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A state running on an ideological bet

FOR a business built around arbitrage on hotel reservations, the World Economic Forum has made a remarkable contribution to discourse on the international political economy. Better known for its annual bash in Davos, Switzerland, the forum holds regional variants of it every year and is currently in Cape Town.

There's a lot of debate about the usefulness of big conferences such as the one the forums holds. They're a talk shop, critics say, and nothing is ever followed up with action. True, but then again it isn't often you are able to assemble a great many decision makers and influencers in one building. It gives the discussions a flavour, and in Cape Town you can almost touch the growing certainty that Africa is about to become The Next Big Thing.

Of course, there is scepticism. Unlike China or India, Africa is not a country. Creating a single market to rival those nations and so attract the manufacturing investment required to lift Africans out of poverty is going to be a long slog. And while Africa is blessed with clever people, the same cannot always be said of its leaders.

President Jacob Zuma is one of the stars of the show in Cape Town. And, truth be told by a newspaper that is often critical of him, there appears to be a new confidence in him — with the media, with complex questions of economic policy — that no reasonable South African could possibly begrudge him.

But it has been nevertheless unnerving to discern the degree to which Mr Zuma and his ministers are, in our view, in danger of missing the moment. On Wednesday the president was the main guest at a plenary session when the man sitting next to him, the chairman of a not insignificant company, Nestlé, was asked the question, "What is the new reality?" He answered by the effect that in the developed world, governments were doing all the running in the wake of the financial crisis, but in the developing world it was the private sector doing the running and creating jobs.

It was an opportunity for the president to turn to him and ask him to explain, because in this developing country, SA, the Zuma government has decided to buck that trend and make the running itself, crowding out the private sector and generally dismissing it. Or, at least, that is what many private-sector leaders feel is happening.

Instead of listening to the private sector here, Zuma's ministers tell them how it's going to be. Under its New Growth Path the state becomes involved in business to such a degree it would be laughed out of court in any one of the Brics countries with which we have recently become associated. They are moving away from what the government here is trying to create.

While the government is trying to create a new economy to replace the private sector-led one it inherited, it is depressing to hear Trade and Industry Minister Rob Davies again — and again with a straight face — argue that our labour laws are flexible and that we have to work with the labour regime we have.

The sad truth about SA is that we are chasing millions of new jobs and the bright uplands of a new industrial future on a left-wing ideological bet that sustainable businesses can literally be written down and created on a whim. That, and the insane but politically immovable block that the cost of labour here is no barrier to investment.

Instead of the enabling state we need (and which, to a large extent, the government is gratifyingly trying to become) our determination is instead to overreach ourselves because of ideology. If we were targeting the creation of half a million companies rather than 5-million jobs, our New Growth Path would be a very different creature.

Having said that, osmosis has to be at work. Not only do South African leaders have established local business telling them where prosperity lies, business in the developed world and Africa is telling them the same thing too. That, at the very least, is why we hope the World Economic Forum keeps coming back here.

Tourism a model industry

MAY is developing a reputation as the month to spotlight tourism, with tourism events at the World Economic Forum meeting in Cape Town quickly followed by the Tourism Indaba, beginning this weekend in Durban. It is well known that SA's tourism industry is one of the major success stories, but it is worth asking which new challenges the sector faces and how far its success can be extended.

Judging by the assessment of the Department of Tourism, the future possibilities are enormous. President Jacob Zuma reiterated at the forum that SA aimed to practically double the number of tourists in the next decade. That would entail increasing the number of visitors from 7-million in 2009 to 15-million by 2020. The idea is to simultaneously increase tourism's contribution to the economy slightly disproportionately, from R189bn in 2009 to just under R500bn by 2020.

This seems a tall order, but SA's targets are higher than they would be, in line with international expectations of a roughly 80% growth in tourism over the next decade.

Is this realistic? Possibly. To reach the target, tourism numbers have to increase by about 4% a year. That does not seem much, but it means an extra 500 000 people a year. However, in 2008 there was a dip in tourism along with the economic downturn. On the other hand, the latest figures for January suggest a 7% year-on-year increase, well above target.

Why has the tourism industry been so successful? Opinions will dif-

fer, and some of it simply has to do with luck and a great product.

SA is a long-haul destination for most international travellers, but it's also contra-seasonal for northern hemisphere dwellers.

The liaison between the tourism business and government and quasi-government bodies seems to have been unustally co-operative and, critically, with a good eye for detail. The administration has not been overbearing, and each participant seems to have had a clear idea of what their function should be.

Marketing has been aggressive, as it must be in this industry, and reasonably well divided between public and private efforts. It helps that the industry is characterised by small and competitive entities.

SA's big challenge has been to maintain its current high level of European and African tourist inflows while at the same time providing opportunities for new tourists from growth areas in Asia and South America. Progress is being made. For example, the number of tourists from China and India increased by 21% and 62% in January this year compared to last year.

Yet, this also demonstrates the problem: the numbers are so small, big increases are possible without making a big dent on the bigger picture. There are still only about 6 000 tourists a month from India, the second-most populous country.

Still, the overall direction is right and SA does have the base resources to continue capturing more of the global market. In some ways, the industry is a model for how others should operate.