Photo: Liesner, 2013. Banner on the N2, Cape Town, South Africa.

University of Cape Town

Resource Nationalism in Southern Africa

Ethnic Control and Political Ideology

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Compulsory Declaration

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

Signature:_____ **Date:**_____

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Dedicated to my father, Lawrence 'Gus' Berry (1932 – 2012).

Glossary

AA	Affirmative Action
AAC	Anglo American Corporation
ABZ	Anyone But Zuma
AfDB	African Development Bank
AHI	Afrikaanse Handelsinstituut (Afrikaans Commercial Institute)
AMAX	American Metal Climax
ANC	African National Congress
ANC Alliance	A tripartite alliance of COSATU, the ANC and the SACP
ANCYL	ANC Youth League
AP	Affirmative Procurement
APF	Anti-Privatisation Forum
AU	African Union
BBBEE	Broad-based Black Economic Empowerment.
BEE	Black Economic Empowerment
BSA	British South Africa Company
CAF	Central African Federation
CIPEC	Intergovernmental Council of Countries Exporters of Copper
CODESA	Convention for a Democratic South Africa.
COM	Chamber of Mines (est. 1889).
COSATU	Congress of South African Trade Unions.
EAZ	Economic Association of Zambia
EITI	Extractive Industries Transparency Initiative
GDP	Gross Domestic Product.
GEAR	Growth, Employment and Redistribution strategy
GMF	General Mining and Finance Corporation
GNU	Government of National Unity
HDIs	Historically Disadvantaged Individuals
ICSID	International Centre for Settlement of Investment Disputes
IDC	Industrial Development Corporation
IFI	International Financial Institution
IFP	Inkatha Freedom Party
IMF	International Monetary Fund
INDECO	Industrial Development Corporation
INERP	Interim New Economic Recovery Programme
IPO	Initial Public Offering
JSE	Johannesburg Stock Exchange

LDC	Less Developed Country
LME	London Metal Exchange
MDG	Millennium Development Goals
MDM	Market Dominant Minority
MEC	Minerals Energy Complex
MERG	Macro-Economic Research Group
MIGA	Multilateral Investment Guarantee Agreement
Mindeco	Mining Development Corporation
MMD	Movement for Multi-Party Democracy
MNC	Multinational Corporation
MNT	Musele Nkisu Taskforce
MoU	Memorandum of Understanding
MPRDA	Minerals and Petroleum Resources Development Act 2004
MUZ	Mining Union of Zambia
NAFOC	National African Federated Chamber of Commerce
NCCM	Nchanga Consolidated Copper Mines Limited
NDR	National Democratic Revolution.
NEDLAC	National Economic Development and Labour Council
NEM	Normative Economic Model
NEPAD	New Partnership for Africa's Development
NERP	National Economic Recovery Programme
NLM	National Liberation Movement
NNP	New National Party
NUMSA	National Union of Metalworkers of South Africa
OECD/DAC	Organization for Economic Cooperation and Development
PDIs	Previously Disadvantaged Individuals
PF	Patriotic Front
PGM	Platinum Group Metals (platinum, palladium, rhodium).
PM	Prime Minister
PPP	Public-Private Partnerships
PTF	Privatisation Trust Fund
RCM	Roan Consolidated Mines
RDP	Reconstruction and Development Programme.
ROCE	Return on capital employed.
SA	South Africa/n
SACOB	South African Chamber of Business
SACP	South African Communist Party
SACSIS	South African Civil Society Information Service
SAF	South African Foundation

SME	Small and Medium Sized Enterprises
SOE	State Owned Enterprise
SPV	Special Purpose Vehicle
SSC	South-South Co-operation
TEC	Transitional Executive Committee
TNC	Transnational Corporation
Tonne	A metric tonne is 1,000 kilograms
UDI	Unilateral Declaration of Independence
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNIP	United National Independence Party
UPP	United Progressive Party
USAID	United States Agency for International Development
UWC	University of the Western Cape
WB	World Bank
WEF	World Economic Forum
ZACCI	Zambian Association of Chambers of Commerce & Industry
ZAMANGLO	Zambian Anglo-American Ltd
ZCTU	Zambia Congress of Trade Unions
ZCCM	Zambian Consolidated Copper Mines
ZCM	Zambian Chamber of Mines
ZIMCO	Zambian Industrial and Mining Corporation Limited
ZPA	Zambia Privatization Agency

Clarification on English Language Usage:

British spelling is employed throughout the body of this thesis, except when quoting directly from sources produced in American English.

Formatting:

Quotation marks and italics are used to identify direct quotations.

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Abstract

In the West nationalisation and privatisation have been explained mostly in relation to the political ideologies of capitalism and socialism. The privatisations that began in the 1980s, and accelerated after the collapse of socialism across Eastern Europe, have generally been considered to be developmentally linear. Postcolonial nationalisation-privatisation cycles in South East Asian and Latin American countries, by contrast, have been explained by scholars such as Chua as related to ethnicism, nationalism and indigenism and above all the presence of a 'market dominant ethnic minority' (MDM). This paper reviews the cycles of nationalisation and privatisation in the mining industries in Zambia and South Africa (SA), in order to examine the respective roles that ethnicity and political ideology have played. It explores whether minority ethnic economic control is more important than political ideology in driving calls for nationalisation of mining.

For each country case, I set out a detailed historical analysis of the political and policy provisions made since independence from colonial rule. The paper explores ideas of ownership and race; the internalisation of norms of neoliberal economic policies; socialism and nationalism; and power relations and identity politics. The study also interrogates the impact of global structures upon state decisions.

In both case studies, I show that minority ethnic dominance has been a more important driver of nationalisation/privatisation cycles than political ideology.

Chapter 1: Definitions & Concepts

Introduction:

> *"The reality is, Africa is being ripped off big time," African Development Bank President, Donald Kaberuka, 16 June 2013 (Cohn, 2013)*

Post-colonial independence began in sub-Saharan Africa in 1957 (Meredith, 2005). Despite sovereignty over extensive natural resources[1] these independent states struggled to improve living standards, leading to debates over the merits of state or private ownership of mineral extraction industries. In the West nationalisation and privatisation are invariably linked to capitalism and socialism, which following the collapse of socialism across Eastern Europe were considered to be developmentally linear; from social democratic welfare states in post WW2 western Europe to the supposed end game of capitalism and privatisation from the 1980s[2] (Chua, 1995:225). However in some developing countries sequential nationalisations and privatisations were implemented. In 1995 Chua researched postcolonial South East Asian and Latin American countries to establish why the trajectory between nationalisation and privatisation was cyclical rather than linear.

Chua's hypothesis (1995 and expanded in 1998, 2000, 2002, 2003) maintained that in the developing countries studied these policy choices were based on ethnicism, nationalism and indigenism and above all on the presence of a market dominant ethnic minority (MDM), rather than adherence to a particular political ideology. Mkandawire (1994b:207) also determined that although often described as socialist, nationalisations were driven by nationalistic rather than socialist ideals. Mkandawire (1994b:209) suggested that ethnically diverse states choose nationalisation to placate marginalised majorities by ensuring state jurisdiction over industry previously controlled by a dominant minority, while privatisations often reversed this aim, as those minorities remained the only possible investors.

This paper reviews the cycles of nationalisation and privatisation in the mining industries in Zambia and South Africa (SA) to determine the roles that ethnicity and political ideology play. It explores whether minority ethnic economic control is more important than political ideology in driving calls for nationalisation of mining. The two case studies use primary (government, political party, corporate and international organisation archives) and secondary literature (academic papers and books) sources. For each country I will set out a detailed historical analysis of the political and policy provisions made since independence from colonial rule.

[1] The African continent was estimated to contain the following percentages of global reserves: 40% of gold; 60% of cobalt; 90% of platinum group metals; 50% of diamonds; and 50% of manganese (Walker, 2013).
[2] This idea has been challenged by the emergency nationalisations of some US and UK financial services companies after the 2007 global crisis (Cohen, 2012:155).

Although grounded in material concerns of mining and natural resources, this paper explores ideas of ownership and race; the internalisation of norms of neoliberal economic policies; socialism and nationalism; and power relations and identity politics. Political motivations are analysed through academic research, speeches, state actions and third party interviews. The study interrogates the impact of global structures upon state decisions, while exploring concepts of nationalism and ethnicity. Issues of responsible mineral exploitation, oligopolistic and monopolistic markets, corporate concentration, transparency in corporate ownership, revenue generation, taxation and tax avoidance form part of current discourses, not just in developing nations, but among more developed countries and in forums of international institutions. These form the background to this paper as it explores the political decisions, power and influence that control the extraction and exploitation of mineral resources in sub-Saharan Africa.

Whilst criticisms of nationalisation and privatisation may inform domestic policy choice (popular perceptions of policy failure may lead to calls for change) the merits of each will not be assessed. Failures in privatisation have been attributed to lack of technical ability to privatise, lack of supportive, accessible capital markets and a lack of transparency in transaction processes. In addition, the economic environment in developing countries has not always been conducive to privatisation programmes due to high debts, suppressed consumer demand and the level of per capita private savings (Ariyo & Jerome, 1999:206/210). Failures of nationalisation can likewise be attributed to a number of factors, including inefficiencies of state planning, artificial pricing mechanisms, an inability to access international marketing channels as well as information asymmetries and corruption (Helm, 1989:39). There is already a body of literature covering these issues and this thesis is not intending to critique these policies, but to determine the roles played by minority ethnic control and political ideology in policy making[3].

Resource Nationalism:

In a longitudinal (1960 – 2006) quantitative study of developing countries Hajzler (2012:142) determined that natural resource investments were more likely to be nationalised than other industries. In a similar study between 1956 and 1972[4], Williams (1975:271-272) also discovered that mining was comparably more likely to be nationalised (albeit predominately with compensation) than other sectors, which was often driven by nationalist movements. It is suggested that local populations believe these natural resources should belong to the indigenous population, which may be predicated on two points: firstly resource endowments were considered a national asset and secondly they were exhaustible (Borissov & Surkov, 2012:2; Cohen, 2012:156; Rood, 1976:435). For the state, control of natural resource endowments aided development. Rents accumulated through exploiting minerals funded infrastructure and social welfare, while processing and beneficiation industries provided employment and the development of service industries. Therefore the state had an interest in controlling the development of exploration, mining and extraction and generating

[3] See, for example: Ariyo & Jerome, 1999; Bennell, 1991; Due, 1993; Nellis, 2006; Cook & Uchida, 2003; Guseh, 2001.
[4] For many sub-Saharan African states this corresponds with the transition and early postcolonial independence period.

income from financial mechanisms, such as mining licensing, royalties and taxes. However, the mining industry featured oligopolistic global vertical integration and horizontal value chain integration across many countries, which prevented economic independence and thereby encouraged beneficial state/corporate relationships (Saasa, 1987:54).

Definitions:

This section clarifies the terms nationalisation and privatisation and explains some related concepts. In Chua's (1995) case studies, there were clear ownership transfer cycles between the states and private sector investors. In the Latin American cases this activity dated back to the first half of the nineteenth century. Across Africa independence was only achieved within the twentieth century and clear privatisation and nationalisation cycles are less obvious. Across the continent, there were unfulfilled calls for nationalisation, partial nationalisations, partial privatisations or the introduction of legislation or regulatory controls on private enterprise that might be considered nationalisation, much of this occurring within mixed economies. Therefore broad definitions for privatisation and nationalisation will be used to allow consideration of shifting degrees of control that the state or the market has over mining operations.

Privatisation:
A narrow definition of privatisation might be the sale of enterprises owned by the state to private investors:

> *"privatization— the divestiture, or transfer of ownership and/or operational control, of productive economic entities to private owners, operators and investors" (Nellis, 2006:3).*

However, in some cases the state may choose to liquidate or close state owned enterprises (SOEs), thereby providing opportunities for the private sector to step in:

> *"any measure by which the ownership of a state enterprise is relinquished by the state … thus it covers outright sales of state enterprises as going-concerns or sales of controlling shareholdings in such companies, as well as measures such as the closure and liquidation of such enterprises" (Craig, 2002:561).*

A broader definition includes actions that further increase private activity within the economy, including attracting private investment:

> *"The forms of privatization are many, ranging from outright sale of government's entire stake, to partial sale, to concessions, leases, and management contracts, to the hiving off and sale of non-core business activities, to the opening of previously restricted sectors to new private entrants and competitors." (Nellis, 2006:3).*

Privatisation can therefore be defined as the selling of state assets, attracting domestic and foreign private investment, expansion of existing private sectors, the creation of market economies and the development of public and private partnerships. Within the mining sector, this might mean partial sale of a state owned mines or contracting out activities within the mining value chain. This includes regulation and deregulation that facilitate private enterprise in mining. These measures impact on both control and ownership, two features that are not synonymous and may not easily be discerned. For example in 1970 when the Zambian government initially acquired 51% of all mining interests, the private sector shareholders retained considerable management power through preference shares with veto rights (Bostock & Harvey, 1972:149/223). Or as expressed by Musambachime:

> *"Privatisation is thus both an economic concept and measure and an economic and political process which changes the distribution of power within a given society." (Musambachime, 1999:13).*

Fundamental to the hypothesis for this study are the drivers to change this power dynamic.

Nationalisation:

> *"nationalization is an act whereby government takes into ownership, by compulsion if necessary, private property for a public purpose" (Williams, 1975:263).*

Although often synonymous with expropriation, nationalisations can be negotiated agreements, often with compensation. However, as Williams (1975:263) noted mining houses invited to sell a stake to the host government would be unwise to decline.

In defining privatisation additional activity was considered, in particular in relation to regulations, contracting and facilitating markets. However, Williams (1975:263) warned against extending the definition of nationalisation similarly. Arguing that the cancellation of contracts and concessions should not be counted as nationalisation, unless this included the transfer of assets. He also stated that similar measures to increase taxation or restrict access to contracts or concessions (for example to foreign firms or certain ethnic groups) are equally not nationalisation. These are more likely to be the result of nationalism or indigenisation policies, which will be discussed in the next section. For the purposes of this study, nationalisation is defined as the transfer of some or all assets in a private enterprise to the state, with or without compensation.

Economic Nationalism:

Adedeji (1981:17) determined that the colonial period fostered the dependency of southern African states on European investors. African colonies were reorganised to focus on exporting raw materials for European production and consumption, which lead to an erosion of indigenous self-sufficiency (Adedeji, 1981:18-20). So not only was agricultural production oriented away from domestic food sufficiency towards European demands for coffee and cocoa, mining became the dominant industrial sector, attracting the most European investment and developing almost entirely on European owned technologies, while racial discrimination prevented the indigenous population from

gaining access to education and knowledge transfer in mining techniques (Adedeji, 1981:20-22). As Taylor noted, under colonial administration:

> *"… Black African business[es] [were] increasingly confined to small-scale and/or informal sectors, while larger, formal and more sustainable enterprises became the preserve of immigrant groups or foreign firms." (Taylor, 2012:23).*

This prevented capital accumulation by black nationals, whilst other ethnic groups, such as European or South Asian settlers with more economic freedom, became a corporate elite (Taylor, 2012:14). Post independence these minority interests often remained intact, while state intervention often crowded out local entrepreneurs (Taylor, 2012:15).

This reliance on extractives impeded domestic development planning as commodity prices fluctuated based on global supply and demand and therefore receipts from exports, royalties and other state income were uncertain. This was particularly marked in economies dependent on only one or a few commodities. To offset these uncertainties diversification into vertical and horizontal value chains, including beneficiation, could provide states with new industrial sectors for employment and production and offer more stable state incomes[5] (Craig, 1999:5; Adedeji, 1981:25). However, the challenge that faced the governments was how to incentivise the mining MNCs to develop the sector and make local procurement and processing investments.

In addition, although mining corporations provided employment within mines for indigenous populations, expatriates dominated management positions. To tackle this, liberation governments undertook programmes termed indigenisation, economic independence or africanisation, which all were synonymous with economic nationalism. Although used interchangeably, Rood (1976:430) distinguished between these for his analysis, using africanisation to refer to the imposition of quotas on foreign employees or the replacement of black Africans in previously foreign filled jobs and indigenisation as regulations which restrict foreign or expatriate business ownership, in particular for small and medium sized enterprises (SME).

Newly independent governments implemented indigenisation to achieve economic independence, when expatriate, foreign or minority ethnic groups seemed to control state resources or economic capacity (Bostock & Harvey, 1972:5). Although indigenisation could be perceived as socialist or redistributive, it has been associated with both nationalisation and privatisation regimes. Indigenisation was a common goal of privatisation activity in postcolonial African states to increase distributional equity of enterprise ownership (Craig, 2002:560). It complimented free market policies and privatisation by ensuring that indigenous populations were included in markets when implemented as part of affirmative action (AA) programmes.

Chang, Heria and Loayza (2009:6-8) determined nationalisations were prevalent in states with persistent wealth inequality, especially if the benefits from resource rents accrued to a minority of

[5] As Adedeji (1981:26-27) noted, even this industrialisation required technologies, machinery and investment from foreign firms, further entrenching development dependence on foreign actors.

the population and where public institutional infrastructure was weak, workforce skills were low and industrialisation was low, particularly when most employment within the state is dependent upon resource extraction or associated sectors.

In the 1960s nationalisations often occurred because the state was the only body with the financial capacity to invest in enterprises. However, whichever form of indigenisation policy was followed, they were prone to corruption and only benefiting a small elite (Taylor, 2012:139-140). Taylor (2012:106) determined that postcolonial nationalisation programmes, markedly in Zambia and Tanzania, were a response to the dominance that multinational corporations (MNCs) had gained over the extraction of resources during colonial rule. MNCs were often headquartered in the country of the former coloniser, making their continued presence a reminder of the exploitative past (Taylor, 2012:106). However, given the lack of indigenous investment capital, even after nationalisation programmes, many MNCs retained minority shares and some developed close working relationships with the emerging political elite (Taylor, 2012:106). As Fanon (2001:122) warned the leadership of liberation movements would not nationalise to control the economy to meet the needs of the whole nation, but as a process of indigenisation capturing the benefits for the politically connected. However, Rood (1976:435) cited the desire to exploit indigenous mineral reserves for the people as a key driver for mining nationalisation. Also summarised by Adedeji and Ake:

> *"…to protect their political independence and control their economic destiny, many governments adopted nationalization as a strategy to effect local control of their national economies" (Adedeji & Ake, 1981:30).*

Even after independence in resource rich states development depended upon maintaining connections to investors, markets and technologies of the West (Adedeji, 1981:21). Bezemer and Jon-A-Pin (2013:110) determined that global integration for African countries between 1984 and 2003 continued to be based on resource extraction rather than other industrial sectors and they maintained that commodity MNC continued to be dominated by MDMs. The need for investment capital meant that settler and foreign investment remained an essential component of mineral resource exploitation (Taylor, 2012:15). Even today FDI predominates in the same extractive industries as 150 years ago (Taylor, 2012:105).

