



**The Helen Suzman Memorial Lecture
2015**

The challenges for leadership in today's
global and domestic environment

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By Gill Marcus

Good evening and thank you for the opportunity to be with you tonight.

South Africa over the decades has produced extraordinary leaders and provided courageous and innovative thought leadership regarding many of today's intractable problems. Many are household names - Mandela, Sisulu, Tambo, Hani, Lilian Ngoyi, Joe Slovo, Ruth First, Steve Biko are well known. Others whose lives were dedicated to the freedom we now enjoy, but are sadly less well remembered, include Yusuf Dadoo, JB Marks, Moses Kotane, Brian and Sonia Bunting, Dulcie September – to name but a few.

Helen Suzman was of the same generation, and an exceptional South African woman. Each historical moment has its own particular challenges and produces leaders able to provide direction appropriate to that circumstance. There is no period in history that is either easy or simple, and now is no exception – the 21st century has, so far, not been what one had hoped for.

We perhaps should ask ourselves: what makes for a successful country? In my view what is critical is alignment of vision and purpose that reflects the aspirations of the people. This should not be interpreted in a simplistic manner because it is not about everyone agreeing on everything. But it is about creating an inclusive society that we all feel part of. This requires cohesion from political leadership, business, labour and civil society to all act in the interests of the greater good. To achieve

such alignment requires that there cannot be a difference between what we say, what policies we espouse, and our personal behaviour. It is really unfortunate that the prevailing public discourse is largely destructive and self-serving and does little to engender confidence and trust.

And what is clear today is that in many parts of the world there is a breakdown in the functioning of the political system as it stands. People want authentic leadership that they can identify with. The gridlock in Washington and the race for the White House is a case in point – we just need to look at the support for Trump and the impact of Bernie Sanders; the election of Jeremy Corbyn to lead the Labour Party in Britain and the criticism that this has received from establishment figures, the outcome of the Greek and Portuguese elections and the biggest refugee crisis since the second world war – to know just how fragile the world is today and how important sober, thoughtful and courageous leadership is going to be in the weeks, months and years that lie ahead.

The global financial crisis, which began in the advanced economies in 2007, remains with us, though in a constantly mutating form. Greece, Russia and Brazil are in recession, Finland and Sweden face grave economic challenges, while the Canada, Japan and the Eurozone continue to experience very low growth. The US is, however, expected to grow above potential. The Eurozone – and remember that the Eurozone was the result of a political endeavour to ensure stability after the two world wars of the 20th century - is also likely to be affected, politically and economically, by the flood of refugees – particularly Germany. To give just two examples from the Eurozone: Much has been said about the recent Spanish economic recovery, but its economy is still

characterised by unemployment of around 22 per cent, and deflation, and has yet to regain its 2008 peak. Moreover, Spain's non-financial sector debt exceeds 350 per cent of GDP, making it the highest among the major European countries. Portugal's recent inconclusive election is likely to result in a minority government that will not have the authority, or will, to pursue structural reform. Overall public and private debt amounts to 370 per cent of GDP, while Portugal's gross external debt remains at around 215 per cent of GDP. In the absence of rapid growth there is no way Portugal will be able to reduce these debt levels in a deflationary environment.

Emerging markets, which largely carried the global economy during the crisis, are now experiencing extremely difficult conditions including slowing growth, depreciation of currencies and, while the median inflation rate is below two per cent, the average is higher, distorted by some outliers in Latin America. Here in South Africa inflation is also well above the median. The impact of slowing growth of the Chinese economy on world markets is having significant consequences. The share of both US and Japanese exports to emerging markets is as much as 45 per cent of the total. And the risks of a very much larger economic slowdown in China and the rest of the emerging markets than the IMF forecasts are likely to constitute a significant headwind to the global economic recovery. This is also likely to exert additional deflationary pressure on prices globally. Sub-Saharan Africa, including South Africa, is feeling the impact of lower commodity prices and depreciating currencies. This poses a huge challenge to growth and threatens to reverse the recent gains made in the region.

The world owes Thomas Piketty a great debt for putting the issue of inequality squarely at the top of the agenda. His book, *Capital in the 21st Century*, has received considerable criticism but is a really important contribution to better understand the challenges that lie ahead for all of us. While the global financial crisis has contributed significantly to a lost decade with considerable costs to women and men across the globe, the very nature of work has also changed, and is likely to change even more rapidly in the years ahead. Technological developments have fundamentally altered the focus of economies today. One of the consequences is rising unemployment in many countries, particularly among young people where it varies between 30 and 50 per cent – condemning the youth of today to an uncertain present and future. Moreover, even the employment that is being created is frequently temporary or contract work, thereby not only avoiding benefits such as medical aid but also stunting career and learning opportunities because the employee is ‘temporary’. It also puts increased pressure on the fiscus, where social welfare benefits are prevalent.

