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Africa Programme Transcript

New Investment Strategies for a Changing World

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3 October 2012

Helen Zille

I have been doing quite a lot of speaking about South Africa in various fora and today I have been asked to cast a little bit of light with a wide angle lens and talk about a little bit about Africa. I am passionately African and very committed to our country and our continent. I do not speak as an expert but I would like to share with you a few thoughts as introductory remarks and hope that you will challenge me as everybody does at home all the time about the things that I say and that can be a good basis for discussion. Please feel free to ask me anything about South Africa and I will answer the easier ones.

Yesterday I had a most enlightening and entertaining lunch at the Good Governance Club and that was according to the Chatham House Rule and it was amazing to be invited to a place that invented these rules, so it is good to be here. And I therefore cannot say who said this to me but I really enjoyed what he has said - it was a person who spent years in the Eastern bloc in all kinds of different capacities and he said to me when I asked whether he predicted the collapse of the Soviet Union and the collapse of the Berlin Wall, he said to me: 'none of the seminal moments in history are ever predictable'. So I said that is very good, because people keep predicting the demise of South Africa so please keep on predicting it as much as you can and then it will not happen. And in fact I have always been a huge optimist about South Africa and I am more so today than I have been before and I have become more and more optimistic and I hope to tell you why.

The collapse of the Soviet Union and the Berlin Wall played a pivotal role in the transition in South Africa which was also entirely unpredictable. People were believing across the board that the unavoidable logic of our history will be a racial civil war and as people know we have avoided that through a negotiated constitution and democratic elections and everybody celebrated. Of course miracles are always created by sensible people who can read the writing on the wall when their backs are against it. So that is what we have managed to do in South Africa.

But interestingly enough when everybody was celebrating the miracle I was very worried. Having been an activist and having worked for this moment for all my political life I became very worried because having been quite close to many in the ANC and involved with some of them within South Africa during the transition I was extremely concerned that the ANC will become a racial nationalist movement. And I obviously knew that the National Party was a profoundly racial nationalist movement and my great fear was that if South Africa's democracy became entrenched in a contest between two different racial nationalist movements we would never have democracy in South

Africa. Because the outcome of elections would always simply be a racial census and we would never be able to change the government through the ballot box. And inevitably race would break down into ethnic groups which would have further negative consequences and so from the point of transition I have really set out with some other people, very small number of us, to try and see if it was possible to build a liberal opposition in Africa. And it was obviously not easy to be Nelson Mandela's opposition at the time, in the most complex of contexts, but some very brave people took to the podium and were invited into the government of the national unity and, I think quite rightly said: 'Mr President, we are honoured that you have invited us into the government of national unity. It is very important but, equally important for South Africa's future is to build an alternative, an opposition. This is critical to our viability as a democracy over the medium term, even though it is very unpopular to do that now and certainly counterintuitive.' And that was done.

Interestingly enough the person who understood this most was Nelson Mandela himself. And he said on repeated occasions: 'We do not have to govern every part of this country. In fact, it is important that we should not.'

And very fundamental to our democracy has been our provincial system, our metropolitan government system that has enabled checks and balances to centralized one party power to emerge. And Nelson Mandela was at the forefront of that system and supporting it. So that was the road that we took. And I was very worried that we were fighting a completely losing battle. And in the middle of our difficulties I remember that a much respected weekly newspaper in the UK devoted an entire issue to what they called a 'hopeless continent'. And we were outraged. Every South African felt that we have been misjudged and that this was colonial thinking at its worst in the most difficult of times. And I read the issue very carefully and I saw one of the journalists who had written that particular article - subsequently he does not like to be reminded of that particular issue of that newspaper, because now the mood has changed entirely.

The so called 'hopeless continent' has produced six of the world's fastest growing economies and is now seen as a place to invest and develop. The point that I want to make tonight is that both sentiments need tempering. The notion of South Africa or Africa as a hopeless country and continent certainly needs tempering, because it is not true. But the notion of a frontier of unrestrained economic growth and democratization also needs tempering. I am going to talk about the risks today and what we need to do to prevent them.

