

RESPONSE TO A COMPONENT OF THE ANC DISCUSSION DOCUMENT ON ECONOMIC TRANSFORMATION:

05 August 2010

Under the subtopic "**Some Debates**" and sub-theme, "**The balance of power and ownership**", the ANC National General Council discussion document on Economic Transformation released at the end of July 2010 amongst other things says;

"A specific issue on the table is nationalisation of the mines and of land. Debates on this subject are vexed by the fact that nationalisation takes many different forms. We need to ensure that proposals become more specific about (a) who would end up owning the assets, (b) who would manage them, and with what purpose, (c) what would be the costs to the fiscus and the economy, and (d) what would be the risks of failure as well as the benefits of success.

The Zambian experience with nationalising the mines points to some of the risks. Zambia nationalised the copper mines, which supplied 90% of its exports, in the early 1970s. It ended up hiring back the multinational copper companies to manage them. As international copper prices fell, the companies enjoyed guaranteed management fees while the state had to bear the losses to the mines".

Interestingly, the ANC Youth League's perspective on Nationalisation of Mines released at the beginning of February 2010 had predicted under the sub-theme "**What are the potential challenges?**" that some of the opposing views to nationalisation will be premised on the Zambian case. To that effect, the ANC Youth League document said;

"The last potential challenge to nationalisation of Mines in South Africa will be the lame reference to the failed State Owned Copper Mines in countries such as Zambia. The Zambian Copper Mines failed because copper as a strategic commodity in the world economy gradually lost value and significance, and that does not apply to the strategic minerals underneath South Africa's soil, such as Gold, Diamond, Platinum, Chrome, Coal, etc. The model and approach to nationalisation of Mines should not ignore the failed cases of State ownership and control, but should instead derive lessons on how best the State can guide economic and human development through State control of the economy's strategic sectors".

The questions raised in the ANC discussion document as to "a) who would end up owning the assets, b) who would manage them, and with what purpose, c) what would be the costs to the fiscus and the economy and d) what would be the risks of failure as well as the benefits of success" are also substantially dealt with in the ANC Youth League's perspective on Nationalisation Mines. The resurfacing of these questions is therefore surprising and exposes the reality that despite the sincere plea from the Youth League that the ANC should include the Nationalisation perspective as an ANC discussion document for the 2010 National General Council or at least appreciate some of the detailed issues raised, has not been heeded to.

Nevertheless, the ANC Youth League will consistently bear the patience of explaining and re-explaining the perspective on Nationalisation of Mines to avoid the resurfacing of rhetorical

questions because the ANC NGC should not deal with those, but the central questions of when does the State begin to own and control strategic sectors of the economy, in this instance Mines. A closer examination on the discussions and debates that have arisen around Mines nationalisation gives credence to the Youth League's view that there is no substantial opposition of Nationalisation of Mines, except that which is premised on ignorance and subjective interests. About these, the ANC YL's perspective said, "

"The other potential challenge to the Nationalisation of Mines will come from those who have private interests in Mining. These include the established mining corporations and recent past beneficiaries of mining activities. These interests should altogether be dismissed as they have potential to undermine the thoroughgoing pace of the National Democratic Revolution. No amount of narrow private interests should be allowed to block the long overdue nationalisation of Mines in South Africa".

The questions raised in the ANC discussion documents should nevertheless be responded to again so that there are no doubts that remain on these important questions and all members move in unity towards the actualisation of the Freedom Charter objectives.

a) Who would end up owning the assets?

The ANC Youth League's perspective on Nationalisation of Mines says, "NATIONALISATION OF MINES means the democratic government's ownership and control of Mining activities, including exploration, extraction, production, processing, trading and beneficiation of Mineral Resources in South Africa". This means that like in Transnet, PetroSA, ACSA, the State will be in control and ownership of Mines. The ANC Youth League's submission to the Parliamentary hearings on the establishment of State Owned Mining Company, which was made public on the 26th of May 2010, substantiates the question of State ownership.

