

ROAD TO NOWHERE?

Is nationalisation an answer to South Africa's social and economic woes? Political commentator **Aubrey Matshiqi** considers what support there is for such a policy – and the likely impact it would have on the country.

In 2006, Kgalema Motlanthe, deputy president of South Africa and of the African National Congress (ANC), gave a keynote address at the 62nd anniversary celebrations of the ANC Youth League.

What stood out in his speech was the call for free access to education and health, something the ANC has always agreed about but struggled to achieve given domestic and global economic conditions.

Motlanthe proposed setting up state mining companies whose profits would be invested in health and education. Yet the argument is not clear cut. As recently as October, planning minister Trevor Manuel claimed nationalisation was a “seriously bad idea”, stating that the country had no fiscal power to take over its mines and is “desperately” in need of private investment.

Motlanthe’s argument must be understood in the context of South Africa’s population dynamics. About 60 per cent is under the age of 30, which would ordinarily be a cause for celebration because it means our country is pregnant with potential and alive with possibility. However, the life expectancy of a South African is between 48 and 52 years; South Africa’s young population is also dying young.

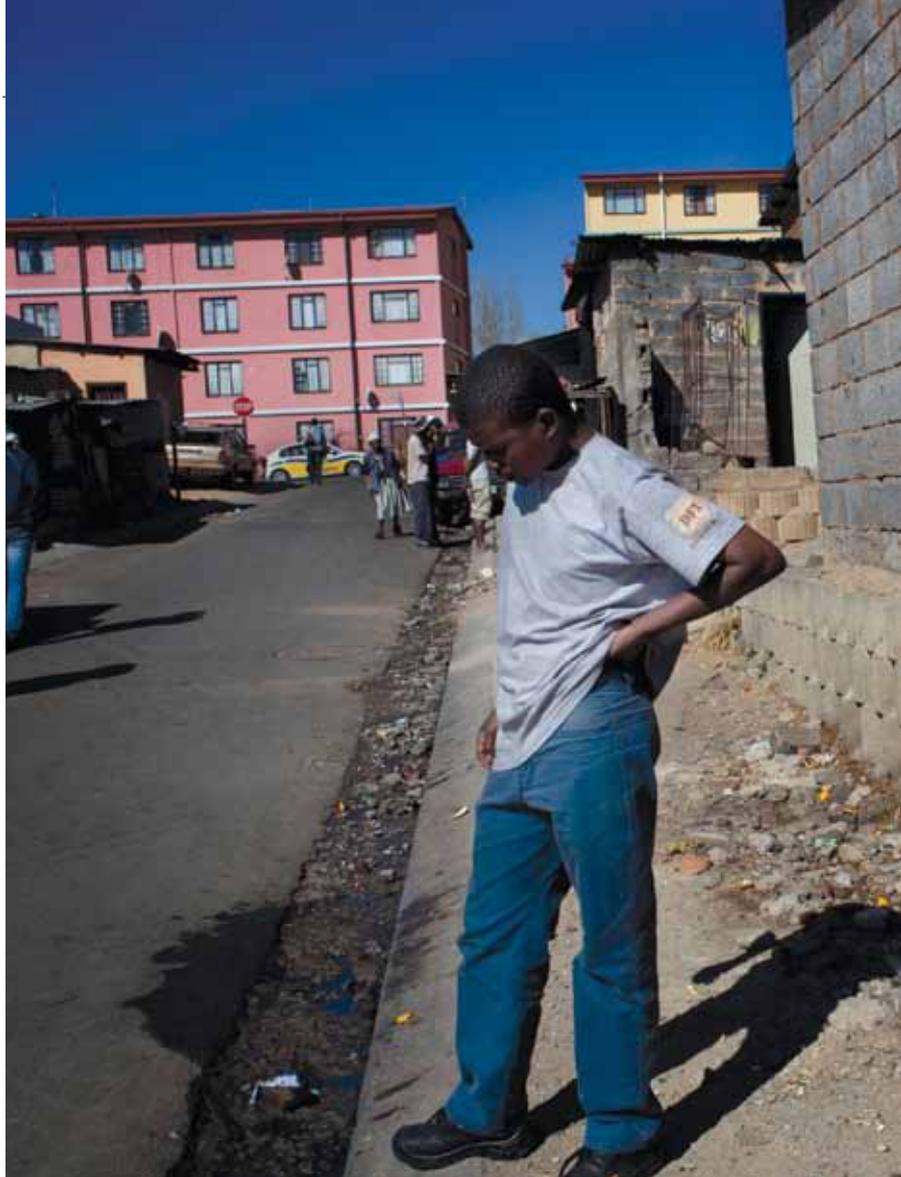
WHY NATIONALISATION HAS ITS SUPPORTERS

In 2008, the national conference of the Youth League called for the nationalisation of mines, banks and monopoly industries. Its president, Julius Malema, has become the voice and face of nationalisation in South Africa and the world. Why does the call for nationalisation resonate with so many young people inside and outside the Youth League?

