The Mines Nationalization Conundrum In South Africa: Trends, Insights And Implications for Development

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Abstract

The trajectory of Mines nationalization debate is currently high on the socio-economic and political discourse in South Africa. This paper within the context of qualitative analytical methodology explores the dynamics of the nationalization conundrum in the South African country. In the use of this methodology and the review of related literature, the paper anchored on the balance of evidence and hypothesized that, instead of a **holus-bolus** nationalization of South Africa's Mines, a hybrid paradigm of partial nationalization, in the nature of Public-Private-Partnership is preferred. This, according to this paper, will engender higher national development for the national economy of South Africa.

Keywords: South Africa, Mine Nationalization, Development, Public-Private-Partnership, Conundrum

Introduction

The policy of a national government's acquisition and ownership of the factors of production and distribution for the purposes of accomplishing enhanced fairness and best administration of the country's natural resources has long been a governance culture in many countries. The idea of nationalization and its practice has been observed to have been adopted by countries of different ideological divide. In terms of the frequency of its practice, it has been however noted that it is more noticeable within the domain of the socialist oriented states than the capitalist and mixed economies, due to their obsession with "idle income distribution philosophy" and the dismantling of the bourgeoisie class.

Historically, nationalization started long before and after the World War II, with much of the policies executed within the 1930's, 1940's and the 1960's by different countries of the world. On this Gavin, et. al. (2011:4) did emphasize that:

> While not going as far as the Soviet Union and its satellites, many countries moved a long way down the same path. The UK was a good example, nationalizing railways, electricity, broadcasting, the central bank, road transport, steel production and other sectors. Even in agriculture, without actually nationalizing, many countries established control boards with draconian powers over production and marketing.

In the context of the mining industries in contemporary era, it has been noted, that only few countries of the world are in the practice of out right mines nationalization. Some of these countries are Zimbabwe, Venezuela, Bolivia and China. For the non-mining recent nationalization scenarios, countries as Argentina, Norway and Sweden have been noted, while Malaysia is currently discussing its possibility in her road toll companies.

The mining sectors of several countries have often been targets of nationalization policies. The factors orchestrating this attraction as posited by Davis (2001) and Gavin, et. al. (2011) are:

- Mining is the process of exploitation of a nation's natural non-renewable, depleting patrimony with emotions attached and citizens benefiting unequally from its current and inter-generational exploitation;
- Mines reflect a type of concentrated form of economic rent that are by nature "location bound" and therefore can easily be acquired and controlled for social, political, economic or personal advantages;
- Mine products prices are cyclical in nature attracting high prices at times and being easily targets for impecunious governments.

Despite these attractions for mine nationalization, theorists as Martin (2012) and case studies as conducted in Botswana, Bolivia and Venezuela from the year 1999 onwards (Chang, et. al. 2009) demonstrates that the policy of mine nationalization has been successful in certain cases and failed in other cases. For the unsuccessful ones, factors that affect its unsuccessful operations are government lack of necessary capital injection to enhance high technological cost-serving equipments and the long term decline in mine products prices that discourages government ownership and effective management among others. The effects of these discouraging factors have been global decline in mine nationalization. In agreeing with this claim are Leon (2010), Mwanambuyu (2011) and Gavin, et. al. (2011). In this dispensation, Gavin and Mike (2011:15) did aver that:

> Rather than nationalization, the 1990's as a result, witnessed at least two high profile privatizations of what had previously been considered "crown jewels" of State Mine ownership. These were privatization of Brazil's CVRD (now Vale) in 1997… and in 1999 the Zambian copper mines were privatized to foreign investors including Chinese investors.

On the other side of the successful nationalization scenarios, it has been observed that there are good examples even in Africa. In reporting about the successful experience of Botswana and Nambia's partial nationalization of her mines, Gavin and Mike (2011:19) states that:

> Botswana and Nambia have not had full nationalization but there has been undoubted benefit from the policies of public/private partnership that are in place. The benefits extend to the countries' economic performance (Botswana has displayed stellar growth for many years and built up $7 billion of reserves) and to the industries involved. But it is Botswana's… careful husbanding of the money earned from minerals that has made Botswana a success.

