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TOP COMPANIES: COMPETITION OR COLLUSION?

Simon Roberts

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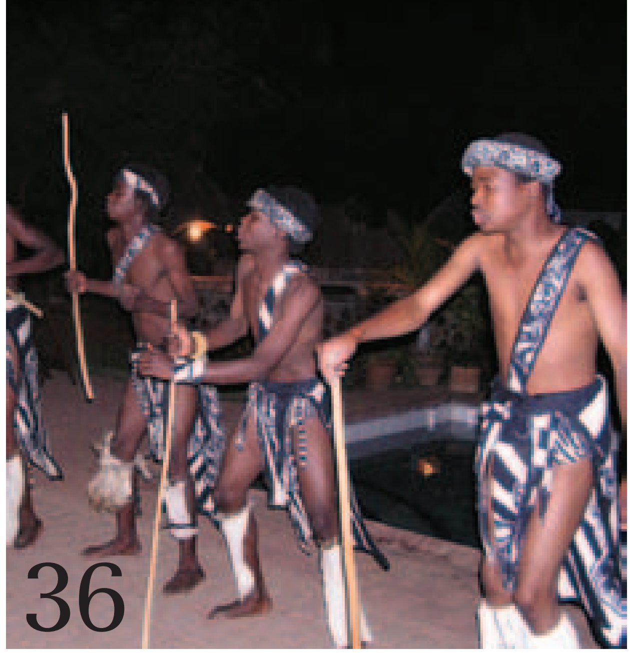

ISSUE 39

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Communication IS THE KEY TO YOUR SUCCESS

Learning expectations have never been higher. Changes in the global marketplace and work force demographics are accentuating the need to leverage human capital as a competitive differentiator. Companies that can adapt to industry shifts are realising greater market share and increased competitive advantage. Instead of regarding training investments as a cost, savvy chief learning officers are positioning learning as an investment that can further strategic results. One such training investment is language training.

Language is obviously a vital tool. It is not only the defining characteristic of the human species; it is the key ingredient humans require to build bridges of understanding between cultures and communities. Language is also a key factor in building democracy and thriving businesses and in an advanced industrial society in an increasingly interdependent world, the knowledge of a language becomes indispensable. Just think of how the advent of the Internet has changed our lives. For the last few years, millions of people across the world, who share common interests, are able to communicate with each other and exchange ideas. Not only are they able to do this due to the various technological advances, but also because they share a common language.

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Editorial Board

On power

By **Ben Turok**

What power does a ruling party actually have when it takes office? This question has been asked around the world for a long time. And the answers have revealed the complexity of modern social formations.

Industrialisation in Europe and North America saw the rise of powerful individuals like Friedrich Krupp and Henry Ford who owned and controlled large enterprises and exercised substantial power in their countries. In South Africa, we had names such as Oppenheimer and Rupert. As their enterprises grew in size to become huge corporations, the power of the founders was diluted by the inclusion of other stakeholders and power passed to the managers.

The power of the owner-barons was further diluted by the growth of parliamentary democracy with increasing powers being exercised by the state and the judiciary. Society also became more complex, with the growing influence of the media, universities, technology, and other elements of social organisation such as the trade union movement. And so the exercise of power became less obvious – at least until there was serious social or labour unrest, when the police and the army openly acted in defence of the status quo.

In the global North, the system seemed to achieve some sort of equilibrium. Governments were largely engaged in making laws and managing the public service, while business was confined to economic activity. The glue that held the whole system together was an ideological superstructure persuading the whole of the society that this is a good form of governance.

In South Africa, matters worked out differently. Since power was first concentrated in a small minority, the ANC had to wrest political and state power away from that minority and use it to introduce a range of reforms to try to alleviate the awful plight of the majority.

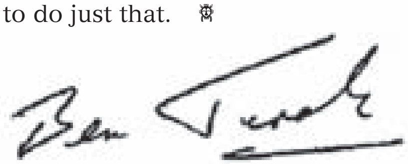
But economic power has proved elusive, as has influence over many of the agencies and institutions that previously legitimated and upheld minority rule.

This situation has led to a great deal of frustration as the limitations of holding political and state power become increasingly obvious. Despite repeated exhortations to advance transformation throughout the whole system, including the economy, little has changed fundamentally. It is now understood that power is distributed throughout the system. It functions in the political arena, in the state system, the judiciary and the economy, but also in the numerous sub-systems like media, education, religion, professions, and so on.

There are obvious advantages in this system of checks and balances. When power is diffuse, the abuse of power is more difficult.

But it also means that a ruling party, representing the will of the majority, is frustrated in trying to change the inherited imbalances. The most obvious challenge now is to transform the inherited structure of the economy to overcome monopolies and to control excessive profiteering. Without these changes, the resources needed for *development* – such as massive up-skilling of our workforce, creating numerous small enterprises, reinforcing social capital – will not be available.