Foreign Direct Investment:

Another key issue is foreign direct investment (FDI), which has been defined by UNCTAD (2006) as:

> *"Investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (the 'home country') in an enterprise resident in an economy (the 'host country') other than that of the foreign direct investor" (UNCTAD, 2006:1).*

During the colonial period mining was dominated by the colonial interests (for example in Zambia by the British South African Company (BSA) under charter to the UK government) and managed by foreign firms. After independence, a lack of domestic funds for development and lack of access to

external funds due to language or cultural barriers and low credit ratings with international agencies meant that newly independent states relied on external investment, technical expertise and access to markets (Bostock & Harvey, 1972:15). The institutional requirements for privatisation, moreover, were deficient, local banks did not have the capacity to provide adequate lending facilities to indigenous entrepreneurs and stock exchanges were dysfunctional (Temu & Due, 1998:316; NEPAD, 2012:21). This restricted both public and private enterprises from accessing investment capital, propagating a continued reliance on foreign investors (NEPAD, 2012:21).

Although the economic argument for FDI was that it provided access to foreign markets and supported the integration of the emerging economy into the global value chains, Taylor (2012:100) argued that this rarely occurred to the benefit of the developing economy and that corrupt elites prevented this. Within the mining industry, investment allowed the foreign investor considerable control over the exploitation of the extractive resources of the host country, which power could only be constrained through domestic or international regulation. Taylor (2012:109-110) expressed concern that African states failed to control MNCs sufficiently to maximise benefits from FDI and that only social or political pressure would encourage the ruling elites to tackle this, especially in those states without democratic institutions, stating:

> *"Historically, however, while resource-seeking[6] investment has delivered a measure of employment and certainly periodic export growth there has been limited success in transferring technology, creating business models worthy of emulation, and establishing multi-use infrastructure." (Taylor, 2012:109).*

Although historically these financial resources were provided by European interests, there was also a history of Arab and South Asian investments, both aided by the colonial linkages through emigration from other states within European empires, including India and French ruled Lebanon, and then in the last decade the emergence of China and India as a significant investors (Taylor, 2012:5/27).

Structure:

This chapter has presented the aims of the paper and the key concepts explored. Chapter 2 explores the main hypothesis put forward by Chua and the themes and concepts within it. These themes and concepts are explored in the Southern Africa context. Chapters 3 and 4 then provide an historical analysis of resource nationalism in SA and Zambia, providing detailed background on policies, state actions, stakeholders and drivers (both announced and suggested by scholars) as well as preliminary conclusions for each case study. Chapter 5 provides a through analysis of the hypothesis in the context of the two case studies from a comparative perspective and concludes with a determination of the fit of the hypothesis in this context.

[6] Other forms of FDI include markets seeking, investment to capitalise on new markets and efficiency seeking investment to maximise efficiencies (Taylor, 2012:109).

Chapter 2: Background

Privatisation-Nationalisation Cycles: Markets and Ethnicity:

Chua[7] (1995) analysed nationalisation and privatisation cycles in selected Latin American and Southeast Asian former colonies, most of which had liberalised markets at independence. Many businesses were either owned by private companies headquartered in the home territories of the former colonialists or controlled by a settler ethnic minority. Upon independence some of these countries continued with free-market policies, whilst others introduced more socialist programmes. As public expectations of growth increased and widespread prosperity failed to materialise, new political leaders emerged under nationalistic banners to challenge the incumbent leadership, often advocating expropriation of industries from foreign control. Once in power the new government would introduce a cycle of nationalisation, often to be replaced by a subsequent privatisation phase as the expectations of the population were once again left unmet. This cycle was repeated.

Chua's argument was based on three principal claims:

> *"The postcolonial nations of the developing world are deeply divided along ethnic and economic lines";*
>
> *"Free-market policies in these countries have historically resulted in the disproportionate prosperity of particular, ethnically identifiable groups"; and*
>
> *"On behalf of the disadvantaged majorities, ethnically charged … nationalist movements have repeatedly succeeded in overturning regimes championing private enterprise" (Chua, 1995:226).*

Chua explored and discounted a number of potential models for such cyclicality:

The Exogenous Events Model:
Defined as the impact that external events such as the Great Depression might have had on domestic policy. Chua (1995:256-257) determined that this would suggest a unified global cycle, rather than the evidential country specific oscillations observed.

Idealism-Selfishness Model:
Chua (1995:257-259) discounted this model, based on Hirschman's (1982a; 1986) observation of swings in public support for political change and the subsequent periods of necessary respite, firstly because both calls for nationalisation and privatisation were equally idealistically supported and could both be described as revolutionary movements, therefore providing little respite between

[7] Whilst Associate Professor at Duke University School of Law.

cycles. Secondly, Chua determined that this model would be expected to generate similar cycles universally and yet there are many states in which nationalisation and privatisations are not cyclical, such as the USA.

The Narrow Economic Model:
The prevailing argument among economists was that privatisation is the most efficient and productive economic system. Therefore if nationalisations or privatisations are chosen purely on economic benefits, then Chua (1995:259-260) argued there would never be any reversion to nationalisation.

The Pessimistic-Marxist-Immiseration Model:
Although Chua (1995:260-262) maintained this would provide a deeper economic analysis and acknowledged calls for nationalisation are often framed in Marxist ideology, it would not explain the cycles after privatisation, as Chua claimed there was little evidence that the poor become poorer as an absolute. So whilst recent evidence suggests that income disparities increase in free markets[8], if the majority population did not actually perceive a decreased standard of living, they would be unlikely to call for nationalisation. Chua also suggested that this model would overplay the extent to which calls for nationalisation in the developing world were based on pure political ideology, not least since they rarely resulted in the attempted eradication of social classes as imposed in Eastern Europe and China.

Market Dominant Minority Model:
The developing country markets Chua (1995) studied were typified by ethnic demographics of a market dominant minority (MDM) and a previously oppressed, indigenous majority. Within these economies, the MDM controlled the substantial trade and wealth (effectively forming a mercantile elite), while the majority comprised relatively impoverished indigenous peoples, who had largely been oppressed under colonial rule. Examples included the Chinese and Indian business class in Malaysia alongside the indigenous working class Malay, while in Latin America, where intermarriage was more common under colonial rule, industry was perceived to be controlled not by a separate ethnic group, but an aristocratic elite whose ties to European culture and capital marked them apart from the rest of the population. These scenarios were in direct contrast to the situation in most countries of the global North, where the majority ethnicity dominated commerce and the minority ethnic groups were more likely to be economically disadvantaged. Chua argued that it was this inverted demographic in developing countries that fomented the calls for nationalisation of foreign-owned industries; industries controlled by the foreigner-within as much as by investors from overseas.

On this basis, Chua's hypothesis indicated that nationalism played a defining role in those countries studied, targeting both foreign investors and expatriate settlers. Chua acknowledged that the nationalisation policies in the developing countries of the former soviet bloc and China were primarily ideology driven and therefore not conclusive to this hypothesis. Chua did however suggest

[8] See Thomas Piketty's Capital in the Twenty-First Century, Harvard University Press, Cambridge, MA, 2014.

that these cycles are likely to be seen in postcolonial nations of Africa, which like the countries studied in South East Asia and Latin America exemplify Albert Hirschman's analysis of *"cleavages along linguistic, religious, and racial-tribal lines*" (Hirschman, 1971 quoted in Chua, 1995:268).

Markets and Ethnicity in sub-Saharan Africa:

In most sub-Saharan African countries pre-independence markets were generally liberalised with concessionary mine ownership by private enterprises headquartered abroad (Meredith, 2007). Post-independence in some states government involvement in industry was required, as the colonial powers had prevented the development of indigenous entrepreneurs and many former colonial business owners had fled (Hwedi, 2001). Not only that but in many states potential ownership of enterprises was restricted to the state or further foreign investment due to the lack of indigenous capital (Taylor, 2012:32; Bennell, 1997:1796). In other states the entrepreneurial classes that remained may have been neither coloniser nor colonised, such as the Indian business owners in Kenya and the Lebanese in West Africa (Chua, 2003). In the half-century or so since many African states achieved independence, oscillations between private and state ownership of mines have been experienced.

In the following sections, each of the models outlined above will be considered within the African context. Although the aim of this thesis is to examine the roles played by ethnic minority ownership and political ideology, the remaining theories provide essential background analysis, which needs to be considered where relevant.

Exogenous Events Model:

Adedeji (1981:17) argued that the legacy of colonialism and the structure of extractive industries connected resource rich, postcolonial states inescapably to global markets. Commodity markets responded to global levels of supply and demand and resource extraction was capital intensive, so capital poor countries required foreign investment to exploit reserves. As Keohane and Nye (1987) suggested economic ties could often progress to political interdependence, wherein transnational linkages between various actors across states have an influence over the domestic policy prescriptions available to governments. It is therefore possible that international events may have impacted on government decision-making. This section explores external events in the twentieth century that could have influenced nationalisation or privatisation programmes.

Chua (1995) contended the cycles in her case studies were independent of each other and discounted the impact of exogenous events. Certainly for a number of the Latin American cases independence occurred from the early nineteenth century, during a phase of globalisation different to that experienced in the twentieth century (Chua, 1995). However, countering these arguments, Williams' (1975) study of all developing nations likewise noted such cycles between 1956 and 1972, but highlighted a correlation across states, observing that individual national cycles were

comparable with those in similar states. He highlighted the successive 51% nationalisations of the copper mines in both Chile and Zambia in 1969, followed by expropriation of mining operations in Sierra Leone and then in early 1970, after the Guyanese Prime Minister attended a Non-Aligned Nations conference in Zambia, mining interests there were also nationalised (Williams, 1975:270). However, Williams' (1975) study did not explore whether there was any connection beyond the circumstantial, although Martin (1972:167) confirmed there were discussions and fact-finding trips by Zambians to Chile at the time, organised through their mutual membership of the Intergovernmental Council of Countries Exporters of Copper[9] (CIPEC).

In the latter half of the twentieth century a few key external events could have influenced mining policy. The end of Eastern European communism and the concurrent rise of neoliberal economic policies, predicated on the economic programmes in the UK and the USA (Harvey, 2005); the implementation of SAPs from the mid 1980s as conditionalities for IMF and World Bank loans and the commodity price boom since 2000. Each of these will be explained and explored in the sub-Saharan African context.

Global Commodity Price Booms:

Commodity prices fluctuated depending upon global demand and speculative trading, including by government central banks in some precious metal markets[10]. Resource rich states were therefore vulnerable to commodity price shocks and governments had little control over the output volume from privatised extraction contracts (Taylor, 2012:100). State royalty and tax rates were not linked to commodity prices, consequently during commodity price booms corporations could earn windfall profits, which could lead governments and civil society to question whether the state was receiving a sufficient share of income from mined resources (Haglund, 2010:18; Williams, 1975; Chang, Heria & Loayza, 2009:6-8). In his study of mining nationalisation across developing countries between 1960 and 2006, Hajzler (2012:142) determined that not only are mining interest more likely to be nationalised than other industries, but that the risks increased during or after a commodity price boom.

Hajzler (2012) noted a rise in expropriations in the latter period of his study (1993 – 2006), which coincided not only with increased commodity prices, but these occurred in states with high level of foreign investment in mining. This suggested a link between both high prices and foreign ownership as drivers of nationalisation, which Hajzler (2012:143) considered reflected a greater distrust of the value obtained from foreign investors when prices for commodities are high.

These sentiments seem to be supported by the taxation and transparency agenda of the 2013 G8 summit and a growing perception that foreign owned mineral extraction corporations were not only profiting from high commodity demand, but were also using tax avoidance techniques and transfer

[9] CIPEC was set up after the Lusaka copper conference in 1967 (Martin, 1972:167).

[10] De Beers near 75% control of the diamond supply makes this the one exception, where prices remain stable (Taylor, 2012:100).

pricing[11] mechanisms to increase earnings to the detriment of the resource nation (Bond, 2000:25; Bienefeld & Innes, 1976:35).

The last commodity price boom began in 2000 and was sustained by demand from China and India. This demand remained despite the 2008 economic downturn and whilst this ensured the profits made by mining firms offer recession proof revenue streams for governments experiencing a fall off in taxes from other sectors (Cohen, 2012:6-7), many resource rich governments reviewed the income they derived from existing extraction contracts as well as taxation levels, local labour requirements and foreign ownership ratios (Haglund, 2010:21; Bello, 2013; Epstein, 2013).

Global Economic Policy and the 2008 Financial Crisis:

The earliest nationalisation cycle for many sub-Saharan African states occurred immediately after independence. Hirsch (2005) highlighted the proselytising of African socialism across the postcolonial states during the 1960s and 1970s as a response to the lack of economic progress by indigenous black Africans. This was characterised by nationalisations of large enterprises, land reforms and increased state intervention in the economy. Such policies were implemented firstly in Egypt, then Ghana, Tanzania and Zambia, but were, by the 1980s, to become synonymous with state capitalism and crony capitalism (Hirsch, 2005:35). However, although many agreed that there was clearly a global trend to nationalise mining across sub-Saharan Africa in this period (Hajzler, 2012; Kobrin, 1984; Rood, 1976), this was predicated on the emerging independence of states and a lenient worldwide appetite for nationalisations that arose after World War II (Rood, 1976:441), rather than as a result of a specific external event.

The subsequent fall of the communist regimes in Eastern Europe were considered to be the triumph of capitalism over socialism, which, Chua (1995:256) recognised, had an impact on her case studies. However, Chua (1995:256) determined that there was little international overlap of cycles in her study to indicate that this event was the only driver. For states in sub-Saharan Africa this period not only coincided with a reduction in support from the former Soviet Union, but also the implementation of IFI SAPs and their concomitant conditionalities; the so called Washington Consensus[12]. These policy prescriptions were intended to support the development of 'neo-liberal states' to encourage growth and alleviate poverty. Harvey (2005:64) described a neoliberal state as one that upholds private property rights and whose institutions supported free markets and free trade. Within this description was the implicit support for privatisation and deregulation, the benefits of which were productivity and efficiency gains to be achieved through increased

[11] Transfer pricing was reportedly a common approach used within minerals trading (Bond, 2000:25). If the mining house was a foreign entity, a transfer price maybe used to sell the extractives at an artificially low price to a subsidiary in a tax haven or under a more favourable taxation scheme, thereby understating taxable revenues in the resource country (Bienefeld & Innes, 1976:35).

[12] The 1990 John Williams (Economist at the Peterson Institute of Global Economics) used the term Washington Consensus to encompass a range of policies implemented in a number of Latin American states. Grounded on trade liberalisation, a market driven economy and macroeconomic discipline, the 10 points aimed to enable these states to recover from the economic crisis of the 1980s. The 10 policies were; fiscal discipline; reordering public expenditure priorities; tax reform; liberalised interest rates; a competitive exchange rate; trade liberalisation; FDI liberalisation; SOE privatisations; abolition of anticompetitive regulation; and legally protected property rights.

competitiveness (Harvey, 2005:65). However, as Mahabane (2014) explained, the concept of economic neoliberalism is contested and often used erroneously. He determined:

> *"neoliberalism suggests that governments reduce deficit spending, limit subsidies, reform tax law to broaden the tax base rather than rely on progressive taxation, remove fixed exchange rates and eliminate exchange control, open up markets to trade and eliminate government subsidies,* ***privatise state-run businesses*** *and encourage minimalist regulation." (Mahabane, 2014; emphasis added).*

Cramer (1999) established that in 1983 the initial focus of SAPs was increased competition and expansion of the private sector and that privatisation was only later pushed as a primary goal during the 1990s. Even in the early 1990s this was to facilitate increased efficiency rather than reduced government. This approach changed in 1992, when a World Bank empirical study suggested that efficiency gains were more durable if SOEs were commercialised rather than simply restructured, leading to stronger demands for privatisation in developing countries (Cramer, 1999:3).

However, Bennell (1997:1794-1795) characterised the early 1980s privatisation programmes in sub-Saharan Africa as *"token*", indicating that some governments openly opposed privatisation and paid only *"lip-service"* to IFI demands for reform. However by the 1990s leaders had stopped questioning why they should privatise and were more focussed on how. To better understand the commitment of SAP recipients to privatisation, Pitcher (2012) expanded on Shepsle's work on the distinction between *"motivationally credible"* and *"credible in the imperative sense*" to describe state commitments to privatisation. Reviewing the creation of institutions (laws, rules and regulations) to assess whether commitments to privatisation were driven by lender demands, but work slows or stops entirely once the loan was disbursed to the state (motivationally credible), as opposed to scenarios in which there was an actual, observable practice of privatisation (credible in the imperative sense) and therefore an indication that the government had adopted privatisation for ideological rationale (Pitcher, 2012:11-16). Cramer (1999:16) provided a related study of the social and ideological embeddedness of capitalism in a state, through the existence of relevant private sector transaction institutions.

Bennell (1997:1796) determined that in the 1990s this new commitment to privatisation was unlike the previous decade, when few states had the required institutional capabilities to manage structural reforms. He also suggested that even those sovereignties that previously had no need to privatise (and could ignore IFI guidance) had begun seeking donor funding. For Bennell (1997:1796), negative views on privatisation had been softened by 10 years of SAPs reducing popular resistance: the consensus appeared to be that privatisation was the only effective means for economic growth and prosperity. However, this analysis failed to consider the impact of the fall of the communism in the USSR, which both reduced support for socialism and removed the financial and technical support previously provided by Russia.

One of the outcomes of the SAPs was a reduction in welfare programmes and wages, reducing incomes and increasing previously state supported prices of necessities for the working classes and

unemployed (Mkandawire, 1994a:158-159). Meanwhile, inward investment from foreign enterprises in privatisation processes threatened the sovereignty of nation states, as expounded by Vernon (1968). Mkandawire (1994b:206) maintained that SAPs undermined state legitimacy and state capacity to govern, which he described as a *"real danger of multilateral recolonisation"* (1994a:159). He determined that there was little universal support for privatisation, while there was support for the growth of indigenous markets and businesses (Mkandawire, 1994b:207).

