

Invited Address

GLOBAL TRANSITION AND THE AFRICAN PHOENIX

Guest Speaker, Shaun Cleary of Strategic Concepts

What I am going to try and do today is to pull together two very broad themes very quickly, because the amount of time that we have available to deal with issues of this complexity is necessarily limited.

I think one of the things that all of us have to grapple with today is that, whereas we live in particular geographies and work in particular geographies, we are part of a globally interlinked society in a way that is unprecedented, at least thus far in human experience. And the core challenge therefore, is trying to relate what we do where we do it, to the forces, the impacts, the causal relationships that derive from a very much broader environment over which we have very little control. That poses quite unusual challenges today. I think it is worth recognising that if one looks at the post-second world war world from 1945 all the way up to 1991, when the Soviet Union imploded and ended the bi-polar world order, which was characterised by two primary centres of gravity; Washington and Moscow. Washington was surrounded by NATO, the IMF the World Bank, the United Nations and the General Agreement on Tariffs and Trade, and Moscow was surrounded by the Warsaw Pact and COMECON. After 1991, the world changed very fundamentally, and I think most of us have probably forgotten how extraordinary those changes seemed in the period between 1989 when the wall came down in Germany, and 1992/93 as we began to come to grips with the realities of the new era.

Francis Fukuyama, who at that stage was heading the Policy Planning Unit of the Department of State in the USA, wrote that remarkable, and with the benefit of hindsight remarkably naïve book entitled, *The End of History and The Last Man*, where he postulated in essence that the collapse of the Soviet Union meant that the struggle between alternative political and economic systems on the face of the globe was over, and that the rest of history would be spent in perfecting democracy and markets. Would it were so!

But the reality of course has been much more complex than that, and much of the new reality is captured in something that I guess we often refer to today as globalisation. Globalisation is probably the most overused word in the English language at the moment, but it is probably useful for us to try to put some content into the concept in order to be able to understand its impact on global developments and also its implications in respect of the prospects for African renaissance. I think it is worth looking first at where globalisation came from. What is this remarkable phenomenon, and what were its origins? The first, very simply, was the emergence of multi-national corporations in the 1960s and 1970s. This was highly significant because it was the first time in history, at least in the last 200 years, that companies were not under the control of States. When Hitler invaded the Sudetenland and began his preparations in 1937, he knew perfectly well he could rely on the mighty Ruhr Valley and the industrial base of Germany. When Churchill decided to fight them on the beaches and never surrender, he knew that he could rely on the industrial capacity of the United Kingdom. When Roosevelt brought the United States into the second world war after the bombing of Pearl Harbour, he knew that he could rely on the capacities of General Motors, Ford, Chrysler, General Electric and many others.

But today? What Government can command Daimler Chrysler? Can either Thabo Mbeki or Tony Blair tell Brian Gilbertson, or Paul Andrews what to do with BHP Billiton, or Tony Trayer with Anglo American? So the first and most fundamental source of today's globalisation is the emergence of corporate entities that lay outside of the purview and control of States. The second occurred around about the middle of the 1980s, and it occurred as a consequence of the publication of demographic information pre-eminently by the World Bank, the World Population Programme, the United Nations Development Programme and others, which in fact made it apparent what was happening in terms of market development, demographic shifts across the globe. Some 90% of the Fortune 500 back then were located in the triad of North America, Western Europe and Japan. But the first set of data that was published world-wide in 1985 under the auspices of the UN Population Programme made it clear that the size of those markets would only grow by 90 million over the period between 1985 and 2000.