When you go back to *The Economist's* articles all those years ago the arguments were down to this: most transitions to democracy on our continent have failed because even though the first elections may have been largely democratic and had opposition parties that were somewhat viable, because of underdeveloped economies, people who came into office centralized power in their hands. They used patronage as the method of dispensing positions in the state and in the economy. They used the power of the state as the driving mechanism of the economy because of lack of diversification, ensuring that only people aligned with the ruling party could progress through the economy. And eventually through that centralization and cronyism, caused the opposition to wither on the vine because the association with the opposition means no access to the economy or to the polity.

Centralization of power; cronyism; inevitable corruption of people who are established in power without any threat through the ballot box; and then ultimately what they call the shell state - with all the trappings of the state, with the style of the state, but with none of the substance - the delivery; the performance; the water; electrification; schooling that the state should deliver efficiently - and so what you had was emergence of the big men surrounded an elite network of connections running the economy and the state with no distinction between the party and the state, dispensing patronage across the network that kept the big men in power as long as he looked after the interests of his network. And that was called the shell state, alternatively the failed state.

And what *The Economist* was arguing at that stage was that that made growth and development in Africa so difficult - hence their title. And we thought very strongly that it need not be that way and of course there are examples in southern African that show that it does not have to be that way. But where they were right is that where you have big men government - and it usually is a man, although now we have Joyce Banda and other strong women across the continent who have been very important for us. But nevertheless where you have big men and small institutions or no institutions you have a failed transition. And so the critical thing for us to do is to build big institutions. That is where South Africa has a critical advantage and will continue having a critical advantage. And if I may say, Western Cape in particular has very powerful and strong institutions which I will talk about in a minute, and about which I am very optimistic.

Before I get there I would like to say a word about the enormous optimism sweeping the world about the growth in Africa, which we are very delighted about and we are pleased that so many people want to invest in our

continent. But there are some dangers and I would like to speak about them now. The primary danger is one defined by Paul Collier in his book *The Bottom Billion* which is a very important book I think, and it is his insights into the resource curse. The curse to an economy is if it becomes dominated by single extractive industry that causes untold wealth but leads to economic decline to everyone except the small elite that can plug into the wells of that wealth. And he has looked at various examples of a resource curse across the world, otherwise known as the 'Dutch disease'. We have been very interested in looking at the countries that have had an extraordinary sudden wealth through extractive industries, such as Norwegian oil, and have avoided the resource curse - so we try to learn as much as possible from their experience.

But let me look at two examples briefly. Let us look at the risks and how to mitigate those risks, and how I believe it is crucial that the international community helps us use the extraordinary riches of our earth, and our seas to prevent the resource curse and to facilitate the sustainable development and an inclusive economy across our continent and particularly our subcontinent.

Let us look at a country like Mozambique. This was until not long ago one of the poorest countries in the world. Now it has massive oil and gas finds on the east coast of Africa, huge coal deposits discovered which can keep Southern Africa in coal for I think 200 years. It is a very underdeveloped economy with very underdeveloped infrastructure, which has not really recovered from the civil war years and the struggle against colonialism. Suddenly a massive injection of untold wealth, massively concentrated in that particular industry sector. It is amazing for us to read how the peasant farmers are going under because of the inflation in the currency and the incapacity of the cashew nut farmers to sustain themselves in the face of the currency inflation and the collapse of the smallest sectors of the economy that have kept Mozambique poor working and kept trade alive. And so while huge money pours into Mozambique, in the context of the weak institutions with weak distinction between the party and the state, with the risk of state capture by the wealthy elite, with enormous resources the great risk is that it becomes a single sector economy with very high inflation, with an uncompetitive exchange rate and with a two tier exclusive economy that makes poor people poorer and the elite very wealthy. And that is the great risk we have. And that obviously is not sustainable.