The 2008 global recession reversed the privatisation trend by not only suppressing demand for goods and services but also precipitating state share buying in the finance industry, with the UK effectively nationalising 84% of the Royal Bank of Scotland and the USA acquiring shares in General Motors and Wall Street firms (Cohen, 2012:43). A study by the Public Services International Research Unit estimated that these bailouts were equivalent to around half the value of global privatisations since 1980 (Hall, 2008:6). Within these bailed-out corporations the state often became the largest shareholder, effectively bringing back nationalisations to Western economies.

Idealism – Selfishness Model:

This model, following Hirschman (1982a; 1986), predicted political activism shifted between public purpose and private interest as civil society devoted energy to public issues and political changes then rested when they were worn down by public demonstrations. Chua's rejection of this was based on the zeal that supported privatisation and nationalisation; the cycles therefore were both based on public interest. She also determined that such swings should be seen in all states, including the USA, which had largely not experienced them in the extractive industries (Chua, 1995:258).

The Narrow Economic Model:

Chua (1995:259) suggested the prevailing perspective within economic literature, following the demise of socialism in Eastern Europe, was that nationalisation failed to maximise production efficiency and therefore did not deliver full growth and employment potential, it also led to corporate disinvestment, capital flight and corruption; privatisation was therefore considered irreversible. It was clear that economic failure, including increased levels of government debt, from nationalisation exercises could be an impetus to privatisation as a means to recoup costs. However, this economic perspective did not explain the cycles, for despite a body of evidence of failed nationalisations, developing country governments sometimes revisited the policy (Chua, 1995:260; Chang, Hevia & Loayza, 2009). Therefore the efficiency and growth arguments of the economic model, clearly did not paint the full picture. When the expected benefits of independence failed to

alleviate relative deprivation[13] popular discontent arose (Kobrin, 1984:339; Adedeji & Ake, 1981:30; Hajzler, 2012:136).

The Pessimistic-Marxist-Immiseration Model:

According to Marxist theory under a capitalist privatisation regime a few elites prospered while the majority, the proletariat, saw only immiseration (Chua, 1995:260). As Mkandawire (1994a:168) suggested, upon democratisation constituents expected an uplift in living standards which was not met by the slower progress of economic reforms compared to political regime change. This lack of improvement created pressure for nationalisation policies to meet popular expectations (Mkandawire, 1994a:170). However, according to Chua (1995:261), the historical record demonstrated that instead of Marxist redistribution, capital flight, industrial dismantling and economic decline that resulted from nationalisations exacerbated the economic malaise and privatisation returned to the agenda.

Whilst acknowledging that these fluctuating sentiments could cause the cycles, Chua (1995:261) determined that the perils of the privatisation period are empirically weak; in many states the poor experienced an uplift in living standards. Inequality may rise, but the poverty was relative to the increased national wealth and in accordance with the popular aphorism; all boats were still rising with the tide. Chua (1995:262) further cautioned that whilst calls for nationalisation may have been expressed in Marxist rhetoric, implementation rarely followed the socialist model, property rights were rarely removed and economies were decidedly mixed. Chua (1995:262) put forward Cuba, Burma and Vietnam as exceptions; in sub-Saharan Africa Tanzania could also be considered exceptional. Kobrin (1984:329) tentatively[14] concluded in his analysis of expropriations within the mining and petroleum industries in 76 LDCs between 1960 and 1979 that the majority were undertaken to exert control over foreign investors to meet national economic objectives and there were few wholesale nationalisation programmes implemented purely for the political ideology of state control of the means of production. Part of the basis for this conclusion is the selective nature of the expropriations, which focussed on extractive industries rather than universally implemented across all sectors (Kobrin, 1984:330).

Hajzler (2012:143) extended Kobrin's analysis to 2006 and suggested that nationalisations declined considerably from 1980 onwards and that this hypothesis may be true. Adedeji and Ake (1981:30-31) suggested that only in Tanzania, Uganda, Angola, Mozambique and Ethiopia, where private enterprise was outlawed, were nationalisation programmes instigated as socialist ideology. Hajzler (2012:143) conceded that increased international treaties[15] protecting FDI may have had a marginal impact on reducing nationalisation activity from the 1980s onwards, but this decline could also be explained by the near complete nationalisation of mining prior to that period.

[13] This term is based on Gurr (1971).
[14] Kobrin (1984:330) conceded that further in-depth case studies were required to test his assertion.
[15] Such as the World Bank's Multilateral Investment Guarantee Agreement (MIGA) and International Centre for Settlement of Investment Disputes (ICSID)

Market Dominant Minority:

National populations in sub-Saharan African states tend to be multi-ethnic, comprising various indigenous groups, colonial settlers and other immigrants. Historic divisions were exacerbated by colonial powers to maintain control and extract value from their territories. Colonial expatriates administered some states and others were overseen by other non-indigenous minorities, often through lineage heads (Bezemer & Jon-A-Pin, 2013:108; Welsh, 1996:480-487). This manipulation resulted in vague forms of nationalism for liberation movements, papering over racial and ethnic fractures based on religious, linguistic, racial-tribal, cultural and economic differences (Chua, 1995:268).

Regardless of the extent of ethnic divisions among indigenous populations and despite any participation by such groups in the colonial administrations, the colonisers oversaw political control and expatriates or foreigners invariably maintained economic control. Upon independence, political power was ceded to the majority, but often the MDM retained economic control (Chua, 1995). Chua described the "*ostentatiously opulent*" foreigner, who appeared to influence government while enriching themselves with the nation's wealth and ultimately causing popular resentment (1995:265). This included expatriate mining employees as well as owners, for example in the Zambian Copperbelt they were paid more than their black colleagues and exclusively filled leadership roles (Martin, 1972:141). This resentment would stimulate calls for government intervention and if wages were not standardised or leadership roles opened up, calls for nationalisation would be capitalised upon by opposition parties (Chua, 1995:265).

Bennell (1997:1796) determined that there were public concerns in many postcolonial states about the dominance of foreign or non-indigenous domestic investors, such as Lebanese and Asian businessmen in East and West Africa, furthermore that fears of relinquishing control of the economy to minority or foreign interests proved a disincentive to privatisation. Taylor (2012:24) determined that regardless of political ideology, few leaders in postcolonial states isolated the existing owners of businesses and privileged minorities were often treated with the same reverence as MNCs. Uganda was an exception, where Amin ousted Indian businessmen, while in Zimbabwe although white owned farms were expropriated, this occurred two decades after independence (Taylor, 2012:24).

The mining industry in Southern Africa was particularly problematic. Analysis in 1963, prior to independence in Zambia, determined that the minerals industry in Southern Africa, which involved several hundred enterprises, was actually dominated by 9 firms[16] whose directorships overlapped considerably[17] (Wolfe, 1963:154). These connections however extended beyond the immediate

[16] British South Africa Company, Anglo American Corporation of South Africa, De Beers Consolidated Mines, Johannesburg Consolidated Investment Company, Rhodesian Selection Trust, Rhokana Corporation, Mufulira Copper Mines, Union Minière du Haut Katanga and Tanganyika Concessions (Wolfe, 1963:154).

[17] 88 men held 130 directorships, six of whom held 22 seats. Some boards were almost entirely comprised of the boards of other firms, for example Mufulira Coppers Mines had 9 Rhodesian Selection Trust and 6 Rhokana Corporation members of its 16 member board. Harry Oppenheimer led 6 of the 9 boards listed in (16) (Wolfe, 1963:154-155).

mining concerns to processing and marketing industries, the oligopolistic nature of which made them impenetrable to states enterprises (Saasa, 1987:53-54; Wolfe, 1963:159).[18]

Bezemer and Jon-A-Pin (2013:110) used data from Chua (2003) and the Minorities at Risk project[19] to show that 40% of African countries have MDMs, including ethnic groups indigenous to Africa, colonial expatriates and other immigrants. They cited specific examples of indigenous, market dominant Africans such as the Igbo in Nigeria, Tutsis in Burundi and the Bamileke of the Cameroon, whilst non-indigenous settlers included Germans in Namibia, Portuguese in Angola, Lebanese across West Africa and Indians in Kenya and Tanzania. They determined that at independence the adoption of democratic forms of government, enfranchising the hitherto oppressed majority and opening domestic markets, enabled foreign investors to capitalise on mineral resources leading to three possible outcomes:

- The development of crony capitalism, in which MDMs protected themselves and their investments through corruption of government officials, for example the collusion between Daniel arap Moi's government and the Indian business tycoons in Kenya[20];

- Nationalist sentiment was either fostered by opposition politicians or rising public resentment was not contained by the incumbent government and ethnically motivated violence ensued; and

- Politicians fostered nationalist sentiment, leading to potential expropriation of private mining enterprises, withdrawal of concessions or the imposition of foreign ownership limits (Bezemer & Jon-A-Pin, 2013).

It is this third outcome that this thesis explores, in the context of post independence SA and Zambia, to understand the roles played by ethnicity of mining control and political ideology.

Chapter 2 Conclusion:

This chapter outlined Chua's evidence for the roles that ethnicity and ideology played within the South American and South East Asian contexts as well as the models she explored. Analysis of these models in the sub-Saharan African context provided the following conclusions.

The Narrow Economic and the Pessimistic-Marxist-Immiseration models were reflected in a number of studies that established repeated cycles of nationalisation and privatisation, which also confirmed little evidence that these were based on pure socialist or capitalist ideology (Williams, 1975; Hajzler, 2012; Kobrin, 1984; Adedeji & Ake, 1981; Chang, Hevia & Loayza, 2009). Mkandawire (1994b) provided an economic immiseration case for nationalisation, but without explanation for the reversals to privatisation in the same economic terms.

[18] For further analysis of the global interconnectedness in 1963 see Wolfe (1963).
[19] From the Center for International Development and Conflict Management at the University of Maryland.
[20] See also Chua (1998 and 2003).

Evidence of influence from external events included the global normalisation of privatisation, especially under the IFI Washington Consensus type programmes; commodity price booms and the end of socialism in Eastern Europe. However, these could be conceptualised as regimes rather than events. At independence many states liberalised markets and then implement nationalisations, but these were predicated on endogenous conditions, rather than any external crisis. The 1980s debt crisis may have precipitated subsequent rounds of SAP funding to sub-Saharan African nations, which by the 1990s were conditional on privatisation programmes (Cramer, 1999). However, Pitcher (2012:11-16) provided analysis of a lack of motivational commitment to some of these programmes, which were not completed. Finally, Williams (1975), Haglund (2010) and Hajzler (2012) provided evidence of the heightened impact of commodity price booms on calls for nationalisations, a link in which ethnicity of ownership seems to play a critical role, as is demonstrated in the subsequent case studies.

It is clear that MDMs or foreign corporations managed mining industries in all sub-Saharan states, both at independence and in subsequent privatisations (Bezemer & Jon-A-Pin, 2013). Foreign investors were essential due to a lack of domestic finance and expertise, while MDM economic dominance was supported by colonial rule. Bennell (1997:1797) also determined that populations and governments were concerned with the impact of FDI and expatriates on economic sovereignty.

The case studies in the next two chapters explore these ownership models in two different contexts. In Zambia mines were predominantly owned and managed by foreign corporations, while in SA mining firms were owned largely by an MDM. Chapter 3 provides an SA analysis since gaining dominion status in 1910, initially under an Afrikaner government through to the transition to full ethnic enfranchisement and more recent calls for nationalisation. Chapter 4 presents a similar analysis of Zambia policy choices since independence in 1964 until the current calls for nationalisation of Chinese owned mining interests. In each study the analysis and conclusions will be based on the roles played by ethnicity of control and political ideology.

Chapter 3: Resource Nationalism in South Africa

"Minerals made South Africa, minerals maintain South Africa, and South Africa is the axle on which fits the hub of the mineral industry of all southern Africa." (Wolfe, 1963:157).

Introduction:

South Africa had abundant gold, platinum and coal reserves and since diamonds and gold were discovered, in 1867 and 1886 respectively, European immigrants have dominated the sector (Meredith, 2007). During the apartheid years,[21] black and coloured[22] populations were barred from large scale entrepreneurship; employment law made labour cheap and facilitated the exploitation of the black (indigenous and immigrant) workforce; and in the latter years isolation and government controls had restricted external expansion and discouraged inward investment from foreign competitors. The gold deposits in SA were generally low grade, spread thinly and deeply and had therefore been costly to exploit. However, their discovery increased SA's global strategic importance, from a key trade route to a source of minerals. Mining rapidly became the fulcrum of the economy for over a century and from 1905 till 2007, SA was the world's leading source of gold (Marais, 2010:8; Mudd & Ward, 2008:9). Since the late eighteenth century, industrial development was characterised by a rift between mining and non-mining interests, which translated into a division of power between English and Afrikaner speaking industrialists (Feinstein, 2005:178). Whilst the Boer (Afrikaners) concentrated on farming, the Anglo settlers, the *Uitlanders*, had dominated commerce and mining, earning themselves the moniker Randlords (Meredith, 2007).

The importance of these extractive resources was conceptualised by Fine and Rustomjee (1996) as the Minerals-Energy Complex (MEC). The MEC provided an account of the way political and economic power in SA were impacted upon by capital accumulation within a cabal of minerals and energy[23] conglomerates: it explained the relations between corporate capital, the SA state and the global economy (Fine & Rustomjee, 1996:91-92). This included how these industries were reflected

[21] Although racial segregation was a persistent feature of South African colonial history, the 1910 unification of South Africa reinforced the supremacy of the white populations and legislation entrenching this was gradually introduced, including the employment colour bar within the Mines and Works Act of 1926. The election of the National Party in 1948 introduced apartheid as an ambiguous policy framework along with the four strict racial classifications. The 1960s saw intensification to the social and economic engineering of 'high apartheid', marked by deepened geographical segregation (through increasingly brutal forced removals) and policies of separate development (Butler, 2009:14-23/35; Terreblanche & Nattrass, 1990:9).

[22] The South African government officially recorded four racial groups: Black, Coloured (mixed race), Indian and White. There were additional subdivisions within the Coloured and Indian categories. These official, apartheid era distinctions are used throughout this section to explain the economic minority/majority dynamic. The white community demonstrated a further division in relation to the political economy.

[23] This includes coal, gold, platinum group metals (PGM) and other mining; electricity generation and distribution; non metal mineral products; iron, steel and non-ferrous metal industries; and fertilisers, pesticides, synthetic resins, plastics, basic chemicals and petroleum (Fine & Rustomjee, 1996:79).

in government policy, as evidenced by Innes (2007:53) in describing the influence of the MEC on the state to end mining strikes. M. Mbeki (2007) maintained that the dominance of the MEC on the economic and social structure of the country created a specific kind of capitalism, which maintained an economic oligarchy that battled successive regimes to sustain its hegemony. It is these hypotheses that provide the foundations for this chapter.

Analysis of the post-colonial history of SA indicates four cycles of nationalisation and privatisation policy implementation or policy debate[24] on which this thesis will focus. This analysis uses the definitions of nationalisation and privatisation outlined in chapter 1. The first was a period of calls for nationalisation under the National Party (NP) from 1948 to 1980, followed by a period of privatisation under the NP until 1994. There then follows an analysis of the privatisation regime maintained by the governing ANC alliance after the 1994 transition, which is often considered a departure from the historically more socialist emphasis of the freedom movement encapsulated the 1955 Freedom Charter. The final cycle for study is the more recent campaigning for nationalisation, since 2008, by Julius Malema, firstly whilst leader of the ANC Youth League (ANCYL) and as president of recently formed Economic Freedom Fighters (EFF) party. To understand the mining, political and ethnic landscape, this account starts in 1910.

1910 – 1948 Afrikaner Nationalism and Volkskapitalisme:

In 1910, two British colonies and two Boer republics merged to form the semi-independent Union of South Africa[25] (Forde, 2011:84). Political power was shared between Afrikaner farmer and Anglo mining interests, whilst Anglo South Africans controlled the economy through the Chamber of Mines (Terreblanche & Nattrass, 1990:7). Post unification, state intervention in mining increased including the 1918 introduction of a mining lease system and raised mining taxes (Lipton, 1986:259-260). Bienefeld and Innes (1976:46) determined that the 1920s battle for political power between mining and non-mining capital was ultimately won by the non-mining interests in 1924, under the new Pact[26] government, which introduced tougher mining taxation and increased mineral transport tariffs. The resulted in a long-term reduction in foreign expropriation of mining dividends, from 82% in 1918 to 47% in 1945 and 29% by 1964 (Lipton, 1986:258). Increased receipts from mining coincided with high state subsidies to Boer controlled farming, thereby challenging the dominance of the Anglo controlled economy (O'Meara, 1983).

Afrikaner nationalism and the development of *Volkskapitalisme* were also founded in this period (Meredith, 2007:524; Marais, 2010:15). O'Meara (1983:109-111) provided an analysis of volkskapitalisme development amid Afrikaner concerns that global capitalism was causing rising numbers of poor Afrikaners. Meanwhile Sanlam and Volkskas, Afrikaner finance enterprises,

[24] By bona fide political parties.
[25] The Union of South Africa gained semi-independent status of Dominion of the British Empire and so for this thesis is taken as the end of its status as a colony.
[26] A coalition between the National Party and the Labour Party.

introduced Afrikaner savings investment funds to invest in Afrikaner entrepreneurs and broaden Afrikaner economic activity (O'Meara, 1983:109; Feinstein, 2005:178).

Mine nationalisation was first raised by NP member, Dr Diederichs (Oppenheimer, 2011), then in 1933 the Broederbond[27] also called for the end of foreign control of natural resources, as well as nationalisation of the finance sector and state planned economic development (Moodie, 1975:113). Lipton (1986:269) noted division in the Afrikaner nationalist movement over the benefits of nationalisation. Some, including the son of Prime Minister Hertzog, trade unionist Albert Hertzog, called for the state ownership of mines not from an anti-capitalist stance, but to capture Afrikaner access to this income. In contrast O'Meara (1996:80-81) determined that the mix of state regulations and interventions for promoting the Afrikaner population and implementing apartheid was purposefully anti-capitalist. However, in this period no firms were nationalised and little was done to break up the oligopolistic mining industry. By 1948 Afrikaner owned firms were still only responsible for 1% of mining sales turnover (Feinstein, 2005:178).

1948 – 1980 Ethnic Socialism and Afrikaner Economic Empowerment:

In 1948 the Reunited National Party (NP) came to power and Afrikaners had two battles to economic success; the hegemony of Anglo capital in the commanding heights and competition for jobs from cheap black African labour (O'Meara, 1996:78; Zogg, 2011).