There are three main reasons. First, it is South Africa’s young, particularly those who are black and female, who bear the brunt of poor social and economic conditions. With youth unemployment at over 50 per cent, and a failing education system, conditions of underdevelopment have become the defining feature of life for too many young South Africans. Secondly, Malema has become a medium through which South Africans transmit their prejudices, preferences

“Democracy, given the history of social, political and economic marginalisation of the black majority, must deliver a better life for all South Africans.”

AUBREY MATSHIQI

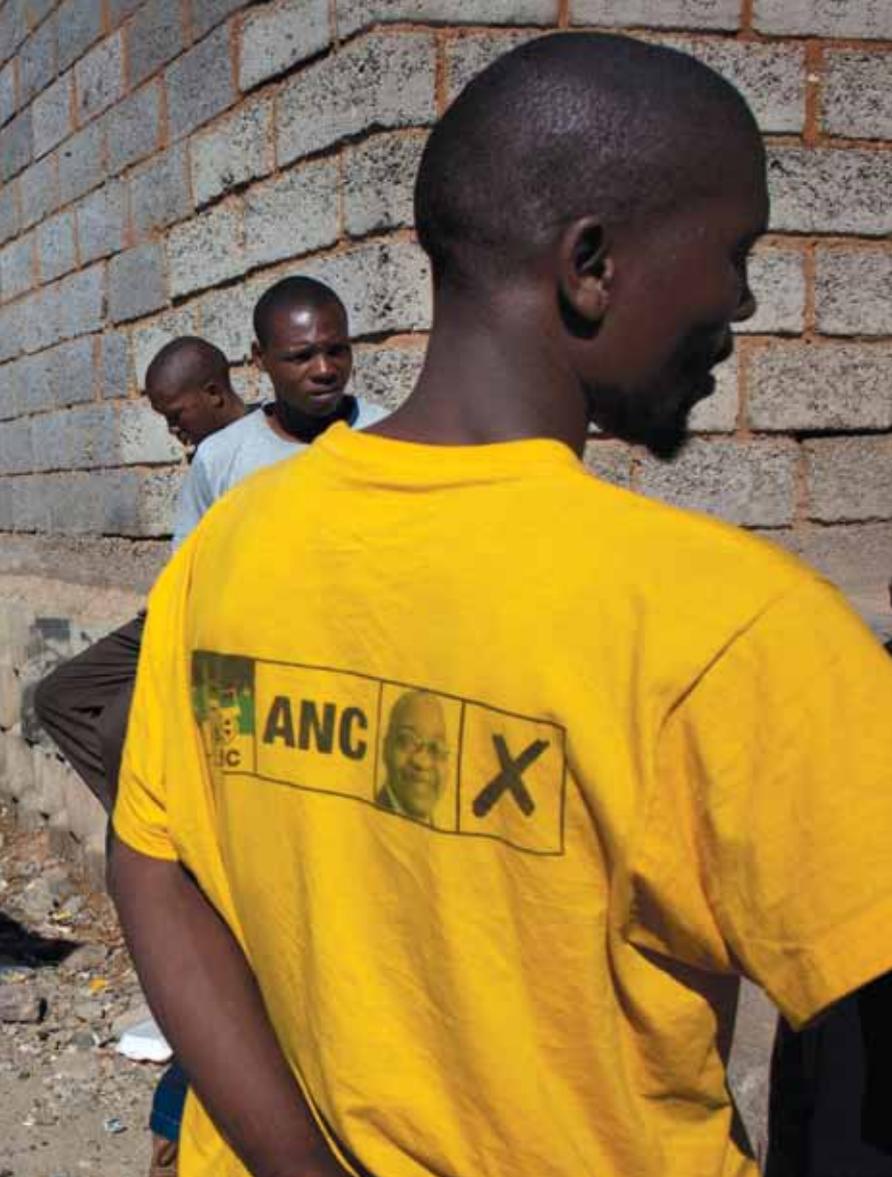


01



02

ANGLO AMERICAN



BENEDICTE KURZEN / VII NETWORK / CORBIS

PREVIOUS PAGE

Miners walk between elevator shafts in the world's deepest gold mine, TauTona

01 South Africa's unemployment rate remains stubbornly high, with at least one in four people out of work and youth unemployment exceeding 50 per cent

02 Anglo American's Sishen mine in Kathu in the North-West Province is a major source of employment in a region of high joblessness. Many people, however, naïvely argue that mines should be nationalised, with profits invested in health and education

and aspirations. Thirdly, Malema is using the nationalisation debate as a proxy argument for his own political preferences.