The submission amongst other things says;

1. "The State Owned Mining Company should be established and be under the direct supervision of the Department of Mineral Resources (not Public Enterprises) and fundamentally responsible for the following tasks:
 - a. Own and control South Africa's mineral resources;
 - b. Maximise the nation's economic gain from the mineral resources;
 - c. Contribute to South Africa's social and economic development;
 - d. Develop and maintain strong environmental and safety standards; and
 - e. Develop the mineral resources in a careful and deliberate manner.
 - f. Develop strategies for Skills development in the Mining sector, including through establishment of Mining colleges for low, intermediary and high intensive skills development of all people.
2. The State Owned Mining Company should be established through an ACT of Parliament, which should clearly define its tasks, responsibilities, accountability mechanisms.
3. The SOMCO should necessarily gather all the State's interests in Mining including those in Allexkor, African Exploration Mining & Finance Corporation (AEMFC) and various other Stakes which government holds through Provincial parastatals and shares in bigger mining corporation".

b) who would manage them, and with what purpose

The question of who would manage State Owned Mines is answered already within the proposition of establishment of a State Owned Mining Company, so the answer to who would manage them is: THE STATE OWNED MINING COMPANY WILL MANAGE THE NATIONALISED MINES. The ANC Youth League's perspective on Nationalisation of Mines dedicates the whole chapter on why Mines should be nationalised. For this purpose nonetheless, it is important to repeat the reasons provided in the base document, this time in a more succinct and cogent manner so that the mistaken questions do not arise again.

1. Mines should be nationalised in order to achieve the following purposes:
 - a. Increase the budget of the State for social development purposes, e.g. Health, Education, Rural development, fight against crime and job creation.
 - b. Lay a very firm basis for the country's minerals to be locally benefited and industrialised.
 - c. Change the South African economy from over-dependence and reliance of exporting of natural resources and importing of finished goods and services.
 - d. Create new economic centres of development outside of Johannesburg, Durban and Cape Town.
 - e. Could improve the working conditions and salaries of Mine workers.
2. The government revenue that is generated from taxes will not be able to build better lives for all South Africans. Government cannot solely rely on taxes to deliver better services to majority of our people. South African will not be able to deal with the housing backlog, free education access, better healthcare, safety and security, employment of particularly youth if we are not in control of the key and strategic sectors of the South African economy. The wealth of South Africa should benefit all who live in it.
3. It is an open secret that ordinary workers in Mines are the least beneficiaries of mining in South Africa either as recipients of salaries and stakeholders in mining. Mine workers in South Africa are underpaid and work under difficult conditions and unsafe Mines. Their workplaces and socio-economic existence expose these workers to fatal diseases and accidents. Nationalised Mines should be beacons of safer working environments and better working conditions, as they will not be in narrow pursuit of profits at the expense of community and human development.
4. With State ownership and control of Mineral Resources, South Africa will be able to attract industrial investors, who will contribute to the growth of the economy, transfer skills, education and expertise to locals and give them sustainable jobs. It can never be correct that an absolute majority of the Minerals we produce is exported to other countries, with very little efforts to build internal capacity to benefit these minerals.
5. Nationalisation of Mines will lead to greater local beneficiation, industrialisation, growth of the economy and jobs for majority of our people. The industrial strategy adopted by government will never succeed unless we have State control and ownership of the natural resources.

6. We need metals, iron ore, gold, platinum, COAL, chrome, manganese and many other minerals to industrialise. South Africa's skills development efforts should be dynamically (not exclusively) linked to the industrialisation of minerals wealth.
7. Although related to the above component, it is important to highlight the fact that the South African economy as it currently stands bears strong features of all colonial economies. Primarily, all colonial economies were positioned as sources and reserves of primary goods and services for the colonisers' economies.
8. Post political independence, many if not all post colonial economies continued to function and operate in the same manner colonisers designed them—exporters of primary commodities and importers of finished goods and services. This pattern has a direct impact on the sustainability of post colonial economies as they are heavily reliant on the demand of their goods and services by former colonisers and bigger market economies.
9. Nationalised Mines ought to lead to a Spatial Development Framework that should necessarily decentralise development.
10. Areas such as Sekhukhune, Rustenburg, Burgersfort, Emalahleni have far greater economic potential because of the mineral resources underneath the soil. These should be deliberately developed, benefited and industrialised to enhance and harness economic and human development in these territories”.

None of the informed responses to Nationalisation of Mines perspective have disputed the fact that the purposes outlined above can be achieved through nationalised Mines. The question has been whether some weaknesses that have characterised State ownership in other countries might not define South Africa's nationalised Mines.

c) what would be the costs to the fiscus and the economy

Again this is an idle question and reflects that no adequate attention was paid to the ANC Youth League's perspective on Nationalisation of Mines. If all of us agree that Nationalised Mines will serve the purpose outlined above, what is the use of asking the costs to the fiscus and the economy? The ANC government carries a responsibility to invest in economically and socially developmental programmes and nationalised Mines seek to achieve that purpose. To ask what could be the literal figures spent on the State control and ownership is clearly opportunistic, intransigent and against the principles that the ANC seeks to achieve.