The NP resisted the capitalist label (distrusted as an English or Jewish construct) preferring to be considered a party that put the 'Volk' before profits (O'Meara, 1996:121). Their election manifesto, informed by the Broederbond, included nationalisation of the mines, eradication of monopolies and declared that state power would curtail capitalism, control banks and expropriate corporate land (Lipton, 1986:275; O'Meara, 1996:28/76).

The NP expanded the state through favourable hiring and language requirements[28], filling new posts and replacing Anglo civil servants by Afrikaners and extending and founding SOEs, including enlarging Iscor and Eskom and creating Sasol[29] within the MEC (O'Meara, 1996:76; Southall, 2005:462; Terreblanche, 2012:54). The state Industrial Development Corporation (IDC) resourced private Afrikaner enterprises, which Wassenaar[30] (1977:123) suggested was to challenge the dominance and industrial reach of AAC. In 10 years Afrikaners dominated the public and semi public sectors (Terreblanche, 2012:54).

Although much heavy engineering was nationalised, the mining corporations remained untouched and private property rights were maintained (Gumede 2005:69; Terreblanche, 2012:54; O'Meara, 1996:121). Lipton (1986:286) suggested mining nationalisation would have been too costly (if

[27] Launched in 1918 to promote and maintain the Afrikaner language and culture, the movement quickly established itself within the state, education and industry, eventually becoming a key force in the establishment of Afrikaner dominance in South Africa (Meredith, 2007:522-524; O'Meara, 1996:43-48; Moodie, 1975).
[28] Insisting on the use of Afrikaans within government departments.
[29] Iscor – the Iron and Steel Industrial Corporation founded in 1928. Eskom – the Electricity Supply Commission founded in 1923. Sasol – the energy and chemical company founded in 1950.
[30] As Chairman of Sanlam.

implemented with compensation) and have harmed international relations, when the NP victory had already seen some foreign capital to leave SA. Oppenheimer (2011) called these "*ethnic socialism"* policies, reflecting their distrust of capitalism and Anglo run corporations.

In 1958 Dr Louw[31] condemned foreign ownership calling for nationalisation if Afrikaners could not participate in industry. The Minister of Economic Affairs echoed his sentiment, while the Minister of Posts and Telegraphs put forward a motion to consider selective nationalisations, having previously complained about the power of the mining industries and referred to the mining magnates as *Soutpiel*[32] (Hartmann, 1962:30-31). However, Hartmann (1962:32) concluded there appeared no desire for state ownership of industry per se; these were calls for economic opportunity for Afrikaner interests. He cited Prime Minister Verwoerd declaring that foreign portfolio investment provided positive growth opportunities and was preferred to foreign capital investments, which he considered would increase foreign corporate control (Hartmann, 1962:32). The NP sought a balance between autonomy, self-sufficiency in a hostile global environment and foreign investment for growth and while ministers would call for nationalisation before they took office, the responses from the NP and the ministers themselves once in cabinet, were much more moderate. For example, the Minister for Lands, Forestry and Public Works denied any socialist intentions of the NP (Hartmann, 1962:33). The dichotomy for the state was how to encourage foreign investment, but avoid foreign control.

Innes (2007:58) maintained that although the MEC leaders did not support apartheid[33], the following clause on mining in the 1955 Freedom Charter concerned them so they continued to back the NP.

> *"The mineral wealth beneath the soil, the Banks and monopoly industry shall be transferred to the ownership of the people as a whole;" (The Freedom Charter, 1955)*

Despite this backing Verwoerd, concerned with AAC dominance of the mining sector, launched a commission on the economic influence of AAC in SA. Although never published, this was believed to have led to the 1963 decision for AAC sell a majority share of General Mining and Finance corporation (GMF) to the Afrikaner subsidiary of Sanlam, Federale Mynbou (Innes, 2007:60). AAC had previously prevented Federale Mynbou from taking over JCI, a firm with shares in De Beers and control of the world's largest platinum group metals (PGM) mine in Rustenburg, by outbidding them in 1962 (Fine & Rustomjee, 1996:161).

Feinstein (2005:179) determined that under the prevailing Afrikaner nationalism, this was a move to expand Afrikaner investments in the MEC. Similarly Terreblanche (2012:53) maintained the sale was made at a discount and was the first deal under an Afrikaner Economic Empowerment (AEE) initiative devised by Harry Oppenheimer. O'Meara (1996:120) supported the view that the sale was made at a discount to contain Afrikaner nationalism. However, Cohen (2012:69) suggested that AAC

[31] Director of Sanlam and Sasol, President and co-founder of the Afrikaanse Handelsinstituut (AHI).
[32] An illustration of the perceived foreign allegiances of the English speakers is this bawdy Afrikaans epithet, which describes them as someone who has one foot in South Africa and one foot in Europe (O'Meara, 1996:75)
[33] Although guaranteed plentiful cheap black workers, labour policy limited skilled positions to white employees, which was beginning to impact on their ability to recruit the best candidates.

gained considerable business benefits from the sale challenging the notion that this was simply to gain political influence and reduce threats of nationalisation. Revealingly, in 1964 Minister Diederichs declared the sale a victory for the Afrikaner capture of a strategic sector (O'Meara, 1996:123). Fine and Rustomjee (1996:112/161) endorsed the view that the sale followed the Commission of Enquiry, although O'Meara (1996:120) suggested the review was a result of distaste at the sale. Because the review was never published, the timings were to unclear to determine which opinion was more likely to be correct.

Due to international seclusion and policies to prevent capital flight and stimulate domestic investment, by 1979 the SA economy was dominated by four large parastatals and six private enterprises, two Anglo capital, two Afrikaner capital and two foreign-owned[34] (Innes, 2007:59-61; Bassett, 2008:194).). This conglomeration of industry was exacerbated by the departure of foreign investors following the Sharpeville Massacre in 1960 (Fine & Rustomjee, 1996:112/160). By the 1970s Afrikaner and Anglo conglomerate owners alike, constrained by the regime, were calling for political liberalisation and increased access and integration into international markets (Habib & Padayachee, 2000:247).

White economic control was also under scrutiny by the freedom movement, such as at the 1969 ANC Morogoro conference:

> *"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." (ANC, 1969)*

1980 – 1993 Auctioning the Family Jewels:

By the 1980s, political and economic uncertainties, including intensified resistance from neighbouring and domestic liberation movements, and improved commodity prices led to conflict within the NP and between corporates and the state. The economy was straining under sanctions and increasing costs to protect the white population. As transition to racial emancipation became inevitable, economic policy was in flux for both negotiating parties. Although apartheid kept wages low and removed competition, the MEC was aware their economic interests were at risk of redistribution and their position within the apartheid regime had removed any moral authority they hoped to maintain within the freedom movement (Bassett, 2008:186-187).

Although not a state-run economy, around 300 SOEs were responsible for 55% of fixed capital assets, while apartheid had racially concentrated private capital accumulation (Pitcher, 2012:189-190). President Botha's hard line against easing the apartheid restrictions in 1985 saw 250 international companies exiting SA by 1987 (O'Meara, 1996:330/355-356). The MEC sought to convince the NP of the benefits of privatisation and free markets (Terreblanche, 2012:60).

[34] Parastatals: South Africa Railways & Harbours (later Transnet), Escom, South Africa Reserve Bank and Iscor. Anglo capital: AAC Corp. and De Beers. Afrikaner capital: Sanlam and Volkskas. Foreign: Barclays and Stanbic (Innes, 2007:61).

Responding to these calls for liberalisation in 1988 Botha announced the privatisation of some SOEs (Lazar, 1996:618; O'Meara, 1996:386). ISCOR was privatised in 1989, however as the negotiations with the ANC progressed, strategic references to nationalisation expressed in the paper "ANC and COSATU Recommendations on Post-Apartheid" halted further sales (Lazar, 1996:618: Hirsch, 2005:47). Kentridge suggested that ANC objections to the privatisations were not ideological but based on:

> *"the indignation of an heir apparent watching the family fortune being auctioned on the eve of his inheritance" (Kentridge, 1993:4).*

As Kentridge (1993:5) suggested that ANC objections to NP privatisations were not ideological, he further asserted that the subsequent calls for nationalisation were predominantly an "*emotional response*" rather than a strategic priority: a rejection of minority economic control. He determined that nationalisation was clearly intended to target the monopoly enjoyed by the AAC and De Beers (Kentridge, 1993:4).

In 1993 the NP published its economic policy framework, the Normative Economic Model (NEM), which, supported by the predominantly Anglo membership of the South African Chamber of Business (SACOB), advocated free markets, reduced state expenditure and privatisation of SOEs (Terreblanche, 2012:60; Van Wyk, 2009:21). Although Lazar (1996:613/618) suggested the privatisation programme was promoted to improve economic efficiency, he also maintained it was to protect white privilege against majority rule. Mkandawire (1994b:210) agreed that the strategic privatisations were to ensure the dominance of white interests after universal enfranchisement. Fine and Rustomjee (1996:53) suggested privatisation was to prevent the incoming government from accessing these assets. Bassett (2008:191) agreed that the outgoing government wanted to limit the manoeuvrability of the ANC and therefore reduced government ownership. There is no formal documented evidence to support these claims and privatisation was a global trend at this time.

Although Mandela's release came 35 years after the Freedom Charter was drafted, it remained the only economic policy for the ANC alliance, which itself was a broad church including communists, socialists and others with liberal ideologies (Herbst, 1994:33). In 1990 on his release from prison, Nelson Mandela announced:

> *"The nationalisation of the mines, banks and monopoly industries is the policy of the ANC, and a change or modification of our views in this regard is inconceivable. … state control of certain sectors of the economy is unavoidable." (We will nationalise, 1990).*

Apart from the redistribution of mineral wealth to the people, the Freedom Charter did not specifically mention capitalism, socialism, nationalisation, a centrally planned economy or the removal of property rights (Freedom Charter, 1955; Rees, 2011). Ideologically it was vague, reflecting the diversity of the coalition that drafted it; the variety of responses to the consultation

exercise; and the need to not position the movement for reform too far in the extremes of the political spectrum (Cohen, 2012:53-59). Ben Turok, an author of the economic clauses, suggested the Charter had no specific ideological orientation; it merely represented the collective requirements for ending oppression (Cohen, 2012:59). Hirsch (2005:34) maintained that the Charter reflected the social democratic policies prevailing in Western Europe and the types of welfare programmes advocated at the time by Keynes.

As a movement for political change, the ANC arguably lacked skills and experience in economic policy formation and therefore turned to the international and local business communities for guidance (Gumede, 2005:72; Herbst, 1994:32). T. Mbeki (1996) determined the state had to co-operate with business to achieve its goals and that globalisation prevented the state from achieving racial emancipation alone, and to destroy and subjugate the former oppressors would have been undemocratic. A radical redistributive economic outcome was anathema to corporates, who by 1986 recognised the need to influence the ANC to abandon a perceived socialist agenda (Terreblanche, 2012:59). Capitalising on the lack of ANC economic policy they promoted the benefits of market liberalisation, as they had with the NP government; business leaders positioned themselves as educators for the liberation movement (Bassett, 2008:190).

Throughout the 1980s and early 1990s meetings took place between corporate representatives and ANC activists both in exile and in SA[35] (Handley, 2005:217; Taylor, 2012:57; Van Wyk, 2009:8/14; O'Meara, 1996:387; Bassett, 2008:191). The most renowned of these were those of the 'Brenthurst Group'[36] and leading members of the ANC (Gumede, 2005:79).

Lipton (1986:383) suggested that a number of Afrikaner businessmen were persuaded not to meet with the ANC by the NP. Private talks which took place between Harry Oppenheimer and Clive Menell[37] and Mandela, also concerned Govan Mbeki, Walter Sisulu and Harry Gwala fearing capitalist influences on ANC economic policy (Gumede, 2005:73). Thabo Mbeki dismissed COSATU[38] concerns about the lack of public scrutiny over these discussions declaring them merely technical, allowing the COSATU leadership to vote for their continuance (Gumede, 2005:75)

Corporates also commissioned economic policy think tanks to prepare scenarios. Williams and Taylor (2000:28) cite a number of exercises conducted from 1990 by Sanlam, Nedcor/Old Mutual and the

[35] Handley (2005:217) reported the 1985 meeting between David Wilkes of the South African Foundation (SAF) and two ANC leaders in London. The following year AAC Chairman, Gavin Reilly, met ANC leaders in Lusaka, Zambia, as did other South African industrialists (Taylor, 2012:57; Van Wyk, 2009:8). In 1987 Michael Young, of Consolidated Gold Fields, arranged around a dozen clandestine meetings led by Mbeki between the ANC in the UK, the South African government and business representatives at the request of the ANC President, Oliver Tambo (Van Wyk, 2009:14). In 1988 liberal business leaders created the Consultative Business Movement (CBM), to harness corporate power for change, which, three months after Mandela's release, met with 40 ANC members to discuss nationalisation (O'Meara, 1996:387). Corporates also engaged with black entrepreneurs through the National African Federated Chamber of Commerce (NAFOC) (Bassett, 2008:191). Other industrialists met ANC members at the Development Bank of South Africa (Terreblanche, 2012:63).
[36] The Brenthurst Group comprised senior figures within some of the key corporations in the MEC, including Harry Oppenheimer and Anton Rupert. Meetings were held in private at Brenthurst Estate, Johannesburg, one of the homes of the Oppenheimer family (Terreblanche, 2012; Butler, 2013b:287).
[37] Chairmen of AAC and Anglovaal respectively.
[38] Under the leadership of Secretary General Jay Naidoo.

Mont Fleur planning sessions, attended by Manuel, Ramaphosa and Mboweni in their role as the ANCs department of economic planning[39] (Handley, 2005:221; Kentridge, 1993:9). AAC funded think tanks also provided cost projections of nationalisation scenarios[40] (Handley, 2005:221). AAC's support for liberalised markets was stated within a book authored by Sunter[41] in 1987 exploring SA political economic scenarios for the 1990s[42]. Whilst it called for full equality from a peaceful, negotiated settlement, it also advised against big government and a controlled economy (Sunter, 1987:105). Sunter (2010) recalled this book led to a meeting in 1990 with Mandela in Victor Vestor Prison. While they debated strategies for growth Mandela quoted Deng Xiaoping saying, *"I don't care if a cat is black or white as long as it catches mice*" (Waldmeir, 1997:255), which Sunter (2013) interpreted as Mandela's ideological ambivalence.

Corporations presented privatisation as the solution to growth through the provision of privatisation capital for government funded projects and as a signal to foreign investors that SA would maintain the liberalised markets, which would provide jobs through foreign investment as well as tax revenues: these ideas were framed in technical terms, devoid of ideology, to avoid objections from the ANC[43] (Bassett, 2008:190-191). Bassett (2008:188) determined that the corporates wanted to restructure globally to escape the intractable problems in SA, ensure property rights were protected in the constitution and increase opportunities for exploitation of global markets.

The corporate message benefitted from the concurrent capitulation of the communist regimes in Eastern Europe (Bassett, 2008:187). The USSR had collapsed in 1989; the economies of Zimbabwe and Tanzania were failing and even those more moderately leftist governments in Western Europe (Sweden, the Netherlands, Greece and France) were faltering (Gumede, 2005:76). The liberation movement had historically received support from Russia and other communist states. As the socialist regimes ended these states engaged in talks with western governments and Soviet military support for the ANC was replaced with expectations of a negotiated settlement (Landsberg, 1994:279).

Acknowledging that socialism ended due to mass popular dissent, Joe Slovo[44] (1990) considered this a result of authoritarianism and reiterated the SACP commitment to a democratic (including political plurality) socialism. However this failure impacted on ANC policy, leading Mac Maharaj to declare that SA options were limited and Slovo to also advocate for a market driven solution (Gumede,

[39] Williams & Taylor (2000:28) concluded that the small number of people involved, accounted for the consistency of the messages and that their support from the press provided little exposure for dissent.
[40] Roux (1992:295) cited 1987 estimates in the region of R86 billion to R106 billion in compensation for nationalisation. Repayments on loans for amounts of this order alone would take up a substantial part of state budgets.
[41] While Assistant to the AAC Chair.
[42] Further evidence of AAC attempts to influence policy can be seen in the 1988 book, co-edited by Bobby Godsell while Director of Industrial Relations at AAC, in which a non-violent transition for South Africa is envisaged (Peter L. Berger & Bobby Godsell (Eds). 1988. A Future South Africa: Visions, Strategies and Realities. Cape Town: Human & Rousseau; Tafelberg.)
[43] The influence of these interest groups was arguably apparent in the genesis of policy documents from this period: the MERG (the ANC aligned Macro-Economic Research Group), the RDP (Reconstruction and Development Programme) and later GEAR (For analysis of these policies see Lazar, 1996; Hirsch, 2005; Adelzadeh, 1996; Narsiah, 2002; Habib & Padayachee, 2000; Saul, 2001).
[44] While General Secretary of the SACP.

2005:76; Habib & Padayachee, 2000:253). Mandela and Thabo Mbeki were convinced that these international experiences demonstrated that socialism would fail and in 1992 Trevor Manuel announced that nationalisation would only be used a last resort (Gumede, 2005:73).

Moll, P.G. (1991b:112) suggested that nationalisation was used as a stick to challenge firms to broaden access to employment for previously disadvantaged SAs or to encourage greater collaboration with unions. In response to one characteristic outburst from Ramaphosa, reportedly threatening to nationalise the mines upon transition, Harry Oppenheimer allegedly replied *"But a gold mine is only a hole in the ground."* (Butler, 2013b:285), alluding to the international connections required to exploit resources on global markets.

Although nationalisation was effectively shelved, the 1992 ANC policy paper, Ready to Govern, still recognised white minority command of the economy in its anti-trust statement (ANC, 1992).

Early ANC economic policy was also informed by understanding of a broader international range of experiences not simply Soviet socialism, by the 1990s East Asian tigers, such as South Korea[45], featured as early models for policy (Nattrass, 1992:630; Hirsch, 2005:39). During one of the larger Lusaka meetings with academics, business leaders and 123 ANC members in 1989, the ANC specifically referred to the pitfalls of nationalisation experienced in the 1970s in Mozambique and the increased private sector involvement in SOEs in socialist economies (Hirsch, 2005:44). Lazar (1996:614) also confirmed that early (pre 1994) ANC policy was based to some extent on the successful development of some Asian pacific states, but such state centric ideas fell out of favour as the failures in Eastern Europe became more apparent.