Against the afore-mentioned contending notions about partial or full mines nationalization in stated parts of the globe, it is observable from recent events in South Africa that the mine nationalization conundrum is awash. This is because the South African sociopolitical events -have witnessed discordant voices and demands calling for the nationalization of key South African mines by their government. Among the vociferous of these calls are the aggregated demands by the **South Africa's Militant Youth League** under the auspices of Julius Malama. According to this group, their demands for South Africa's mines nationalization as reported in Frik (2011:1) is hinged on the pre-independence 1955 to 1969 strategy and Tactics Charter of ANC which states inter alia:

> It is inconceivable for liberations to have meaning without a return of the wealth of the land to the people as a whole. It is therefore, a fundamental feature of our strategy that victory must embrace more than formal political democracy. To allow the existing economic forces to retain their interests intact is to fuel the root of racial supremacy and does not represent even the shadow of liberation.

The consequences of this non-implementation of this nationalization of the mines are that:

> South Africa's Mineral deposits are worth an estimated $2.5 trillion (excluding energy minerals), the richest in the world and yet a third of the country 50 million people are dirt-poor. (Citigroup Report in the Economists Editorial, 2011:2).

To put effect to this strategy and ameliorate this burgeoning poverty malaise in South Africa, Malama (2011) in Frik (2011:1) states that:

> Mines (in South Africa) should be nationalized. Nationalization is concluded. I don't understand the ANC process to be saying we are investigating nationalization of mines. I understand the ANC process to be saying we are looking at ways to get the best model for nationalization.

In the light of the background of this discourse as stated above, this paper shall attempt an incisive interrogation of the dynamics inherent in the Mines nationalization quest in South Africa. The main purpose of this is to explore the implication of this mine nationalization dynamics on the developmental trajectory of South Africa. Within this context, the objectives of the paper are:

- ❖ To historicize on the circumstantial factors orchestrating South Africa's mines nationalization demands;
- ❖ To engage in comparative study of mine nationalization in some similar countries and the lessons to be learnt there from by South Africa.
- ❖ To ascertain the challenges inherent in the envisaged South Africa's mine nationalization quest; and
- ❖ To proffer panacea in the mine nationalization conundrum, that can accentuate sustainable development for the South African masses.

Towards the attempt to accomplish these objectives, the study adopted qualitative research methodology with emphasis on secondary sources of data. This use of the research design ensured a detailed exegesis of the dynamics of the mines nationalization quest in South Africa, especially as it relates to the amelioration of socio-economic underdevelopment in the country.

Guiding Theoretical Framework

The Public-Private Partnership model of the New Public Management (NPM) theoretical postulation is the adopted theoretical framework of this study. The concept, of NPM perspective is one of the most recent paradigms in the evolutionary trends of public administration, as coined by Christopher Hood (1991). The concept as outlined by Hood (1991), is related to the emphasis placed on the essential 3Es of any management objective. These 3Es are the economy factor with stress on avoidance of waste, the efficiency factor with anchor on the streamlining of services and the effectiveness factor with emphasis on the use of organizational resources on targeted problems.

In the context of the Public-Private Partnership model of the NPM, the protagonists are Hood (1991), Sahlin-Ansersson (2000) and Henry (2007), among others. According to these proponents, the Public-Private Partnership also known as the PPP is an aspect of NPM that stresses, that there is the need for the state or governments to collaborate with private organizations in the optimal delivery of public goods. For these proponents, the PPP perspective involves a collaborative cooperation between the public sector and the private sector, using the proficiency of each partner in achieving properly stated targets, through the adequate allocation of resources, risks and its attendant rewards (Canadian Council for Public Private Partnership, 2009).

