

Impact of the changing global balance of forces on SA's economy, poverty and unemployment

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(MISTRA)

- Three 'Big Cs' impacting the world
 - China-US relations;
 - Climate Change
 - Covid's impact.
- Foundational developments
 - State of democracy in the world
 - Fourth Industrial Revolution, future of work
 - Rising inequality and poverty
 - Steep increase in food and fuel prices, and generally the spread of inflation around the world.

China's perspective

- Hal Brands and Michael Beckley, have put down the exact date on which the next major global war will begin. In *Danger Zone: The Coming Conflict with China*: they have diarised it for January 18, 2025
- Yan Xuetong, dean of the school of international relations at Tsinghua University in Beijing, “the post-Cold War interregnum of US hegemony is over,” but “Beijing has no clear plan for filling (the) leadership vacuum and shaping new international norms from the ground up”.
- ‘rather have a multipolar world in which other challenges—and challengers—force the United States to cooperate with China’
- Four pronged approach in China:
 - Regional Comprehensive Economic Partnership which included US allies such as Japan and Australia,
 - the “Made in China 2025” campaign designed to help China become a largely independent scientific and technological power by 2025,
 - the Belt and Road Initiative (BRI)
 - Global Development Initiative which is complemented by the Global Security Initiative

West's perspective

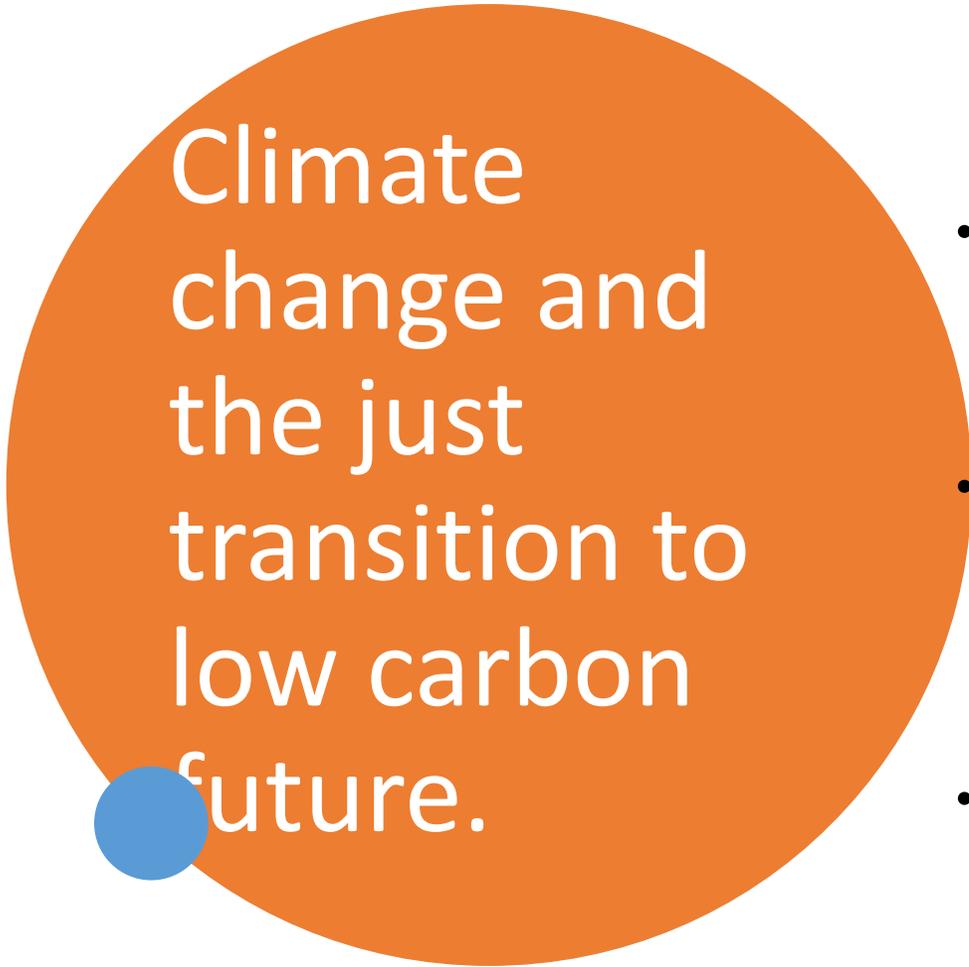
- Biden administration proposed Build Back Better World (b3w) to finance infrastructure in poor countries.
- EU has launched Global Gateway, with Ursula von der Leyen, president of the European Commission, saying that, unlike China, the EU wants to create “links and not dependencies”.
- Elizabeth Economy, *The World According to China*, Beijing is aiming for a “radically transformed international order” in which the US is in essence pushed out of the Pacific and becomes merely an Atlantic power.
- Niall Ferguson has pointed out that the projected decline of American defence spending as a share of GDP, from 3.4% in 2020 to 2.5% in 2031, should be a matter of concern.
- On the basis of purchasing-power parity GDP of China caught up with that of America in 2014.
- On a current-dollar basis, the American economy is still bigger, but the gap is projected to narrow. This year China's current-dollar GDP will be around 75% of America's. By 2026 it will be 89%.
- Trump and MAGA in the right wing/nationalist camp. Hungarian strongman, Victor Orban, their model. The public will accept authoritarianism, provided it is of the creeping variety.
- Liberal international order and the globalists: trends of interdependence are irreversible and the US must adapt to the new geoeconomic age of open borders and free trade rather than erect new walls.

