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CBE Focus

Governance and economic growth reforms critical to address current crises

Top economists Goolam Ballim and Fuad Cassim address CBE Economic Forum

South Africa faces huge societal challenges which can only be addressed through a two-phased plan of fixing institutions and governance and introducing enhanced reforms for economic growth, leading economist Fuad Cassim said at the annual Economic Forum organised by the CBE in Sandton recently.

Cassim shared a platform with Goolam Ballim, Chief Economist at Standard Bank at the CBE Economic Forum.

Cassim highlighted the current issues facing not only South Africa but the entire world, the major ones being the Covid-19 pandemic continuing and the Russian invasion of Ukraine.

Welcome to the era of continuing crises, volatility and instability - Fuad Cassim

Other issues mentioned included climate change, demographic change through increasing migration, and the weakening of democracy, with its resultant lower trust in public institutions.

"First it was a financial crisis. Then a decade of slow growth that bred political anger. Thereafter, came a pandemic. As the threat of Covid-19 appeared to be receding, along came a war. Welcome to the era of continuing crises, volatility and instability," Cassim said.

"The current crisis has now lasted almost 15 years. It has included the near collapse of the global banking system, the avoidance of a second Great Depression by the printing of large quantities of electronic money through QE, barely rising living standards, populist insurgencies, the retreat from globalisation and a pandemic. Now war and geo-political instability," he added.

Cassim shared what he believed would happen next, since the pandemic has not gone away, but has merely been crowded out of the news by Ukraine, with infection rates increasing again. He also said that after the easing of restrictions, the displacement of millions of refugees across Europe will make it easier for the virus to spread.

"Currently, policymakers are paying more attention to the risk of a return to 1970s-style stagflation, which might come in two stages - a burst of inflation followed by stagnation.

"Higher energy bills are initially inflationary but are subsequently deflationary as they push up business costs and erode consumer spending power leading to a crisis of stagflation," he said.

Describing this as a vicious cycle, Cassim shared thoughts on the investment challenges going with it.

- Along with low growth, South Africa is confronted with a contraction in investment .
- Private sector investment declined and so has investment by the public sector .
- In South Africa's ratio of investment to GDP is at 14% to GDP.
- Countries that grow at 5% or more invests at least 25% of their GDP.
- This is evident in the case of both China and India whereas South Africa mirrors Brazil.

"For the past several years our economy has been in gridlock induced by a policy paralysis, leading to erosion of the economy, a process that worsens with time; political uncertainty and loss of confidence; policy incoherence and policy instability; embedded corruption/ state capture; poor governance; and institutional and structural decay.

South Africans should expect interests to increase over the next year because of high inflation - Goolam Ballim

"This is not only a growth trap but a governance trap and trust trap. In short, our system of governance was hacked by insiders and outsiders of the state," Cassim said.

Cassim, who is chairman of Profit Share Partners, concluded with some ideas to inform the dialogue between business and government.

- The critical issue is why is investment stagnant yet the private sector is in surplus?
- Is it because of regulatory inhibitors?
- Is it due to vested interests blocking reform?
- Is it because of embedded uncertainty/policy instability in the policy environment?
- South Africa's growth trend is well below the production possibility frontier. Reforms can bring us more efficiency and more inclusion.

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Turkish Ambassador lauds CBE

Ambassador for Turkey to South Africa Aysegül Kandas has lauded the CBE for initiating efforts to boost trade between her country and South Africa.

The CBE invited the Ambassador and her colleagues to a dinner which was kindly hosted by senior CBE member Ashfaq Dawood at his restaurant in Boksburg on 2 March 2022

The Ambassador said that she had attended a number of similar get-togethers by others business chambers since her arrival in South Africa, but had never been received as warmly as she had been by the CBE.

Conceding that trade between the two countries was currently low, with a balance of trade in favour of South Africa, Kandas said she and her colleagues were developing plans to change this and looked forward to the CBE supporting them.

Kandas said she was particularly pleased that women were so involved in the CBE's programmes. Most spouses of CBE members attended the event, as has been the case for several events after the Executive took a firm decision to invite spouses to events organised by the CBE.

"We believe that we need to add value to our members by arranging events like this with countries where they can benefit through trade, either by exporting their products from here or importing for redistribution in their Southern African markets," said CBE Executive Director Yusuf Moosajee.

Some of the members and other guests who attended commented on the amiable nature of the Ambassador as she interacted with them and offered assistance to those who were interested in furthering trade and economic ties



Ambassador Kandas with her trade counsellors liker Eralp (L) and Okur Erdogan



Sharifa and Nizam Kalla and Ismail and Zerina Vadi



L-R: Zerina Vadi, Fatima Loonat, Shireen Ebrahim, Amb. Kandas, Sharifa Kalla, Rabia Dawood, and Okur Erdogan



Group photograph of some guests with the Ambassador

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Economists address CBE Forum

- Relax political constraints through innovation, ideas and implementation.

In his presentation titled "Reset Economy 2022", Goolam Ballim highlighted the impact of the Ukraine crisis on Africa and in particular South Africa.

Ballim said the war in Ukraine and especially its impact through a wheat shortage will be felt on the continent. Those African countries that rely on Russian tourists will be affected negatively as well.