For the tenets of the PPP model, it is emphasized by its theorists as observed in Roderick, (2006) and Ikeanyibe (2009) that these are some of the essential features of the model. These are:

- All arrangements between the public and private sectors are hinged on "temporal or renewable agreements" with the public sector maintaining relationship with the private sector.
- In the arrangement between the two, the public sector retains control over issues of delivery of public goods, including control of rules and regulations to the public interest or objectives.
- Financing of the partnership projects can be funded by either parties
- PPP projects are targeted at the most efficient use of the public resources for the interest of the public; and
- To ensure that the best interest of both the public and private sectors are protected through cooperative sharing of risks and returns as the need arises.

It is in the light of the above tenets of the PPP that social analyst as Obadan and Ayodele (1998) avers on the relevance of the PPP practice in a country's administration, when he asserts that:

> Both the state and private sector have irreplaceable roles. For accelerated and sustained growth of the economy, both sectors must cooperate and trust each other. Each has to concentrate on doing best what it is capable of doing and yet work in partnership… Sustained improvement in living standards through growth, human capital development, and safety nets requires a strong partnership between government and the private sector.

Mines Nationalization: An Explication

The concept of nationalization, for the purpose of this study, is the acquisition, ownership and control of privately owned companies that are involved in the exploration, extraction, production, processing, trading and all benefits related to mineral resources of a country by the government of that country. For the South Africa's nationalization issue, it reflects the processes of the democratic government of South Africa's inclination towards the nationalization of already existing mining companies' assets and liabilities and its transfer to the public domain, with or without compensation.

For the conceptualization of mines, its definition is extrapolated from the concept of minerals, for mines are the locations, organizations where minerals are explored, extracted, produced, processed or traded upon. In South Africa, ANC Youth League (2010:2) defines minerals in South Africa to indicate:

> Minerals resources refer to all the more than 50 non-renewable precious industrial and chemical stones extracted from mines in South Africa. This includes gold, the platinum group of metals, chrome, coal, manganese, diamond, copper, metals, aluminum etc.

With regard to the volume of minerals produced by the country, the South Africa's Department of Minerals and Energy (2008:3) has stipulated that:

> South Africa is a leading world supplier of a range of minerals and mineral products of consistently high quality. In 2005 about 55 different minerals were produced from 1,113 mines and quarries, whereon which 45 produced gold, 26 produced platinum group of minerals, 64 produced coal and 202 produced diamonds, all as primary commodities, with an increase of 120 mines from 2004. South Africa is home to vital mineral resources and among the most diversified minerals reserves in the world…Platinum group of metals (70%) of world reserve, gold (40%) of world reserve, Manganese (70%) chromium (70%) of world reserve and 54 other minerals.

Presently, majority of these minerals and their mining locations are in the hands of private investors. However, by the mechanism of the South Africa's 2004 Mineral and Petroleum Resources Development Act (MPRDA), the state is entitled to hold the rights to all natural mineral resources in the country even though the South Africa's government is yet to implement this act.

Precursors to Mines Nationalization Demands in South Africa

The recent quest for the nationalization of mines in South Africa is not without subsisting precursors. While some of these precursors are historical in nature, others are marked by their ideological connotations. Some of these are discussed below:

1) **Need to Implement the 1955 Freedom Charter:** The 1955 freedom charter document in South Africa, is the pre-independence adopted agenda for implementation in the independent South Africa, for the emancipation of the black majority and Africans in particular, from political, social and economic slavery. The freedom charter document is an agreement signed and adopted by an amalgam of all pre-independent mass democratic forces under the auspices of the African National Congress (ANC) on 20th of June 1955 at Kliptown area of the country. The over-whelming adoption of the freedom charter is manifested in the fact that as of the then 1955, when the population of South Africa was just 12.5 million people, more than over one million signatures adopted the freedom charter.

As to the content of the adopted charter that orchestrates the demand for mines nationalization after independence, it is observable that the Freedom Charter (1995:2) states as follows:

> The national wealth of our country, the heritage of all South Africans, shall be restored to the people; the mineral wealth beneath the soil, the banks and the monopoly industry shall be transferred to the ownership of the people as a whole. This is to ensure that the use of natural resources of which the state is the custodian of, on behalf of the people, including our minerals, water, marine resources, is in a manner that promotes the sustainability and development of local communities and also realizes the economic and social needs of the whole nation.