By contrast, Asia outside of Japan would grow by 753 million, Latin America by 246 million, and Africa by 347 million. Roughly 1.4 billion more people would be available as potential customers outside of the triad as against only 90 within it. And quite obviously multinationals and others sought under those circumstances to exploit new market opportunities and looked for the conjunction of high per capita incomes, rising skills levels, increasing disposable income and large population growth. And that very largely against the backdrop of sensible policy accounts for the extraordinary surge in the Asian Tiger populations of the Pacific Rim during the late 1980s and early 1990s. Further expansion of market opportunity was affected by the end of the cold war itself. When the cold war ended Central Europe, Eastern Europe, the CIS as it now is, the former Soviet Union and, progressively, in the 1990s under the influence of economic liberalisation, China too opened up to multinationals and other investors from previous market economies. Those are simply the three fundamentals that created the basis for globalisation. But there were two very important enabling technologies. The first was the fact that during the 1980s, the era of Reagan and Thatcher, there had been massive investment in new information technologies and information systems and management information systems within the framework of defence and aerospace under the national security rubric. This was the period at which Star Wars was first mooted, this was the period in which huge investments were made in improving the accuracy of strike, command and control systems, integrated command control and intelligence systems, and all of those functions, which probably would never had been researched in private companies during the 1980s, but which could be justified under the rubric of national security. And quite a lot of the same was taking place on the other side of the then Iron Curtain, within the Warsaw Pact States.

In the 1990s, after the cold war was over, demand in defence and aerospace fell off dramatically. We reached a stage where arms purchases during the 1990s were approximately 43% of arms purchases during the 1980s. And apart from a lot of mergers within the defence and aerospace community, we also saw the aggressive commercialisation of many of those information technologies that had been developed under the rubric of national security in the 1980s. That development conflated with something else that was happening within consumer electronics under the influence *inter alia* of NEC in Japan, this was the congruence of the conflation of telecommunications, computing, and latterly, entertainment. It is that particular conflation of technologies and enabling of economic drivers that has given us today the OAL, Time, Warners and the like. All of those technologies coming together brought about the capacity to enable global financial transactions within what was now a global marketplace. And the particular characteristics of globalisation as we experience it today are driven very largely by the fact that the earliest adopters of these new technologies were actually global financial institutions, hedge funds, merchant and investment banks, and latterly, commercial banks. Transaction speeds became

electronic and instantaneous. Money was capable of moving instantaneously around the globe. We had, for the first time in history, markets that were capable of operating 24 hours a day, 365 days a year. Now, those of you have some rudiment of monetary economics will know that money supply is a function of volume, not applied by velocity. If one dollar circulates once in the course of 24 hours it is one dollar, but if a dollar circulates a thousand times in the course of 24 hours it is a thousand dollars. Electronic transaction speeds and 24-hour markets, 365 days a year therefore dramatically increased the amount of money available for financial application, and has probably produced a disaggregation between the financial and the real economies of anything between 15 and 17 times.

All of these factors together gave us phenomenal volatility, high discontinuities, tremendous levels of uncertainty and the belief all around the world that we were facing a paradigm shift of unprecedented proportions. It is that, by the way, that explains very simply why all of the guff that was put around in respect of new rules for the new economy, the dot.com and new tech boom and bust on the NASDAQ London and Frankfurt and Zurich, over the course of the past two years, was able to occur.

The point that I would like to emphasise most strongly now, is that the fundamental enabler for the emergence of what we now know as globalisation, was the tremendous investment in education and skills training right across the world since the second world war. It is the vast expansion of the quantum of human skills across the globe that has made possible the application of the technologies that have enabled globalisation as we experience it today, and it is clear, therefore, that the availability of such technologies - of such skills - is absolutely central to success in the context of a globalised world.

Let us look very briefly at where we are with globalisation today. The four fundamental characteristics of globalisation as we experience it today are, firstly, what I like to call the commoditisation of information. Information was a valuable good ten years ago. Most of us are drowning in the stuff today. I speak at my peril, but I believe that information is today a commodity somewhere between sugar and sand. Both are in over-supply. Both have very distinct applications and values, but it really depends on where and when. Sugar, if you are using it to sweeten something, is immensely valuable; sand, if you wish to make cement or build a house, is immensely valuable - but either one in your shoe is probably pretty uncomfortable. So it is with information. The second dominant characteristic of globalisation today is the extraordinary mobility of production among corporate players. If you go and have a look at what Governments have done in the course of the past 12 or 15 years, you will find that they have shifted from largely seeking to regulate the activity of investors, to soliciting their entry into their markets. And, in many cases, part of that solicitation has meant granting extraordinary fiscal benefits that allowed rapid capitalisation in the early stages of an investment, which in practical terms means that the Governments excluded any possibility of subsequently turning up the screw. After three to five years you had in any event managed to recover the initial investment in the average manufacturing plant and, as a consequence of that, if the regime changed in any appreciable way you were in a position to move on to the next location. The extraordinary proliferation of manufacturing activity in the Pacific Rim is an excellent illustration of exactly that point. This is, of course, closely associated with the ability of global corporates today to arrange their tax affairs as between a variety of different jurisdictions, and all of us know very well the amount of transfer pricing that takes place in many industries. All of us know very well that marketing companies and service companies usually located in convenient jurisdictions like Zug or the Bahamas are used very frequently to reduce the level of profitability and high taxation environments.