Globalisation was hailed as the great equaliser, bringing emerging markets into the mainstream economies with rising standards of living and increased stability. Production shifted to emerging Europe or Asian countries that were able to produce goods more cheaply, in some instances creating a race to the bottom. But what it also brought with it was interconnectedness, particularly in the financial sector, which has been under-estimated as a reason for the rapid spread of contagion and the inability to recover more rapidly from the financial crisis.

Sub Saharan Africa – IMF Outlook released October 28 2015

Titled *Dealing with the Gathering Clouds*, the IMF outlook stated that economic activity in the Sub-Saharan Africa has weakened markedly and growth is expected to average 3.75% in 2015 and 4.25% next year. Despite this it is still higher than many other emerging and developing regions. The report also expresses concern that the drivers of growth since the mid-1990s – improved policies, debt relief, abundant global liquidity and high commodity prices – have started to dissipate. It also reflects that Sub-Saharan Africa has among the highest levels of inequality in the world – in terms of both income and gender. Compared with the Asean countries, in the region's low income and more fragile states the drag on growth is stronger from infrastructure and educational attainment gaps and, to a lesser degree, from the prevailing higher gender inequality. This suggests that addressing infrastructure and human capital gaps remain the appropriate focus of policies to raise growth. The findings also indicate that in the middle income countries there could well be a growth dividend for policies directly aimed at reducing inequality, with particular focus on policies that influence the access of low income households and women to opportunities in education and health.

Given the dependence of the region on commodities, including oil, challenging times lie ahead to enable more rapid growth and giving effect to policies that will address inequality and improve infrastructure.

In this rather depressing global environment, where do we as South Africa stand today?

We should not underestimate our achievements. As a country we have a great deal to be proud of. But we need to give greater recognition to the destructive legacy of colonialism and apartheid, not only to embark on building an inclusive country but also to better appreciate what needs to be done. We certainly know how to be against what we don't like or want, but do not know how to stand for what we want to achieve – while we march against corruption, which is a cancer that must be exposed and combatted, do we stand for a value-driven society that makes corruption unacceptable? Correctly, we stand against crime, but do we stand for valuing life, respect for dignity and the sanctity of our homes, schools, streets where we can walk proud and free?

Nobel Prize winning economist Michael Spence (The Next Convergence) has this to say about growth and leadership: “growth requires investment, and means present sacrifice for future gain. The job of leaders is, in part, to get everyone on board, to build a consensus behind a forward-looking vision, underpinned by a growth and development strategy that is credible ... Many countries spend extended periods of time in no-growth or low-growth mode. It is a kind of equilibrium that must be broken and then shifted to a new sustainable pattern. Evidently that pattern-breaking does not necessarily occur automatically within the economic system, narrowly defined. A shift external to the economy is required, one that changes trajectories and expectations. That external impetus usually comes from leadership, and not infrequently in a crisis or near-crisis setting ... People will make incredible sacrifices if they believe their children and grandchildren will,

as a result, be better off than they are. But they do have to believe that the process is inclusive so that whole groups of people are not simply left out ...”

We have focused on creating such an inclusive common vision and strategy, and the National Development Plan (NDP) was adopted by all parties in Parliament as the guide. There has also been a focus on attaining 7 per cent growth as a goal. A growth rate of 7 per cent means income and output double every ten years and at such a rate poverty reduction is dramatic.

For a few years in the 2000s South Africa grew at around 5 per cent per annum. But this was at a time when economies around the world were also growing fast and the outlook was hugely optimistic. Then the advanced economies were hit by the sub-prime mortgage fiasco and, as I said earlier, the crisis remains with us today. But while the external environment and conditions are important, we must also look at the domestic challenges we face.

South Africa is no exception and, like other advanced and emerging markets, is experiencing grave economic challenges. GDP contracted by 1,3 per cent in the second quarter of 2015, reversing the positive growth of the first quarter. Real output contracted sharply in the agricultural sector, affected by the drought currently being experienced. But real value add also fell in mining, manufacturing and electricity, with load shedding taking its toll. This has been reflected in a persistence of high unemployment, with roughly one in four workers unemployed. While we are not technically in recession – and we wait to see the third quarter GDP numbers out later this month – we are growing far too slowly to

even absorb new entrants into the labour market, let alone make headway in reducing unemployment.