The content of the above stipulation of the charter had serious implications for the South Africa's post independence mines nationalization demands. In this dispensation, Mandela Nelson (1969:3) avers that:

> It is true that in demanding the nationalization of the banks, the gold mines and the land, the charter strikes a blow at the financial and gold-mining monolopies and farming interest that have for centuries plundered the country and condemned its people to servitude. But such a step is absolutely imperative and necessary because the realization of the charter is inconceivable, in fact impossible unless and until these monopolies are first smashed up and the national wealth of the country turned over to the people.

Apart from the above, on Mandela's release from long years of incarceration in the 1990's as it relates to the question of mines nationalization in the post independent South Africa, Mandela (1990:3) still maintains that the:

> Nationalization of the mines, banks and monopoly industry is the policy of the ANC and a change or modification of our view in this regard is inconceivable.

It is based on the above freedom charter adopted and the continuous clamour for its execution even after independence of South Africa in 1994 that the question of mines nationalization in South Africa continues to resonate unendingly in the present era. On this note, the ANC youth league in association with other progressive forces in South Africa are hell bent in achieving the spirit of this charter, through their consistent demands for mines nationalization in South Africa.

2) **Need to Improve South Africa's State Fiscal Capacity for Delivery of Social Services:** The post independent South Africa's state is far away from delivering minimum expected social services to majority of the generality of her people. These areas of lack of delivery of expected better services include housing backlog, free education, health care, human safety, employment especially the youth etc. The reason for this incapacity is hinged on the fact that the taxes generated by the State of South Africa is unable to cater for these services without additional sources of funds from the mines nationalization sector. In his stressing on the need to increases the South Africa's State fiscus for this purpose, Kgahema Mothanthe in Matshigi (2010) did advise the

ANC Youth League and the State of South Africa to thinker on setting up a state mining company that will take over the operations of other private mining companies of the country for reasons of raising revenue for funding free basic education and higher education for the citizens of South Africa.

This call for nationalization of South Africa's mines for purposes of raising of national revenue for social services stems also from the lessons learnt from Botswana's mines nationalization experience. In this regard, the ANC Youth League (2010:10) acknowledges that:

> Botswana presents a case on why nationalization of strategic minerals can benefit the South African State. In Botswana, the state is in a 50% partnership with De Beers in a mining joint venture called Dobswana Dimond Company Ltd…. Diamond mining activities have fueled much of the growth in Botswana's economy, allowing it to grow from one of the poorest countries in the world when it became independent in 1966 to a "middle income" nation with $9,200 per capital income in 2004… Diamond account for one third of the nation's GDP, over 90% of the earning from-export, and 50% of government revenue. Despite the 50% government ownership and control, Debswana pay taxes and royalties to the Botswana government. Botswana government utilizes the revenue generated from Diamond mining to finance its socio-economic development.

On the strength of the above experience of Botswana in the nationalization exercise in the country, both groups and individuals in South Africa have engaged in unrelenting campaign to nationalize the South Africa mining industry. This is to attract extra funds into government coffers for improving South Africa's State fiscal capacity in the services and economic growth sector.

3) **Need for Enhanced Industrialization and Creation of Decent Jobs:** As earlier indicated in this study, the present mines ownership scenario is that over 90% of the ownership and control of mines in South Africa are in the hands of mainly private and foreign owned companies. For Africans and blacks working in these private mines, the ANC Youth League Report (2010:9) captures their excruciating conditions succinctly:

> Mine workers in South Africa are underpaid and work under difficult and unsafe conditions. Their workplaces and socio-economic existence expose these workers to fatal diseases and accidents. Nationalized mines should be bacons of safe working environments and better working conditions, as they will not be in narrow pursuit of profit at the expense of community and human development.