The third factor that defines globalisation today is the extraordinary scales scope and volatility of global financial flows. None of us know what the real numbers are, because it is almost impossible to track these transactions in total. But the Bank of International Settlements in Basle, which is the clearing house for the commercial banks world-wide, estimates that in 1999 and 2000 we had on average \$1.5 trillion per day in circulation in global financial markets. Now, \$1.5 trillion is a little more than I have in small change in my pocket at the moment, but just to locate it functionally there are only three countries in the world, the United States, Japan and Germany, that produce more in terms of total output of goods and services in a year than \$1.5 trillion. The US is about 7.5; Japan is about 4.5; Germany is about 2.5; and that is the total output of goods and services in each one of those three largest economies in the world in a year. \$1.5 trillion a day, 12 times the annual output of goods and services of South Africa on an annual basis, has been circulating on global financial markets over the course of the past couple of years. The last factor that defines globalisation as we experience it today, is the defusion and increasing homogenisation, at least on elite levels, of Anglo Saxon values. This is being done pre-eminently through broadcast media like CNN, BBC and Sky, and also by global branding and global advertising. MacDonalDs, Toyota, Nike, these are no longer national brands in any sense, these are global brands today, and they are increasingly supported by global advertising. Very few people take the trouble to read 12 or 15 different news media today, as many educated people used to do 15 years ago. Today, most of the elites of the world manage to catch half an hour of CNN in their hotel rooms, somewhere between different flights.

All of these extraordinary factors have produced two very basic consequences. One, a tremendous level of tension between the elites and the great mass of people in lesser developed countries. The technology gap has widened in many cases the social and economic gaps, simply because the enabling technologies of the new era have created the capacity for wealth expansion on an unprecedented scale, and access to those technologies is necessarily limited. The second thing that this phenomenon of globalisation has done, however, is significantly weakened the power of Governments, which are no longer the primary actors in the global landscape. So we have experienced as a consequence of globalisation both exponential change and the certainty of new paradigms, and two factors are worth highlighting in this regard. The first is that, when you model what I have just described, you find a new factor in the global landscape emerging right at the centre, the phenomenon of global corporates. Global corporates today dispose of completely remarkable amounts of total economic output. There are 500 companies in the world, the whole of the Fortune 500, each of which has a turnover higher than the gross domestic products of, today, 37 countries in the world. So, 37 members of the International Monetary Fund, the World Bank, the United Nations and the World Trade Organisation have annual outputs of goods and services smaller than the turnovers of 500 companies in the world today. One of the consequences of this, is that our global institutions, those that I have just mentioned, the IMF, the World Bank, the UN and the WTO, are all experiencing increasing tensions, pressures and dysfunctionalities. Part of that is due simply to the fact that the United States itself is now so dominant in respect of the global economy. The US, at \$7.5 trillion, is about 30% of the global economy of \$30 trillion.

The second factor that is weakening the global institutions is the fact that so many weak States, States characterised by poor internal cohesion and weak institutions, are fracturing under the stresses that globalisation exposes them to. The third factor is that many new non-Governmental Organisations have emerged, literally tens of thousands of them, many of which are performing functions, which over the last 100 years or so were historically performed by States. Provision of health services, education, mine clearing and, in some particularly perverse cases, even mercenary services. The last phenomenon that is driving this factor is the re-emergence of ethno-cultural particularism, ethno-cultural focus, in many communities around the world. Ironically, we face a period of economic globalism associated, it would appear, with ethno-cultural particularism.