Russia, Ukraine and Africa

- Fyodor Lukyanya: unipolarity after the collapse of Soviet Union “gave the United States the ability and possibility to do whatever it saw fit on the world stage”, intervening in conflicts all over the world.
- Dmitri Trenin of the Carnegie Center in Moscow: “For the country’s leaders, Russia is nothing if it is not a great power.”
- Putin helped promulgate identity — illiberal, imperial, resentful of the West— played an essential role in his brutal invasion of Ukraine
- Nanjala Nyabola, a Kenyan writer and political analyst:
 - African countries have come together around a common position in the past, it has often been after years of deliberation’.
 - Legacy of support which USSR has provided in the struggle against colonialism and apartheid: ‘a legacy that has allowed contemporary Russia, as a successor state to the Soviet Union, to portray itself as on the right side of African history’
 - Mali, Ethiopia, and Uganda —owe their political survival to Russian support, including arms supplies: Russia is the largest weapons exporter to Africa,

China & Africa

- ‘Debt-trap diplomacy’. China Africa Research Initiative (CARI) at Johns Hopkins University in Washington, DC
 - 2020 Chinese loans accounted for 17% of the stock of public debt in sub-Saharan Africa
 - That was more than all other bilateral official creditors combined, but less than the share held by the World Bank (19%) or commercial bondholders (30%).
 - Study found Chinese no more nor less bullish with their loans than other lenders.
- A survey of 34 African countries last year by Afrobarometer found:
 - 63% of respondents felt China had a “very” or “somewhat” positive influence—more than the 60% who said the same of America. Polls in seven African countries for *The Economist* by Premise, conducted in April 2022, found a similar result.
- In Afrobarometer polls, far more countries see America rather than China as their preferred future model (23 against five). In *The Economist* survey found only two countries (Ethiopia and Tanzania) saw China more favourably than America.
- Africans appreciate China’s economic role but prefer democracy and freedom to authoritarianism.



Climate change and the just transition to low carbon future.

- ‘Degrowth’ view: which argues that the promise of green growth is at best a distraction. As Tim Jackson puts it in *Post Growth: Life after Capitalism*, ‘Growth means more throughput...more throughput means more impact. More impact means less planet. Endless growth – green or not – can only end up leading to no growth at all. There is no growth on a dead planet’.
- ‘Greengrowthers’, who argue that the future lies in innovation and technology, market-based climate policy (like carbon taxes and tradeable permit schemes), ‘innovation economies’ and ‘net-zero’ pledges.
- The World Bank’s Country Climate and Development Report (CCDR), released on 30 August 2022 points out that South Africa needs to better balance its development goals by pursuing three interconnected transitions of reinforcing resilience, decarbonizing growth, and ensuring a just transition.
- Total incremental investment for the net-zero pathway will not be cheap, amounting to R4.2trillion in NPV (net present value) between 2022 and 2050. Or an average of 2.1% of GDP during this period.