For the enhanced industrialization argument of post independent South Africa from the envisaged nationalization, the ANC Youth League Report (2010:9) recognizes that:

> With state ownership and control of mineral resources, South Africa will be able to attract industrial investors, who will contribute to the growth of the economy. It cannot be correct that an absolute majority of the minerals we produce are exported to other countries, with very little efforts to build internal capacity to beneficiate these minerals.

> Nationalization of mines should lead to greater local beneficiation, industrialization, growth of the economy and jobs for majority of our people. The industrial strategy adopted by government cannot succeed unless we have state control and ownership of the natural resources. We need metals, iron ore, gold, platinum, coal, chrone, manganese and many other minerals to industrialize. South Africa's skill development efforts should be dynamically (not exclusively) linked to the industrialization of mineral wealth.

4) **Need to Break the Present South Africa's Dependency and Capital Accumulation Pattern:** The present South Africa's economy is still entangled in the phenomenon of a colonized economy as a result of its serving as sources and reserves of primary commodities for the colonizer's economic development. In this wise, South Africa, exports over 90% of its primary products and imports mostly its finished and processed products.

This post coloniality feature of the South Africa's economy exposes the country to the whims and caprices of the international capitalist economy, with its attendant poor sustainability of the post colonial economy. To break away from this dependency syndrome of the South Africa's economy, the South African Communist Party (1962:10) argues that:

> The key question in the transformation of our economy is that of seeking to build an economy that breaks its colonialism of special type (CST) character and take it out of its dependent-development path. The task is that of an economy that challenges and transforms the dominant power of the mining-energy-finance monopoly capital. The current property relations wherein few corporations are in control of mineral resources do not provide a viable case and space for economic diversification because it is not in their immediate interest and benefit.

5) **Nationalization Demands for Sovereignty Protection:** The requirements of a State's sovereignty over her territories and the resources therein, have long been an established principle of international laws and politics. In this dispensation, the 1962 United Nations General Assembly resolution 1802 concedes that:

> The rights of peoples and nations to permanent sovereignty over their wealth and resources must be exercised in the interest of their national development and the well being of the people of the state concerned.

Further to the above stipulations, the 1974 UN Declaration on the New Economic Order and the Rights and Duties of the State in international practice also affirm that:

> Every state has the sovereign and inalienable right to choose its economic system as well as its political, social and cultural systems in accordance with the will of the people, without outside interference, coercion or threat in any form whatsoever.

The averments of the above stipulated international practice are very vital in the mines nationalization conundrum of the present South Africa. For the ANC youth League of South Africa, political freedom without economic freedom tantamount to nullity, and therefore the needed urgency in the South Africa's mines nationalization in the interest of the masses of country. In warning on the dangers of non nationalization, the ANC Youth League (2010:10) admits that:

> Whilst foreign monopoly investments are often used as a way to undermine countries' economic sovereignty of South Africa, the African National Congress good intention to construct a democratic development State might be undermined by the whims and needs of foreign investors, who wittingly or unwittingly, place conditionalities before investing. A reasonable ownership and control over our national resources will certainly give the people of South Africa, through their responsible political leadership, a guide on how to channel all foreign investment into the country's developmental agenda.

Comparative Study of Mines Nationalization in Other Countries

China: In the course of practicing communism, china in the distant past was very well known for extensive nationalization of assets without compensation. In this context, the history of coal, iron ore and other mines nationalization in China predates the present Chinese national administration. This national socio-economic and political policy dates back to the 1930s, 1940s and 1950s, when nationalization was the central objective of the Chinese national government policies.

However, towards the 1980s, the then new national Chinese leader (Deng Xioa Ping) ushered in a reversal economic policy from strict state interventionism in national resources control and management to a market-forces related approach. In terms of the economic advantage that accrued to China, as a result of the Deng Xiao Ping's reversal of the nationalization policy of the 1980's, it has been stated by Gavin et. al. (2011:25) that:

> It was only after Deng forced the country onto a new economic policy path (in essence a free enterprise model with a communist ruling superstructure) that Chinese economic growth began to accelerate.