Politics is in decline. There are four very basic reasons for this. In the aftermath of the cold war we have had a narrowing of ideological reference points. States themselves have lost sovereignty, there has been a shift in power to corporates, to super-national entities like the European Union and NAFTA, to sub-national entities like cities and provinces, and to individuals. At the same time politicians are still obliged to stand on soap boxes and make extravagant promises about what they will do to improve the lot of their constituencies if elected, and to warn the voters about the terrible consequences that will follow if they were foolish enough to elect their opponents. All of that, however, is occurring also in the context of populations in many countries, which are at risk precisely because of those forces of globalisation that we have already spoken about. This tends to put politicians in the position of making extravagant promises, which they are incapable of delivering on after being elected, and that puts a tremendous amount of stress and strain on the system. The reality of governance today is that there is an established standard of putative best practice, characterised by transparency, accountability, sound fiscal policy, hard currency maintenance, maintenance of law and order, which all governments that wish to attract investment of any sort are obliged to follow. But that is a constraining recipe in the context of real social and economic divisions between different sections of one's own population, and also between one country's population and those of others. So everyone is conscious that new paradigms are emerging, but nobody is sure what forms those will take and exactly what you need to do in order to be able to come to grips with them. I mentioned that, on the architectural level, globalisation was also putting the institutions under tremendous stress. The function of the United Nations is to manage global conflict, to keep the world at peace. The function of the WTO is to facilitate expanded amounts of global trade. The function of the IMF is to ensure stability in the international financial architecture, and the World Bank's function is pre-eminently to close the gaps between developed and developing countries, *inter alia* through something that Jim Wolfenson dubbed, 'the comprehensive development framework'. The reality, however, is that the United Nations has been effectively incapable, largely as a consequence of under-funding, but also as a consequence of difficulties in respect of its Charter, to address most instances of conflict that have cost most lives in most remote parts of the world. Africa has lost two million lives to civil conflict, and a little bit of trans-border conflict in the course of the past ten years. The United Nations has been conspicuous by its absence.

In terms of the international financial architecture, the failure of the IMF to be able to respond effectively to the Korean crisis of the end of 1997, led Ruben and Greenspan from the United States effectively to ignore it in respect of dealing with both the Russian and Brazilian crises the next year. It led to the resignation of Michel com de Sue as the Managing Director of the IMF, and an unseemly set of disagreements between Europe and the United States with regard to his appointment, which eventually occurred when Horst Keuler was put in place after Kiagcocisa was rejected. The bank is undergoing its fourth reconstruction in the course of five years, the comprehensive development framework has not yet been adopted, Wolfensen is in something of a power struggle with his Executive Board, and Joe Stiglits, the Chief Economist of the bank, has resigned and gone back to Princeton. The WTO has not been able to convene a round since Seattle. It was unable to agree on the nature, or identity, of a new Director General. As you know, there was a compromise between a New Zealander and a Thai, and we wait with bated breath to see whether d'Ha will produce anything substantial. There is nothing to celebrate in this. I am not saying this in order to be lugubrious, I am simply pointing to the fact that globalisation has changed the rules of the game, and that the institutions that we created in the immediate aftermath of the second world war are no longer the appropriate institutions to deal with the challenges that globalisation throws up to us.

What of the challenges that globalisation confronts us with today? The first is obviously to keep global growth going, because economic downturns under present circumstances have knock-on effects in an integrated economy, which are totally extraordinary. A number of relatively naïve people toward the end of last year, recognising that there was going to be US economic downturn in the course of 2001, hoped that strong, robust European and Asian economic growth would nonetheless prevent the world from sliding into any form of recession. The reality, of course, is that the decline of US consumption within the US economy has had a shocking knock-on effect in Asia, and an appreciable effect within Europe itself. So highly integrated economies are necessarily substantially more subject, more exposed to, varieties of stresses in this regard, and finding ways to sustain global growth is therefore absolutely critical. While we are doing that we have to make growth sustainable. There is a whole debate around the environmental sustainability question, but I am not going to speak on that at length today. The primary issue in this regard at the moment, is how we make it socially sustainable. How do we manage the huge economic, social and technological disparities which are implicit in the rapid rate of technology transformation on the global landscape today? How do we manage within our regional organisations, organisations like the European Union, like NAFTA, to widen these organisations to increase the span of their beneficial effect in terms of improving welfare, while at the same time managing to maintain the standards of macro-economic convergence, monetary prudence, compliance with social charters, subordination to, for example, the European Court of Human Rights in the context of the European Union, at the same time? We have to re-think and re-define what we mean by national security, by regional security and by global security.

