Greylisting a reflection of SA's diminishing status in the world

Speech by Dr Dion George MP, DA Shadow Minister of Finance

Thank you, Speaker,

On February 24th, the Financial Action Task Force (FATF) added South Africa to its greylist of countries that are under increased monitoring to address strategic deficiencies in countering money laundering, terrorist financing and proliferation financing.

Our greylisting was no surprise. In 2019, FATF red-flagged South Africa for high levels of corruption and non-compliance to regulations. Although National Treasury scrambled to improve laws and regulations, it was too late. There was no co-ordination between the financial and the security clusters and, currently, South Africa remains deficient on security. By 2025 we must improve on investigations; increase prosecutions; identify, seize, and confiscate proceeds of these crimes and implement targeted financial sanctions.

Despite the market already factoring in the likely greylisting before it was officially announced, thus dampening the immediate impact, the economist reported on March 4th that the listing makes it more expensive for South African banks and companies to do business abroad.

The response from Treasury was that the impact would be minimal, and the Minister subsequently declared that we would exit the grey list by mid-2024. The Minister needs to explain exactly how this will be achieved.

No matter how many laws are enacted, we will not exit the greylist when there is no political will to uphold the rule of law. Over one billion rand per month is stolen from Eskom, yet the Minister agreed to hide irregular and fruitless and wasteful expenditure from auditors in the hope of obtaining a better audit outcome. That doesn't make any sense unless it is designed to cover up the involvement of senior ANC politicians in the theft at Eskom.

Greylisting is correlated with a decline in market capitalisation, increased supplier costs, reduced firm profitability, reduced national income and expenditure and reduced access to capital. If South Africa does not exit the greylist quickly, we can expect increasing reluctance from the international financial market to do business with South Africa. With twelve million South Africans unable to find work, we need to grow our economy. Kenya and Zambia have overtaken South Africa as more viable investment destinations because they are better governed.

Greylisting is a reflection of our diminishing status in the world. FATF is an intergovernmental organisation founded on the initiative of the international group of seven (G7) – Canada, France, Germany, Italy, Japan, United Kingdom and the United States.

President Ramaphosa, who hides dollars in his furniture, was not invited to the G7 summit in Japan next month, despite previously being invited every year since he became President. South Africa is being frozen out because our government is making the wrong policy choices.

On the same day that South Africa was greylisted, FATF suspended the membership of the Russian Federation. Although South Africa claims to be neutral in Russia's war on Ukraine, it has demonstrated its active support for Russia by participating in war games with Russia and China; permitting Russian ships to dock at our ports and military bases, where, under the cover of darkness they supply Russia. Helping Russians evade international sanctions will not speed up our exit from the greylist.

The debate on the future of AGOA, the Act that provides South Africa with duty-free access to the US market for over 1800 products has begun. This is up for renewal in 2025 and government has placed this in jeopardy. A congressional delegation postponed its planned visit to South Africa from August to November because they did not consider it to be proper for them to be in South Africa at the same time as Vladimir Putin, the Russian War Criminal that the current South African government invited to the BRICS summit. He should be arrested and not celebrated.

The DA’s position on AGOA, that we made crystal clear during our recent engagements in the US, is that, despite government’s unacceptable behaviour, AGOA should be renewed and that we need to also look beyond AGOA at a permanent trade solution that will encourage trade, grow South African business and unlock the poverty trap imposed by a failing government.

Our view is that not renewing AGOA will be a form of sanctions and that it must always be clear who gets hurt the most when sanctions are imposed. It won’t be the corruption riddled government that will suffer, but rather the millions of South Africans who already face the reality of food insecurity and starvation in the face of a government induced cost of living crisis that has wiped the food off the tables of millions of households.

30 years after our first democratic elections, South Africa is teetering on the brink of collapse. Incoherent economic policy that placed the corrupt and dysfunctional state at the centre of our economy; introduced unproductive rent seeking through a black economic empowerment model that only enriched the political elite; cadre deployment that hollowed out the public sector and state-owned enterprises that are fronts for theft of the people’s money.

We’ve also been clear that the ANC is not to be confused with South Africa. The ANC, distinct from South Africa, does not speak for the majority of South Africans in its support for Russia in its war and in its drift away from our values of democracy, freedom and the rule of law as enshrined in our Constitution. By choosing Russia and China, the ANC has chosen to side with authoritarian regimes, and is no longer a shining beacon of hope for the victory of human rights over oppression.

Government has failed domestically and is now failing internationally. The DA will disrupt that trajectory. The days of one-party dominant rule are over and we’re now heading towards a post-ANC multi-party coalition national government that will focus on facilitating a better life for everyone who lives in South Africa.

Thank you, Speaker.