Growth in real gross fixed capital formation declined further, primarily through declining capital outlays by the private sector, consistent with the sluggish growth and poor state of business confidence. The only area where private sector investment has shown some resilience was that of electricity-generation projects. Notwithstanding government's commitment to infrastructure build, roughly two thirds of gross fixed capital formation is driven by the private sector, with one third driven by the state. So even if government and state owned enterprises do invest, much still depends on investment by the private sector. And this requires both demand and confidence.

South Africa, like many other emerging markets, faces the challenge of rising inflation, slowing growth and a depreciating currency. While there can be opportunities arising from such depreciation, it also requires that there is a market for our cheaper goods. And as indicated above, a number of our primary export markets – the UK, Europe and sub-Saharan Africa – are themselves experiencing very challenging times. The depreciation should also make imports more expensive, but unfortunately there is little sign of import substitution through local manufacture.

It is in these difficult circumstances that we face great challenges, as evidenced in the turmoil of recent weeks. There are many dimensions to the crime against humanity that was apartheid – racial separation and degradation, brutal repression, and a denial of human dignity to millions of people – but the policy of Bantu Education and the vision that black

people were forever to be hewers of wood and drawers of water is a legacy that must be addressed as a priority.

Everyone in this room knows how liberating education is. We are meeting in a highly reputable institution of higher learning. As a country there is a constant refrain about lack of skills. This is compounded by the way the world of work has already changed significantly, largely due to new technological advances. And the impact of advancing technology not only on how we work, whether robots replace the functions people perform today, or indeed replace people altogether, but also on communication, organisation, access to knowledge and information – all of this requires that we are prepared for a technology-driven knowledge-based society. Technology can play a critical role in providing access, learning and opportunities to enable a more inclusive and equitable society, and this should be harnessed more effectively.

Education, in all its dimensions, should be our primary focus, from early childhood learning through to access to tertiary education in all its forms. But this also requires good health, proper nutrition, dedicated teachers and appropriate facilities. These should be our priorities. While the demand is for free education, and it may well be that there is a decision that education at various levels is provided without payment by students and learners, the money has to come from somewhere – and this is either through taxation or borrowing, or both. So there is a cost; what may differ is who bears the brunt of that financial burden, and what is jettisoned to reprioritise spending allocations accordingly.

The theme for tonight is *The Challenges for Leadership*. What is clear is that there is no shortage of challenges that leadership the world over

faces. What I have also tried to convey is that the state of the world today in many ways reflects a failure of leadership as we witness desperate refugees, armed conflict in many parts of the world, growing inequality with poverty and hunger prevailing in many countries, and obscene individual wealth where the richest 1 per cent will own more than everyone else by 2016, and the 80 richest individuals now have as much money as the poorest 3,5 billion people (Mohammed El Barradei Africa Day Lecture, 25 May 2015). Whether life has meaning or value largely depends on where you live, what colour you are and your wealth. We also know from history that when human beings identify 'the other' terrible atrocities can result.

Therefore leadership is not only about all of us pointing fingers at government, but also about leadership at every level and in every sphere of our society. Each and every one of us has a responsibility and an obligation to identify and build on shared values that we are ready to live by – and we have embodied these in our Constitution and Bill of Rights. We need to make these living documents, for democracy is critically about the time between elections and not just the period of elections, living according to a set of shared values that ensures governments are inclusive, transparent and accountable; building, valuing and protecting the young institutions of democracy – parliament being probably the most important.

South Africa is a young nation in the making. The future is contested terrain, and the outcome is likely to be determined by how each of us exercises our responsibilities within our spheres of influence. There is no doubt that leadership today requires courage. As a world we are in uncharted territory with the very system of government being called

into question, but there is a lack of clarity about what will, or should, come in its place.

Over the decades South Africa has produced leaders of exceptional calibre, courage and integrity. I have no doubt that we will continue to contribute to finding solutions to our own very serious challenges as well as those facing our world through engagement in the many world forums that we participate in. South Africa can, and should be, a stand-out successful country utilising to the full the talents of all our extraordinary people.

For South Africa there are no quick fixes or shortcuts. We are a relatively rich country with a considerable number of poor people. It is up to all of us to ensure we build an inclusive, equitable, fair and just democratic society in which we can all celebrate our humanity and achievements. And while we need to understand our past, we must look forward and prepare for the future, which is bound to be complex and exacting. We need to find ways to make this a shared future, where we can truly claim that South Africa belongs to all our people.

I take this opportunity to pay tribute to the leaders who have brought us this far, Helen Suzman among them, for their courage and foresight, integrity and commitment, for their ability to stand not only for what is right, but also against what is wrong; for their consistent and steadfast leadership over decades, in very difficult and dangerous circumstances. It is that principled steadfastness acting in the interests of the greater good that is the hallmark of their leadership.

Thank you.