For example, some of the major expenditures of the State in the recent past were 1) the development of a rapid Rail system in Gauteng and 2) the hosting of the 2010 FIFA Soccer World Cup. There is no doubt that these projects have/had substantial economic, social, and political benefits and a principled agreement was reached not only by the State, but whole of society that they should be embarked upon. Nationalisation of Mines has substantial economic, social and political benefits, which will durably safeguard the stability of South Africa and if there are fiscal commitments that should be made by the State, it should do that. No credible argument has ever illustrated that Nationalised Mines will negatively impact on South Africa's economic, political and social developmental needs and aspirations.

The false alarms that nationalised Mines will negatively impact on economic growth and investment potential are simply false and neo-liberal and this is an ideological and political myth that should be dismissed with contempt.

d) What would be the risks of failure as well as the benefits of success?

The risks of failure are almost non-existent due to the objective reality (something that cannot be changed even if someone so wishes) that South Africa is home to the world reserves of all strategic minerals, some of which are potential sources of energy (Platinum Group Minerals, Coal, Chrome, etc). Mining will not stop in South Africa because the country's minerals are not just optional minerals, but economic resources which most economies in the world cannot operate without. That is why the capacity, expertise and knowledge the State has invested and should continue to invest in Minerals production should never be minimised.

This perhaps provides a platform to dismiss another myth that South Africa does not have capacity in Minerals extraction and mining. The Department of Mineral Resources' Annual South African Minerals Industry (SAMI) says: "As a major mining country, South Africa's strengths include a high level of technical and production expertise as well as comprehensive research and development skills. South African Universities continue to produce Mining Engineers and skilled strategic leaders of both the private and public sector. The question will have to be how the State channels this expertise into the State Owned Mining Company.

The ANC Youth League can stand on roof tops and confidently say that the risks of failure are almost non-existent and are substantially outdone by the possibilities of success and so many benefits economically, politically and socially. And instead of asking rhetorical questions, an ANC document should illustrate the possible risks of failure and we all discuss how we avoid such risks, because there are so many cases domestically and internationally to learn from.

Benefits of success have already been heightened above, in the response of what is the purpose for nationalisation and to build on that, below we list some of the additional benefits:

- Increased fiscus and therefore more resources for education, housing, healthcare, infrastructure development, safety and security and sustainable livelihoods for our people.
- More jobs for our people because State owned and controlled Mines will increase local beneficiation and industrialisation of Mineral resources. This will in turn reduce the high levels of poverty, which is consequent of joblessness.
- More equitable spatial development because State owned and controlled Mines will invest in areas where Mining is happening.
- Better salaries and working conditions in Mines because State owned Mines will increase the Mining wage and improve compliance to occupational health and safety standards.

- Greater levels of economic and political sovereignty as the State will be in control and ownership of strategic sectors of the economy, which produces minerals resources needed across the world.

Conclusion

The questions raised in the ANC discussion document around Nationalisation of Mines could have been avoided if there was appreciation of the ANC Youth League's perspective on Nationalisation of Mines. Why those who drafted the perspective did not accommodate themselves with the ANC Youth League's perspective escapes our thoughts. Perhaps it is a result of a notion strangely inserted in the ANC discussion document that "For a capitalist economy to succeed, the state has to keep business sufficiently profitable. It should act to raise costs for business only where required by the imperative of achieving a more inclusive and equitable economy. We can no longer afford to let individuals, departments or agencies raise the cost of doing business in line with their own priorities or through poorly thought-out measures at the expense of national needs and aims". This suggests that there is a bigger ideological battle than we initially thought, because this capitalist notion affirms an intention to subjugate all other socio-economic interests to reducing the cost of doing big business.

As a concluding remark, it is perhaps important for the ANC Youth League to, unlike the ANC discussion document on Economic Transformation, quote a different phrase from the Morogoro Strategy & Tactics. It says, "In our country—more than in any other part of the oppressed world—it is inconceivable for liberation to have meaning without a return of the wealth of the land to the people as a whole. It is therefore a fundamental feature of our strategy that victory must embrace more than formal political democracy. To allow the existing economic forces to retain their interests intact is to feed the root of racial supremacy and does not represent even the shadow of liberation". This inspires us towards the National General Council of the ANC and centenary Congress in September 2010 and December 2012 respectively.