The need for a new development paradigm: Three interconnected transitions

South Africa Today

- High vulnerability to climate change
- Carbon intensive economy
- Economy driven by low productivity public sector
- High inequality, poverty, and unemployment
- Decreasing per capita income
- Strong foundation for just transition

Adaptation and Resilience

Decarbonization

Just Transition

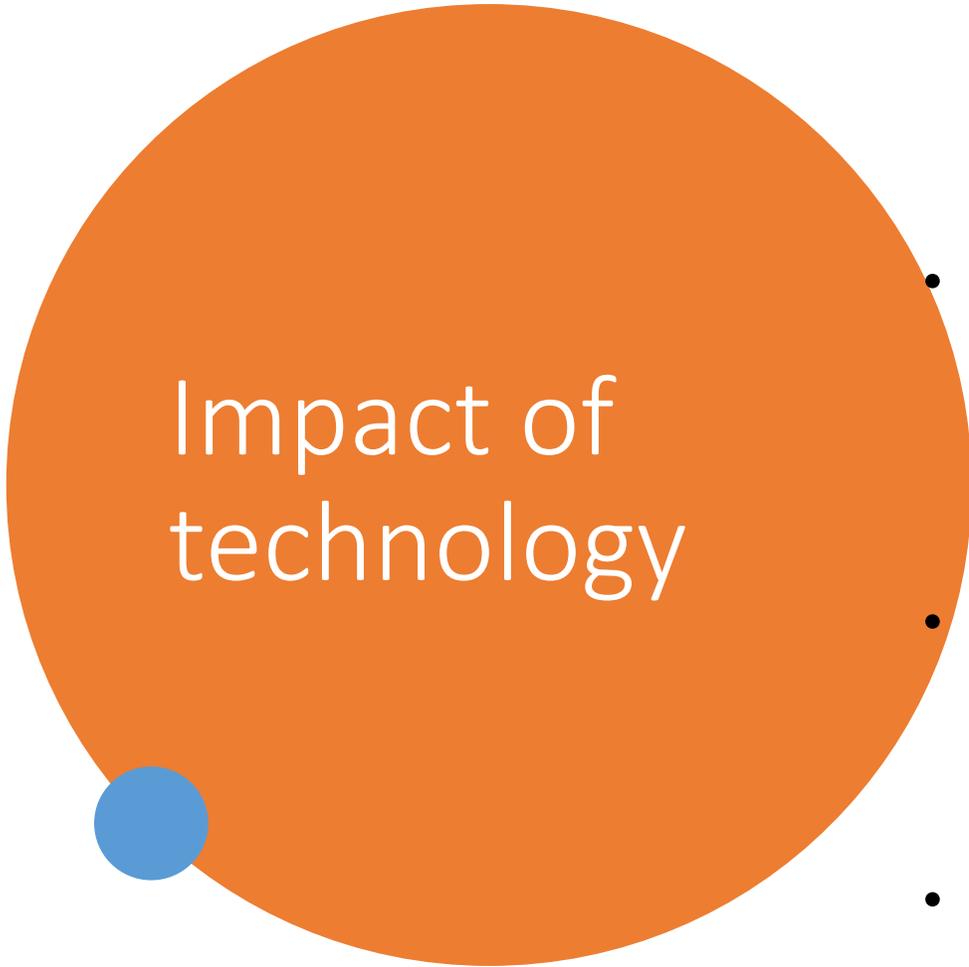
South Africa 2050

- Economy and society resilient to climate risks
- Net zero carbon economy
- Growing economy in a competitive manner
- Reducing unemployment, inequality and eradicating poverty
- Increasing investments to GDP ratio



Impact on the poorest and working class

- Making a 'just' transition toward a low carbon economy is going to affect the poorest disproportionately because of the expected rise in electricity prices (over and above the current upwards trend).
- It will require compensation mechanisms such as lower tariffs or targeted subsidies.
- The CCRD report estimates 1.3 million new jobs through renewable energy.
- However, it is estimated that about 200,000 direct jobs and 800,000 indirect jobs will be eliminated in coal mining, petroleum and other chemical industries.
- Active labour market programs are required to help transition vulnerable workers including involvement of DEL labour centers, EPWP, CWP, support for self-employment as well as
- income support such as severance pay, early retirement, UIF, SRD-R350 linked to ALMPs, universal health care.