Calls for redistribution in the Freedom Charter and the initial MERG proposals arguably reflected expansionary macro-economic populism[46] (Padayachee, Sender & Fine, 1993; Moll, T. 1991a:325; Nattrass, 1994). Herbst (1994:36) cited Ramaphosa recognising the need to avoid medium to long-term problems associated with macro-economic populism. Whilst Mandela wanted the redistribution of political power and the redistribution of wealth, political and economic stability were paramount to avoid capital flight and threats of nationalisation and expropriations had caused foreign capital flight previously (Waldmeir, 1997:252; Gumede, 2005:80; Moll, T. 1991b:4; Herbst, 1994:36; Moll, T. 1991a:324). Deciding whether to meet the needs of their voters, at the risk of economic crisis, or pacify the conglomerates and hope that improvements in livelihoods can be

[45] Kentridge (1993:27) determined business, the NP, the ANC, COSATU, the SACP and various academics had their own interpretations on the South Korean model of a mixed economy, but use of similar language indicated a congruence of policy positions of these groups. Despite subtle differences in interpretation of restructuring, redistribution and a mixed economy, all were accepted as a necessity. However none included nationalisation (Kentridge, 1993:26-29).

[46] Policies for redistribution and growth followed at the risk of inflationary and debt outcomes and ignoring external, structural restraints and the possible negative reactions from IFIs, foreign governments and MNCs to market restricting approaches comprise macro-economic populism. Such policies include select nationalisations, the socialisation of firms through requisitions and the introduction of concomitant legislation. Although these appear socialist and involve large-scale social reform, especially in trying to achieve redistribution of wealth, they are not necessarily ideologically based. Such policies, which may result in capital flight and long-term wage reduction, are used for political mobilisation of the working classes and led by sections of the middle and upper classes. Repetitive rhetoric and symbols are used to inspire followers, the leadership of opposition movements can capitalise on popular disillusionment with the existing regime and its failure to create improvements in livelihoods (Dornbusch & Edwards, 1990:249-250; Drake, 1982).

achieved through growth rather than redistribution was the key[47]. However Hirsch (2005:6) maintained that the government was able to capitalise on the political dividend afford to many liberation governments. Potentially guaranteed a number of successful elections populist policies were unnecessary and without a strong opposition there was no incentive to use policy for domestic support (Hirsch, 2005:6).

Although ANC policy was debated at the 1991 Convention for a Democratic South Africa (CODESA), in early 1991 ANC economic policy was already forming (Gumede, 2005:75; Hirsch 2005:30). Attending the January 1991 World Economic Forum (WEF)[48], Mandela presented a speech, which Tito Mboweni had been required to make more market friendly from its classical socialist language (Hirsch, 2005:30). Sorkin (2013) suggested that Mandela's conversion from nationalisation to the eventual development of the free market oriented Growth, Employment and Redistribution (GEAR) policy occurred during this WEF[49]. Mandela reportedly spoke with delegates from the West and communists from China and Vietnam. These leaders impressed upon Mandela that they were privatising SOEs and encouraging FDI to achieve growth and that nationalisation would no longer be in SA's best interest (Sorkin, 2013). Sorkin quotes Mandela's response:

> *"They changed my views altogether … I came home to say: 'Chaps, we have to choose. We either keep nationalization and get no investment, or we modify our own attitude and get investment.'" (Sorkin, 2013).*

After Davos, Mandela met with SA business leaders to declare his intention to convince the ANC to drop the nationalisation agenda (Kentridge, 1993:5).

An outcome of CODESA was that in the coalition Government of National Unity[50] (GNU) the NP would retain leadership of the main ministries for the economy, including Finance and Minerals and Energy Affairs to comfort the leadership of the six key conglomerates (Gumede, 2005:76; Handley, 2005:218).

The transition economic policy for the GNU was the Reconstruction and Development Programme (RDP). Bond (2000:98/270), who drafted the RDP white paper, claimed that it was presented to commercial interests[51] before it was presented to the Cabinet. Gumede (2005:79) suggested that the IMF, the World Bank as well as the governments of the UK, USA, France, Germany and Japan reviewed it too. As important trading partners this oversight was not necessarily problematic, to sustain the economy and support growth these states would be remain essential to economic

[47] For an analysis of the policy genesis in the transition period from "growth through redistribution" to "growth and redistribution" to "growth then redistribution" to finally simply "growth" see Habib & Padayachee (2000:247-253).
[48] The World Economic Forum is a non-profit foundation providing opportunities for business, academia, civil society and political leaders to discuss and shape global and national economic issues. Politically independent it is funded entirely by corporate membership fees (www.weforum.org).
[49] Although Sorkin (2013) suggests this meeting took place in 1992, Hirsch (2005) provides credible evidence that the meeting was in fact in January 1991.
[50] The temporary government structure implemented for the transition to full democracy.
[51] Bobby Godsell, Executive Director of AAC and former President of the Chamber of Mines (1992/3) and Rudolf Gouws, Chief Economist at Rand Merchant Bank (Bond, 2000:79).

growth. Opportunities for development lay in the maintenance and support of a functioning and legally protected (through property rights) private sector, rendering nationalisation untenable (Herbst, 1994:33). ANC economic policy needed to respect the dominance of global trade and investment without deterring the political support of the enfranchised population and address the needs of the poor without deterring global capital and expertise (Lazar, 1996:617).

Hirsch (2005) maintained that the policy sought to ease the SA economy back into the global trading and finance structures to provide conditions for growth and despite the conclusions of academics on the left, SA retained a commitment to redistribution through extensive, world leading social welfare programmes. Greenstein (2003:1) suggested that many SA left wing analysts considered capital and state colluded to support business interests, which Mahabane (2014) described as *"an obsession of intellectuals and analysts on the left"*, convinced that the government was ensnared in a *"neoliberal disposition"* of complicity between the state and corporates. Such analysts stressed the global hegemony of economic liberalisation and the strength of the SA private sector as barriers to prevent socialism or nationalisations (Pitcher, 2012:190; Habib & Padayachee, 2000:245).

Habib and Padayachee (2000:260) suggested that the government was subordinate to a transnational power structure dominated by the IFIs, foreign investors and domestic business with international operations, a fact that the GNU acknowledged in the economic policy formation. They argued that given the lack of an enforced structural adjustment programme and the relatively low levels of foreign and domestic debt, it was this power imbalance that determined policy and ultimately enabled conglomerates to ensure their needs for global expansion were met (Habib & Padayachee, 2000:260-261). Hirsch (2005:69) agreed suggesting that ANC policy was purposefully conservative to avoid scaring the markets; that certain policies were drafted to placate global economic stakeholders and finally determining policies were adopted that met the explicit approval of the World Bank and the IMF to avoid a crisis requiring their support. The SA economy needed investment for growth and employment, which could only be achieved through foreign financing.

SA isolation, initially through import substitution policies and then international sanctions, had already produced globally uncompetitive manufacturing and reduced domestic competition, which had resulted in high unemployment and a stagnant economy, all exacerbated by the state of emergency costs (Hirsch, 2005:1/22-24; Van Wyk, 2009:7). This isolation increased ownership concentration and oligopolistic and monopolistic domestic markets, which concentrated the power of dominant firms in particular sectors, such as AAC in mining, and unbalanced power relations in the broader economy. In SA in 1994 this amplified power resided predominantly with Anglo and Afrikaner white owned corporates (Hirsch, 2005:194).

Van Wyk (2009:22-23) determined a lack of cohesion between ANC negotiators, such as Ramaphosa, Maharaj and Slovo, and the groups developing economic policy, such as MERG and the DEP (the ANC's Department of Economic Policy) moderated ANC economic policy and that Mbeki and Mandela took a 'reconciliatory' approach to big business for political rather than economic reasons. However, Adelzadeh (1996:66-67/91) determined that the policy shift to a *"neoliberal framework"* was a result of "*ideological pressures"* from the IFIs.

Although Mandela reiterated a commitment to nationalisation on his release from prison, persuaded by the fall of the planned economies of East Europe, the leaders of the Western economies such as the UK, USA and Germany as well as the World Bank and IMF and after extensive, private consultations with the Brenthurst Group and other industrialists, by 1994 the ANC had dropped nationalisation (Webster, 2001:261; Bassett, 2008:193).

1994 – 2008 Black Economic Empowerment and Unbundling:

Compared to other countries at liberation, SA had an advanced industrialised economy and a well organised labour movement, which was instrumental in the freedom struggle (Webster, 2001:255). International sanctions and continued foreign corporate divestments facilitated six conglomerates[52] through networks of subsidiaries to control around 85% of the JSE at transition[53], affording them considerable power over the economy (Hirsch, 2005:196-196; Bassett, 2008:194). Handley (2005:213) further argued that the international investors and ideas had a strong influence on the SA economy, because it was open and globalised.

However the economy was in malaise with poverty, unemployment, uncompetitive manufacturing and high inequality, additionally savings, income and investment had all reduced since the 1980s and the sunset clauses for retiring civil servants increased the state pension obligations significantly[54] (Hirsch, 2005:1; Gumede, 2005:78). Maintaining the security of the white population had been expensive and sanctions had restricted corporate growth and tax receipts to the capacity of the domestic market. Although this led to the decline of most sectors between 1989 and 1993, the country did not have huge debts or exceptional inflation (Habib & Padayachee, 2000:246; Pitcher, 2012:189; Bassett, 2008:192). Hirsch (2005:70) suggested the combined debts of the NP state and Bantustans, at around 9.5% of GDP in 1992/1993, were at an historic high. The World Bank designated SA a *"less-indebted middle income country"* requiring no IFI support at transition (Hanson & Hentz, 1999:482).

As transition negotiations concluded in 1993, the IMF loaned SA $614 million[55] to address balance of payments difficulties[56] (Padayachee, 1997:32/38; International Monetary Fund, 2014). Whilst Bassett (2008:192) contended there was no debt crisis and suggested the loan was used to *"secure the ANC's commitment to neoliberal restructuring"*, its disbursement committed the state to only moderate macro-economic management, including deregulation and liberalisation (Padayachee,

[52] AAC 33.7%; Rembrandt Group 14.6%; Anglovaal 2.9%; Liberty Group 4.7%; SA Mutual 14.2%; Sanlam 15.6% (Hirsch, 2005:195).
[53] Hirsch (2005:195) determined this accumulation of control commenced in the 1950s/1960s when mining firms captured most mining opportunities and lucrative investments in domestic finance and manufacturing, then in 1980s these mining and finance companies acquired subsidiaries from departing foreign investors.
[54] From R31 billion in 1989 to R136 billion in 1996 (Gumede, 2005:78).
[55] Vishnu Padayachee (1997:32), a Non-Executive Director of the South Africa Reserve Bank from 1996 – 2007, claimed it was for $850m, however IMF data details a $614m disbursement to South Africa (with $123m in charges) from the General Resources Account (International Monetary Fund, 2014).
[56] Ostensibly caused by a prolonged drought that reduced farming exports, however Padayachee (1997:32/38) suggested Western banking sanctions were the cause.

1997:32). Handley (2005:223) suggested the IMF loan was too insignificant to have had any impact on policy development. Therefore, as Pitcher (2012:187) determined, the GNU implemented structural reforms, were neither based on a crisis in the parastatal sector nor externally imposed conditionalities. They were implemented to address the historically high state debt, low and negative growth and weak global competitiveness in the manufacturing sectors (Hirsch, 2005:69).

Bassett (2008:193) determined that after the 1994 election business leaders demanded further liberalisation of finance and markets, including permission to list overseas[57] (Hart, 2013:7; Bond, 2000:26; Bassett, 2008:194). Bassett (2008:194) maintained that whilst white capital convinced the ANC that liberalisation of capital was critical to ensuring investment for growth, their aim was to facilitate their own access to international trade and investment opportunities, ultimately enabling their previously high domestic investment to be exported.

The next ANC economic policy, the 1996 market focussed GEAR, included privatisation and a restructured public service and, according to Hirsch (2005:98), was intended to calm global finance markets, which had reacted negatively to the replacement of the white Finance Minister with Trevor Manuel. From an ideological perspective, Gumede (2005:87-88) recounted discord within the GEAR drafting team, with the head, Abedian, determining that despite IFI oversight, he *"rejected the World Bank and IMF's orthodoxy"* (Quoted in Gumede, 2005:87), while another team member maintained that the *"Washington Consensus"* was an influence. The reality, Gumede (2005:88) concluded, was that to attract to foreign investors, GEAR committed to privatisation of non-essential SOEs and partial privatisation of others, while also committing to redistributive social policies.

Handley (2005:217/227) interviewed Jeremy Cronin, who suggested research from the corporate commissioned think tanks impacted most on ANC economic policy and Rob Davies[58], who considered domestic businesses had little influence, rather the ANC sought international portfolio investment by stabilising the currency. Hirsch (2005:5-6) determined ANC economic policy was drafted to avoid losing sovereignty to private or IFI capital, reflected international and domestic market conditions, but did not result from external pressure. Handley (2005:213) maintained international opinion had an indirect influence on policy, but direct lobbying by business had little impact, suggesting the ethnic split between white capital and black political leadership reduced business influence.

Saul (2001:20) suggested GEAR was ideological as the economic rationale was weak, while Nash (1999:26) analysed Mandela's stance on capitalism and socialism and suggested that the ambiguity perceived by many stems from an adherence to a type of democracy that Nash describes as *"tribal democracy*" (1999:26). Nash determined this precludes either capitalism or socialism and is supported by this quote from Mandela:

[57] Resulting in the 2006 London listing for AAC and an Australian listing for BHP Billiton. AAC became the 15th largest British corporation and BHP Billiton, Australia's largest listed company (Hart, 2013:7; Bond, 2000:26; Bassett, 2008:194).
[58] Both interviewees were members of the ANC and SACP.

"neither socialist nor capitalist, but was driven rather by the desire to uplift its people." (Mandela, 1997, quoted in Nash, 1999:26)

Despite reservations among some government constituencies, Pitcher (2012:187-190) determined the motivational commitment to privatisation was high[59]. However, some analysts suggested that privatisation was still considered a 'dirty word' in government, where the euphemism 'restructuring' was preferred (Gumede, 2005:105; Bond, 2000:80). Small firms were privatised in broadcasting, forestry and tourism sectors, whilst other operations were corporatised and unbundled, with shares reserved for Black Economic Empowerment (BEE) purposes (Pitcher, 2012:190). For the partial privatisations of selected units of the four largest SOEs (Eskom, Transnet, Telkom and Denel, together accounting for 91% of state assets), BEE targets on equity ownership and employment were made mandatory upon sale and often these BEE investments were supported by loans from the state-owned Industrial Development Corporation (IDC), as the financing options for black investors were restricted (Iheduru, 2004:11).

Mahabane (2014) contended that the private sector would not recognise much neoliberalism within SA economic policy, viewing some privatisations within the public services rather as state corporatisation and suggesting the obsession with neoliberal policy has masked *"patronage networks that have created state capture"*[60]. Pitcher (2012:189) likewise divided the privatisations in two: the whole or partial sale of SOEs to private investors and the commercialisation or corporatisation of parastatals or public services. Hirsch (2005: 53/69-75) concluded that the Transitional Executive Council[61] (TEC), GNU and ANC governments sought their own economic doctrine rather than adopting the full IFI prescriptions.

The government implemented various economic policies to redistribute the wealth from mining, without nationalisation: BEE, unbundling, the mining charter and the MPRDA (Mineral and Petroleum Resources Development Act 2004), all of which will be expanded upon in this section.

Unbundling was considered an ideological alternative to nationalisation, to reduce white dominance and create more competitive markets, (Rossouw, 1997:1021). However Keys[62] maintained that SA conglomerates had generally been risk averse and inefficient, so the combined threats of either nationalisation or more open, competitive markets prompted voluntary restructuring and unbundling (Hirsch, 2005:196). Bassett (2008:194) suggested that the power of Anglo corporations over economic policy allowed them to largely determine the terms for unbundling, including concessions for overseas listings, which enabled significant expropriation of profits. AAC sold off interests in finance and manufacturing, to focus on core mining activities (Bassett, 2008:194). The

[59] Measured by reviewing the strategic compromises and high quality democracy (inclusive participatory elections and strong party support) at transition (Pitcher, 2012:187-190).
[60] Mahabane (2014) argued that the states extensive welfare programmes (citing that the SA treasury spends one of the highest percentages of GDP on social services in the world) and increased private sector delivery of social services was implemented for state corporatist rather than capitalist cost recovery motives; providing service delivery over profits.
[61] Comprising 8 members each of the National Party and ANC leadership.
[62] Former Finance Minister and former executive of mining firm Gencor.

AAC and De Beers London listings, sanctioned to secure greater foreign investment, actually resulted in large volumes of capital export (Gumede, 2005:218).

Iheduru (2004:11) argued that privatisation was implemented to achieve BEE. Nzimande[63] (2007:181-182) suggested BEE itself was a capitalist construct, first practiced in SA by US and SA corporations in the late 1970s. The US corporations used it to avoid international, anti-apartheid movements isolating the NP regime through economic sanctions and the domestic firms to develop a black petite bourgeoisie and demonstrate the benefits of capitalism and counter the socialist messages emerging from the ANC, including within the Freedom Charter.

M. Mbeki (2007:221-222) maintained that the white economic elite of the MEC suggested BEE in an effort to co-opt the ANC leadership with the lure of easy enrichment, through redistribution of some wealth to the black middle class[64]. Terreblanche (2012:53) recognised BEE as a repetition of the Afrikaner Economic Empowerment tactic of Harry Oppenheimer in his 1960s appeasing of Afrikaner capital. Iheduru (2008:340) contrasted Mbeki's claim suggesting that without the autonomy to expropriate white capital, but with power over the generous subsidies and protection the sector enjoyed, government threats of mineral market liberalisation were still necessary to ensure that BEE appeared within the Minerals and Petroleum Development Act of 2002[65] (Iheduru, 2004:12; Iheduru, 2008:350). As Van Wyk stated:

> *"… [BEE] consisted of a trade-off between maintaining macroeconomic stability and transferring economic power to black South Africans." (Van Wyk, 2009:28).*

The MPRDA required the state and industry to agree a Mining Charter to indigenise and redistribute the benefits of mining to the wider population. The long and difficult negotiations for this were exacerbated when a draft, containing a target of 51% indigenous ownership by 2012 was leaked to the press and the value of mining assets on the JSE dropped by billions of Rand (Tangri & Southall, 2008:705; Iheduru, 2004:24; Lester, 2007:120)[66]. M. Mbeki (2007:224) suggested the leak was a pre-

[63] General Secretary of the SACP.

