



Bayo Iribhogbe  
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14 inches x 18 inches

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# South Africa in the spotlight: An interview with Deputy President Kgalema Motlanthe

The ANC veteran discusses the state of the South African economy, the country's progress in fighting HIV/AIDS, China's role on the continent, and the important part that values have to play in the business world.

**Norbert Dörr and  
David Fine**

**With the 2010 World Cup** set to begin June 11, it is a proud moment for the host country, South Africa. And, as its deputy president, Kgalema Motlanthe, suggests in this interview, it is also an important opportunity to bring the country together 20 years after Nelson Mandela's release from prison and the unraveling of the apartheid regime. Motlanthe, a former trade unionist, served ten years in prison (1977–87) on Robben Island for violations of South Africa's Terrorism Act. He was named president of South Africa in September 2008, after President Thabo Mbeki stepped down, and remained in office until the following May, when Jacob Zuma became president following a national election. Motlanthe was subsequently named deputy president. He is also deputy president of the African National Congress, South Africa's ruling party.

In an interview on April 30 with McKinsey's Norbert Dörr and David Fine, Motlanthe reflects on the state of South Africa's economy, the country's battle against HIV/AIDS, how the world perceives Africa, and China's role in Africa. He also offers some thoughts about values and business in the aftermath of the financial crisis: "We are struggling ourselves, as a new democracy in South Africa, to restore values," Motlanthe says. "I'm saying from our own experiences, what we can share with business leaders is that values are never a given."

**McKinsey:** *What does the World Cup mean to South Africa?*

**Kgalema Motlanthe:** The World Cup was really a bonus in the sense that we started investing in the construction of stadiums and expansion of the road

network ahead of the economic meltdown. So it served as a countercyclical measure. And of all the sectors of the economy, only the construction sector continued to show growth even during the recession. So it actually served a very useful purpose. But on a broader note, it also offers us an opportunity to consolidate the national cohesion, because we come from a past where we were divided along color lines. And sporting events such as the World Cup always serve to cement the sense of belonging, the sense of being one nation. So that is a very important benefit.

**McKinsey:** *How would you describe the state of South Africa's economy, and what are its main attractions to outside investors?*

**Kgalema Motlanthe:** The South African economy is just about coming out of the recession, which was a global phenomenon, and we are now seeing new jobs being created. The automotive sector of the economy, which was adversely affected by the recession, is now beginning to pick up, along with sales of new vehicles. So, we are technically out of the recession.

We have a well-regulated banking system—such that, even with all the toxic products, South African banks were not affected. And we have a stable democracy. There's predictability; investors can invest in South Africa and use it as a springboard to the rest of the sister countries on the continent.

**McKinsey:** *When people talk about China and India, you hear a lot about growth opportunities. On the contrary, when Africa is mentioned, you*

*hear about all the problems: poverty, joblessness, poor health. Why is this the case?*

**Kgalema Motlanthe:** The underlying reason for this negative perception about Africa isn't really the fact that many African countries have had unstable governments. We've had coups and so on. [The real reason is] there's genuine underdevelopment—not enough road networks and railways. It's very common to find that if you're in a country such as Cameroon and you want to go to Bangui, the capital of the Central African Republic, you've got to fly to Europe. It is those kinds of bottlenecks that give rise to this perception that Africa is just a continent of problems.

But we all know that there's a new generation of governments and leaders. The African Union has a policy of not recognizing any government that is not elected, so that has brought about stability

on the continent. There's therefore an opportunity to address those problems. All of these problems—infrastructure, education, health—are in fact opportunities to do business. If you look at countries such as India, they invested a lot in education, IT, and ICT<sup>1</sup> and reap the benefits of those investments. That's what Africa needs to do as well.

**McKinsey:** *Speaking of investment, some people have expressed concerns about the role of China in Africa. What is your view?*

**Kgalema Motlanthe:** China has been pursuing opportunities on the African continent, informed more by their own interests, because they have set themselves the goal of quadrupling the size of their own economy, which means they have the appetite and capacity to absorb whatever any of the African countries can produce for export purposes. But they also need lots of raw materials.

<sup>1</sup>Information and communications technologies.

## Kgalema Motlanthe



### Vital statistics

Born July 19, 1949, in Alexandria, Johannesburg, South Africa

3 children

### Career highlights

#### Republic of South Africa

- Deputy president (2009–present)
- Interim president (2008–09)

#### African National Congress (ANC)

- Deputy president (2007–present)
- Secretary general (1997–2007)
- Chair, Guateng region (1990–91)

#### National Union of Mineworkers

- General secretary (1991)
- Education officer (1987)

### Fast facts

Was involved in the establishment of the Mineworkers Investment Company, the JB Marks Educational Trust, the Elijah Barayi Memorial Training Centre, and the Mineworkers Development Agency

Served on the Miners' International Federation

Because they take a long-term view, they secure supplies for up to 20 years, 30 years, and the people who are signing those kinds of supply agreements only take a short-term view. Of course, on the positive side, China has been very helpful to a number of African countries in the sense that they bring the capital and, in the majority of cases, they bring the personnel as well.

I know that in Angola, they went to see the Angolan government and the Angolan government said they have three rail lines to rehabilitate that were damaged during the civil war. So the Chinese agreed to rehabilitate the railway lines and gave them a loan of \$2 billion for that purpose. And within 18 months, all three railway lines had been rehabilitated.

So if you look at the manner in which the Chinese are able to address a challenge like that, it's a positive development. But on the negative side, they, of course, then remain. They don't go back to China. They had a contract with the Angolans that they would provide for every project. The Chinese will provide 70 percent of the workforce and the Angolans should provide 30 percent of the workforce—which, when you look at it from the point of view of job creation and employment, is a bit skewed.