Contrastingly however, recent economic policies in China are tending towards nationalization policies. This claim is showcased in the recent nationalization of some coal mining companies, state forced 20% share ownership of iron and steel plants, a major dairy company and complete takeover of property development companies. (Gavin et. al. 2011). According to Gavin et al. (2011:25):

> Even now, special treatment is given to state owned enterprises, recently a $ 586 billion injection of funds was made to them.

In terms of lessons to be learnt from the Chinese model of State control of the country's natural resources and its implementation, it has to be stated that:

> Thus China presents a somewhat confused picture of nationalism. There does not seem to be an active nationalization policy as there was many years ago. But at the same time, when suitable circumstances permit, China proceeds with individual nationalizations that do not seem to be part of an overarching

> policy, but are carried out rather secretively and without much publicity (Gavin et. al. 2011:25).

Part of the lessons also to be learnt from the Chinese model, is the fact, that the existence of both the free market economy along side the state-controlled economy does not retard the economic growth of China. Rather, the Chinese economy continues to expand extraordinarily, which recently placed China as the second largest economy in the world (Gavin, 2011).

Botswana: The nationalization model that Botswana is noted for may not be strictly called an active nationalization policy of the state. The strategy adopted in the mineral sector of Botswana takes the picture of increasing state ownership of the diamond and other mines operations through initials 15% stake in these mines that have risen to 50% ownership stake recently. The balance of the 50% stake is owned by a company called Debswana.

The history of Debswana stems from the company's earlier name called De Beers Botswana Mining Company of June 23, 1969. In the year 1991, the company's operations changed with first, its change of name to Debswana, secondly, moving its headquarter to Gaborone and thereafter being 50% acquired by the national state of Botswana.

According to Encyclopedia of the Nations (2012:2), Mineral rights of Botswana (separate from surface rights) are vested in the state. In furtherance of this, it is stated that:

> For significant mineral operations, the government usually exercised its legal right to acquire for free an equity interest of 15% to 25%. Royalties are collected on the sales of certain minerals, such as 3% on base metals, 5% on gold, and 10% on diamond… In a 50-50 joint partnership with De Beers centenary, the government owned Debswana Diamond, the country's largest mining company.

Based on the above Botswana's experience in the state mechanism of mines control and ownership, Gavin et. al. (2011:32) argues that the lessons for nations in similar situations are that:

> Botswana is a good example of public/private participation in the mining industry, rather than nationalization in the normally understood meaning of the term. The arrangement appears to have been very successful. It has been remarked that Botswana seems to squeeze the last dollar of benefit out of the diamond industry….the country has enjoyed very high rates of GDP growth for many years –even claimed as the highest in the world in a purely mathematical comparison.

Challenges to the South Africa's Mine Nationalization

In the literature of state nationalization of mines around the globe, there are always social, economic and political hurdles that besiege the implementation of the programme. South Africa not being an exception, the mines nationalization debate and the envisaged implementation mechanism is expected to be bedeviled by many challenges. Brief descriptions of some of these are:

South Africa's State Capacity to Mange Mining Enterprises: The capacity of South Africa's state to manage complex state-owned enterprises as the mining sector has been questioned by several social analysts. Among some of these are Chang, et. al. (2009) and Gavin, et. al. (2011) Gavin, et. al. (2011:7) in affirming this assertion have stated that:

> To suggest that states cannot run mines as well as the private sector can often generate anger within the state, as it implies skills in the private sector are superior. When the mines employ foreign management, this argument develops a nationalistic characteristic. Sometime, however, it is true that the quality of management in the private sector is indeed superior.

In contrast to the above argument, the statist or pro nationalization school of thought as Black, et. al. (2005), Boyle (2009) and the ANC Youth League (2010) are of the opposite opinion. For the theorists in this ideological platform, state enterprises do posses significant management capacity within the context of the state being a majority shareholder in any organization. As to the South Africa's Mines nationalization scenario, the ANC Youth League (2010:12) has argued that:

> An absolute majority of mines' shareholders are not mining experts and engineers, and some do not even know where the actual mining is happening. What share holders do is put in place proper systems for running the mines, to ensure that they are the biggest beneficiaries of mining in South Africa…one vital point to mention is that performance of companies is not just a function of private or public ownership but mainly a function of control…The narrow neo-liberal argument of linking public ownership with inefficiency does not apply.