[64] Iheduru (2004:12) claimed that patriotic ANC and union stalwarts were placed into key, white dominated industries, such as mining, to convince the black majority that white economic hegemony was being challenged and defeated. AAC board appointees included Mamphela Ramphele and Cyril Ramaphosa (Van Wyk, 2009:28). However, the first phase of BEE seemingly only benefited a few, in 2003 six BEE beneficiaries were responsible for 72% of the BEE deals, according to the Department of Trade and Industry (Southall, 2013:223). Iheduru (2004:20) puts this concentration down to lack of skills generally rather than any elite collusion, wider concerns of "*elite empowerment"* led to the BEE refinement to BBBEE (broad-based black economic empowerment).

[65] Section 100(2) of the MPRDA committed the Minister to prepare an empowerment charter[65] within six months of the passing of the act. This charter had to support equal access to mineral resources for all SA people and enable historically disadvantaged people to benefit from and enter the mining industries (Mineral and Petroleum Resources Development Act, No 28 of 2002, as amended, 2013:chap2:s2).

[66] Assessing how the markets would respond to policy prescriptions was, according to Handley (2005:219-225), a preoccupation of the ANC, once they became aware of the necessity to attract FDI. Gumede quotes Mandela *"[it was] impossible to decide national economic policy without regard for the likely response of the market" (Gumede, 2005:79).* Monitoring the transactions on the JSE, the business confidence index and fluctuations in exchange rates all provided clues to business confidence in policy prescriptions. A key concern was the maintenance of stable investment. One of the outcomes of this concern was the retention of Derek Keys, and former Executive Director of Gencor and incumbent Finance Minister within the National Party government, as Finance Minister (Handley, 2005:219/223). Any doubts that the market would react to changing ministerial positions were confirmed when Trevor Manuel, a Coloured ANC candidate,

emptive move by the MEC to demonstrate the instability that the original proposals would cause. The Charter targets were agreed at 15% in 5 years and 26% in 10 years (Tangri & Southall, 2008:705; Iheduru, 2008:350). The Charter further targeted an increase in black management to 40% (Bassett, 2008:198). Leading firms such as Harmony Gold, Gold Fields and Randgold were quick to transfer assets to BEE enterprises (Bassett, 2008:198).

The Act redefined the ownership of underground minerals, by renegotiating mining rights, which in effect returned the ownership of the minerals to the state on behalf of the people of SA. Whilst acknowledging that the MPRDA does raise some confusion, it marked a clear change in the law. Where previously minerals discovered beneath land were considered to belong to the land owner (mining was still subject to state permits) the MPRDA transferred ownership of all minerals to the state as custodian for the *"common heritage of all the people*" as demand in the Freedom Charter (Iheduru, 2008:350; Netshitenzhe, 2010; Van Der Vyver, 2012:128; Mineral and Petroleum Resources Development Act, No 28 of 2002, as amended, 2013:chap2:s3:ss1). This enabled the state to control the issuing of exploration and extraction licences.

Some analysts suggested the only beneficiaries of these *"neoliberal economic policies"* of GEAR were the white owned conglomerates able to capitalise on market liberalisation and extract capital more easily, an emerging black elite who benefitted from privatisations and asset swaps under BEE and increasing numbers of black professionals accessing affirmative action quotas, thereby creating a minority of insiders and a majority of economically excluded outsiders[67] (Habib & Padayachee, 2000:258; Innes, 2007:71). Hart (2013:212) described the outcome as:

> *"the ongoing control of mining by white capitalists (and a few black compradors exemplified by Cyril Ramaphosa)" (Hart, 2013:212).*

M. Mbeki (2007:217) provided analysis of these alleged beneficiaries, dividing the ruling class in two groups: the economic oligarchy and the political elite. The economic oligarchy was the white, capitalist owners of the MEC corporations, increasingly foreign investors, while the political elite comprised a politically dominant, black, upper middle class, mostly from the ranks of the ANC leadership during the struggle[68] (Mbeki, M. 2007:216).

Despite the political change in 1994, the liberalisation of markets to encourage growth, mechanisms to increase the participation of Previously Disadvantaged Individuals (PDIs) in the economy and

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replaced Chris Liebenberg as the Minister of Finance in 1996 and the JSE experienced a noticeable devaluation (Handley, 2005:225).

[67] The 2013 Forbes South African Rich List includes; Johann Rupert and Family (2) $7.9bn in luxury goods; Nicky Oppenheimer and Family (3) $6.6bn diamonds; Christoffel Wiese (6) $3.8bn in retailing; Patrice Motsepe (11) $2.7bn in mining; Stephen Saad (19) $1.5bn in pharma; Desmond Sacco (20) $1.4bn in mining; Koos Bekker (24) $1.1bn in media; Lauritz Dippenaar (31) $0.65bn in banking and insurance; and Strive Masiyiwa (32) $0.6bn in telecoms. Allan Gray ($8.5bn in investment banking) is officially South Africa's richest citizen, but is excluded from the list as he resides in Bermuda. Twenty years after the end of apartheid, only three of South Africa's top ten richest residents is black, Ramaphosa is in (29) place with $0.7bn in investments (Forbes, 2013).

[68] Mbeki's (2007:219) analysis traced this group back to the AmaMfengu, Gqunukwebe and Khoi peoples, who were favoured by the British colonialist from the 1830s onwards. However Mbeki (2007:222) also clearly identified the political elite as those ANC members participating in the transition negotiations with the economic oligarchy.

world leading welfare budgets, SA has struggled to provide economic emancipation (Southall, 2013:244). In this period SA observed increased grass roots protests[69], which have supported calls for new redistributive policies, including nationalisation of mining interests (Hart, 2013; Steinberg, 2011).

2008 – Economic Freedom In Our Lifetime:

At the 2008 ANCYL Conference GEAR was heavily criticised and a resolution for expropriation without compensation was suggested to challenge oligopolistic pricing strategies considered to be detrimental to the poor. From this Cohen (2012:18) noted that nationalisation was not presented as a policy per se, but to discourage price fixing cartels. However, Malema, President of the ANCYL, described the 2008 corporate bailouts in the UK and the USA as acceptance by the governments of the West of the failure of capitalism and called for state ownership of the mines (Cohen, 2012:22).

Impressed by the Zimbabwean indigenisation programme under Mugabean nationalism, Malema again raised the issue of mine nationalisation at the launch of an ANCYL Political School in 2009 (Forde, 2011:187). As Malema's rhetoric for nationalisation continued the Minister of Mineral Resources, Susan Shabangu, publically dismissed the concept, stating it would never be ANC policy (Cohen, 2012:22-24).

In 2009 an ANCYL concept paper on nationalisation, confirmed that the aim was not a soviet style command economy, but an attempt to take control from a minority of European owners for the benefit of the majority population (ANCYL, 2010:8). In 2010, draft ANCYL resolutions on mining nationalisation were issued, determining that compensation would be offered except for mines facing financial difficulties, such as those no longer profitable or where large numbers of staff were being retrenched (ANCYL, 2010:para 11). The ANCYL document suggested that although the MPRDA provided for limited nationalisation through redefining state ownership of mineral resources and thereby enabled black entrepreneurs to break the oligopoly of the five major mining houses, it only benefitted a comprador[70] elite (ANCYL, 2010:4). The ANCYL (2010) wanted the MPRDA to apply to the mines (above ground) and not restricted to the minerals. The issue was the control of profits, rather than simply ownership of the resource.

The ANCYL (2010:20) rationalised nationalisation to achieve industrialisation, improve employee conditions and transform both the patterns of accumulation and balance of spatial development. The ownership model was not defined, but included anything from 51% to 100%; the aim was for the democratic management of the mineral resources at all stages of exploration, extraction and processing (ANCYL, 2010:para 10). Malema led a 5,000 to 8,000 strong march on 27/28 October 2011[71] that visited the JSE, the Chamber of Mines and the Union buildings in Pretoria, demanding

[69] Among the rising protests outlined in Hart's (2013:65-74) analysis on the economic crisis in South Africa, she highlighted a cluster of xenophobic attacks and government policy towards those perceived as benefiting parasitically from South African growth.
[70] A comprador elite exploits political connections to act as an agent for foreign investors.
[71] Coinciding with the birth date of Oliver Tambo.

'Economic Freedom in our Lifetime' and delivering a manifesto to end the perceived white capitalist economic oligopoly through nationalisation of mines, among other initiatives, including support from mining enterprises in industrialisation and beneficiation (Hart, 2013:78).

The ANCYL reiterated a commitment to mine nationalisation on the centenary of the ANC, in which it argued that the nationalisation of the mines, banks and monopoly industries was called for within the 1955 Freedom Charter to ensure that the state had control of the commanding heights of the economy and that past injustices orchestrated against the majority population could be addressed through redistribution of the wealth. The call also noted that nationalisation was not a blanket economic policy and that the private sector would be enabled within all other industries (ANCYL, 2012).

In 2012, Malema's unorthodox methods resulted in his expulsion from the party on grounds of misbehaviour, then in 2013 Malema registered the Economic Freedom Fighters (EFF) as a political party, with him as leader and nationalisation of mining a key pledge (Hart, 2013:4/234).

Nationalisation of the mines was never adopted as official policy of the ANC and after the removal of Malema and election of Ramaphosa as Deputy President of the ANC in 2012 Zuma had all references to nationalisation in ANC policies replaced with *"strategic state ownership"* (Southall, 2013:325).

Malema suggested that the EFF aimed to achieve the end goal of the National Democratic Revolution[72] (NDR), which he considered stalled at the transition (Forde, 2011:80). He determined that the NDR was predicated on the attainment of three strategic power axes, political, which the ANC achieved in 1994, social, which embodied the strive for a democratic SA based on non-racist, non-sexist ideals and economic, which required a radical redistribution of the wealth of the country (Forde, 2011:80). Although Malema suggested that socialism was the goal, he recognised the concept scared people and so avoided expressing it, believing the first stage must be completed before socialism could be considered (Forde, 2011:81). However, the EFF constitution indicated a broad, confused ideology, identifying as a *"MARXIST, LENINIST, and FANONIAN organisation"*, against capitalism, racism, sexism and imperialism, based on democratic socialist values (EFF Constitution, n.d).

In October 2013, Malema asserted that poverty in SA was caused by foreign resource exploitation, for which nationalisation would enable government control over the development of local beneficiation (Malema, 2013). Hart (2013) positioned the demonstrations led by Malema, whilst within the ANCYL, within a broader occurrence of grass roots protests, demonstrations and violence, the xenophobic pogroms of 2008 and land disputes. Collectively, Hart (2013:28-79) maintained that these were a backlash against ANC policies and their inability to tackle endemic poverty within SA[73].

[72] A two-stage process conceptualised in the late 1940s/early 1950s firstly requiring the liberation of all the SA population by democratic revolution, followed by communism (Forde, 2011:119).

[73] Hart (2013:6) suggested the cause of this unrest was predicated in two simultaneous, connected processes: one of de-nationalisation of corporate capital and re-nationalisation implemented by the state under a nationalism project, the historical routes of which lie in the economic outcome of the transition negotiations. Hart's (2013:6) definition of de-nationalisation recognised the influence that corporate capital had in defining the terms for reintegration of SA into the

The impoverished black population of SA had gone from a state in which they were considered by the white population to be *"unworthy, insubordinate, wicked and living on the wrong side of life*" (Forde, 2011:229), to one in which they were *"surplus to requirements*" of the white corporate capital and emerging black capitalist elite (Hart, 2013:4). For them calls for redistribution, nationalisation and expropriation were not grounded in political ideology; they were based on the failure to achieve economic revolution and 14 million people living in poverty, reliant on state, civil society and individual handouts (Marais, 2010:238; Tangri & Southall, 2008:704; Cohen, 2012:157).

Southall (2013:215) and Forde (2011:209) believed that Malema's rationale for calling for nationalisation was to acquire control over the ANC. By contrast, the SACP argues that Malema's nationalisation plans are driven by BEE beneficiaries within the mining industry seeking nationalisation to relieve them of unsustainable mining assets[74] (Cronin, 2009; Nzimande, 2011).

The EFF 2014 election manifesto presented nationalisation as more nuanced than a strict command economy, suggesting continued support for capitalist entrepreneurialism (EFF, 2014). The EFF gained 6.35% of the 2014 national elections to become the official opposition, behind the ANC, in the mining provinces of Limpopo and North West (IEC, 2014).

South African Conclusion:

Economic policies under Afrikaner governments from 1910 to 1994 maintained domestic free markets and supported entrepreneurship, despite anti-capitalist rhetoric, extensive development of SOEs and interventions to increase Afrikaner participation in the public and private sector. As a political ideology, volkskapitalisme was based on shielding the Afrikaner Volk from global capitalism in order to advance their welfare and prosperity, above any other ethnic group. Calls for mining nationalisation in this period were based on challenging the economic dominance of Anglo owned corporations. There appeared to be little commitment within government to nationalise mining, but the SOEs were active in associated industries.

As the apartheid regime costs rose and transition seemed inevitable, the NP started a programme of SOE privatisations, which halted as the ANC alliance threatened renationalisation. Drivers for the privatisation are mixed, from the need to increase efficiency to the protection of white interests in a post apartheid state.

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global economy, including the lobbying of white business elites during the negotiations for the transition as well as the concessions that they were allowed. The permission to list on foreign exchanges for AAC and BHP Billiton were indicators of this de-nationalisation, argued Hart, which also enabled significant capital flight (Hart, 2013:6). Illustrative of this was the R100 billion invested abroad by SA institutions between 1995 and 2002 (Steyn, 2004 quoted in Fine, 2008:8), indeed using data from the South African Reserve Bank[73], Fine estimated that between 1991 and 2000 SA experience a net outflow of investment capital at R386m per quarter (Fine, 2008:7). The Economist likewise reported that between 1994 and 1999, $1.6 billion more left the economy than was invested: the promised investment in growth was not forthcoming (Economist, 2001:11).

[74] Due to a lack of capital, BEE investments were often made through loans and special purpose vehicles (SPVs); purchased using capital from either a third party or the mining company in which it was investing. The BEE entrepreneur would then be dependent on rising share prices and shareholder dividends to off set the debt. The 2008 recession temporarily reduced dividends (Cohen, 2012:109-114).

The national liberation movement (NLM) anticipated a two-stage liberation process, first political liberation and then economic redistribution, but the economic ideas enshrined within the Freedom Charter were devoid of ideology beyond an ambiguous call for reallocation of mineral wealth. The NLM focus was on the political transition, with little preparation for economic policy development.

In 1990 on his release from prison, Mandela reiterated a commitment to mining nationalisation to restructure the racial wealth imbalance, however evidence suggested that as early as 1989 leading figures within the ANC, from discussions with business representatives and foreign powers, knew that nationalisation could potentially deter foreign investors, whose investment capital would be essential for growth. Nationalisation was dropped, but resurfaced occasionally as a negotiation tool; initially to deter the NP privatisation programme and to gain concessions with corporate partners such as BEE.

At transition in 1994 the economy was dominated by six white owned conglomerates, active in a broad range of sectors through and beyond the respective value chains of their core business. The oligopolistic conditions this concentration of economic power created made it difficult for potential new entrants, in particular in the capital investment intensive extractive industries. The government implemented measures to de-racialise mining leadership without expropriation. Unbundling and BEE subsequently exacerbated the problem by enabling a small number of politically connected black entrepreneurs to access markets through favourable access to loans and procurement procedures, causing increased discontent among the wider, marginalised population Political figures were co-opted into management structures and through share ownership, possibly to safeguard against subsequent nationalisations.

Despite improved welfare provisions, other economic reforms were slow, leading to unrest and popular support for nationalisation calls by the EFF. Although the EFF presented nationalisation within the context of the Freedom Charter and the NDR, the proposal was not clearly defined and included liberal market options. Regardless of the rhetoric, it seemed unlikely that the EFF policy ambitions were the completion of stage two of the NDR.

Throughout this historical period, despite continued threats of expropriation the mining corporations have effectively negotiated with successive regimes to avoid losing control of mineral resource extraction.

Chapter 4: Resource Nationalism in Zambia

> *"Like most ex-colonial territories Zambia, on independence, took over the reins of government but the economic sector remained entirely in hands of non-citizens, particularly Europeans and Asians." (Kaunda, 1968b:iii)*

Introduction:

Zambia is the worlds 7th largest copper producer, which in 2013 accounted for 10% of GDP and 80% of export earnings (African Business, 2013). Although Zambia has abundant resources of other metals (including cobalt and gold), gemstones (diamonds and emeralds) and coal and uranium, copper mining dominated[75] the Zambian economy throughout the colonial and immediate post-colonial period.

At independence from British rule in 1964, the Zambian government estimated that copper mining accounted for around 90% of the export revenues of the country. Kaunda's United National Independence Party (UNIP) won Zambia's first democratic elections, implementing a mixed economic policy under a variety of African socialism called Humanism (Craig, 1999:19). Within five years, the government implemented an indigenisation programme, expropriated 51% of all foreign owned mining operations and become a one party state. By 1983, Zambia had agreed to its first IMF and World Bank SAP, including a privatisation programme which was paused briefly following popular dissent in 1987 before starting again the following year (Saasa, 1996). Privatisation of the mines was included, but not implemented until after the 1991 return to multi-party democracy and the ousting of the UNIP government by the Movement for Multiparty Democracy (MMD). However, mining privatisation took a nearly decade, concluding at the start of a commodity price boom. In recent years the Zambian press reported a rise in popular discontent with the new, foreign owners of the mines and once again nationalisation was back on the agenda. This chapter explores these cycles in an attempt to determine roles played by political ideology and ethnic minority control of this key sector.

Prior to independence, the region that comprised modern Zambia was under around 75 years of colonial rule. This was established in 1889 when Great Britain issued a Charter to the British South Africa Company[76] (BSA), allowing the company to enter into treaties with indigenous rulers of

[75] Copper prices often reflect the health of the rest of the global economy, mirroring increased and decreased demand for industrial and consumer products and subject to considerable fluctuations. In the 20 years between 1983 and 2013 the price of copper has averaged just over $2,000 per tonne, but in 2002 it was $1,500 per tonne, rising to $7,700 per tonne in 2006 and around $9,000 per tonne in August 2008, only to plunge again to $2,250 per tonne in December 2008 (after the financial crisis), then rise to $4,740 per tonne in September 2009, by April 2011 had risen to $10,000 per tonne and in 2013 it was around $7,000 per tonne. Within 2013 the price has fluctuated from $8,084 per tonne in January to $6,637 per tonne in June alone. Copper's importance in manufacturing is also confirmed by Chinese demand, which imports 40% of all global copper supplies (African Business, 2013; Walker, 2013; Taylor, 2012:103).