Then, of course, the Chinese workers used the platoon system—this was told to me by the Angolan authorities. They said they signed off on the 70/30 percent and their own people, the Angolans, only worked one month. The workers would work one month and desert because they're not used to working on a platoon system—with no Sunday off, it's a seven-day week. The Chinese didn't come back to them to complain about the deserters; they simply replaced them. So, whereas on paper, they had 70/30, in reality they ended up with Chinese workers doing 100 percent of the work. It

addresses China's problem of employment at the disadvantage of the African countries.

So, as sister countries, we've got to compare notes and perhaps interact with China bilaterally but also collectively. That way I think we can ameliorate the chances of most of the African countries being completely outsmarted.

**McKinsey:** *To what extent do businesses in South Africa have responsibilities to society such as job creation, good health, and poverty alleviation?*

**Kgalema Motlanthe:** Most companies that operate in South Africa take their social responsibilities very seriously. They pay attention to some of them, even build schools in poor communities. If it were possible, I would rather they—the ones that are in the mining sector, for instance—empower local communities and also improve on general infrastructure in those communities. At the moment, you'll find that they create a compound—a small town with all the resources that you find in a modern city—next to villages that are characterized by the ravages of poverty and backwardness. I'd hope that they would more or less have the same impact as a university; if you build a university in any location, it has an impact that advances the rest of the community around it.

But with the mines, we've found that they construct the road, which is only useful to the interests of the mine, construct a rail line, which is only useful to the mining interests, to the exclusion of the local economy. And even with our black economic-empowerment policy, it's very rare that you find the local community collectively is taken on board as an empowerment partner in a broad-based fashion. These companies tend to look for sophisticated people who come from urban areas to take on board as partners, to the exclusion of the local communities. Even on simple matters like sporting

facilities for the youngsters and so on, they'll have sporting facilities for their own employees to the exclusion of the rest of the communities. Therefore the impact that they have is very limited.

**McKinsey:** *Where does South Africa stand with respect to private–public partnerships?*

**Kgalema Motlanthe:** We already have examples of private–public partnerships. One of the best managed public hospitals in South Africa is the Inkosi Albert Luthuli Central Hospital, in KwaZulu-Natal, which is a private–public partnership. And it works better than most private clinics.

We also have examples of that in the correctional services, the prisons, right from construction to completion of the project and the management thereof. We are looking at private power producers in the energy sector. We are creating a new body that would enable private power producers to come onto the grid. In these days of challenges of climate change and carbon dioxide emissions, there are private power producers that develop

technology to extract gas from coal without mining it. And we think it's a great prospect; in the future, that's the way to go because most research and development and manufacture of technology happen in the private sector. There are only certain areas where the public sector leads in that regard, and the partnership, I think, can benefit the economy going forward.

**McKinsey:** *South Africa has the highest number of people infected with HIV in the world. The new government undertook a broad-based campaign to address HIV and AIDS—quite a different stance from the previous government. How much progress has the country made?*

**Kgalema Motlanthe:** I chair a body called the South Africa National AIDS Council and it brings together all stakeholders: researchers, health professionals, entertainment and sports personalities, women, nongovernmental organizations, people living with AIDS, religious leaders, and so on. It brings together the broadest cross-section of the South African population. We use that structure to lead and coordinate the government's efforts toward addressing the scourge of AIDS. On World AIDS Day, on the first of December last year, the president announced a wonderful program and only a week ago led the public launch of a counseling and testing campaign. We want people to know their status. We also have a men's sector in the South African National AIDS Council. The men have been in the forefront of championing circumcision because it is now proved that with just male circumcision, the risk of infection is reduced by about 60 percent.

So the campaign is going fairly well, I must say. The awareness levels are very high. What we also came to notice was that whereas [we had] this great awareness, knowledge was still very low about behavior. It's about how people conduct them-

**'It's important to always understand that business is about people. It's about good will, and that good will depends on integrity.'**

selves. So it's not just a question of treatment. It's more in prevention, so our messaging has been focusing on prevention as well as ensuring that those who are already infected receive the antiretrovirals.

**McKinsey:** *The recent economic crisis has raised a lot of questions about the importance of values in business. What is your advice to business on how to think about values, as the representative of a nation that has gone through a great struggle in which values have played an important part?*

**Kgalema Motlanthe:** Values are never a given. They have got to be developed, worked upon, and consolidated on an ongoing basis. Because if at any given time we as a society or as sections of society become complacent about them, we run the risk of losing them.

It's important to always understand that business is about people. It's about good will, and that good will depends on integrity. It depends on ensuring that there is good in what we do, rather than doing business as though you are in a casino, as it were. It's important for businesspeople to understand that business stands to gain better if they take a long-term view, rather than to try and make quick profits, which would just be spikes, and tomorrow, once you lose the good will, the business is bound to flounder. And that is why values are very, very important.

We are struggling ourselves, as a new democracy in South Africa, to restore values. It's an ongoing struggle that we have to wage because we have just embarked on our transition from an order that was characterized by divisions—along racial lines, along ethnic lines. We are therefore duty bound to try at all times to bring to the fore the values that bring us together as fellow South Africans, as human beings, united in our diversity.

It's been a struggle for us to embrace our common history. We still find that even the history of this country is looked at in a divided fashion. And we say, it's our common history. Whatever we did, we must take ownership of this history. That's how we will be able to prevent ourselves and future generations from sliding back into any system that would once again divide our people. So, in a sense, I'm saying from our own experiences, what we can share with business leaders is that values are never a given. They have got to be worked on and consolidated on an ongoing basis. ○