Our responses in the aftermath of the cold war were initially to come up with the concept of an holistic post-modernist approach to security, which was supposed to shift the centre of gravity away from reliance on security of the State as the primary index to security of the individual. But how have we succeeded in doing that? It has not changed weapons acquisitions policies, it has not changed the curricular taught at military academies, it has not changed what is taught within the framework of joint staff courses, and it certainly did not produce a particularly beneficial effect for the people who were on the ground whilst smart weapons were being used from extraordinary altitudes to destroy the civilian economies of Kosovo and Serbia.

How do we, in this context of increasing globalisation, increasing secularisation, increasing transfer of Anglo Saxon values through broadcasting, advertising and branding, how do we maintain space for cultural identity for those that wish to retain it? Because, if we do not manage to do so, culture, ethno-culture, cultural religious interfaces, tend to become a perverse form of a very dangerous backlash. Islamic fundamentalism, which the United States seems incapable of understanding, is just one phenomenon in this regard. The particularly perverse form of Serbian nationalism espoused by Milosevic is another. The tensions that have arisen in the Middle East, where Israeli nationalism and Palestinian renaissance nationalism are locked in conflict, is yet a third. We have to find space within this tendency towards global secularisation to allow for some degree of cultural identity. And lastly we have to work out how we are going to give substance to concepts like individual rights, and the underlying concept of democracy, which is popular sovereignty, in an emerging global polity. How will we operate something that is veering towards a global democracy? Will the Chinese always avert the South Africans? It is obviously a silly remark, but the mere fact that one can even think about making it, indicates just how immature our thinking around this issue is. The technology exists to give us the ability to create global parliament today. But do we really want to run the world by plebiscite? And if we do not, what are the alternatives?

The underlying challenges in all of this relate directly then to Africa itself. Africa lives in that global world. If we want to be able to exploit the opportunities for an African renaissance, we have

to premise that effort on an understanding of the basic realities. The first point to understand is that the United States economy on its own is \$1.6 trillion larger than the aggregate of all of the non-OECD economies added together. The second point to understand is that sub-Saharan Africa, whose GDP in 1998 dollars was \$296 billion, which is now approximately \$270 billion as a result of the devaluation relative to the dollar of almost all African currencies since 1998. Sub-Saharan Africa is, in gross economic terms, equal to Belgium. It is appreciably smaller than the Netherlands, significantly smaller than Switzerland and, as I say, approximately equal to Belgium. The additional uncomfortable reality is that, as South Africa has 42% of the GDP of sub-Saharan Africa, the other 46 countries of sub-Saharan Africa collectively have an aggregate GDP equal to 58% of that of Belgium. If one translates this into the SADC, it is very difficult to look at comparative figures in global state terms, so I have chosen to use the latest listings of the Fortune 500 as a reference point. South Africa, today, would be the eighth largest company in the Fortune 500. We would displace Mitsubishi from that position. Our GDP today in dollarised terms is about \$128 billion down from the 136 of 1997.

We are highly significantly smaller than Exxon, Wall Mart, General Motors, Ford, Daimler Chrysler, Royal Dutch Shell and BP Ameco. The even more frightening dimension is that all of the other SADC States would not make it into the Fortune 500. And for the purpose of this comparison, all that I am doing is taking GDP as equivalent to turnover, as both represent an aggregate economic output. It is a fair measure. Now, against that backdrop, one has to look at the marginalisation of the region in global terms. In 1983, sub-Saharan Africa constituted 2.7% of global GDP, that is, in 1999, 2.5%. In terms of exports, sub-Saharan Africa in 1950 had 5.2%; this had fallen to 3.7% of global exports by 1980 and 1.4% of global exports by 1998. In terms of developing country debt, our percentage has increased. In terms of global FDI stock, foreign direct investments stock, from the 5.1% of global FDI that we represented in 1983, sub-Saharan Africa is today only 1.6%, an in terms of global manufacturing on a value-added basis, we have declined from 2.6% to 1.6%. This is simply an example of the widening of the divides that I spoke about earlier.

