

ANC Youth League gets its way

by our special correspondent Kerry Dimmer

'We want the mines,' he demanded, and like a recalcitrant child Julius Malema, the ANC's Youth League leader is being indulged by his party. To all intents and purposes the debate on nationalisation of mines is mere flogging of a dead horse.

The fact that nationalisation has not worked effectively in any country in the world, does not seem to be a strong enough deterrent. The National Union of Mineworkers (NUM) said in May that it does not agree with Malema's call for a moratorium being placed on the issuing of new mining and prospecting licences. The Chamber of Mines is convinced nationalisation will not work in South Africa, even the Minerals Minister, Susan Shabangu, is wary of greater state involvement in the industry.

The logic that nationalisation will benefit everyone and not the comparatively few that own shares in the industry, smacks of socialism and is a political tool that would give the government power to control production, pricing and recruitment.

If profitable, and that's a big IF, profit could be used as a means to finance state services and programmes which in turn will aid in lowering the tax burden, but before that can happen the government would have to be responsible for meeting any debt incurred by the nationalised industry. Putting people before profits is magnanimous but nationalisation can also be a means of control over how people earn their living.

The recent three-week state workers strike highlighted the government's inability to cater to wage demands and if the Congress of South African Trade Unions (Cosatu) had followed through on its threats to stage a sympathy strike, effectively shutting down the mines, the result would have had a catastrophic effect on the economy.

The Chamber of Mines and Cosatu have differing views on nationalisation. Mzolisi Diliza, CEO of the Chamber told NAA that 'it is an antiquated and universally discredited political practice that will have disastrous consequences for the national economy. It would create the potential for South Africa to be declared a pariah by the global investment community. The Chamber therefore does not see how there could be any positive outcomes.'

Cosatu already made its position clear on nationalisation as early as 1990, says its

spokesperson, Jonas Mosia. 'Cosatu believes that key and strategic sectors of the economy must be in the hands of a democratic, people centred state. The key objective of state ownership and control of the economy must be to transform the economy in a manner that creates jobs on a massive scale through industrialisation, as well as to expand access of basic services to the majority of our people who had been marginalised by the cruel policies of apartheid.'

Apartheid is possibly what started this whole debate in the first place. Malema was quoted in the Zimbabwe press during a visit in April as a guest of ZANU PF, that 'they have been exploiting our minerals for a long time. Now it's our turn to also enjoy from these minerals.' He was referring to what he considered to be the white stranglehold on Africa's minerals.

Black economic empowerment (BEE) practices within the mining industry may have fallen short of expectations in South Africa but with a new BEE mining model on the table, much broader-based black economic empowerment structures are imminent. 'Nationalisation would have a very negative effect on the growing market of black privateer mining operations,' says Tranter Holdings' Joshua Ngoma.

Tranter Holdings facilitates black-owned or managed mining and energy companies, which provides opportunities for communities to have a controlling interest in a sector-related industry. 'Governments tend to target big business for nationalisation,' says Ngoma. 'so any small mining company that shows potential would also end up being nationalised. This discourages growth with no incentive, so the industry will die.'

Ngoma is obviously in agreement with the Chamber against nationalisation. As he sees it, there are no pro's only con's. 'Remember too that the government is not known to be good at running a business, just look at what happened to Alexcor and parastatals SAA, Transnet and Eskom.'

Africa's history is littered with numerous examples of how nationalisation impoverishes countries. Zambia's nationalisation of its copper mining industry in 1972 is a case in point, mentioned by both Diliza and Ngoma, as debilitating on that country's economy when its levels of copper production plunged to less than half to pre-nationalisation levels.



Mzolisi Diliza,
CEO of the
Chamber of
Mines

'All the money from the sale of copper went into the government coffers where it was used for purposes other than re-investment into mining. While the government was buying expensive vehicles for its ministers, the miners were left frustrated at not being able to acquire basic mining equipment to enable them to improve output,' says Ngoma. 'The result was low morale and poor production. In the end the country as a whole lost out. The return to privatisation was chaotic but at least, with the mines in private hands again, production is slowly increasing, and better Forex earnings are returning to the country. The story isn't any better in Venezuela.'

Cosatu's Mosia insists that 16 years into democracy the South African mining sector, has not transformed. 'It is still controlled by multinational conglomerates and does not benefit the mineral resources in a manner that will help and boost downstream industries and thus catalyse industrialisation. If the state had control, platinum

would not be exported for catalytic converters, key components of the auto sector, which are then imported as finished components from industrialised nations. Neither would there be import parity pricing in the steel industry which kills downstream industries.'

The debate will continue for the next two years until the 2012 ANC Conference, with a task force mandated to research the possibilities of nationalisation of South Africa's mines. However, conventional wisdom is that the current policy will not change; the debate on the nationalisation of mines will remain a talking shop, no more. Stoking leftist rhetoric and sentiments in opposition during the days of apartheid might have worked for the ANC, but not when in power. South Africa and indeed the world have moved on since.