I have just read an article on Cabinda in Angola and it was a tragic report on what is happening to the fisherman along their coast who used to fish all along the Angolan coast and now the waters have become polluted from the

oil and the beaches are brown and the sea has oil in it and they do not have laws like we do in South Africa on pollution. And the fish have disappeared, moving deeper into the ocean, often around the oil rigs, where the people are not allowed to fish because of security threat to the installations. So they have to go further out to find the fish and it becomes unviable and unaffordable. And so their industries which have kept many alive are closing down.

Those issues are real challenges for us, the profound political challenge is the state capture and the lack of distinction between the economy and the polity, with the strong politicians, the big men, owning the banks and having their families and networks manage the economy as well as the state. The entrenchment of that - the undermining of any form of democratic practice or strong institutions like an independent judiciary and the rule of law - leads on to repressions and civil unrest. And, as the Venezuelan president said when they discovered huge oil reserves: 'oil will bring us ruin.' And the big question is how we can ensure that the extraordinary mineral riches of oil and gas in particular along east and west coast do not bring us ruin. And that is our huge challenge.

I have been very interested and excited to read all about Extractive Industries Transparency Initiative, which is based here in London under the chairmanship of Clare Short who as everybody here knows, is the former secretary of state for international development. Many countries have now signed up to this initiative which requires full transparency in all deals around extractive industries which aims to prevent corruption and ensure that people know where the money goes and whether it is managed accountably - that civil society, the media and all other institutions have insight into it. They have got a very good outline of this idea and how it can prevent the resource curse which is extremely well prepared and specific. The effects that this initiative can bring in preventing corruption and preventing the manipulation of dominant parties, increasing the probability that we can use the wealth resulting from natural resources and diversify our economies and build big institutions and not big men. And so if we can build big, independent, transparent institutions we will be able to use this resource wealth to build democracy as well, and build economies that serve poor people as well, and prevent the dynamic of the insiders and outsiders by building inclusive economies through inclusive policies. And that is the huge challenge we face. And I think that the Extractive Industries Transparency Initiative is right on the cutting edge of helping us do that and I am very excited about that.

Which finally brings me to my final comments about the big institutions. In the Western Cape particularly we build big institutions - we have a constitutional

court which is independent of the government and rigorously so, and has to be defended at all costs. Some of our constitutions are being eroded through the phenomenon of state capture, but we are standing up to that. And one of the critical institutions obviously is the free media which is guaranteed in our constitution. We have an independent economy with very big and diverse institutions, not primarily dependent any more on gold or platinum. And we have extraordinarily good corporate governance and big private institutions that work exceptionally well. We have an independent electoral commission that works exceptionally well and we have an opposition party that is growing and that wins elections.

And governments change hands through the ballot box peacefully without a civil war. And that is extraordinarily important. And I have often said to President Zuma and to President Mbeki before him: 'Please, see us as an opportunity, not a threat. Because it is great to be able to say to the world that we are a democracy.' In South Africa sometimes we contest elections and sometimes we do not, and sometimes we lose and accept the outcome either way. So I am particularly optimistic not only about Africa's chances if we understand the resource curse and how to avoid it, but of the great institutions that we are building and defending in South Africa becoming the springboard of doing the same on the rest of the continent.

QUESTIONS AND ANSWERS:

Question 1:

The aftermath of Marikana has left more questions than answers about South Africa and in your words its 'catalytic moment'. You called for a realignment of South African politics to challenge the ANC. Now certainly from investor's point of view, investors seek certainty, they want to mitigate risks. What impact do you see the events of Marikana having on South African politics certainly ahead of presidential elections?