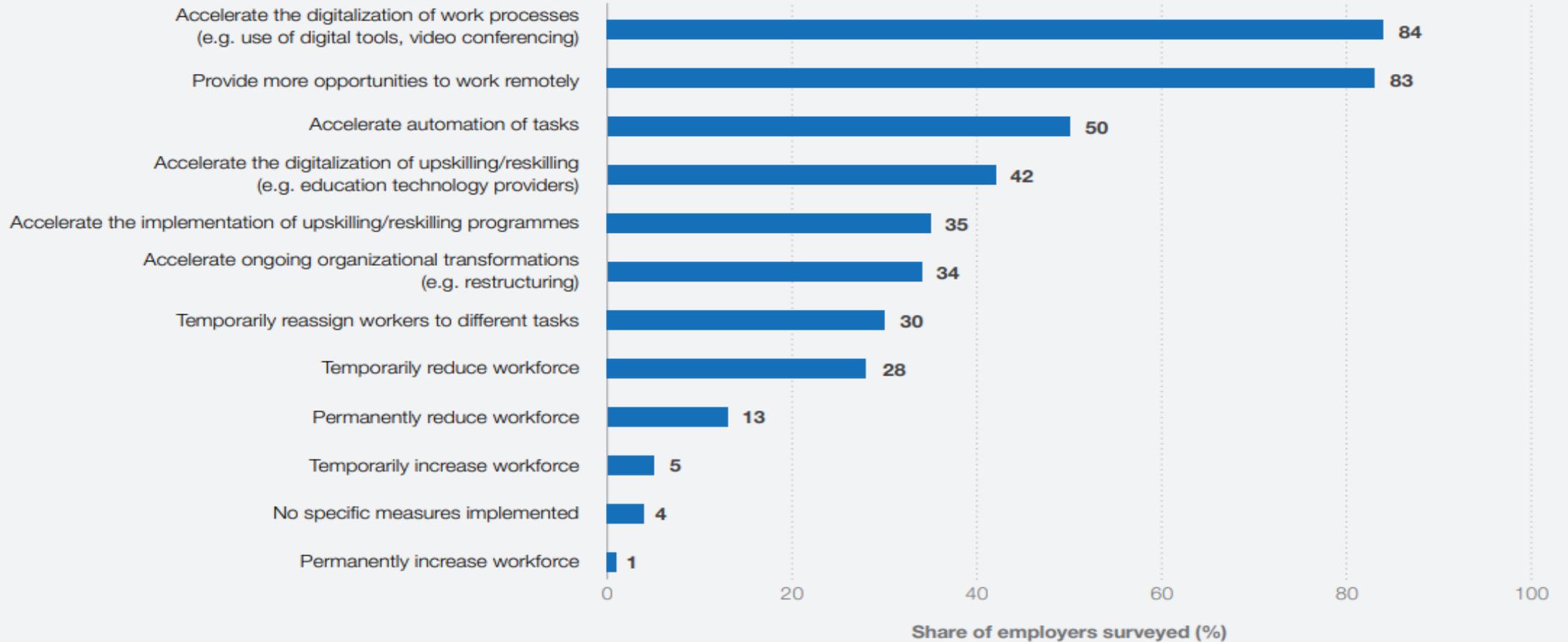


Impact of technology

- Right wing view: *The Sovereign Individual* by James Dale Davidson and William Rees-Mogg (father of Jacob Rees Mogg, close pal of Boris Johnson), demise of the nation-state and the emergence of low or no tax libertarian communities.
- Blockchain and encryption technology – including cryptocurrencies such as Bitcoin, along with online payment systems – potential to liberate citizens from the hold of the state. Also a force for good – better accountability, reduce corruption
- ‘Microwork’ which refers to any small task carried out on the virtual assembly line that an algorithm can’t reliably perform. Currently employs twenty million people in ghettos and refugee camps.
- The very nature of work has changed right before our eyes

