NOT THERE YET.

Address by Mr. TT Mboweni, Governor of the South African Reserve Bank at the 12th Kgosi Edward Patrick Lebone Molotlegi (EPL) Annual Memorial Lecture, Phokeng, 10 October 2009

Introduction

I thank Mmemogolo Semane Molotlegi for inviting me to deliver this, the 12^{th} annual lecture in memory of the late Kgosi Edward Patrick Lebone Molotlegi. This event has become one of the most celebrated days in the calendar of the Bafokeng, African people and all those who truly treasure Africa's development from wherever they come. I am truly honoured to be here today.

It is always difficult to meet the challenge of delivering lectures such as this, particularly when talking about someone among his own people, who know him much better than one can ever claim. I am aware that a lot has been written about the history of the Bafokeng, and I am not going to repeat that. I am also equally aware that you cherish the legacy of Kgosi Edward Patrick Lebone Molotlegi through the many truly impressive programmes which attempt to deal with the challenges that the Bafokeng face today.

I want to acknowledge that the founders of this community had prescience and foresight that ought to be emulated by many African peoples. The thought of acquiring land for themselves in the 19^{th} century with the attendant legal title to it, owning the resources beneath the soil, ranks the founders of the Bafokeng pretty high in any leadership group. This at a time when the world had not taken notice of the precious metal, platinum, in general and the platinum group of metals in particular. In the recent past the Bafokeng have steadily begun to reap some benefits from these resources, thanks to the founding fathers of the Bafokeng community.

Over the years the Bafokeng have been blessed with many good and outstanding leaders who have successfully kept the community together, but also left no stone unturned in protecting that which is their heritage. Today we are meeting in honour of one of these giants of our society, His Majesty Kgosi Edward Patrick Lebone Molotlegi. We all know about his running battles with the past oppressive regimes and their stooges, who wanted to denude this community of its heritage. Kgosi chose to defend his people, an act that invited the wrath of the then regime, who detained and harassed him and his family until he went to seek refuge amongst the Batswana in Botswana. With the advent of democracy in South Africa, however, he returned and continued to lead his people until his passing on in 1995. Unfortunately, Kgosi Mokgwaro George Molotlegi left us too soon thereafter. Kgosi Leruo stepped forward and here he is, continuing the work of his forebears. The day you were enthroned was a most unforgettable one.

We are all too aware that Kgosi Leruo has a challenging task before him but he has already demonstrated that he has the requisite leadership capability. And as we remember Kgosi Edward Patrick Lebone Molotlegi, we lower our banner also in remembrance of my dear brothers Moholwane and Fosi.

In the midst of a global recession

As we meet here today, we are all too mindful of the fact that we are in the midst of one of the most severe economic recessions since the 1930s. We all know the trigger point of the crisis, being the US sub-prime housing market and its subsequent spread through the banking sector and financial markets. The collateral damage has been of unimaginable proportions. Today, the US investment banking model is all but a thing of the past, more regulations for banks are on the way (bankers are not trusted anymore!) and many reputations have been damaged.

The global economic recovery

The financial crisis that started in 2007 has developed into the deepest economic recession since the Second World War. Most developed economies started to contract from mid-2008, and the International Monetary Fund's (IMF) latest published projections indicate that, as a group, they would contract by 3,4 per cent in 2009. Individually, some countries face even worse scenarios: Japan is expected to contract by 5, 4 per cent, and Germany by 5, 3 per cent in 2009.

It was impossible for emerging-market and developing countries to escape the effects of such severe contractions in the advanced economies, and they soon experienced the spill-over effects of lower commodity prices and lacklustre demand for their exports. Nevertheless, as a group, they are faring significantly better, with growth expected to be 1, 7 per cent in 2009. In particular, China and India managed to maintain some growth momentum, providing a much needed cushion for the global economy

There are now some signs of stabilisation in the developed economies and there is a general expectation that the worst of the recession is over, although the recovery is not by any means expected to be fast and smooth. It would appear that the world-wide co-coordinated policy response has borne fruits. The significant reduction in interest rates coupled with the huge injection of fiscal stimuli which is currently estimated to be in the region of 2 per cent of world gross domestic product in the past year, has proven to be vital in stimulating the recovery in many countries.