To understand the challenge we have to come to grips with what structural adjustment is all about, because this has been the recipe that the IMF and the bank have sought to use in order to transform African economies effectively. Structural adjustment is about macro-economics stabilisation, reducing budget deficits and balance of payments deficits, and aligning exchange rates in such a way that you predispose to increased exports and a lower propensity to import. This is usually supported by liberalisation of wages, prices, interest rates and the exchange rate, and by privatisation of State owned enterprises and public utilities. The problem about this is that the social costs associated with the implementation of these programmes, which is absolutely essential, leads to rising prices, unemployment, and lower Government spending, *inter alia* for things like health and education, which obviously puts not only tremendous strain on the population itself, but also on the Government's ability to stay in office. So if one wants to reconcile stabilisation and democratisation, one has to recognise first of all that the great majority of African economies do not have an autonomous capacity for regeneration if one withdraws Government spending from the marketplace. There are very low levels of domestic savings, very low skills levels, debilitated infrastructures, even if they are fortunate enough not to have been destroyed by civil war, and high debt burdens. As a consequence, if you are going to turn around African economies, and this fortunately the World Bank has now come to recognise, this has to be done through debt relief, mechanisms to increase Government revenues, investment in either providing new, or in rehabilitating existing, infrastructures, encouragement of foreign direct investment, which requires necessarily vastly infrastructural platforms, and highly significantly levels of investment in education and skills training.

If we have a look at SADC's projection out into 2001, the rise in the dollar and the relatively low growth rates in most SADC States mean that our projected dollar rise GDP for 2001 at \$181.8 billion, is actually lower than that which we were achieving in 1996/97 in global terms. GDP per head has actually fallen in dollar terms from approximately \$1 380 down to approximately \$1 200. All of this, in terms of the basic challenges of technology, is exacerbated by the extraordinary degree of concentrated conflict that has run all the way from Angola, the DRC through the Great Lakes up into Ethiopia, Eritria and Uganda/Sudan, and addressing those particular conflicts and eliminating them as blights on the foreign direct investment environment is absolutely essential if we are going to turn it around. South Africa, like it or lump it, simply because it has the largest economy, the most developed infrastructures, and is capable of punching above its way to present and at least international environments, faces therefore an extraordinary challenge of leadership in this regard.

And in the platonic sense of the philosopher king, I am suggesting that one of the interesting features of President Mbeki at present is that he is, if you like, a philosopher President. Many people would argue that he should think less and do more, but the underlying logic behind it is that everything that I have said so far is something that he understands extremely well, and I hope that I will be able to explain in about three minutes exactly where he is coming from in respect of the approach that he is seeking to take. The first thing to understand is that he regards himself as an African. He does not regard himself as a South African, he does not regard himself as a black, he regards himself as an African. His definition of his African-ness in that remarkable speech on the occasion of the adoption of the new constitution in 1996, represented his identity as including not only his genealogical identity, but also the descendants of the Indian serfs who were brought to work the sugarcane fields in Natal in the 19th century, also the grandchild of the Boers, laying flowers on their graves in Ceylon. African-ness is extensive and inclusive, and that is why he wants an African renaissance. He wants an African renaissance because he understands, as Anton Rupert said in respect of the BLS back in 1960, "If they don't eat, we don't sleep." He understands perfectly well that it is not possible to effect an economic transformation in one small part of a continent in the context of a globalised world. And he is worried by the fact that South Africa itself is still divided on this issue. That remarkable speech of two years ago that caused so much angst in the white community, where he said that South Africa was still pre-eminently two societies – divided - or one pre-eminently white and wealthy and one pre-eminently black and poor, caused angst for understandable reasons among whites, but it was a simple statement based on the proposition that if we do not manage to deploy all resources available behind the transformation of this economy and the economy of the continent at large, we were simply not going to succeed.