FIGURE 5

Planned business adaptation in response to COVID-19

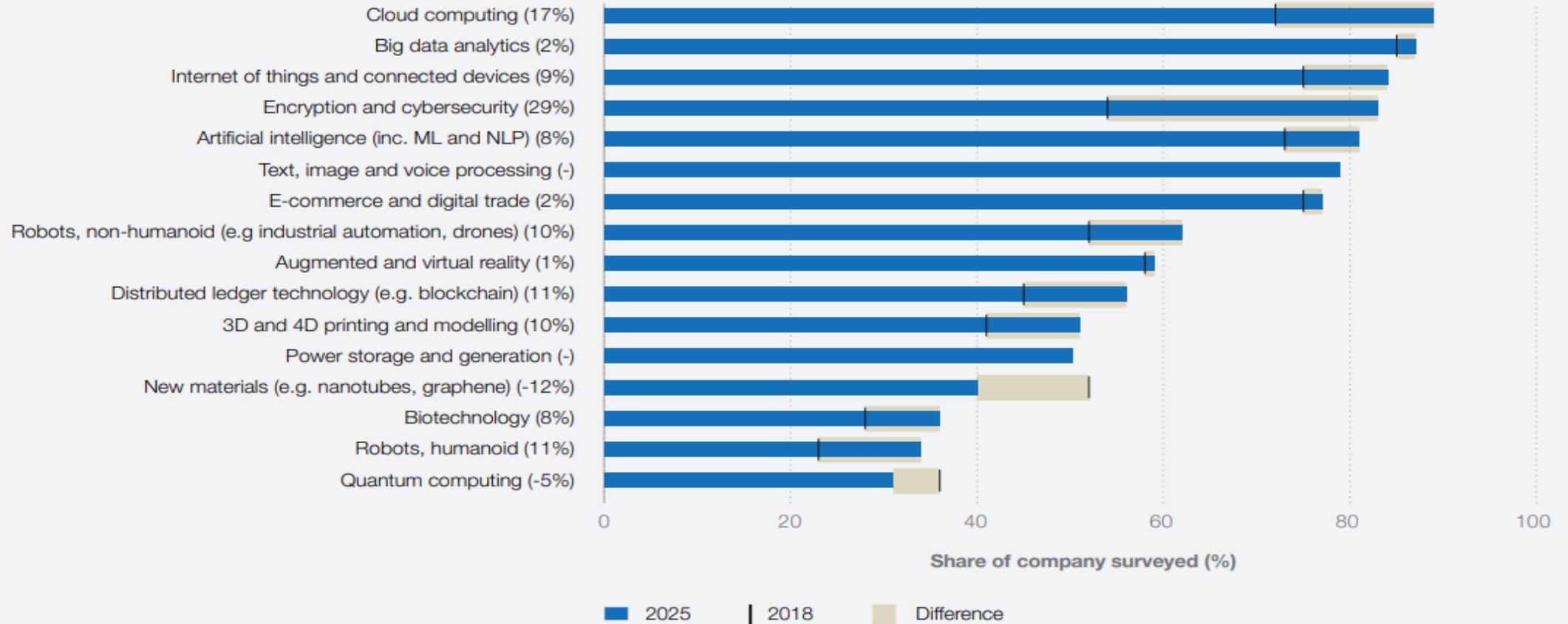


Source

Future of Jobs Survey 2020, World Economic Forum.

FIGURE 18

Technologies likely to be adopted by 2025 (by share of companies surveyed)



Source

Future of Jobs Survey 2020, World Economic Forum.

FIGURE 22

Top 20 job roles in increasing and decreasing demand across industries

↗ Increasing demand

1	Data Analysts and Scientists
2	AI and Machine Learning Specialists
3	Big Data Specialists
4	Digital Marketing and Strategy Specialists
5	Process Automation Specialists
6	Business Development Professionals
7	Digital Transformation Specialists
8	Information Security Analysts
9	Software and Applications Developers
10	Internet of Things Specialists
11	Project Managers
12	Business Services and Administration Managers
13	Database and Network Professionals
14	Robotics Engineers
15	Strategic Advisors
16	Management and Organization Analysts
17	FinTech Engineers
18	Mechanics and Machinery Repairers
19	Organizational Development Specialists
20	Risk Management Specialists

