WITNESS
17 Feb 2012, p.8

What's unsaid in the mining debate

None of the players is really considering what's best for the country

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ONE of the strangest twists to the nationalisation debate is that everybody outside the ANC opposed to the nationalisation of mineral wealth has somehow managed to see the now widely publicised ANC report emanating from a commissioned study on mining and nationalisation, except key members of the party and its alliance partners.

The National Union of Metalworkers of South Africa (Numsa) was furious that it could not get access to the document and was told to wait. Meanwhile, some in the media have been pouring over its leaked contents. In the span of a week, many columns have been written about the report, both in print and online media. The overwhelming message is that nationalisation is not the policy of the ruling party.

The trouble with the current debate on nationalisation, however, is its distinctly ideological tone, which is shutting down the space for any reasonable discussion on how to achieve better social outcomes from mining.

Indeed, the timing of the leak has been followed by an internal campaign within the ANC to oppose nationalisation with certain cabinet ministers openly coming out against it.

Jacob Zuma, in his State of the Nation address, conspicuously avoided any mention of the mining report or the government's position on nationalisation. He merely proceeded to reinforce the minerals energy complex that is so much the mainstay of the South African economy. At the heart of the success of this complex is subsidised infrastructure and electricity for the mining industry.

Zuma not only reinforced promises of business as usual, but simultaneously threw scorn at the idea that change is imminent. After all, his own family is heavily invested in the minerals energy complex.

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Socialisation of rents goes against the interests of Black Economic Empowerment (BEE), as the ANC's strategy in the end is to build a loyal BEE capital base that will continue to be obliged to support and reward the party.

It was not difficult to read this line of thought in Zuma's speech, when in the same breath, after announcing the cluster of infrastructure investments, the president confirmed that a new BEE regime is in the making. He was referring to the Broad-Based Black Economic Empowerment (BBBEE) Amendments Bill that will be passed soon, as our government is under pressure to punish BEE fronting.

Mining offers significant rents, as has been seen with the shift from old-order mining rights to new-order mining rights. The BEE clamour for new-order mining rights is already taking its inevitable course.

There can be no better illustration of what is at stake than the ongoing saga between Kumba Iron Ore Limited and ArcelorMittal over the Imperial Crown Trading (ICT) scandal where ICT hijacked Mittal's new-order rights for itself only because it had the privilege of insider information.

The ANC's report reiterates how the minerals energy complex is still at the heart of South Africa's economy and will continue to be so for a very long time to come. It has contributed and still contributes a significant share to GDP in the form of export earnings, fixed capital formation, employment and sources of taxes for the state. Given its size, it has significant influence in many spheres of South African society.

However, long-term trends show disinvestment in human capital, research and development and greater emphasis on labour-displacing capital investments, as old mining capital is only interested in expatriating profits.

Opening the minerals energy complex for further exploitation will not resolve the underlining question, i.e., old mining capital's commitment to the long-term interests of the South African economy. The subtext of the ANC's report is a nagging concern about how to deal with this problem.

This is the elephant in the room.

Old mining capital wants to corner all the rents, but hold nothing onshore.

If the minerals energy complex is to continue being the bulwark of the South African economy then the loyalties of mining and private capital for the long-term future of South Africa are paramount. Motive is as key to the question as are the stakes in rent rewards.

The positioning of the state's claim over profits and the push for greater beneficiation, such as jewellery making and other finished products, is about locking in mining capital for the long haul.

Nevertheless, nationalisation is not necessarily immune to the same problem as mining capital: short-term predatory rents for self-accumulation. It is for this reason that the ANC Youth League's call for nationalisation only reinforces the perception that it is predatory rent seeking of the worst kind.

In a sense, the Youth League's campaign has landed Zuma a more palatable scenario: the gift of the lesser of two evils strategy characterised by the minerals energy complex — the state mining company, BEE/subsidiary and old mining capital axis.

However, the strategic intent of how the minerals energy complex is reconfigured remains; namely, this problem of how to shift it from being a private renteers' paradise, as it still is, to securing a general public-interest share.

The minerals energy complex has always been characterised by the troubled terrain of how rents and accumulation work in South Africa with respect to public versus private share. Take, for example, the way in which tariff protection, loan write-offs and infrastructure development, in the past, assisted the development of the synthetic fuel industry in the form of Sasol and Mossgas.

Essentially, state accumulation fed private hands with a low social dividend for the South African public, as we continue to pay for fuel based on import parity prices with windfall profits going to private companies and the state (through its partial state holding in Sasol and majority stake in PetroSA).

The synthetic fuel industry is pretty much a reflection of how the minerals energy complex accumulations and rents are unevenly and unequally shared.

For their part, the recommendations emanating from the ANC mining report have two prongs: when to exercise strategic control over key minerals versus opening private participation in others. The report rules out nationalisation as a solution, estimating its cost to be in the region of R1 trillion, which is clearly unaffordable for the state.

More importantly, bilateral trade investment agreements prevent South Africa from paying for these assets below market prices. We simply won't escape legal sanction or some sort of trade and investment retaliation.

Thus the ANC's report encourages private participation by way of a mixed economy model: some parts of the minerals energy complex owned by the state, some involving the state and private firms (both foreign and BEE), as well as private firms being subjected to a Resource Rent Tax that can then be used for development purposes.

In the meantime, the subtleties of Zuma's sleight of hand on the nationalisation debate were all but missed in the midst of the euphoria that surrounded the infrastructure investment announcement.

What is actually taking place is an entrenchment of the status quo without giving the socialisation of rents the chance to be properly debated.

In effect, the state, controlled by one part of the ANC — that is now gaining ascendency — is in the game to secure policy territory and an investment march that keeps the minerals energy complex unchanged without really transforming the status quo.

What will ultimately come of the ANC's mining and nationalisation report in the run-up to its June policy conference is still to be seen, but the prospect of change doesn't look too promising.

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• This article first appeared on the website of The South African Civil Society Information Service (www.sacsis.org.za).