Helen Zille:

Marikana was certainly a catalytic moment. We had several, many, some big ones some small, and they were all symptoms of broader things that are happening. Now, Marikana in my view is a symptom of what is happening within the ANC and the tripartite alliance. Without going into too much detail the tripartite alliance consists of the Congress of South African Trade Unions, the African National Congress and the South African Communist Party, and they are the governing alliance. Although the SACP never stood in any elections it gets very large number of seats and cabinet positions. And the Congress of South African Trade Unions also has members of parliament and has been very influential in the ANC because COSATU has 2 million members of which 500,000 are members of the ANC as well which has a million members. You can see how powerful the cross-over is. COSATU benefits very much from our labour legislation which has in Clause 26 the provision that the employer and the dominant union can establish, a threshold which every other union has to meet in order to be able to sit at the bargaining table. And that suits both the big union very well and the employer very well, because it keeps any other unions out of contestation. It is easier for the employer to negotiate with one union, easier for the union not to have any rivals. And so in the mining industry they have set a particularly high threshold, especially in the platinum, where they do not have coordinate bargaining forum among various employers.

The other dynamic is that COSATU has investment arms that invest hugely in the big companies in which the COSATU has its major membership. So there is a very strong alliance between the employers and the unions because the unions are massively invested in the big companies. And that has created an insider-outsider dynamic that I think we have to avoid in South Africa. And it is

the dynamic that comes with big man politics and comes in the South African context where one has the labour legislation that we have currently.

Again there were various sub-dynamics which I am not going into but the bottom line is that especially the rock-drillers felt very strongly that COSATU was not representing their interests; that the National Union of Mine Workers has betrayed them and they started another union, the Association of Mine Workers and Construction Union which was not allowed to sit at the bargaining table because of the 51 per cent threshold that National Union of Mine Workers and Lonmin have accepted. And therefore they had to go on a wildcat strike which turned out to be very violent, to get their voices heard.

Now, National Union of Mine Workers was not even able to go and speak to the workers on that mine and neither was the ANC - for fear of anger in that community. And that really represents one small indication of the extent to which the ANC is coming apart and tripartite alliance and its component parts are coming apart.

I am sure the High Commissioner would not like me to say this but I think over the next 5 to 7 years we are going to see a complete realignment of politics in South Africa. Interestingly enough, the divisions that I think are clearly symbolized by Julius Malema on the one hand and the Democratic Alliance on the other hand, is a dividing line that goes right through the middle of the ANC. The National Development Plan which emanates from the president's office, from minister Trevor Manuel, is an excellent plan and the Democratic Alliance agrees with most of it and indeed it aligns with the Alliance's plan of 8 per cent jobs growth plan. So all the people who understand the problem in the same way and have agreed on the best way of moving people out of poverty in South Africa should actually be in the same party - but we are not. And all the people who are looking at simplistic solutions that can only worsen the problem in the way that I have defined it earlier also belong in another party. The dividing line, as I have said earlier, goes through the middle of the ANC.

So our job is to bring together all the people who support the National Development Plan into the same political party, at the political centre, on a totally non-racial basis to defend the Constitution, to grow the economy, to defend the principle of an independent and competent state, and to deepen non-racialism in South Africa. That is what we have to do. And the ANC will come apart in the process of doing that and I am very confident that it will happen in the next 5 to 7 years and we will be able to build a new majority at

the centre of South Africa politics. And Marikana is just one symbol of that process.

Question 2:

To follow up on your point about COSATU, you have emphasized the need for flexible wages and for flexible labour policies and for wage labour that is internationally competitive. How do you reconcile asking the workers to tighten their belts with the scandalous high incomes that top executives are receiving? And if I may ask another question about the foreign policy, the ANC has a bewilderingly wide range in foreign policy for a medium sized country: the global stage, the African stage, the BRICs and seemingly relatively little attention to its region. What is your assessment of what their priorities are and what they should be and what yours will be in the area of foreign policy?