The nationalisation policy argument may be his way of expressing his unhappiness about the leadership of president Jacob Zuma. In positioning nationalisation as a solution to South Africa's developmental challenges, Malema seems to want to imply that, by contrast, Zuma and the ANC are not committed to the goals of the Freedom Charter.

The Freedom Charter, the blueprint for a post-apartheid society adopted in 1955, is clear: "The national wealth of our country, the heritage of South Africans, shall be restored to the people; the mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole."

The Youth League's invocation of this clause is in line with its vision of "economic freedom in our lifetime". It argues that the end of apartheid delivered political, though not economic, freedom. A gap has developed since 1994 between the procedural and substantive dimensions of

South Africa's post-apartheid democratic order. In other words, democracy must be more than a set of democratic procedures, rights and freedoms. Given the history of social, political and economic marginalisation of the black majority, it must also deliver a better life for all South Africans.

If this does not happen, South Africa might end up in a situation where, as Argentinian sociologist Atilio Boron puts it, "democratic arrangements are increasingly perceived as political rituals deprived of any relevance to the everyday life of the citizenry".

People think this would materialise as a loss of confidence in the ruling ANC. In fact, the gap between the procedural and the substantive may also undermine confidence in the democratic project itself. This gap may even undermine the goal of creating a non-racial society because of a loss of confidence in the reconciliation project. What is at stake, therefore, is the stability of our democracy.

DIFFERING VIEWS

The Youth League is convinced that the economic clause of the Freedom Charter unambiguously calls for the nationalisation of mines. "Nationalisation of mines means the government's ownership and control of mining activities, including exploration, extraction, production, processing, trading and beneficiation of mineral resources in South Africa," it wrote in a February 2010 discussion document.

But it went on to say: "Nationalisation is not a panacea for South Africa's developmental challenges, but it should, in the manner we are proposing it, entail democratising the commanding heights of the economy, to ensure they are not just only legally owned by the state, but thoroughly democratised and controlled by the people."

The document makes it clear, however, that Soviet-style nationalisation is not on the cards. Instead, it recommends that "nationalisation, like its opposite, privatisation, can assume various forms: it can be 100 per cent public ownership, or 51 per cent or more owned by the state, or established through partnership arrangements with the private sector in which the state assumes greater control".

Ben Turok, a senior member of the ANC and one of the authors of the clause, does not share this interpretation. He and other ANC leaders, including Susan Shabangu, the minister in charge of mining, have argued that, in line with current legislation, mineral resources are already owned by the state on behalf of citizens.



BENEDICTE KURZEN / VII NETWORK / CORBIS

NIC BOTHMA / EPA / CORBIS

Shabangu has even said that nationalisation would not happen in her lifetime. In early November this year, she told a Deutsche Bank conference in London that “no matter how often our government states the obvious, that nationalisation is neither South African government policy, nor is it ANC policy, controversies and potential fears do not seem to disappear”. For his part, too, President Zuma has often tried to reassure foreign investors by reminding them that nationalisation is not ANC and government policy.

And, contrary to what may have been expected, the South African Communist Party (SACP) opposed the call for nationalisation at the ANC National General Council (NGC) in September 2010. It is not opposed on ideological grounds; its position is political – a product of suspicions that the Youth League is a Trojan horse for black mine owners whose assets are underperforming. According to the SACP, the call for nationalisation is nothing but a bail-out package in disguise.

Cosatu, meanwhile, supports the idea of nationalising key sectors of the economy – though this should not be confused with support for Malema and the Youth League.

As for Malema himself, the *Financial Times*'s Alec Russell commented in October 2011: “Such is the ANC’s rigid hierarchy, this 30-year-old wannabe (Malema) has no chance in the foreseeable future of leading the party.”

Importantly, at the 2010 NGC the Youth League spectacularly failed to convince ANC delegates to adopt a resolution calling for the nationalisation of mines. Instead, the ANC commissioned a group of independent researchers to look into the matter. They will present their findings and recommendations to delegates at the policy conference of the ruling party in May 2012.

It does not help the Youth League that key policy thinkers within the ANC are refusing to lend intellectual credibility to the Youth League’s nationalisation project. For instance, Joel Netshitenzhe, an ANC strategist and key policy thinker in Mbeki’s government, insists that what is important is the broader context in which the debate on nationalisation of the mines should be understood. “At the one level, it is about the profound issue of the approach to property relations in a national democratic society – the relationship between the state, the markets and the citizen,” he says. “It is about an understanding of the balance of forces and the difference between what is desirable and what is actually possible.”