The most recent (August 2009) OECD composite leading indicators (CLIs) point to recovery in all the major economies. Projections released by the IMF last week indicate that world growth is expected to average -1,1 per cent in 2009 as compared to -1,4 per cent envisaged in July 2009. Of interest is that the world economy is expected to grow at an estimated 3, 1 per cent in 2010. This represents a 0, 6 percentage point upward revision to the forecasts released three months ago. It is encouraging to note that much of this growth is being underpinned by the emerging and developing countries which are expected to grow at 5, 1 per cent in 2010 compared with 4, and 7 per cent projected in July 2009. The HSBC Emerging Markets Index (EMI) released recently, which is meant to reflect economic conditions and prospects in developing countries, provides additional support to the view that emerging markets will lead the global economic recovery. Most emerging markets have recorded a strong economic performance in the third quarter of 2009 and leading indicators point to further improvements ahead.

Financial markets conditions have improved somewhat in many countries as is evident from the stock market rallies and recent rise in commodity prices. In general, sentiment within financial markets seems to have rebounded. The support provided by central banks in the credit markets has played a significant role in the current recovery process. But it is not time to celebrate.

Global inflation is expected to remain relatively subdued in the foreseeable future. Projections by the IMF show world inflation moderating from 6, 0 per cent in 2008 to 2, 5 per cent in 2009, before accelerating marginally to 2, 9 per cent in 2010. Inflation in the advanced economies is projected around zero per cent in 2009, whilst in emerging-market economies as group inflation is expected to be around 5, 5 per cent. The moderate global inflationary pressures are essentially due to the widening negative output gaps in many economies.

Some concerns

While there are signs that the global economic recovery is well underway, there are still numerous challenges ahead. Firstly, the pace of recovery is likely to be slow, protracted and uneven across countries. The recovery in the advanced economies is expected to be slower than in the emerging-market economies. Advanced economies are expected to grow by an average 1, 3 per cent next year as compared to the projected 5, 1 per cent growth rate for developing and emerging economies. This may have implications for our domestic recovery to the extent that our export sectors are dependent on the performance of the industrialised economies. Fortunately our trade with emerging markets, particularly with China, has been expanding in recent years, and the recovery in Asia could encourage exports to that region. Banking sector concerns still persist in some countries which could hinder the pace of recovery in these countries.

There is little doubt about the need for structural reforms at both the international and national levels. While consensus has been reached at an international level on how to reform and strengthen financial markets, the measures to be adopted and structural reforms to be implemented at the national level will be more challenging.

Then there is the issue of the timing of the appropriate exit strategies from the current policy stance. Monetary and fiscal stimuli will have to be withdrawn at some stage in such a way as not to undermine the current recovery. The lessons of the 1930s appear to have been learnt; namely, that if the stimuli is withdrawn too quickly, the process of recovery is undermined. However, fiscal deficits cannot be expanded indefinitely and will have to be reversed, while excessive monetary policy accommodation may not only became inflationary down the line, but may in fact sow the seeds of the next asset price bubble. So a fine balance has to be found between the recovery and its sustainability.

The slow response of consumer expenditure coupled with subdued developments in labour market conditions will be of particular concern to policymakers. In the advanced economies in particular, the declines in property and stock market prices have had significant negative wealth effects. Traditionally the US consumer is the main driver of growth in that country, but the rebuilding of household balance sheets could take some time and constrain the recovery in expenditure. While much of the current recovery is being induced by an inventory cycle, if the new production is not consumed, the recovery could be reversed.

The bottom line is that, while the downturn appears to have bottomed out, the strength of the recovery will remain uneven and uncertain across countries.
As we reflect on these developments, many questions still require answering from policy-makers and society in general. How do we prevent the emergence of another severe recession? How do we as African countries learn the lessons from this recession? One thing for certain is that there have been significant outflows of capital to the developed countries. Many banking facilities have been undermined. Again this poses the question about what the structural ownership of banks in our economies should be in the future. Although we all rejoice when one or the other bank in our economies is owned by non-resident shareholders, the question arises as to the sustainability of such a model? Let me not be misunderstood: we need foreign direct investment in the same way as we want our own banks and other companies to invest abroad. This is a globalised world and cross border investment flows are part of that. But still, the questions remain.

These and other questions would have asked by Kgosi Edward Patrick Lebone Molotlegi.

A finite resource

This area, like the rest of the region, depends heavily on mining the platinum group of metals as a major economic activity. We all know that all minerals are a finite resource – there are limited reserves and we, therefore, have to ensure that we bequeath wealth unto the future generations of Bafokeng. If anything, the global slowdown experienced earlier in the demand for metals, indicates that we, like the leadership here has noticed, cannot depend solely on these resources.