Helen Zille:

I think that the question about the salary differential is very important, and I have been making this point a lot and I have become unpopular in some circles for making that point. I chose the occasion of the All Africa Business Leadership Award, where I was the guest speaker, to enter into that debate because I was in the lion's den with many industry leaders and top executives there. And I argued that the differential of the major causes of the insider - outsider dynamics and that we had to address it and I quoted Peter Drucker saying that when the differential becomes bigger than 20:1 you are really threatening social cohesion and stability. I looked specifically at the example of Marikana and Lonmin with the CEO being one of those mentioned in the newspapers a week before of getting R.1,2 mln a month in the context of workers fighting for R.12,000 a month. And it that kind of context when a director of Lonmin, Cyril Ramaphosa, bids R.18 mln for a buffalo and people are battling to get their income, you can imagine how that goes down. And I made the argument that in the South African context, but I also believe in the international context, we need much more transparency about top executive pay, but we also need a public debate around what value top executives are supposed to add, how we measure whether they are and what the consequences of doing that or not doing that are.

I also argued very strongly that the state must never be involved in that debate because then it just becomes driven by greed and envy, so the statesman should be kept out of that debate. But I said if the private sector

wanted to keep the state out of that debate it was best that they lead that debate themselves and get into it. And I used the example of the media - people and politicians have been angry with the media because of misreporting and so to ward off the threat of state legislation the media started a serious debate on their standards of reporting and analysis. Because the media have done that, it was a very good indication that the business should do that as well.

Well I must tell you, that this speech went down like a lead balloon, and afterwards I was sitting at a table with some top executives and they were all saying to me how we would just lose everybody to Australia and to Canada and to Britain. And I said that everybody argues this. But let us just see what value these people add, let us measure that and let us have a transparent debate about what it is worth. And what really got to me was a company that now has its headquarters in London, the CEO lives in South Africa but benchmarks his salary against CEOs in London. And I think that is outrageous and I said that. This debate is very controversial even in my own party. The point is I strongly believe that it is not defensible. I understand international competition but I also think that you need that debate also in the UK and elsewhere, because this myth about irreplaceability and the tiny pool of these extraordinary skills needs to be debated. Let's define these skills. I agree that leadership is extremely important and that it makes a huge difference to an enterprise. But I do not think it is as scarce as the top CEOs are trying to tell us.

On foreign policy, I think the government is pretty confused about its foreign policy. I think that in many cases, and certainly Nelson Mandela ran a human rights driven foreign policy, which is absolutely right, but there is also the interest driven foreign policy and I can also understand that and I think the new buzzword is 'smart diplomacy' and understanding how we marry rights and interests and that is certainly essential. But I think we have seen some of that confusion around Libya where the Security Council resolution on the right to protect the no fly zone was initially supported by South Africa, but then fundamentally opposed when they saw the interventions that followed over there. In Syria there is a very different kind of response. We have seen a different response in Burma or Myanmar. We have seen South Africa not being able to take a position on Zimbabwe that we would believe would be essential both for our human rights driven approach and interests. And so I think that our policy is inconsistent and often confused.

I think that if the Democratic Alliance was in power we would have human rights driven yardstick and interest driven yardstick. And I think that we would

support the responsibility to protect the doctrine but we would do it uniformly and not make a distinction between Libya and Zimbabwe.

Question 3:

On the National Development Plan, many of the issues that the National Planning Commission identified from education to infrastructure, are issues because the South African public sector lacks implementation capacity on all levels of government and I wonder if you think that there is a kind of Catch-22 that you cannot really deal with the problem of implementation capacity unless you have the implementation capacity? And if it is so, how do you deal with it?

Helen Zille:

Trevor Manuel quite rightly says that you cannot have a developmental state unless you have a capable state. And you cannot have a capable state if the primary determinant for filling a position is political connection and royalty. And that is why the one of the core principles around which realignment must happen is a commitment to competence over political alliance. And that is why we are driving this message everywhere we can in opposition and in government. And the way we deal with that Catch-22 is by winning elections and by building state competence and by governing differently and by delivering education, healthcare, basic services in a way that a state should be doing increasingly, and demonstrating the difference. And establishing the notion of an independent state where the capacity for development depends on competence and ability, not political connections - governing differently to create a comparison.