The nationalisation of mines debate is, therefore, less about the desirability of such a policy measure and much



PASCAL DELOUCHE / GODONG / CORBIS

02



LOUISE GUIBB / CORBIS

03

01 ANC Youth League president Julius Malema: the voice and face of nationalisation?

02 03 Any form of nationalisation of South Africa’s mining and banking sectors is likely to have a huge negative impact on the resources that can be allocated to other areas of pressing need

more about whether it is aligned to objective realities on the global and domestic fronts. In essence, the real debate over nationalisation concerns what should be the ongoing role of government in the development of industry and commerce in South Africa – and whether that role is likely to be a positive one, both for the country’s economic development and in ameliorating the social and economic conditions of the poor in order to reduce inequalities.

A COSTLY IMPACT

Although Russell sees no threat to the ANC leadership in the short term from Malema, he goes on to say: “... the failure of President Jacob Zuma to rein him in as he (Malema) has called for the nationalisation of mines and banks has done South Africa’s reputation terrible harm... South Africa’s big platinum miners will stay, such is the country’s dominance



01

of global platinum stocks. But the loss of other potential investments would be a disaster for the economy and for the very disenfranchised youth Mr Malema has fired up with his redistributive talk. Would the giant coal miners sell if they could? If the price was right, unquestionably.”

Economists Gavin Keeton and Greg White (in South Africa’s *Business Day* in September 2010) estimated that the market value of listed South African mines was about 850 billion rand (over \$100 billion), a figure that, if borrowed, would take levels of public debt to almost 70 per cent of GDP. Over and above the extraordinary costs of acquisition is the problem the state would have in funding the 17 billion rand (c.\$2 billion) deficit between the income and expenditure of the mining sector. The treasury would be worse off if it were the owner – and that does not take into account the impact of nationalisation on skills retention or operating efficiencies.

Moreover, the country’s constitution does not allow expropriation without compensation. According to South African investment management company Allan Gray, more than half the shares of several of the country’s largest mining companies are held by foreign investors.

01 Supporters of ANC Youth League president Julius Malema at the ANC’s head office in Johannesburg, September 2011, during the ongoing hearing about Malema bringing the ANC into disrepute

02 A credit department at Nedbank, one of South Africa’s four big banks. Malema has called for the nationalisation of both mines and banks

03 ANC deputy president Kgalema Motlanthe, who has called for free access to education and health and proposed establishing state mining companies

“What the mining industry needs to appreciate is that, when it comes to the relationship between itself, society, and the state, we cannot proceed on the basis of business as usual.”

AUBREY MATSHIQI

If section 25 of the constitution were changed to remove the obligation to compensate local property owners, it would not remove the obligation to compensate foreign investors, which is enshrined in South Africa’s various bilateral treaties. The local shareholders are overwhelmingly pension funds, which manage the pensions of millions of South Africans, black and white, whose assets would decline accordingly.

Keeton and White make the point: “The price of nationalisation would be not just the capital outflows necessary to compensate the foreign owners of mining shares, but potentially even larger outflows, as other shareholders exit the rest of our stock market. Even if foreigners just stopped buying shares, investment levels must fall to our level of savings (15 per cent of GDP) and



LOUISE GUBB / CORBIS

02

South Africa will be trapped in low GDP growth (perhaps two to three per cent a year) and soaring unemployment. With outflows, the effect will be even worse.

“One likely reason state-owned mining companies have historically performed poorly is that the government has not been able to provide capital when mines have needed it, for example during commodity-price downswings. The suggestion is that nationalisation would further damage South Africa’s already struggling major export industry.”

Planning (and former finance) minister Trevor Manuel is emphatic on this point, telling a 100 Top Companies audience in Johannesburg in late October this year: “South Africa has no fiscal resources to take over mines and the government should repeatedly say nationalisation is a seriously bad idea.” He went on to say: “The country desperately needs investment, especially in that we know we have our rich mineral reserves... The mining industry can play an important role in creating jobs in the economy, and obstacles to investment in the industry should be removed.”

CONFIDENCE IN A COMMON VISION

One of the reasons that the Youth League is failing to convince the ANC is that many view the nationalisation proposal as morally reprehensible, as it would force the ANC to favour demands for nationalisation (and resultant buying out of mining companies) over budget allocations for health, education, welfare and other needs of citizens.

Looking beyond the economic price to pay for nationalisation, it would be difficult to base the country’s developmental agenda on a common vision shared by business, civil society and the state. In short, there would be no buy-in from business, one of the key elements of the social pact that some have mooted as a solution to our problems of poverty and unemployment.

The problem with both sides in this debate is that each tends to preach to a converted constituency. What we have, as a result, are two echo chambers running parallel to one another. The Youth League must be careful not to impose policy choices that may cause more harm than good to the poor.

But what the mining industry needs to appreciate is that, when it comes to the tripartite relationship between society, the mining industry and the state, we can no longer proceed on the basis of business as usual. 



JON HRUSA / EPA / CORBIS

03