job creation and earning foreign currency. In an ever increasing globalizing market a nation that is isolated and fails to trade will perish, for without trade there can be no better life for all.

We salute, recognize and celebrate our own exporters and foreign currency earners. However, before we proceed with the task at hand let us examine and briefly highlight the environment in which our champions operate so that we may, as a collective today, equally appreciate their effort.

The World Trade Organisation's Doha Development Round of trade negotiations was intended for the delivery of reforms needed to provide developing countries with trade opportunities commensurate with their development needs. Many of the opportunities are still to see the light of the day. South Africa, as a country, participates in the Doha round where issues of development, technical assistance, capacity building, market access, rules and dispute settlement are discussed. This has led to our recognition and participation in various strategic alliances.

In order to maintain the sustainability of our initiatives in the global environment, we must continue engaging in geo-diplomacy. It is indeed good that as a country, South Africa plays an influential role in the geopolitics of the world by engaging the G8 and even chairing the United Nations Security Council. We have thus forged strategic relationships, trade alliances and trade blocks where we share common interests.

The strict distributive strategy employed by the group of 20 emerging nations, to which South Africa belongs, is a clear refusal to make concessions harmful to them. The strategy is that the developing countries should not be expected to pay for the removal of agricultural subsidies with reductions of their industrial tariffs and with the removal of measures put in place to protect infant industries. This strategy demands that discussion of issues of non-agricultural market access (Nama) should be preceded by an agreement on agriculture.

Let us keep in mind that a developmental state is an interventionist state, but that does not mean that intervention should be willy-nilly.

The current staggering food prices have led to a global food crisis. Governments are under pressure to act. Some have introduced controls in the price of food with negative reaction from industry. Other governments have reacted to food price-hikes by placing various levels of restrictions on food exports. The scarcity created by measures such as these normally lead to even higher world prices, greater smuggling across borders and, once again, depressed prices for domestic farmers.

This is a challenge for all of us, government and business alike. As a nation we should try to fathom the real causes of the price increases; we must try to cushion the impact of high food prices on the poor, but at the same time try to ensure that farmers do benefit.

As we consider the realpolitik trade-offs and economic strategising, I must emphasize that any multilateral coalition position is a tactical gamble. One possible gamble is that a multilateral lowering of tariffs in agricultural goods and greater access for developed-developing countries such as Brazil, China and India could erode the market share of a number of African, Caribbean and Pacific (ACP) nations, including South Africa. In realpolitik, agriculture could be a Faustian wager for us as others would make better gains than us; but we could be in a position to benefit from other sectors in the open market.

The best bet for us South Africans is the route of the bilateral option as it offers better opportunities for tailoring, for example the SA-EU agreement on trade and development and the South Africa-China engagement. We should use our strong negotiation advantage resulting from our geo-strategic positions. This should be the basis of our economic diplomacy as we search for the best alternatives to a multilateral agreement.

While membership to strategic alliances and affiliations results in economic benefits such as the access to technology, fixed investment and trade, infrastructure development, and most importantly credence, we must still guard against narrow self-interested geopolitics and other foreign neo-mercantilist strategies masquerading as genuine investment, charity and assistance to our continent.

South African bets should be hedged on growing our knowledge and services economy, protecting and expanding markets for our key industries and capital investments, and strengthening our competitiveness.

This is where, most of you who have made it to the final list, have played your roles.

There is a link between what government achieves and what business commits to. Business wants to see the success of government unblocking infrastructure constraints and create scope for more private risk-taking. The importance of sustained foreign confidence in our country must remain part of the equation as we pursue our economic growth.

As a result our country has become a premier destination in Africa for investment and trade. There are huge capital flows into South Africa owing to the country's good governance. Our economy is of such a high standard that foreign direct investors want a share of our banks, our telecommunications companies, our manufacturing and mining industries, and the tourism sector. To give just one example, the Industrial and Commercial Bank of China (ICBC) offered R36.7 billion for a fifth of Standard Bank. This is a record for FDI in South Africa and is a huge vote of confidence in our country.

One of the positive spin-offs of FDI is that every 3% increase in the fixed-investment to-GDP ratio raises GDP growth potential by 1%.

Exports are doing better than expected considering the strength of the rand and the increased cost of fuel. The share of Mpumalanga's exports is 90% of total trade, which is 6.2% of the gross domestic product (GDP-R). Well done guys, you are stars!

The tourist industry in Mpumalanga ranks amongst the highest in the world and we are known as the home of world renowned game reserves, private and public. This is a direct result of the high standards of service that this industry delivers. South Africa is the leading light in the African Renaissance, and most people on the continent want to experience our country, but the current spate of the xenophobic attacks on foreigners could easily erode our tourism gains built up over a period exceeding a decade.

Participation of blacks in this sector is increasing dramatically. We know of tourist businesses that have experienced phenomenal growth. It is our duty to maintain this growth, and indeed to increase it. To participants in this sector, we say congratulations and keep it up.

We must provide services here at home and perform service-rendering activities abroad and thus continue earning foreign currency in order to maintain a healthy services account of the balance of payments. This is not done by the government, but by the private sector.

Much still needs to be done.

Manufacturers have found it difficult over the past few years to compete both locally and globally and these companies that are here today have managed not only to compete against international companies locally, but have additionally managed to secure international markets through their tenacious export efforts and therefore, today we acknowledge these efforts and say well done!

I congratulate you all for making it to the list of finalists from among many who were nominated. This is a feat by itself.

To all the finalists gathered here today I say:

Ladies and gentleman, please allow me to say that I am impressed with all your efforts, and I cannot over emphasise that it is not easy to put a good man or woman down. They will remain resilient. You are a special breed. When I look at you I see the architects of an economy that will minister to all who live in our country.

Once again congratulations and keep up the spirit!

I thank you.

**Issued by the Department of Economic Development and Planning, Mpumalanga
Provincial Government**