Interestingly enough, we had a top position in my own department, the deputy director general, come up and one of the CVs had on it ‘I am a member of the ANC and I chair this, and I chair that.’. I thought this is interesting, I would have never asked anybody about their political affiliation in an interview, but there it was in the CV. He also happens to be a brother of the cabinet minister, so I said to him - I see that you put your alignment to ANC in your CV, I want to talk about that. The ANC believes in catered deployment, which means that you have to be loyal to the ANC first and to deliver in a constitutional role in second place, what is your view on that, because it is going to be pivotal, as we believe in an independent state, we believe that you have to put your loyalty to the wishes of the voters and the policy that they voted on first, and that if you were to work in this government you would

have to put the voters mandate ahead of your political affiliations - so would you do that? And he said that yes, he would. I said I cannot see how you are going to reconcile that with being a member of the ANC, but I take you at your word. And we appointed him, he is excellent and now he is the acting director general. He is so good and he is doing exceptional work, and I do not know if he has changed his political affiliation, it would not bother me. All I know he is doing an excellent job where he is and that is our political philosophy that is what we do.

Question 4:

I have been going to South Africa for 50 years and it is a marvellous, fantastic country. What has occurred is a miracle, to me. In large part this miracle is in large part due to Mandela. He remains a guiding spirit and a light for all of Africa and the world. But my question today is, with people like Malema who appeal to a populace that is still largely uneducated and largely on a state subsistence, isn't there a risk that Malema will be the new Mandela, that he will be the one who appeals to people because his appeal is so basic?

Helen Zille:

Nelson Mandela's great contribution was reconciliation, and a notion of honouring the past and focusing on the future, and an understanding that checks and balances are the essence of democracy, not complete power. That is an extraordinary legacy and he is rightly acknowledged as the great statesmen, and we are very proud that he is an African.

I think you are right to say that the contest for the future is between Mandela's values and Malema's populism and I have no doubt that the moderate centre, constitutionalist platform is the Mandela legacy platform that we need to follow across the board and that many people in the ANC follow those ideas and we should be together in one party to have this values succeed. I am pretty optimistic that we could constitute a majority. We already in the last election got 1 out of every 4 votes, which is 24 per cent and is extraordinary advancement given we began with 1.7 per cent support in the 1994 elections. And I have very little doubt that with the major realignment we could construct a majority at the non-racial centre.

Malema is in a fight to the death with President Zuma. Both of them cannot survive politically. Malema is simply a figurehead of a particular constituency and that constituency is real. That is why we have to contest and fight the

insider - outsider dynamic to get an economy that makes it easier for young people to get a foothold in the economy and feel socially included because they have a job, because they are adding value, because they progress up the ladder in the economy - that is what we have to do. That is why we strongly support things like the youth wage subsidy and that is why we are implementing it.

Yes, Malema is a threat, I am not going to pretend that he is not, but I have very little doubt that our strategy will be the victorious one not least because we have so much to lose in South Africa and most people realize our interdependence in the long run. So these catalytic moments like Marikana actually help to drive the points that we are making and help to bring together the middle ground. The 2014 elections need to be the tipping point elections and in 2019 we will have a new government based on this insight.

Question 5:

One of the proudest things that South Africa has done since the end of the apartheid has been its contribution to peacekeeping in Africa. Excellent work has been done by South Africa troops, especially in Darfur. But the South African military is in such a bad state today, with such weaknesses both materially and in terms of its manpower. How worried are you about its ability to perform its duties?

Helen Zille:

South African peacekeeping is fundamentally important for the continent for a whole range of reasons, for the economic benefits of growth to be felt inclusively by people. The South African Defence Force is in a bad shape and I wish this was not the case. I am concerned about it but I am more concerned about how we get the transition to happen quick enough so that we can solve the problems at the root.

