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Continuing the miracle into South Africa's second decade

FW de Klerk Foundation

PRESS RELEASE

OPENING STATEMENT BY FORMER PRESIDENT F W DE KLERK IN THE ASHBURTON DEBATE: JERSEY, 16 NOVEMBER 2006

MR FW DE KLERK, former state president, Nobel Peace Prize Laureate and now head of the FW de Klerk Foundation, was one of the keynote speakers at the annual Ashburton Debate held in Jersey on Thursday (16 November 2006). Mr De Klerk opened the debate, which centred on whether democratic politics is de-railing globalisation.

Other prominent speakers included Jersey Chief Minister, Senator Frank Walker, economic commentator of the *Times*, Anatole Latesky, Ashburton's Global Investment Strategist Peter Lucas and Ashburton Director Ian Ling.

"This question is relevant not only to the future of globalisation, but to the inherent strengths and weaknesses of democracy in national states.

In democratic systems, decision-making is by definition in the hands of the majority. However, the majority will often decide in favour of the comfort and security of short term advantage. They prefer that to the sacrifices and uncertainty that are often essential to secure long-term and lasting benefits. Accordingly, there is a strong tendency to deal with the threat of competition by protecting domestic markets with trade barriers and subsidies, rather than by meeting competition head-on by working harder and smarter," Mr De Klerk said in opening the debate.

According to Mr De Klerk the majority will often also support labour policies that will ensure maximum wages and minimum working hours. The fact that the long-term cost may be the loss of jobs because industries are no longer competitive is conveniently ignored.

"Just look at several leading countries in Europe. The majority will often favour welfare and social security programmes that in the end are unsustainable. A case in point is the unfunded and unfundable social security liabilities of the United States. According to the Cato Institute the funding shortfall for social security is now over US\$ 15 trillion dollars.

The trouble is that each step away from competition and free markets usually involves a diminution of freedom and an increase in the protection of special interests. And the developing world pays the price" Mr De Klerk cautioned

Mr De Klerk maintained that when EU and North American governments artificially subsidise their farmers to the tune of \$350 billion per annum, they are diminishing the freedom of farmers in developing countries to compete in the one area where they may have a competitive advantage. Rigid labour laws and high minimum wages diminish the freedom of the unemployed to get jobs and protect the special interests of trade unionists.

He said excessively expensive social welfare programmes diminish the freedom of the productive sectors of economies by raising taxes. They protect the special interests represented by welfare recipients and the civil servants who manage welfare programmes, to the long term detriment of everybody.

“Experience teaches us that freedom works. The economies that have the fewest restrictions are generally the economies that have the highest growth, the highest per capita incomes, the lowest unemployment and the freest political systems.

“This is because free markets generally allocate resources effectively and reward initiative, ingenuity and hard work - all of which are prerequisites for sustained success.

Unfortunately, governments confronted with robust global competition, all too often heed the demands of their electorates for the short-term comfort and security of protection and subsidies. Temptations should be firmly resisted in a globalising world because free trade provides the stimulus that developed economies need to escape their torpor and become once more creative and competitive. Free trade also increases global wealth and thus the total well-being of mankind. It lifted a third of the world’s population out of absolute poverty between 1960 and 1990 and now promises to do the same for two billion Indians and Chinese,” he said.

Mr De Klerk said that the problem of a growing gap between the rich and the poor countries of the world should be addressed. The international trading system should be freed and the playing fields for all concerned should be levelled with no hidden subsidies either for Western farmers or for Chinese industries. Serious trade negotiations that would create a free and fair dispensation for all participants were needed.

At the same time reality dictated that many countries in the developing world needed more than just a level playing field. They also needed help in order to become competitive. Somehow the special institutions established for this purpose were failing to fulfil this need. The I.M.F and the World Bank, while doing some good work, quite often imposed conditions with which many countries simply did not have the capacity to comply. Fundamental reform in this field was becoming more and more urgent by the day. Of course Africa and other developing parts of the world also had to bring their play their part”)

“Finally the question under debate is also starkly relevant for South Africa. Our future success will be determined by our ability to resist populist calls for precipitate redistribution of land and wealth; and by our ability to continue the market orientated economic policies of President Mbeki and Trevor Manuel.

However, we need to reinforce freedom in other sectors of our economy as well - particularly in our rigid labour market which currently makes it very difficult for almost 40% of black South Africans to find jobs. We need freedom from the over-regulation of our small and medium-sized businesses, and we need freedom from crime.

“Let me close with a very simple statement. Globalisation is a reality. It is a process and not a policy. It is happening and to many it is bringing greater prosperity. However, it is not benefiting the poorest part of the global community. Unless we make it work for all, it can become a time bomb. A balance needs to be struck between national interests and global interests - between what the developed world gain from globalisation and what it puts back into bringing the developing world on board as co-beneficiaries,” Mr De Klerk concluded.

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