He has come to the conclusion that this is not something that can be done by South Africans or by Africans alone. What used to be known as the Millennium African Restructuring Plan Map, now known as the New African Initiative, after its incorporation of OMEGA, has two very fundamental key parts; the first is simply that Africans have to presume responsibility for the transformation of their own reality. Corruption must go. Good governance must be introduced. Economic integrity and efficiency must be developed. There must be massive investment in skills training. Higher efficiencies are required. The begging bowl is no longer part of the equation. But his second proposition is that Africans will be unable to effect the transformation of the continent and the integration of African economies into the global economy, unless there is global architectural restructuring. So he is engaging in the debate about the new paradigm of global governments.

The primary arguments here are simple: debt relief is required for a very fundamental reason - the money will not be paid back anyway - and if continuing pressure is applied for the continuation of inadequate debt service, all it does is prevent governments from investing in education and skills

training and the provision of basic health services, which are essential to create the conditions for the transformation. Market access is required to the developed countries, because as long as the European Union continues to spend twice as much on agricultural subsidies to its own producers, as it provides by way of development assistance to Africa, there is absolutely no possibility whatever of African exports becoming a significant proportion of their GDPs. In addition to that, the use of anti-dumping measures as an instrument to keep cheaper, competitive imports of manufactured products out of developed country marketplaces both in Europe and the United States, is clearly destructive of the same objective. He has been roundly criticised on the issue of AIDS, to some degree, correctly. He should not have entered the scientific debate, he did not have the wherewithal to be able to do it, I think that is clear. But the underlying logic of AIDS is actually quite simple in the African context. Firstly, if something like 40 million Africans are already HIV positive, then talking about retrovirals is not actually an intelligent response.

We have to do something fundamental that goes beyond mere behavioural modification, and I am not trivialising behavioural modification for one second, it is obviously essential. But secondly we have to deal with the scale of the phenomenal challenge that we confront, if we face the risk of six million South Africans dying of AIDS by 2010, and potentially as many as 40 million on the continent at large. The argument in respect of this, therefore, is that we have to be able to treat the opportunistic diseases, we have to be able to improve the quality of primary health care infrastructure, we have to be able to develop responses that run across the gamut, not merely related to behavioural modification and the application of retroviral drugs.

And of course lastly, we face the curious issue of the so-called regional relationships. The fundamental challenge posed by Zimbabwe. The spill-over of the Zimbabwean experience into land claims in South Africa has already become apparent. But if the Zimbabwean situation is not adequately managed, the spill-over in respect of refugee flows with all of the concomitant problems in respect of additional AIDS infections, is quite enormous. The underlying logic here, is simply that it is very rare in these circumstances that simple solutions that may be the preferred course of somebody who is sitting six or seven thousand miles away, are in fact going to produce the sort of results that all of us would like to see. We are going to be faced in the context of Zimbabwe and the context of Angola and the context of the DRC and the context of the Great Lakes, and the context of Africa as a whole, with a series of challenges and problems that appear to be near intractable over the intermediate term. If we do not manage to engage both African leaders and the global community effectively in a collaborative effort to deal with the scale of these challenges that we actually confront, then the promise of significantly improved economic performance that we saw in the mid-1990s, when average sub-Saharan African growth rates reached 4%, high performer rates reached 7% and Mozambique was above 10%, is going to be blighted.

Globalisation presents extraordinary opportunities for the global economy. It presents extraordinary opportunities for those of us who have the skills, the technology, the abilities to be able to lock into that global economy and to be able to exploit what it offers. But it poses for impoverished populations, for economically marginalised populations, for populations that lack the skills required by the end of the industrial and the beginning of the knowledge era, an extraordinary range of threats and challenges, some of which are now manifesting in the demonstrations that we have seen at Seattle, at Davos, and most recently at Genoa. There is only one way out of this particular historical challenge. We have to apply our minds collectively to addressing the characteristics of the new world, that all of us need to construct. A world which will sustain global growth and enable us simultaneously to bridge the divides. The greatest challenge of our times is finding ways to achieve global competitiveness in the context of social equity.

RESPONSE BY BRUCE DUNLOP, CHAIRMAN OF THE SOUTH AFRICAN SUGAR ASSOCIATION, TO GUEST SPEAKER'S ADDRESS

As SASTA Patron, it is my role at today's proceedings to respond briefly to guest speaker, Mr Shaun Cleary's, address. In the brief that Tim Murray, SASTA President, gave me, he emphasised the word 'briefly', and I will not disappoint him in that regard.