The inability of Ukraine to continue supplying the world as a major wheat exporter was likely to have greater impact in Africa than Russia's trade with the continent, Ballim said, citing the huge dependence for wheat by countries like Somalia ((70% on Ukraine and 30% on Russia) and Benin (100% on Russia).

South Africa would also be impacted because it imports about 30% of its wheat from Russia and around 5% from Ukraine.

The US reliance on imported oil has declined, so they will not be impacted by oil sanctions. Whist fuel prices will rise, it will be way below the R40 predicted by some economists, Ballim added.

He said that South Africans should expect interests to increase over the next year because of high inflation.

Russia's trade with Africa from among the Brics partners is around 4,9%, with only Brazil being a per cent lower.

Ballim said Russia's role in SA is peripheral, with its investment stock in the country being among the lowest with its trading partners.



L-R: Fuad Cassim (Chairman Profit Share Partners), Shireen Ebrahim (CBE Board Member) and Goolam Ballim - Chief Economist at Standard Bank



Konya Chamber of Commerce in Turkey invitation to CBE members

Konya Chamber of Commerce in Turkey has invited CBE members to visit their website, which lists a wide range of products and manufacturers who are keen to do business with South Africa.

This information was provided by the Office of Bengü Okur Erdoğan, the Commercial Counsellor at the Turkish Embassy in Pretoria, with which CBE recently established a working relationship.

"The Konya Chamber of Commerce, one of the largest chambers of commerce in Turkey, has launched the www.listofcompany.com website.

"The website provides the opportunity to find manufacturers and products in eight different languages, with more than 10 000 products, 50 different sectors, and more than 8 000 alternative companies," the Embassy said in an advisory note.

"All information about the company and product information can be accessed directly. It provides instant communication with company representatives via WhatsApp and other messaging features.

"Besides, the product request you have left through the request form is forwarded to all companies in the sector by the system," the advisory added.

The Office of the Commercial Counsellor Embassy of the Republic of Turkey in Pretoria can be contacted at 012 342 6051.

CBE Contact Details

+2783 786 1960 | +2711 837 5728

yusuf@cbeonline.co.za

https://www.facebook.com/CBEconomicsSA

KZN floods are an ominous warning about climate change

Benoni resident Farouk Araie is a columnist and writer whose work on global issues such as nuclear weaponry, air crash investigations and missile proliferation appears in many local and international media. Here he writes about the current crisis in KZN that has been linked to global warming.

The mind-boggling destruction and dislocation that altered the KwaZulu Natal landscape is a grim reminder that climate change and global warming will unleash its consequences on Southern Africa.

The scale of this epic tragedy brings many pivotal issues to the fore regarding civil defence and the timely reaction of governmental institutions. An event of this magnitude was impossible to foresee and predict with a small degree of certainty.

KZN will always be in the cross-hairs of cyclones and their deadly consequences. Extreme weather will continue to become yearly events that will require proper planning to reduce the impact of the kind of disaster we have just witnessed.

Rebuilding of infrastructure needs to be resilient to events of this intensity. Some catastrophic events are once-in-a lifetime upheavals that will wreak havoc on major infrastructure such as roads, electricity, water and ports, all of which compromise the delivery of essential services in desperate and life-threatening situations.

Proper urban planning could have saved many lives. We have chosen to ignore the grim consequences of allowing human settlements near flood plains, not realising that this is a major tragedy in the making.

Our road network and its dismantling by the immense volume of water exposed the folly of non-maintenance and shoddy workmanship over the years. As clear pictures emerged of the epic dislocation and the depth and scope of destruction across the province, communication breakdowns, poor housing and inadequate infrastructure contributed to the frightening high death toll as the province succumbed to a violent meteorological onslaught.

Survivors blamed poor drainage and badly built houses which contributed to the immense carnage. Torrential rain caused mudslides which trapped people under buildings.

An important and crucial factor in this unprecedented event was the weather forecasts 24 hours before the largest volume of flood water that was witnessed in living memory. The Monday before the disaster, the weather services issued an orange warning, indicating a medium likelihood of severe impacts, including loss of life. A critical red warning was never issued, because of the absence of coordination with various disaster and management authorities. This was a costly omission, resulting in deadly failure.

It is a historical fact that extreme weather plays a role in the climatic patterns of KZN. April 11 witnessed 300 mm of rain over a 24-hour period. This is a lot more when compared with previous episodes of serious flooding. In 2019, 165mm fell on 22 April while 108mm was recorded on 10 October 2017.

These events are typical of the type that develops off the coast of South Africa, involving moisture-laden warm air moving in off the Indian Ocean. Our hilly terrain means that the air rises. As it does so, it cools and forms rain clouds. According to The South African Weather Service the amount of rain was "of the order of values normally associated with tropical cyclones".

Global warming will likely lead to extreme weather patterns in Southern Africa. The latest cyclone that enveloped KZN and other provinces requires an urgent evaluation of hazards along our coastlines that are likely to become more vulnerable to landfalling tropical cyclones in the near future. Historical records indicate that at least 30 tropical cyclones have affected the Southern African mainland.

During early January 2022,a team of geologists published reports indicating that tropical cyclones could hit KZN coastlines in future due to global warming. They uncovered seabed sediments, indicating tropical cyclones made landfall on the east coast of South Africa over a sustained period many centuries ago.

Perhaps the government must take a serious look at this ominous report.