State's Difficulty in Adjusting to Inconsistency of Income from Mines Operations: A significant challenge faced by most states involved in the mines ownership and control is the problem of the cyclicality of mine product prices in the world market, which negatively affects the stability of state's income. As a result of this cyclicality, it has been noted that prices of mine minerals rises and falls requiring careful adjustments in the management of mines, which state control of mines finds difficult. In this view, Gavin et. al. (2011:9) opines that:

> The cyclicality of commodity prices creates problems for state owned mines both when prices are low and when they are high. In almost all countries where the state owns mines, the mining industry is a significant contribution to domestic economic activity…when commodity prices fall, state revenue from mining falls and the budget deficit widens.

Problems of Compensation and Low Investor's Confidence in South Africa's Economy: There are arguments as to the ability or capacity of the South Africa's state to pay compensation to the overwhelming mines shareholders in the event of the nationalization of mines in South Africa. There are two major aspects of the issue as advanced by these analysts, among which are Davis (2001) Siegle (2009) and Gavin et. al. (2011).

One major aspect of the argument is that, a country's state can simply and forcefully acquire these mines without paying any compensation to the owners of the mines.

The envisaged consequences of this type of nationalization policy are that, the international capitalist countries will retaliate in other areas of international economics affecting South Africa and also invoke international laws against South Africa.

Another side of the issue is the fact that South Africa will loose international investor's confidence in the South Africa's economy resulting from the envisaged nationalization of mines. In the views of Gavin et. al. (2011:37) nationalization of mines in South Africa will:

> Provoke the massive out flow of the foreign port folio investment that has flowed also into the South African non-mining equity market since 1994. At the very least, it would reduce further such flows making it extremely difficulty for South Africa to continue to run deficits on the current account of the balance of payments which has been the result of… investment rising… above South Africa's low level of domestic saving.

More importantly, even if the government of South Africa decides to compensate, the problem will emerged from the determination of the degree of compensation that will be implemented in consideration of the opportunity cost of the social welfare equivalent in society. In this particular instance, the example of the Bolivian fiscal oil fields nationalization arrangement is a case in point. In this instance, the Bolivian government after much consideration of the opportunity cost calculations of compensations, decided to back out of the nationalization plans due to "failure to pay" and "lack of resources" to pay (Philips, 2006).

The Challenges of Encroaching on Property Rights and Freedom of Owners: It has always been stated that, one main problem of nationalization is the lost of rights of property ownership by previous mine owners, which results to undue corruption and cronyism in government nationalized mines. For Weizsacker et. al. (2006:8) the implication of this scenario is that:

> The elimination of the profit motive and well defined property rights has a deleterious effect on creativity, innovation and technological advancements that are usually rewards for hardworking and effective competition.

With the non-existence of technological advancements and creativity, most nationalized mines lack effective and efficient growth, management and its attendant contribution to national development. These challenges to property rights of entrepreneurs will surely discourage effective private productive activities in South Africa and negatively imparting on the South Africa's gross national productivity levels.

The Way Forward

In this discourse, the way forward in the mine nationalization conundrum of South Africa depends on the balance of evidence discovered in the course of the study and the lessons learnt from other countries' nationalization experiences. In this context, these lessons and the demonstrated practical evidence of success or failures in this programme will constitute a guiding philosophical platform upon which the paper's recommendations are posited as follows:

- **Adoption of Public-Private-Partnership Principles of Nationalization**: The mineral resources of South Africa belong to the people of South Africa with the state as the custodian. In this context, the present non participation of the state in the ownership and management of the mining activities is not in the interest of the people. It is therefore recommended that the South Africa state enter into legal relationship with the mining entrepreneurs in which the states' interest is fully represented in the form of joint venture enterprises. This recommended model of South Africa's mines nationalization is akin to the practice in the Botswana's model of state-private sector joint ownership and management of mines. As obtainable in the Botswana model this study recommends as 51 percent for the state and 49 percent for the private sector in which the role of the South African state is adjusted towards use of the monies gotten from the mines in the manner of reducing poverty, inequality and also achieving national higher rates of sturdy growth and competitiveness. By this nature of public-private partnership, state ownership of mines turns to a means to an end instead of an end in itself, as seen in the failed examples of Zimbabwe and Bolivia.
- **Promotion of the Socio-Economic Development of South Africa:** The present scenario of the mines ownership and management in South Africa is devoid of effective linkages with comprehensive socio-economic development of the country. The current situation of externalizing the gains from the mines through mainly exports of the minerals does not guarantee adequate condition for industrialization and enhancement of environmental sustainability of the country. In otherwords, state partnership in the mining sectors should be used to redirect the mining structure and relations of production towards creation of decent jobs through increase in the labour absorbing sectors of the economy, increased domestic use of the minerals in diversifying the industrial and services sector, increased beneficiation strategy of the mines, increased transfer of mining skills, education and expertise to the locals of these communities, all contributing to the overall development of the nation. The present mines employment ratio of 2.9 percent of the South Africa's economically active labour force or 5.1 percent of all workers in the non-agricultural formal sector is not encouraging enough for alleviation of overarching general poverty unemployment malaise in South Africa.
- **Need to Amend South Africa's Mineral and Petroleum Resource Development Law:** For the state of South Africa to take majority stake in the mining ownership and management, there is the urgency to amend the minerals and mines expropriation laws of South Africa, to ensure enhanced stated participation in the exploration, extraction, production, processing, trading and beneficiation of mineral resources of South Africa. The present constitution of South Africa in section 25 called the "property clause" even though protecting private property, also allows the South Africa's state to "take reasonable legislative and other measures…to foster conditions which enable citizens to gain access to land and other resources therein, on an equitable basis, for the purposes of public interest and for the redressing the results of past racial discrimination. It is on the basis of this section of the South Africa's constitution, that this study recommends the immediate amendment of the Mineral and Petroleum Resource Development Laws of South Africa through appropriate legislation bill on mines expropriation in the public interest and to further socio-economic development of South Africa.
- **Need for Adoption of a Developmental State Option for South Africa:** This year 2012 makes it 18 years of independence for the South Africa's state. With the

overwhelming social, economic and political challenges that have besieged this African state so far, it is recommended that South Africa's state utilize this present clarion call for mines nationalization in the country to reorient itself towards a dynamic developmental state option.

Developmental state status for the South Africa's state, will not only handle the mines nationalization issue to the interest of the overall development of the country, but will be involved holistically, in macro and micro-economic planning of the country's growth. In this void, instead of much emphasis on strict regulatory mechanisms, the state should stress more of knowledge and skill acquisition of her citizens as essential tools for leadership initiatives in the critical sectors of the economy. This should be done through increased economic nationalism that strikes a balance between the public and the private sector with efficient delivery of services to her citizens

Conclusion

This paper has highlighted on the dynamics of the clarion call for mines nationalization quest in South Africa. In the exegesis of the details of these demands, the discourse has emphasized that the **holous-bolous** approach to mines nationalization in the country is not supported by enough evidence and lessons, as the only panacea for effective use of mines for South Africa's national development. On the contrary, the paper has also through demonstration of evidence and lessons from similar situations refuted the **neo-liberal scarecrow** that any form of state ownership will endanger the use of mines for a country's economic growth. Within the purview of the two contending ideological perspectives, the study adapts an eclectic disposition of public-private partnership praxis of mines ownership and management that will usher in a balanced South African national development, that will favour both the public and the private interest. It is then on the basis of this recommendation that the study proffered the way forward for the South Africa's mines nationalization conundrum.

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