[76] A firm in which AAC was a shareholder (Sklar, 1975:36).

various territories for the purposes of exploring and extracting mineral resources (Craig, 1999:15). In 1911 the British unified these indigenous territories to form Northern Rhodesia[77] and in 1924 the British Government became the formal administrator of the region. Control and licencing of mining rights remained with BSA, using it's 1889 Charter to issue exploration and development concessions, leading to the discovery of the copper reserves that by 1964 dominated the economy of the territory[78] (Craig, 1999:16; Saasa, 1987:7)[79].

From 1953 Northern Rhodesia was included in the Central African Federation (CAF) with Southern Rhodesia (later Zimbabwe) and Nyasaland (later Malawi) until 1964 when the CAF was split and Northern Rhodesia granted independence to become Zambia (Craig, 1999:15). The establishment of the CAF and the landlocked nature of Zambia caused an economic dependence on neighbouring states, in particular Zimbabwe and SA who provided the main export routes for Zambian goods, which restricted policy manoeuvrability for economic independence (Saasa, 1987:13-14). At independence in 1964 Zambia emerged as a state on the border between the white-ruled South and the black-ruled North (Martin, 1972:50).

1964 – 1970 Humanism, Zambianisation and State Capitalism:

> *"A newly independent country with a responsible Government cannot stand by and let its resources be exploited for the benefit of foreigners alone." (Kaunda, 1969:42).*

Independence for Zambia started with an economic coup, the incoming government reached agreement in the 11th hour with the BSA to assign control of mineral rights to the new state for £4m, or risk expropriation without compensation after independence (Bostock & Harvey, 1972:48). Although this gave the government authority over the issuing of prospecting, exploration and mining licences and the income from royalties, not only were most of the potential mineral reserves already under licence in perpetuity, but the Zambian copper industry was export oriented with little domestic integration and low national demand for output (Adedeji, 1981:18; Saasa, 1987:21-26; Sklar, 1975:26). Saasa (1987:21) further contended that the dominance of two MNCs in Zambia's copper mining, under licence in perpetuity, afforded them significant influence over economic development in Zambia until the 1980s.

These two multinational corporations; Anglo-American Corporation (AAC), an SA corporation headquartered in Johannesburg, and the American Metal Climax (AMAX) whose largely American, British and Canadian shareholders owned the Zambian subsidiary Rhodesia (later Roan) Selection Trust Group (RST), effectively owned and controlled the Zambian copper industry (Saasa, 1987:17-19; Bostock & Harvey, 1972:107-108). The Anglo-American operations were managed by Zambian Anglo-American Limited (ZAMANGLO), of which AAC had de facto control through its 45% share, and

[77] The name derives from Cecil Rhodes, a British émigré to South African, mining magnate and politician.
[78] Accounting for 46.9% of GDP according to the State National Accounts (Saasa, 1987:7) and over half government revenues and 90% of exports, according to the author's calculations from the 1973 Zambian Mining Yearbook (Craig, 1999:16).
[79] For a more detailed historical account see Saasa (1987:25) and Drysdall (1972).

had diversified upstream and downstream to support the mining operations[80] (Saasa, 1987:18). This foreign influence on the economy was further exacerbated by Zambia's historic inclusion in a common market with Southern Rhodesia plus the historical development of infrastructure that favoured the Southern coastal cities of Salisbury and Bulawayo over Lusaka (Martin, 1972:55-56; Bostock & Harvey, 1972:10).

Zambia's concerns with foreign ownership were political since the management of the state as a colony under charter to the British South Africa Company (BSA) had created a dependence upon southern African states for transport, energy and imports and exports (Sklar, 1975:26; Bostock & Harvey, 1972:108). This dependence included SA and South Rhodesian business owners in a variety of sectors, for example as well as ZAMANGLO the South African Oppenheimer family owned a brewery, a bottling plant, steel processing and the Ridgeway Hotel (Martin, 1972:51; Hall, 1973:90). When in 1965, Zambia's Southern neighbour and main access route for copper exports, Rhodesia, made a Unilateral Declaration of Independence (UDI) from Britain, the international sanctions imposed by the UN Security Council, against the new white minority Rhodesian government, were a potential threat to the viability of Zambian copper exports due to the aforementioned dependence on the state for Zambian exports (Sklar, 1974). There is little evidence to suggest that this occurrence was germane to the subsequent nationalisation of mining in Zambia[81].

Zambia had an economic programme drafted in 1965 by mostly expatriate government officials (Martin, 1972:51), but Kaunda was developing his own philosophy, Humanism (Kaunda, 1968a; Gertzel, Baylies & Szeftel, 1984:9). Although implemented, Gertzel, Baylies and Szeftel (1984:10) suggested it did not gain any popular support nor overcome regional tribal tensions, due to its ambiguity, its lack of a clear economic policy and a lack of clarity between it and socialism, despite framing as counter to both capitalism and communism. In contrast, Craig (1999:29) suggested that this ambiguity was intended overcome factionalism and unify all communities under the singular concept of 'man'. Bostock and Harvey (1972:5) noted that Humanism *"specifically reject[ed] the doctrines of socialism"*, but did allow for socialist policies. Kaunda (1969:41) confirmed that, *"We are humanists first and foremost, and socialist in consequence, but we are not consequential socialists"*.

Although a critic of capitalism, Kaunda supported the benefits of a market economy with socialist policies (Kaunda, 1969:44). Property rights were protected to encourage innovation, but a strong state was required to curtail exploitation of workers (Kaunda, 1968b). However the economic clauses of Humanism guide were ambiguous; mining was variously defined as a sector solely for private enterprise, as one in which the state would participate with private investors and as an industry in which the state may take full control in the future (Kaunda, 1968a:16). The guide warned against an economic dependence on copper and the concurrent power this availed the *"small group of people in the mining industry"* (Kaunda, 1968b:45).

[80] AAC also had minority shareholdings in a number of RST concerns (Sklar, 1975:34).
[81] A detailed account of the response to the UDI can be found in Sklar (1974).

Kaunda's first economic reform announcement came in 1968 at the UNIP National Conference (Martin, 1972:51). The Mulungushi Declaration, "*Zambia's Economic Revolution*", announced the indigenisation of retail enterprises, the reservation of small and medium sized government contracts for Zambian firms and invited 25 large (non-mining) enterprises to offer the government a 51% share, effectively a partial nationalisation (Kaunda, 1968b; Martin, 972:73; Craig, 1999:2). Expatriates could qualify as indigenous if they applied successfully for Zambian citizenship, however many applications made on economic grounds were denied (Kaunda, 1968b; Martin, 1972:73). These reforms, whilst supporting entrepreneurship, placed limits on ownership as firms grew. Although not exactly defined, private firms would be expected to IPO at a certain size and be nationalised when their size might enable excessive wealth accumulation (Kaunda, 1968b; Martin, 1972:74).

UNIP's enterprise policies focussed on indigenisation, such as restricting rural and Second Class trading area[82] retail trade to Zambians; import substitution industrialisation (ISI), including the development of state manufacturing enterprises with preferential tax, credit and export support; price controls in retail; and restrictions on the repatriation of profits for local subsidiaries of MNCs. These policies caused tensions between private enterprise and the state and led to increased illegal trading and business participation in parliament[83] (Bates & Collier, 1995:119; Taylor, 2012:104). These were implemented alongside policies to indigenise expatriate filled parts of the workforce and business ownership. Some of this 'Africanisation' included partial acquisition of some private sector enterprises by the state, which was the only investor with sufficient capital (Taylor, 2012:30-31).

Though mining nationalisation was not mentioned in the Mulungushi Declaration, Kaunda expressed concern[84] that the foreign owned mining houses were expropriating 80% of profits as dividends rather than investing in the development of the sector (Kaunda, 1968b:IV, Martin, 1972:76). To encourage reinvestment the reforms included a 50% restriction on profit remittances (Saasa, 1987:28). The mining houses complained that the royalty regime dis-incentivised investment, arguing that basing it on copper production at a standard, industry agreed price[85], rather than profits, meant that mining houses would pay the same on any volume of copper regardless of the extraction costs (Saasa, 1987:29). The export tax was similarly based on output. These reduced corporate incentives to exploit harder to extract seams (Saasa, 1987:28-29). Eleven days after the Mulungushi Declaration Kaunda stated that the mining houses provided essential capital and expertise and were too big to nationalise (Saasa, 1987:27).

[82] Second class trading areas were parts of town with stores whose clientele was black African rather than European (Bates & Collier, 1995:119).
[83] Businessmen were active in opposition politics since the 1960s and formed a large contingent of the 1973 and 1978 parliaments. Hostile to state interference in the economy they opposed the *"socialist developments"* from 1975 and were constrained by the one-party state Leadership Code, which prevented MPs from pursuing business interests (Bartlett, 2000:434; Simutanyi, 1996:830-831; Bates & Collier, 1995:119). The failed 1980 coup against Kaunda was allegedly organised by business interests (Simutanyi, 1996:830; Bates & Collier, 1995:119).
[84] Citing figures from an unnamed corporation, which Martin (1972:86) suggested was RST.
[85] The London Metal Exchange (LME) price.

Implementation of the Mulungushi Reforms included founding of the Industrial Development Corporation (INDECO) to manage the state shareholdings (Cohen, 2012:132). The non-mining sector takeovers made INDECO the third largest enterprise in Zambia, behind AAC and RST (Craig, 1999:26).

Although Kaunda blamed underdevelopment on expatriate businesses and foreign banks, he also announced foreign joint ventures for oil refining and marketing (with Italian state owned companies), car manufacturing with Fiat and development of an iron and steel sector, signalling a welcoming environment for FDI (Martin, 1972:91; Kaunda, 1969:17-19). However, he remained critical of the levels of investment in mining, still generating 95% of export receipts, and in March 1969 sent Vice President Kapwepwe to placate miners striking for higher wages (Hall, 1973:180-181).

After returning to power at the 1969 election, UNIP won an ambiguous[86] national referendum, which, without referring to a particular industry, removed a constitutional clause that prevented compulsory expropriation of private property (Kaunda, 1969:3; Martin, 1972:152). Subsequently, in his 1969 Matero address, "*Towards Complete Independence*", Kaunda expressed frustration that the mining rights held in perpetuity by AAC and RST reduced their incentive to exploit new seams and meant that the government could not accelerate the development of mining (Kaunda, 1969:30; Hall, 1973:170).

The referendum enabled Kaunda to announce geographic areas in which mineral ownership rights would revert to the state (Kaunda, 1969:31; Saasa, 1987:36). The rights of the Litunga of Barotseland (leader of the Lozi people) to issue prospecting and mining concessions and extract royalties were also repealed (without compensation); new conditions on existing prospecting licences were imposed, including the compulsory option for the State to take a 51% stake in any new mining operations; all remaining grants, licences and mining leases in perpetuity were reduced to 25 years; and exploration rights were reduced to three years (Kaunda, 1969:32-34).

AAC and RST were also required to relinquish prospecting rights for areas they had not prospected for five years or more and were not intending to exploit in the near future, which resulted in new enquiries for prospecting licences from international firms (Drysdall, 1972:82). The royalty and export taxes on production were replaced, with a royalty on profits and a mineral tax at 51% of profits earned[87] (Kaunda, 1969:35), although this new tax regime made Zambian taxation one of the highest globally; mineral taxes and income taxes combined taxed profits at 73% (Bostock & Harvey, 1972:136/141).

In addition all incumbent mine owners were invited to sell 51% of their shares to the state with compensation at book value, which would be paid from dividends earned by the state from their

[86] Martin (1972:153) suggests that the opacity of the referendum was to avoid unsettling international investors, the referendum actually covered a number of other constitutional changes, including a clause on the independence of the judiciary.

[87] Although implements to address the lack of investment in less profitable reserves (Drysdall, 1972:73), Martin (1972:147) determined the surplus retained simply accumulated in banks, as the mining houses took commercial decisions not to explore and exploit further reserves and the Zambian money markets were unable to absorb these savings.

share (Kaunda, 1969:37; Martin, 1972:156). RST allegedly attempted to negotiate a new offering of shares, but this was rejected (Sklar, 1975:39). As an incentive, once the state owned 51% of a mining company, the exchange controls on dividend remittances (restricted to 50% of profits for foreign owned companies) would no longer apply (Bostock & Harvey, 1972:125). To keep the mines running, existing management had to be retained and so negotiations needed to be amicable (Bostock & Harvey, 1972:212).

The state mining holdings[88] initially owned through the Mining Development Corporation Limited (MINDECO), were consolidated in 1971 under a holding company, the Zambian Industrial and Mining Corporation Limited (ZIMCO)[89] (Bond, 2000:234). After 51% of ZAMANGLO was sold to MINDECO, AAC moved headquarters from Zambia to a new company, Zambia Copper Investments Limited, based in Bermuda, while the RST shareholding was moved to the US[90] (Sklar, 1975:41; Mbeki, M. 2009:24). Although the government took a majority shareholding (51%), the foreign owners retained control through preferences shares, giving them veto rights on prospecting, exploration and expansion activities[91], and management contracts (Sklar, 1975:190; Bostock & Harvey, 1972:149/223).

Bostock and Harvey (1972:131) argued therefore that the state gained little control. Lacking in technical and managerial expertise, operational power was contracted to foreign owners. Governmental control was still restricted to institutional changes, such as tax increases. The incremental reforms process certainly suggested a response to sluggish development in the sector and the government, whilst acknowledging that the mines were too large to nationalise, had gained in experience and expertise through nationalisation of other sectors.

In his 1970 speech, "*This Completes Economic Reforms: Now Zambia is Ours*", Kaunda announced the acquisition of 51% of all banks[92] and most remaining large enterprises and the abolition of private insurance firms (to be replaced by the State Insurance Company) and declared that no further direct government intervention would be required as the economic reforms were complete; economic development would be realised by the state and Zambian entrepreneurs (Martin, 1972:240). Kaunda reiterated that the nationalisations were not socialist, but to indigenise control initially through state capitalism until the workers could become shareholders (Chileshe, 1981:104-105; Martin, 1972:250).

Martin (1972:95/115) observed that in irritation at the pace of development, Kaunda had converted from an "*optimistic economic liberal*" to a "*tough interventionist*"; the Mulungushi and Matero

[88] 51% stake in Nchanga Consolidated Copper Mines Limited (NCCM), which was the amalgamation of three Zamanglo companies and 51% stake in Roan Consolidated Mines Limited (RCM), which was the amalgamation of the RST mining companies (Bond, 2000:234).
[89] For full terms of the 1969 takeover refer to Appendices A and B of Bostock and Harvey (1972:217-255)
[90] The actual corporate structure of mining concerns is complex; full share ownership, pre and post nationalisation can be found in Sklar (1975:44-45).
[91] Including raising capital through loans or share issues; asset disposals; amendments to memorandum and articles of association; exploration, prospecting or capital expenses; restructuring or winding up of part or all of the business; and any decision that did not directly relate to increased profitability (Craig, 1999:38).
[92] This deal was never concluded and eventually abandoned in July 1971 (Martin, 1972:252).

reforms resulted from his disappointment with FDI as a means to create growth and indigenise industry. However all the firms nationalised under these reforms continued to be profit driven, with retained expatriate management and technical personnel (Bostock & Harvey, 1972:5).

Martin (1972:110-112) further suggested that factionalism and a desire to foster political unity were also critical; Kaunda initially appointed a mixed cabinet, including Bemba, Lozi and Tonga members, but this balance ended after the 1967 election, when the Bemba increased their power relative to the Lozi, a situation exacerbated by having a Bemba vice-president, Simon Kapwepwe.

Hall (1973:220) suggested the 51% nationalisation of mining was solely to tackle factionalism within the UNIP. In 1970 Kaunda's Vice President, Kapwepwe, had resigned and was waiting for support from his Bemba tribe to start a rival party, the United Progressive Party (UPP). The Copperbelt was home to the Bemba, who formed a large part of the mining workforce and believed that state ownership would increase employment and opportunities (Scott, 1978:326). Taking control of the mines aimed at appeasing them and persuading Kapwepwe to return to UNIP. Kaunda closed the conference as soon as he made this announcement so that no other issues could be debated (Hall, 1973:220-221: Craig, 1999:30). Kapwepwe returned to his position as vice president (Scott, 1978:326). Sklar (1975:35) maintained that whilst Kaunda scored politically with the speed and surprise[93] of the reforms, economic nationalism was the predominant driver not factionalism.

An alternative view from Scott (1978:328-330) and Southall, T. (1980:97) suggested that nationalisation was required to provide patronage and support for UNIP; it is not clear how this patronage was dispensed nor which communities benefited.

Craig (1999:1) suggested that nationalisations were in response to an inability for the private sector to meet state development objectives. Revenues from copper mining were to be used for the development of up and down stream diversification, but the global fall in copper prices reduced the revenues available to successfully implement this strategy[94] (Craig, 1999:1). Saasa (1987:47) concluded that state control of the economy was the key driver for nationalisations rather than a need to own production.

Rood (1976:433) suggested that nationalisations were due to socialist ideology, this conclusion was largely drawn using data for the volume and sectoral spread of the programme, rather than any qualitative analysis of the drivers and duration of the takeovers. However, Bostock and Harvey (1972:5) determined that unlike Ugandan and Tanzanian nationalisations, which they maintain were driven by socialist ideology, Kaunda choose public ownership for *"pragmatic rather than ideological"* reasons.

[93] There was apparently little party debate on them (Sklar, 1975:35).
[94] While copper accounted for 71% of government revenue in 1965, by 1970 this had reduced to 58% and only 13% by 1975 and 0% by 1979 (Saasa, 1987:7).

1971 – 1982 Economic Nationalism:

At independence the state had two political parties, UNIP and the ANC, but by 1972 the ANC had disbanded and a second opposition party, the UPP, headed by former Vice President Kapwepwe, had been banned making Zambia a one party state (Bates & Collier, 1995:121; Saasa, 1987:7; Scott, 1978:329; Sklar, 1975:22). Bates and Collier (1995:121) suggested that this might have been a response to the loss of UNIP support in the Copperbelt. Despite returning to the government in 1970, Vice President Kapwepwe had barely lasted a year before forming the UPP, eventually winning a mining constituency seat in the Copperbelt through support from the trade unions and mine workers (Scott, 1978:329).

