**Chancellor’s Dinner speech by Santie Botha**

***April 2015***

The World Economic Forum at Davos usually sets the tone for the year and if one looks at the reports during and subsequent to the Forum in January, the global tone for 2015 was pretty somber. To put it mildly, optimism was in very short supply.

According to the WEF global risk experts, the risk for global conflict is at its highest level since the fall of the Berlin Wall. And global conflict can come from many different directions…e.g. the obvious terrorist threat, interstate conflict with regional consequences (think of Russia and the Ukraine), the renewed strength of nationalization which can roll back the benefits of 25 years of globalization as international co-operation will suffer, conflicts about fresh water, high structural unemployment and inequality in some countries, rapid urbanization and the pressure on countries to develop city infrastructure to cope with it, national political elections and the potential fall out from that and I can continue…

Therefore it should be no surprise that with all that uncertainty on so many fronts, the volatility in global financial markets will continue unabated.

The big challenge and opportunity is thus to focus on creating long term sustainable growth by selectively getting the basics right in the short term and strategically investing in skills, infrastructure and creating certainty in the stuff that really matters for the long term.

If you think back a few years, the BRIC nations once aimed to distance themselves from the West. It is definitely not the case anymore. Also, with the addition of South Africa, BRIC also changed its name to BRICS..

So, as a member of the BRICS group, what can we as South Africa learn from our fellow members, if anything? In my humble opinion, within BRICS, you have 2 very distinctive groupings…the 2 front runners with GDP growth of between 6.5 and 7%, both with massive populations in excess of 1.2 billion people… and then the laggards.. Russia, Brazil and South Africa with forecasted GDP growth for 2015 of 1, 1.8 and 2.1% for very different reasons. If you recall, our GDP growth for 2014 was only 1.5%, the slowest pace since the recession of 2009. And as we all know, continued labour unrest and power cuts are not helping in the short term. It is viewed that due to power outages, the growth in our economy has shrunk by 10% over the last few years..

It has been erratic economic times for the whole emerging world particularly for those with commodity driven economies, however their highly populated consumer markets will continue to remain attractive for investment and multinational expansion. Just think China… in 2014, China had 650 million internet users, ready to purchase more online and needless to say, this number is growing... As well as 250 million high-end consumers. Which for any luxury goods manufacturer or brand, signals massive opportunity. China’s growth remains robust, albeit slowing. China also recently initiated the Asian Infrastructure Investment Bank, on the back of the BRICS bank of last year, which they proudly announced will be a green bank and will focus on the much needed building of railroads, roads and pipelines in emerging markets. They plan to be fully operational by year end with 46 founding members and $100million as seed capital which will grow to substantially more over time. Industrialized China has also set itself very tough environmental targets to increase the share of non fossil fuel energy to all energy to 20% by 2030. Another major investment opportunity, one might add.

India is also reforming itself. It may just surprise everyone and reform itself completely and emerge as one of the world’s fastest growing economies in 2016 and even surpass China’s GDP growth rate. As a matter of interest, at the beginning of last year, India was still in the same group as South Africa as a ‘fragile’ emerging market due to low economic growth prospects, high inflation, a large current account deficit and dependence on foreign investment.

So what has changed for India?? … What have they done in such a short space of time to earn their place as a so called front runner?

Much of India’s reversal is being put down to the election in May 2014 of Narendra Modi as prime minister, just short of a year ago. Modi has put a reform agenda on the table that has fundamentally changed sentiment towards his country and has the investment world really excited. In September 2014, Prime Minister Modi made his first official visit to the US, meeting with president Obama and addressing the United Nations. He also addressed a record crowd of 18 000 people in New York’s Madison Square Garden, pleading with the diaspora to come home and help him make India the superpower that it ought to be…. President Obama has repaid the complement a few months later in January this year by visiting India after the WEF Davos meeting and talking investment in India up.

So what has Prime Minister Modi done? He has managed in a very short space of time, to inspire confidence in the country’s leadership, both in India and abroad and created a universal belief that things are getting done at pace, and everybody, from anywhere in the world is welcome to come and do business there. Top of his agenda is to ensure that India is the market for the future and investments are encouraged to propel future growth…100 million people need to enter the workforce in the next 10 years and he wants to make sure that economic growth guarantees jobs for them.