For as long as we have the problem of political connections trumping capacities none of our institutions are going to work properly, therefore we have to deal with the core issue of patronage which I think is the root of the failed state, and once we have dealt with that we can deal with all the other institutional problems. So the priority is to ensure that we have the principles. If we get a new governments based on constitutionalism and the rule of law and fundamental non-racialism as the basis for reconciliation and redress, which are both important, a market based economy that can grow quickly

enough to absorb people into a productive economy and give them a stake and the notion of competent, independent state which is resistant to capture by a politically connected elite. If we get those four things, we will succeed in South Africa.

Question 6:

In part of South Africa and across many countries of Africa there are many people who would say that there is curse worse than the resources curse, and that is the curse of lack of or inadequate resources, which is worth keeping in mind in the developmental context. You also concentrate on the political side of the resource course but in terms again of the developmental side the key problem very often is that the export of these extractive industries provides a basis for the resources and their political redistribution, which you addressed. Therefore it is used in a sense in a way that inhibits economic diversification and development of ordinary people. But there is another dimension, especially regarding oil and gas that the export and the lack of diversification actually entrenches the old kind of extractive and resource intensive economies and will inhibit transitions to a more sustainable low-carbon forms of development which might suggest very different strategies. Could you share more of your thoughts on this with us?

Helen Zille:

I am always perplexed by the developed world, which has built its economy on the back of oil and gas and minerals and everything else, and now they tell us not to have our own industrial revolution because some of it contributes to global warming. We have a right to become irritated at that. Our job is that a green economy becomes the driver of the economic growth and that is why the notion of choosing between green and growth is a misconception, and that is why we are putting such an effort to bring green economy and green energy - you do not know what wind is if you have not been to Cape Town and you certainly do not know what sunshine is.

I was amazed when I was in Germany in a little place, Mannheim, which is completely self-sustaining and has these windmills turning all day on what I call a gentle breeze and they generate enough energy for the whole place. So with our solar, wind and wave energy we can power the whole of Africa on green energy and become highly competitive, especially as technology improves. We also have considerable gas funds that can support this economic revolution. It is obviously better to have resources than not have

them at all, but interestingly enough many countries have absolutely nothing at all. I was speaking with the head of Singapore's development agency, and he was saying that the very best thing they had was nothing except their people, and when the rest of the colonized world did not want to do anything with the colonialists they had no other option but to open up to that kind of investment and massively develop their people, and I have learned enormous amount from this on a personal level. Obviously the comparison cannot be made directly, as Singapore is smaller than Cape Town, but it is nevertheless very interesting to see. So we can have the resources and avoid the curse, and that is the idea.

Question 7:

With investment comes influence - social, political, cultural - and I was wondering what are the plans in South Africa to ensure the students about to graduate, those entering training and workers are not possibly shut out by increasing migration to the areas and industries receiving this large amounts of funding? This is question that goes both ways - how to deal with emigration to places where investment is more successful and how to deal with immigration that responds to investment in South Africa increasing the competition between South African workers.

Helen Zille:

Our problem is that we are not getting enough skilled migration to South Africa. We need a massive loosening of visa requirements, so that we can profit from skills that could potentially come to our country. That is our policy. We believe that the more skills we have the more we can grow the economy, the more jobs we can create - this is a virtuous cycle. In a big debate with the governing party we say to loosen up the visa requirements to people who we need and who can grow our economy.

And just to quickly talk about strong institutions - the private sector in South Africa is remarkable. In terms of auditing standards the World Economic Forum has judged us number 1 in the world. In terms of exchange controls we are number 1 in the world. I will not speak of UK position in these ranking because you might get depressed. Our private sector is extraordinarily robust and the financial services sector is very strong. That is why we have big institutions in private sector and that is our base - that is what makes me optimistic apart from our institutions of state which are still independent although there has been an assault on them, but we are fighting back. This is

a huge magnet for skilled labour around the continent and that is what we want. The stronger and more efficient these institutions become the better for the whole region that will benefit from them. Especially we would like to engage the SADC countries in their development.