↘ Decreasing demand

1	Data Entry Clerks
2	Administrative and Executive Secretaries
3	Accounting, Bookkeeping and Payroll Clerks
4	Accountants and Auditors
5	Assembly and Factory Workers
6	Business Services and Administration Managers
7	Client Information and Customer Service Workers
8	General and Operations Managers
9	Mechanics and Machinery Repairers
10	Material-Recording and Stock-Keeping Clerks
11	Financial Analysts
12	Postal Service Clerks
13	Sales Rep., Wholesale and Manuf., Tech. and Sci.Products
14	Relationship Managers
15	Bank Tellers and Related Clerks
16	Door-To-Door Sales, News and Street Vendors
17	Electronics and Telecoms Installers and Repairers
18	Human Resources Specialists
19	Training and Development Specialists
20	Construction Laborers

Source

Future of Jobs Survey 2020, World Economic Forum.

Emerging and redundant jobs

EMERGING

1.	Process Automation Specialists
2.	Data Analysts and Scientists
3.	Social Psychologists
4.	Management and Organisation Analysts
5.	Business Development Professionals
6.	Big Data Specialists
7.	Assembly and Factory Workers
8.	Compliance Officers
9.	Chemists and Chemical Laboratory Scientists
10.	AI and Machine Learning Specialists

REDUNDANT

1.	Accounting, Bookkeeping and Payroll Clerks
2.	Client Information and Customer Service Workers
3.	Data Entry Clerks
4.	Administrative and Executive Secretaries
5.	Vehicle, Window, Laundry and Other Hand Cleaning Workers
6.	Sales Representatives, Wholesale and Manufacturing, Technic...
7.	Insurance Underwriters
8.	Business Services and Administration Managers
9.	Assembly and Factory Workers
10.	Accountants and Auditors

Responses to shifting skill needs

Share of companies surveyed

Look to automate the work

82%

Retrain existing employees

73%

Strategic redundancies of staff who lack the skills to use new technologies

64%

Outsource some business functions to external contractors

64%

Hire new temporary staff with skills relevant to new technologies

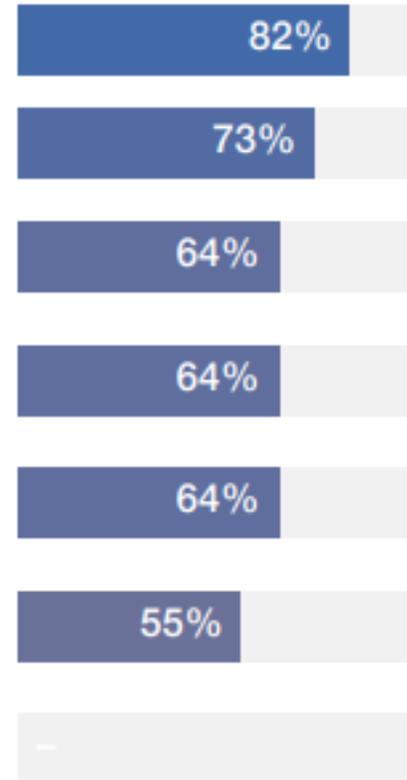
64%

Hire freelancers with skills relevant to new technologies

55%

Expect existing employees to pick up skills on the job

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Our strategic responses

- SA's framework for defining our national interest.
 - the maintenance of its political sovereignty and its constitutional order;
 - the physical safety of its citizens; the well-being of its citizens;
 - the promotion of economic prosperity;
 - and the promotion of a better Africa and a better world.
- Daulet Singh of India's Institute for Chinese Studies: 'India's multi-directional foreign policies should be seen as a reflection of the diffusion of global power and the fact that different great powers' interests, visions, and goals coincide with India's in different domains of power or issues, with each issue significant for India's domestic transformation or geopolitical security'.
- *In A Brief History of Equality* Picketty lays out a programme of democratic socialist reforms – to taxation, property rights, corporate governance, international regulation – that would invert recent trends. But even at his most hopeful, he is forced to concede that concentrations of wealth (if not of income) are remarkably resilient in the face of political efforts to challenge them
- Our strategic response has to place at its core the upskilling of all our citizens – young and old – while managing the just transition to a greener future