As a result, India was the top investment destination in 2014. The National Stock Exchange of India’s benchmark CNX Nifty Index was up just over 30% while the Bombay Stock exchange gained just over 32%. Compare this with the S&P 500’s gain of 11.4% and the JSE’s growth of 7.6%.

Now let’s change gear slightly. 2015 is the year of Sustainable Development. We have 3 back-to-back global summits in 2015…starting with the financial summit in Addis Ababa, then the adoption of Sustainable development goals at the United Nations in September, and finally, an agreement on climate change in Paris in December. The 193 governments of the United Nations are attempting an unprecedented feat and that is to change the course of global economic development and finance to ensure that global growth, poverty and inequality reduction can continue in a safe, protected natural environment.

In a recent Business Day article, an analysis was done that shows quite clearly that even if the world economy grows at an average of between 3 to 4% per annum and doubles every generation, the world economic system is not sustainable. Quite simply, it is because this growth in many parts of the world has been completely lopsided…it has favoured the already rich and has been environmentally destructive. Climate change has no doubt been the greatest of these environmental threats, but is by far not the only one.

So the challenge was put to both public and private investors to use calculated investment for the transition towards a low carbon economy, to win the global fight against poverty and disease and to provide quality education and physical infrastructure across the world. A small example, think Curro Holdings that listed on the JSE in 2011 and now has 42 top quality private schools operating throughout SA, with investors continuing to put their money where it matters. It makes business sense and builds the future.

There may not be a global price on carbon as yet, to enable the switching of investments away from coal, oil and gas towards wind, solar and hydropower, but we all know that a price on carbon is coming soon, in order to keep global warming below the 2 degree Celsius limit. Investments in the stuff that changes the world for the better and protect it for future generations must become the focus. And that will be the focus at these UN summits this year.

I look at what the VC and his team are aiming to do with the Africa Oceans Lab here at NMMU and it is indeed global thinking for long-term sustainable development. They aim to establish a high tech Oceans Learning, Education and Research facility for Africa. It will be the only one of its kind on the African continent.

The long-term goal is to provide cutting edge, multi disciplinary education, training and research in the marine and maritime disciplines.

The timeframe is to have the Africa Oceans Lab up and running by 2017. Also, to produce between 100 to 200 Masters graduates in Marine Spatial Planning by 2020. I aim to harness support for this major NMMU project at the forthcoming Clinton Global Initiative convention in Morocco in a few weeks time.

So what is it all about, you might ask? In business and politics my view has always been that great leaders surround themselves with specialists and even greater leaders in their respective fields because they usually share a long term vision focused on changing the world for the better and securing it for future generations. It is common knowledge that if you surround yourself with mediocrity, mediocre results will prevail..

In uncertain and turbulent times, as we live in currently, it is all about visionary and inspirational leadership and executing on that vision. To have grand plans with no execution capability will get you nowhere.

I will conclude with a story of what is possible in South Africa with the right leadership and that is of a company called Telkom… At the end of 2012 the share price was R11. Today the share price is over R80. The top performing share on the JSE in 2014. Why? Because of New leadership focused on quality and competence, literally from the chairman of the board, the individual board members, the CEO and his experienced and competent executive committee sharing a common vision and executing on that vision. It is a tough and daunting task at times, but it is happening. So yes, I believe that it is possible for South Africa to get to our Madiba Magic economic growth target of 5% per annum. Where leadership is focused on long term sustainability with the requisite competence and expertise and NOT on patronage…. anything is possible!

Finally, NMMU is 10 years old this year and so much has been achieved at this university in such a short space of time. I would like to congratulate the VC, Prof Derrick Swartz and his leadership team on yet another outstanding year for NMMU. Over 6300 degrees and certificates are being awarded which is a 14% increase in its initial graduation season in 2005.

Nelson Mandela Metropolitan University is a great example of what can be achieved in education now and into the future. Under the leadership of the VC and his executive team, we are focused on the future and not on the past and on developing the future leaders of South Africa that will make Madiba truly proud. As one of the global icons of our time, Mr Mandela showed us how one man’s leadership and courage can change the world for the better.

Ndiyabulela Non Gomso.