In 1973 Kaunda expressed dissatisfaction with status of ordinary shareholdings in the mining operations. The minority shareholders had vetoed diversification, rationalisation across the two companies and import substitution for supplies sourced from foreign subsidiaries (Craig, 1999:39). Through the management contracts and veto rights, the foreign MNCs were still exerting considerable control over the businesses including prospecting and exploration and these contracts failed to increase Zambianisation of management (Bostock & Harvey, 1972:124). So in 1973 the government redeemed all outstanding bonds that had financed the mining purchases, cancelled the management contracts[95] with Anglo and AMAX, appointed the Minister of Mines as Chairman of both subsidiaries and appointed the Managing Directors, effectively taking control of the mining operations, but continued to employ technical and management personnel from both minority shareholders (Sklar, 1975:191; Hanlon, 1987:249; Saasa, 1987:40). In 1978 and 1979 the state increased its shareholding in each firm to around 60% (Saasa, 1987:43).

In 1982 the government merged both mining concerns into one corporation, Zambia Consolidated Copper Mines (ZCCM), creating the second largest mining firm in the world (Saasa, 1987:43). This was undertaken to increase efficiency through rationalisation, a technique more often associated with private enterprise than SOEs (Saasa, 1987:60). In 1984, AMAX sold its shares in ZCCM to Andrew Sardanis, the former Chairman of MINDECO, so that ownership was divided as follows: 60.3% Zambian government; 27.3% AAC; 6.9% Sardanis; and 5.8% various US and UK based shareholders (Hanlon, 1987:249).

Bates and Collier (1995:126) determined the UNIP leadership used economic policy for state security by preventing foreigners from using domestic conflicts to control the economy themselves. Although the increased shareholding and revised management contracts had changed the balance of power between the state and the foreign investors, by 1984 little had changed since 1973. Expatriates, predominantly South African, through technical and management contracts still led most divisions in the Copperbelt firms, although some progress in Zambianisation of the Lusaka headquarters had been made racism continued to impact on progress[96] (Hanlon, 1987:249). AAC still maintained control of many service and supply companies, including some based in SA from whom

[95] With compensation (Saasa, 1987:41).

[96] Hanlon (1987:249) cited a study conducted through interviews in the Copperbelt operations that found persistent racist attitudes among the white expatriates towards the black Zambian employees.

they preferred to import rather than trust local suppliers, and used this to expatriate profits. Because these were fixed costs provisions, they were not subject to the fluctuations in the copper prices and so provided steady profits (Hanlon, 1987:249).

1983 - 1990 Policy without Democracy:

The collapse in copper prices in the 1970s restricted the development capabilities of the government so that in 1985 Kaunda relented to pressure from the IFIs and donor community to implement liberalisation policies (Hanlon, 1987:248; Bates & Collier, 1995:128; Craig, 2000:358). Management of these reforms, which included a foreign exchange auction, removal of consumer price subsidies and interest rates based on market clearing, was given to ministerial technocrats and not parliament (Bates & Collier, 1995:129). Kaunda's government adopted these SAPs in 1983 and the liberalisation policy launched in 1985 with a reduction in price controls and more emphasis on free markets including measures aimed at privatising state enterprises, which were universally welcomed by the business community (Simutanyi, 1996:826-831; Bates & Collier, 1995:115). Mines were unaffected (Craig, 1999:67). Businessmen were not the only supporters of liberalisation. Although the trade unions, through the Zambia Congress of Trade Unions (ZCTU), generally opposed some structural adjustment conditions, such as wage freezes and the removal of food subsidies, they were in favour of privatisation more generally (Simutanyi, 1996:833-835).

However the SAPs also met with widespread public opposition, including amongst other unions and urban elites, as well as insufficient commitment within the government's policy makers (Simutanyi, 1996:829). The fact that they were adopted is attributable to the strength and decision making of the presidency (Simutanyi, 1996:829). Despite both presidential and IFI support, insufficient political will to sustain the reforms meant they were abandoned following a riot in which 15 civilians died in 1986. Cancelling the IMF and a concurrent Bank of Zambia programmes, Kaunda introduced a Zambian economic policy, the Interim New Economic Recovery Programme (INERP), which included reinstating price controls for commodities, foreign exchange and credit (Bates & Collier, 1995:115/129; Simutanyi, 1996:827). The change in policy between 1985 and 1989 could be explained by Kaunda placing responsibility for it with a new technocratic team in the political structure, who were critical of liberalised markets (Bates & Collier, 1995:128; Rakner, 2003:60).

However, without access to donor funding balance of payment commitments could not be met and, after negotiations with the IMF, in 1989 the government reinstated the SAPs (Bartlett, 2000:431; Simutanyi, 1996:827; Bates & Collier, 1995:115). By abandoning the SAP without consultation, the government fostered renewed opposition including the former UNIP Foreign Minister, Mwaanga, who called for increased competition in all sectors, including through the divestment of state monopolies (Bartlett, 2000:431). Business interests and the trade unions were finding congruency in their support for a return to multiparty democracy and were providing campaign funding for the formation of the MMD, as an opposition party (Simutanyi, 1996:832; Rakner, 1994:12).

1991 – 2002 Return of the Foreign Capital:

In 1991 Zambia returned to multiparty politics with an election won by Chiluba's MDM (Bartlett, 2000:429; Pitcher, 2012:5). Economic liberalisation continued, including a privatisation act in 1992 and the founding of the Zambian Privatisation Agency (ZPA), for the divestment of 40% of SOEs by 2001, and a land act to protect property rights, both intended to enable private sector growth (Pitcher, 2012:5; Bennell, 1997:1787; Taylor, 2012:30-32/52).

Trade unions remained in favour of privatisation and although Paul Kafumbe, Mineworkers Union of Zambia (MUZ) General Secretary, stated they had suggested strategic industries such as mining should not be privatised, in 1995 the MUZ endorsed the sale of ZCCM (Simutanyi, 1996:836). This may have resulted from continued redundancies in the sector since 1985 and a belief that the private sector might develop and grow employment opportunities through improved efficiency (Simutanyi, 1996:836). Simutanyi (1996:836) also suggested that trade unions, through the ZCTU, acquiesced to government plans, because their founding role in the MMD gave them a sense of ownership and function within the government and the faltering economy made redundancies inevitable. Privatisation therefore had broad support amongst business, trade unions and intellectuals (Rakner, 1994:12).

In preparation for increased private sector investment, the Mines and Minerals (Amendment) Act of 1995, enacted in 1997, required all mining investors to negotiate development agreements (Haglund, 2010:119). In the mid 1980s, Zambia had around 170 SOEs by 1995 around 111 had been privatised and 13 had been liquidated, however apart from Ashanti Gold mines few divested firms were in the mining sector (Bennell, 1997:1787-1790).

Negotiations for the divestment of ZCCM, planned for 1996, stalled in 1998 and donor funding was stopped (Rakner, 2003:157). A World Bank official and Steven Mwamba, an executive Director of the ZPA, suggested that despite the MMD market liberalisation manifesto, elements within the party resisted throughout both Chiluba's terms and privatisation was only implemented under pressure to appease donors (Rakner, 2003:158;168-169). Despite the lack of commitment and a failed negotiation with a buying consortium in 1998, the sale of ZCCM eventually concluded in 2000 (Craig, 2000:358). However the buyer, AAC, returned the asset to the government in 2002, when they ceased all mining operations in Zambia (Rakner, 2003:172).

However Bennell (1997:1797) contended that in Zambia resistance to foreign investors in the privatisation programmes in the 1990s was low, largely due to the small size of the private sector and because the sale of large SOEs in such a climate attracts less controversy.

Although recognised for progressing economic reforms, Chiluba's government was alleged to have misappropriated of mining assets across Africa and Europe through opaque trusts (van Donge, 2009:76; Pitcher, 2012:110)[97]. Further suggestions of corruption are presented within Craig

[97] Van Donge (2009) provided an account of these allegations and the court processes, which included protagonists from Kaunda's nationalisation period, such as Andrew Sardanis, as well as well key officials of the privatisation process in the

(2000:358-360) and Pitcher (2012), however the apparent reluctance to privatise mining suggested personal gain was not a driver for privatisation.

Pitcher (2012:5) further argued that the weak democracy enabled the state to subvert the newly formed economic and political institutions, including the ZPA, to benefit allies of the incumbent party. Patronage politics played out through the 1990s while the MMD remained in power, unable to be removed by the electorate due to the weak and fragmented state of party politics in the country and weak party loyalty at the grassroots (Pitcher, 2012:6). Pitcher (2012:6) concluded that it is this low democratic quality (lack of ruling party legitimacy and low accountability and fragmentation of support) that determined the state action and the outcome of the privatisation programme.

Bennell (1997:1748) argued that despite the apparent reluctance and pressure that was seemingly necessary from the donor community the government demonstrated a commitment to privatisation. However, MMD resistance to privatisation endured, fuelled partly by the perceived low price achieved for ZCCM, and in response to popular dissatisfaction and after regaining the leadership in 2001, President Mwanawasa, took the MMD back into power and suspended further privatisation activity and embarked on a programme to tackle corruption in government (Pitcher, 2012:6; Rakner, 2003:173).

2002 – 2014 New Investments, New Resentments:

As a consequence of the privatisation programme, including the resale of AAC mining interests returned to the state in 2002, Zambia's new mine owners are based in Switzerland, Australia, Canada, India and increasingly China (Taylor, 2012:103).

Between 2004 and 2008 there was a commodity boom, which in 2007 led to political pressure within Zambia for greater control over foreign mining interests (Haglund, 2010:13/18). Then in 2008 several of the foreign mining firms responded to falling commodity demand by halting production (Taylor, 2012:100). In addition the World Bank and the Bank of Zambia uncovered transfer pricing, including Mopani Copper Mine selling to Glencore[98] at below LME pricing, and alleged overvaluations on imports and externalisation of resources through management contracts with overseas subsidiaries (Haglund, 2010:120; Al Jazeera, 18 June 2011 cited in Morris, Kaplinsky & Kaplan, 2012:112; Cobham, Janský & Prats, 2014).

The press began portraying foreign mining investments negatively, including claims that the state benefitted little from copper resource rents (Haglund, 2010:97-99; Al Jazeera, 18 June 2011 cited in

late 1990s, such as former CEO of ZCCM and Chair of the mining privatisation team, Francis Kaunda. Van Donge (2009) stated that few prosecutions have resulted and given the lack of evidence this avenue has not been further explored as a rational for the cycles of ownership.

[98] Glencore, headquartered in the Swiss tax haven of Zug, owns the Mopani mine through a 73% share in a British Virgin Islands based corporation.

Morris, Kaplinsky & Kaplan, 2012:112). However, Haglund (2010:97-99) cautioned against the validity of the press arguments due to lack of reliable information.

During the 2006 and 2011 election campaigns, the Patriotic Front (PF), lead by Michael Sata, used anti-Chinese sentiment at election rallies, at one stage calling them *"infestors"* rather than investors (Pitcher, 2012:109; Taylor, 2012:116; Okeowo, 2013). The PF came second in the election in October 2006, but won in 2011 (Pitcher, 2012:109). Despite this Sata seemed supportive of Chinese investment, meeting the Chinese Ambassador as his first official meeting (Taylor, 2012:116). However calls in the media for improved state oversight of Chinese mines have increased (Okeowo, 2013; BBC, 2013; McGreal, 2007).

Zambian Conclusion:

At independence the outward facing Zambian copper industry, accounting for 90% of export earnings, was dependent on external demand, commercial connections to global markets and infrastructure through the white run states in the South for exports. The government had secured the mineral rights, but foreign (South African (AAC) and American (AMAX)) corporations, controlled mining. These firms had the expertise, capital and international linkages to maintain output and were therefore essential to the newly independent nation. When state finances were almost entirely dependent upon on a firm or an industry with considerable interconnectedness, as demonstrated by the minerals industry in Southern Africa in the early 1960s, then state bargaining power was weakened. This necessitated the government conforming to the norms of the global resource extraction structures and fostering an attractive investment environment to bring in capital required for development. Concurrently the government sought to address internal structural issues by removing racial workforce and entrepreneurship barriers. The Zambianisation programme through Humanism necessitated socialist style state intervention, but was implemented within liberalised markets.

The Mulungushi and Matero policy announcements responded to weak private sector-led indigenisation in non-mining sectors: state intervention and state enterprises were considered necessary to accelerate the economic liberation of the previously marginalised majority.

The subsequent purchase of 51% holdings in the mining corporations in 1970 was nationalisation within the definition used for this thesis. Whilst this afforded the state majority ownership, the private sector minority shareholders retained control through management contracts and veto rights. Although the concurrent, new tax regime made Zambian mining taxation one of the highest globally, the 51% government stake exempted mining firms from restrictions on profit remittances. This action was not hostile and was expressed in language (neither socialist nor capitalist) that attributed the action to indigenisation of control and ownership to ensure accelerated industrial development. Kaunda additionally implemented the tax reforms for two purposes, firstly they met the demands of the mining houses and secondly to remove development disincentives. The

prevailing view, despite weak evidence that the policies were driven by socialism, points towards public ownership out of pragmatism rather than political ideology.

Although state ownership increased during the one-party state period, again, Kaunda justified this on the basis that the separate private shareholders had blocked initiatives to rationalise and increase efficiencies across the mining enterprises. These increased shareholdings were made for commercial rather than ideological reasons and to increase Zambian control.

There then followed a privatisation phase. Evidence suggested that this was predicated on falling copper revenues and the subsequent need for IFI financial support that was conditional on an SAP that included a broad privatisation programme. Although some reforms were so unpopular they caused demonstrations, the privatisation of mining, although a slow process, was supported not just by industry but also by the MUZ. This support was instrumental in bringing the MMD to power on a privatisation platform, although UNIP had the same economic policy. The government started well with the Privatisation Act, the ZPA and a timetable, but although Bennell (1997) suggested support for privatisation was high, Pitcher (2012) suggested that the reform institutions were weak and the MMD lacked accountability to implement effectively. This may have contributed to the delay in privatising mining. IFI pressure was required to overcome stalled mining negotiations and although a sale was agreed in 2000, the new owner, AAC, returned their holding to the government to focus on more competitive global sources. Interestingly there was little evidenced of resistance to foreign ownership during this period.

The Zambian political situation seems to have favoured indigenous businessmen with many standing in elections or supporting individual candidates. Many of the people who supported the movement for multi-party democracy and established the MMD were businessmen frustrated with the state of the economy. In a mixed economy that imposed profit expropriation penalties on majority foreign owned firms and incentivised local business share ownership, foreign owners would approach the politically connected to meet indigenisation quotas.

In recent years, new mining corporations entered Zambia capitalising on a commodity price boom, which was met with some popular resistance. However the rhetoric during the 2006 and 2011 electioneering was not of state control of the commending heights, but of dissatisfaction with the new Chinese, Indian and European owners, based on reductions in production volumes and loss of tax income through alleged transfer pricing and over charging on service contracts.

There were other internal issues that could have prevented an ideological nationalisation programme. The Zambian government lacked access to the technological and management expertise to fully control mining and the state was incapable of accessing the extensive global vertical and horizontal linkages of the oligopolistic mining industry. In view of this Saasa (1987) maintained that ideology had minimal influence on Zambian policy in the 1964 – 1985 period; indeed after 22 years of independence the mining companies remained mixed, never fully nationalised.

Chapter 5: Conclusion

"Communism was just a red herring" (Clue, 1985)

Conclusion:

This paper reviewed the cycles of nationalisation and privatisation in the mining industries in Zambia and SA to determine the roles that ethnicity and political ideology played in policy formation and implementation. It explored whether minority ethnic economic control was more important than political ideology in driving calls for nationalisation of mining.

A theme not fully explored herein was the role of factionalism in nationalisation/privatisation decision-making. Both nationalisation and privatisation provided politicians with opportunities for political and financial gain, which enabled accumulations of power and the development of political factions. They were used for political leverage and to gain political support among various constituencies, such as the Bemba in Zambia. Concepts such as Zambianisation and BEE had benefitted the politically connected or provided political power through connections to the political and economic elite. Van Wyk (2009) analysed cooperation between business and the elites of the ANC, highlighting multiple directorships of ANC loyalists in business. Pitcher (2012) and van Donge (2009) analysed Zambian party patronage and political beneficiaries from mining. Other potential contributions for further study of the factionalism debate include Southall (2013), Butler (2013b), Simutanyi (1996), Martin (1972), Sklar (1975), Gentle (2013) Craig (1999) and Hall (1973).

Whilst mining was completely dominant by an MDM in both cases, Zambia and SA faced different issues. In SA the MDM was domestic and in 1910 the state sought to challenge Anglo domination of industry and protect Afrikaners from global capitalism. From 1994 the new government addressed ethnic wealth inequality and the reintegration of the economy into global markets. In Zambia the mining MDM was foreign and weak state institutions and a need for economic growth and Zambianisation shaped policy. The early ideologies of Humanism and Volkskapitalisme both put the concept of 'man' or 'Volk" before capital and, like the economic policies of the ANC, were neither socialist nor capitalist; combining free markets with government intervention. Those interventions were designed to remove control of the economy from an ethnic minority and indigenise industry.

The cases demonstrated that nationalisation was a bargaining tool. In Zambia incremental nationalisations were used to encourage mining firms to indigenise and invest in development. In SA the ANC threatened nationalisation to halt NP privatisations, but also to encourage the private sector to work with the ANC to end apartheid and expand access to industry for previously marginalised citizens.

In SA the mining interests remained private, but privatisations were used in the broader MEC to indigenise industry, while Zambia acquiesced to foreign ownership during privatisations, reflecting

the relative levels of development of financial markets. SA benefitted both from advanced industrialisation and developed finance products for indigenous investors. In Zambia the financial markets and options for indigenous investors were weaker.

Despite the nationalistic rhetoric in both states, nationalisations were not pursued in SA and only cautiously in Zambia. The importance of continued revenues from resource extraction and the need to not deter potential FDI were the reasons cited for this reluctance to expropriate. In Zambia the foreign mining firms were essential for sustained income from copper exports, while in SA they provided guidance on economic policy to ease SA back into the global economy.

The economic policies implemented by successive governments in both states, including Volkskapitalisme and GEAR in SA and Humanism and INERP in Zambia were all mixed, incorporating liberalised markets, to encourage FDI, as well as state interventions to accelerate reforms of structural wealth and income inequality. Demonstrating that in both cases, minority ethnic dominance was a more important driver of nationalisation/privatisation cycles than political ideology.

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