In his address to us today on global transition, Shaun has, I am sure you will agree, given us a much better understanding of the issues surrounding globalisation, particularly in relation to the challenges facing Africa, her leaders and all her people. As one bore witness recently in Genoa, in Davos before that, and in Seattle even before that, this is also an emotional issue, and one which is now only beginning to ferment, as the two sides polarise. Tony Blair, in response to the media who had questioned the sensitivity of the G8 leaders meeting in Genoa, was outraged at the suggestion that democratically elected leaders of the world's seven richest countries, plus Russia, should not meet as they had done for fear of triggering demonstrations and violence such as that witnessed in Genoa. Of course, he is absolutely right. But perhaps Mr Blair would do well to remember economist John Keens' message in his book, *Economic Consequences of The Peace*, written immediately after the signing of the Treaty of Versailles in 1999, and as some of you may recall, referred to by Tony Ardington in his address to SASTA's 71st Annual Congress, that the capitalist system is dependent on the restraint of the capitalists for its survival.

The anti-globalisation lobby has for their part displayed their own sense of outrage, and in a way the global companies of today, many of whom have developed staggering wealth, as Shaun has reminded us today, need to heed John Keens' message. The battle lines are certainly being drawn. What you have helped us better understand in your address today, Shaun, are the sources of these tensions. Why it is that a backlash has developed, and what leaders need to be sensitive to, if the world and all its peoples are to be equitable beneficiaries of globalisation.

It seems that if equality is not dealt with, then the very morality of globalisation will be questioned by more and more people as simply an ideology with little tangible benefit at best, or even exploitative at worst. You have drawn our attention most appropriately to the stresses building up in global institutions such as the WTO, the UN, the IMF and the World Bank.

Of the five consequential challenges brought about by globalisation you have mentioned today, perhaps as Africans, the second you mentioned, namely managing huge economic, social and technical disparities, is perhaps the one that sums up the greatest challenge for us to globalisation. We have been reminded today of the frailty of our African continent when considering that sub-Saharan Africa comprises only 2,5% of global GDP, and in 1998 attracted only 1,6% of global foreign direct investment.

A further demonstration of this frailty is illustrated by an analysis of the draft concept of the new US farm bill, presently before the House Agriculture Committee. If passed in its present form, the cost of the bill would be R600 billion over a ten-year period. It would provide fixed payments totalling R43 billion a year to all grain, cotton and soybean farmers, regardless of what or how much they grow in any given year. Farmers would be allowed to plant anything they want, other than fruit and vegetables, and still qualify for the subsidies. The conservation reserve programme, as part of the farm bill as proposed, which pays farmers to idle environmentally sensitive land, would expand from 34 million acres to 40 million acres. In July the Senate Agriculture Committee

approved an emergency assistance bill for agriculture in 2001 alone, which, among other things, provides R430 million in special assistance for sugar growers.

Whilst most of us, including myself, embrace globalisation and international trade as the only viable route to increased prosperity in the long run, especially as you have pointed out, Shaun, in view of Africa having no autonomous capacity for regeneration, you have reminded us that in the near term the structural adjustment programmes required will inevitably lead to high social costs, rising prices, unemployment and lower Government spending. Economic liberalisation, with its impact on prices, interest rates and exchange rates, as well as privatisation of State assets, as you have said, are all consequences of macro-economic stabilisation. This structural adjustment has to be achieved at the same time as the democratisation of many African countries battles to take root. It is one thing to hand over sovereignty to your subjects, but quite another to relinquish it to the global corporate world. The new Africa Initiative, the African Renaissance, and the emergence of the African Union to succeed the OAU, are all laudable and genuine endeavours by African leaders, amongst other things, to ease this continent into the global environment, to keep domestic agendas conducive to participating in the wealth creation which globalisation is expected to bring.

What is certain about the future is that there is no going back on globalisation. Perhaps what is not so certain is just how volatile, how dislocative and how equitable this journey is going to be.

Mr President, on behalf of all of us here today, may I thank our guest speaker for his unique insights into a very, very relevant topic. Apart from excellence of content, Shaun's delivery and use of technology was most impressive. Global transition and the African Phoenix has certainly been food for thought.