Question 8:

What do you think are the relative chances of the National Development Plan being implemented under a Zuma second term versus Motlanthe victory in December, in particular given Motlanthe is being viewed as investor friendly - he will probably be backed by the entrepreneur class of the ANC?

Helen Zille:

It will make absolutely no difference whether it is President Zuma or Motlanthe for the National Development Plan. Because, and I wish that the National Development Plan could be implemented by national government, but it will not because the ANC is too divided. There is no way you can implement a National Development Plan while being in alliance with COSATU because the two things are completely contradictory. That is why ANC will have to choose whether to keep the tripartite alliance or implement the National Development Plan which we strongly support. And that is why I have said to President Zuma and to Minister Manuel - let us implement the National Development Plan in the Western Cape - we are committed to doing that and then you can see which bits work and which don't work. They obviously have not taken up the offer, but I am going to remake it. The truth is that it is going to be part of the catalytic realignment and we can certainly do a lot of our implementation in the Western Cape but it is going to make no difference who is the leader - despite all this I believe it is all for President Zuma, I think the deal was done before the COSATU conference.

Question 9:

An elephant is always in the room during discussion on South Africa and that is the level of corruption - to what extent is this related to Black Economic Empowerment?

Helen Zille:

We believe in opportunity based redress and we have extraordinary successes in Western Cape with government working with black led companies. The whole middle class base of small entrepreneurs has benefitted from this. What we oppose is outcomes manipulated BEE. That is the great risk and that becomes legalized corruption. Let me tell you what is entirely legal in South Africa and has resulted in most extraordinary, perverted outcomes. There is a new bank called Capitec Bank that moved into the unsecured loan market very successfully and as their shares started growing the Batho Batho Trust and Coral Lagoon which are both highly connected to the ANC and the top people in the ANC, in fact the Batho Batho Trust is the trust that funds the ANC, took money from the Industrial Development Corporation and bought R.300 mln worth of shares of Capitec Bank. Four years later, in March this year they wanted to sell the shares, but in terms of the BEE part of this shares had to be sold to black buyers. Because there were no such buyers immediately available the Public Investment Corporation bought the shares and warehoused them for the ANC, and the ANC made out of the deal R.1 bln. That frankly is legalized corruption, because people with political connections take money from a public company, invest them in a private company, make huge windfalls of money from public companies, take the entire profits and when they cannot sell the shares take another public sector company to buy them and to warehouse these shares. That is outrageous but completely legal.

And it is a way in which most of these BEE deals are being done. If that happened in the UK the government would have changed during the next elections. We are totally opposed these outcomes manipulated BEEs. This makes the playing field completely uneven. We would rather have BEE through the growth of the economy and new enterprises rather than the manipulation of the economy.

Question 10:

Question about China - South African government has denied visa to the Dalai Lama to visit Archbishop Desmond Tutu on his birthday, which many perceived as a slightly worrying thing that they felt they had to do, and I wanted to ask if you could provide us with your opinion on that?

Helen Zille:

When we look at the Extractive Industries Transparency Initiative I think UK, Rio Tinto, and other countries need to work very quickly because they still have the expertise that China does not have to establish those values and get signatories to sign the documents now. Because China is not going to ask a lot of questions and then we will facilitate the big man, crony system as if there was nothing else. And we saw examples of it in the Dalai Lama. We protested heavily against the Dalai Lama being refused the visa. But that is why these international codes are so critically important. Because if we want our resources and our economic renaissance to result in greater democracy and inclusive economies that benefit poor people, we have to ensure that the systems and accountability mechanisms and the transparency and anti-corruption is there. And that is why it has to be entrenched internationally. I think in the end the UN must make it a condition of membership that one signs up to these protocols.