This point is best illustrated by the fact that South Africa was once a global leader in gold mining and gold constituted well over fifty percent of South African exports, well that is no longer the case. South Africa has been overtaken by China as the world’s number one gold producer. This is largely due to gold reserves in this country being depleted and what little is left getting more and more difficult to extract as mining becomes a deeper and deeper activity and, therefore, too costly and a high risk effort. It is today a misnomer to speak of Johannesburg as the city of gold as there is no more gold mining in the city other than the reprocessing of those mine dumps. Gauteng and eGoli only bring fond memories of gold-mining in and around Johannesburg. The challenge that we face, and I know it is being confronted head-on here, is that one day our mineral resources will be depleted and we have to depend on other economic activities.

South Africa's Diamond Coast illustrates the point further. Globally, according to forecasts, known diamond reserves are expected to run out in 30 years. As the precious gem runs out, previously vibrant towns in Namaqualand are becoming ghost towns – schools, houses and clinics stand mostly deserted. It is reported that, since 2007, the De Beers mining company has drastically reduced its operations at its Namaqualand mines, reducing staff from about 3 000 to 250.[1] This is a major blow to that region and provides enough proof that what the leadership of Bafokeng have identified for a diversified economy is appropriate and will stand us in good stead in the future.

A matter that is closely associated with mining is the challenge of substitution. As prices of commodities continue to increase, the consumers of these commodities always attempt to look for cheaper substitutes. In the early 70’s, as most of us are no doubt aware, copper mines in Zambia, which were the main

[1] SA’s diamond towns devastated - http://www.miningmx.com/news/diamonds/SA's-diamond-towns-devastated.htm

source of income and also the largest providers of employment, were forced to scale down their operations as the price of copper plummeted and consumers joined the rush to find substitutes. The consequences for the Zambian economy were terrible, to say the least. Although the demand for copper worldwide is still high, attempts to find substitutes have increased over the years.

In the recent past, prices of all commodities have hit historically high levels. Just to remind all of us, the price of the North Sea Brent crude oil peaked at US$145, 66 per barrel on 3 July 2008 and some analysts were calling for the price to reach US$200. The price of gold also increased to US$1 050 per fine ounce on 8 October 2009. Finally, the price of platinum increased to US$2 308 on 4 March 2008 before declining to the current levels of around US$1 332. At this elevated price of platinum, global car manufacturers started looking for substitutes to use in the manufacture of catalytic converters. There was talk that some manufacturers were at an advanced stage in developing a substitute for platinum in the manufacture of these catalytic converters. Earlier talk was that the most probable substitute was palladium which, at least, is part of the platinum group of metals.

In pointing out these challenges a suggestion is not being made that we should cease all the mining production. The point being made here is that while platinum might be the most significant source of revenue for this community today; this will demand of us to re-double our diversification efforts within the context of a well defined and strategic plan. And that is exactly what is been done in this community.

Diversification is fundamental

I am most certainly impressed by the forward thinking that obtains in this community. Your diversification programme will most certainly guarantee sustenance beyond the availability of mineral resources and is testimony to the quality of leadership that is to be found here. It is indeed laudable that the Bafokeng have recognised this need, as shown in the portfolio of investments that includes telecommunications, financial assets, manufacturing, services and cultural development programmes. And if there is one thing I know about the Bafokeng that is their ability to implement. That capability is found wanting in many countries on our continent and also in parts of our own spheres of government.

One marvels daily at countries that do not have the benefit of mineral resources like us, but have done wonders for themselves. Take a city- state like Singapore which does not have any mineral resources, let alone enough land for agriculture, but has managed to develop to such impressive levels (a high income status). Opening a Human Capital Summit recently, the Prime Minister of Singapore, Mr Lee Hsien Loong, said: “For a small country like Singapore, acquiring and nurturing human talent is a matter of survival. Without much of anything else, we rely on human ingenuity and effort to build our economy and society. We have therefore made major investments in education, lifelong learning and talent development.” [2]

In fact, the major manufacturing centres of Asia, such as Japan, Singapore, and Hong Kong, have few or no significant natural resources. South Korea, for example, was at almost the same level of development as Ghana 50 years ago. While the latter is well endowed with natural resources and has recently discovered oil, South Korea has none of these but has successfully grown its economy to be ranked 14^{th} by GDP at purchasing power parity.

There are possible and practical responses. The question then arises, why Africa is not using its mineral and other resources to the benefit of its people? There is the possibility of (the tired subject of) beneficiation which has really not been

[2] Speech by Mr Lee Hsien Loong, Prime Minister, at the Singapore Human Capital Summit opening, 29 September 2009, Raffles city Convention Centre.

pursued much in Africa. We seem, as Africans, to have been satisfied to continue as “extractive economies”. I gather that platinum jewellery is very much in demand in certain parts of the market. I am quite certain that the leadership of this community has already considered and explored this possibility for beneficiation as this might make a significant contribution to the economic and social development of Phokeng and Rustenburg. We have the opportunity through existing bursary and scholarship programmes to send some of our young people to study and understand all the technical issues around jewellery manufacturing.

Another challenge is the manufacture of catalytic converters. South Africa has a well-developed car manufacturing capability with car plants in East London, Port Elizabeth, Durban and nearby Pretoria in Rosslyn and Silverton. It would seem that opportunities abound in the manufacture of catalytic converters. As the community explores many of the new frontiers of economic development, there will be many agenda items such as the challenge that might be posed by considering tasks such as these. One thing is for certain, there will always be many cars on the road which have catalytic converters!

Growing human capital and developing leadership are crucial. Endowment with natural resources should spur even larger investment in expanding the talent pool. It is gratifying, therefore, to acknowledge that the Royal Bafokeng Holdings, the entity responsible for the management and development of the commercial assets of the Royal Bafokeng community, has the following focus areas: health, education, entrepreneurship development, social development and sports development.

Embracing modernity

In today's globalised world all countries and communities are faced with the challenge of embracing change, new technologies and communications systems. Some might try to resist change by keeping old traditions and continuing to do things in the same old way with the danger of being left behind and thus condemning their future generations to 'poverty, backwardness, ignorance and disease'. Today, we know that many great nations have made a deliberate choice to learn from others for survival. This quest to learn from others continues. It is fairly easy to obtain a green card in the United States of America if one has the skills that they need and which are in short supply globally. In sport this is so common to a point of nationhood being made a joke. All you have to ask is how many Brazilian soccer players have been naturalised to play for national teams outside Brazil. South Africa has also exported many cricket and rugby players to many countries. Despite the danger of overuse of non-citizens, all nations can benefit by learning from others. Xenophobia is a backward tendency.

In the speech by the Prime Minister of Singapore cited above, he refers to the Chinese example: "For example, last year China launched the "One Thousand Talents Scheme" to attract top global research talent to base them in China. Major Chinese cities such as Shanghai and Shenzhen have also launched their own schemes to bring in professionals from other parts of the world. If a country like China, with a population of approximately 1, 3 billion people and the largest number of PhD candidates in the world, still needs to draw in overseas talent, the rest of us must have an even stronger imperative to do so."[3]

The challenge of nationhood and embracing modernity and learning from others is well captured by Thomas Friedman in his famous book "The Lexus and the olive tree"[4]. In 1992 he was on an assignment as a journalist to Japan and visited the Lexus factory which was the most memorable in his life. At that time,

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[3] Ibid.
[4] Thomas Friedman, 2000, The Lexus and the Olive tree, Harper Collins Publishers

the factory was producing 300 luxurious sedan cars each day, made by 66 human beings and 310 robots. Humans were there mostly for quality control and robots were doing all the work. In Beirut and Jerusalem, where he had lived for many years, people whom he knew very well were fighting over who owned which olive tree. He goes on to assert that olive trees are important as they represent everything that roots them, anchors them, identifies them and locates them in the world. Olive trees give them warmth and all that is associated with human security. But the human race at times fights over the olive tree.

The symbolism in this Lexus and the olive tree brings out the challenge, on one hand, of either having intentions to build a Lexus, which represents "sustenance, improvement, prosperity and dedication to modernisation" and all that goes with it, for example, embracing innovation and sending human beings to the moon. On the other hand we may be preoccupied with the fight over who owns the olive tree.

Conclusion

Kgosi Leruo, I accepted the invite to speak at this gathering with the aim of posing the day to day questions which might have some bearing on Africa's development. Kgosi Leruo, working together with his collective, has already gone a long way towards dealing with these challenges in this small but well-known community. He has demonstrated quality leadership and, therefore, no-one is better placed to protect the legacy of all the previous leaders of Bafokeng than him. Let all those who appreciate the efforts of genuine African leadership support the challenging task of protecting the memory and legacy of Kgosi Edward Patrick Lebone.

You lead a people whose earlier leaders had foresight while others were pre-occupied with fighting over the ownership of the olive tree. They were modern in thinking when they sent those men to work in the diamond mines in Kimberley and used their earnings to acquire this prosperous land.

This task, keeping the memory of the past leadership of this community alive, is our burden. This can be done by looking beyond the present and chart a future for all our people, this community and beyond.

Perhaps you may build a Lexus in Phokeng.

Thank you very much. Kea leboga!