In our lead article, the Competition Commission's chief economist Simon Roberts indicates that there are many mechanisms that can be used by the state to alter the way economic resources and benefits are allocated in our system. But the state, and the ruling party, must be willing to use their power to introduce those mechanisms. He seems to suggest that neither the state nor the ruling party is presently bold enough to do just that.



Yours in consistency,
Ben Turok
Editor

community safety & liaison

Department:
Community safety and Liaison
PROVINCE OF KWAZULU- NATAL

Building a United Front Against Crime

Summary of the Concept Document of the KwaZulu-Natal Government's 'Building a United Front Against Crime' Programme

As part of the KZN provincial government's programme to deal with crime, renewed emphasis is being placed on the relevance of a united, multi-pronged approach in responding to crime. Such an approach combines aspects of crime prevention, crime combating, the improvement of socio-economic conditions and strengthening of human solidarity among citizens. This approach has led to the initiation of a new provincial programme called 'Build a United Front Against Crime'.

A Provincial Symposium themed 'Build a United Front Against Crime' was held in Durban and was addressed by, among others, the Premier of KZN, Dr ZL Mkhize and the KZN MEC for Transport, Community Safety and Liaison, Mr TW Mchunu. in order to create a platform to draw on the province's collective wisdom and to conceptualise what needs to be done to bring this programme to life.

What is important in this approach is to develop a problem-solving framework which:

- looks for multi-agency solutions to identified problems;
- uses a range of methods of crime and violence prevention.

Elements of a United Front Against Crime

- The family as a basic unit in society
- Responsible citizenship: empowered, aware and caring communities
- Civic mindedness and building of community cohesion
- Crime reporting and information sharing
- Interactive, responsive and caring government
- Committed and creative civil society formations
- Ethical, involved and generous business community
- Effective community-based crime prevention programmes which protect young people from the dangers that may prevail in their moral and social environment
- Restoring of healthy community life and improvement of the physical and moral environment

Who will form part of the united front?

- Individuals and families supporting and guiding each other to become upstanding citizens
- A well-functioning Criminal Justice System (CJS)
- Cohesive and caring communities
- Schools
- Youth
- Faith-based organisations
- Business
- Civil society organisations
- Government

Specific roles envisaged for NGOs

According to the safe community of opportunity principles which emerged at the Provincial Symposium, NGOs are well placed to contribute to the realisation of the following principles: old people safe, parents empowered, protected disabled, nurtured children, peaceful home, crèches, Early Childhood Development (ECD), happy play, victim support, grants properly managed, etc.

Specific roles envisaged for government departments

Rather than adopting a prescriptive approach, the approach being taken here is one of identifying which government departments are in the best position to deal with a particular issue and making recommendations based on this.

A few examples identified are:

- Justice and Constitutional Development whose role includes speedy resolution of court cases and improved support and services for complainants and witnesses.
- SAPS whose role includes ensuring successful prosecution of criminals through adequate evidence-gathering and providing a professional and effective police service.
- Transport whose role includes expanding measures to ensure compliance by transport operators with passenger safety regulations and enhancing programmes to deal with the structural causes of taxi violence.
- National Prosecuting Authority whose role includes speedy resolution of court cases and improved support and services for complainants and witnesses.
- Social Development whose role includes supporting families in fulfilling their responsibilities as basic units of social cohesion through parenting-skills support and supporting the civic, non-profit sector in expanding valuable, high-impact programmes that decrease crime.

Role of KZN Department of Community Safety and Liaison (DCSL)

Targeted and Focussed Approach

A concerted drive is underway to streamline and integrate DCSL programmes which will lead to targeted and sustained interventions in identified problem areas. In practice, this will involve identifying problem areas and moving in with relevant interventions involving all Directorates.

Provincial Implementation Strategy

Purpose of Community Safety Forums (CSFs)

The CSFs will serve as an engagement mechanism between communities and the criminal justice system and all other relevant role players. It will also serve to promote local government responses to safety and security issues.

District Symposia and CSF Launches

Following a similar format to the Provincial Symposium, the District Symposia will culminate in the launch of Community Safety Forums in all districts. Specific issues of concern within particular districts will be incorporated and dealt with at District Symposia as priority focus areas.

The Centrality of Street Committees

A key output of the District Symposia would be the establishment of Street Committees. It is envisaged that, given the critical role for Street Committees in the promotion of safety at local level, Community Police Forums (CPFs) would play a central role in setting up and ensuring sustainability of Street Committees.

CPFs in turn would be supported by the Department of Community Safety and Liaison. Heads of Health and Safety within municipalities would also work closely with CPFs in establishing and maintaining Street Committees.

A diagrammatic representation of this envisaged arrangement follows below:

Conclusion

This is a call for greater innovation and commitment in our partnerships and joint initiatives. For such an approach to succeed, it is needless to say that it is imperative that all sectors of society take joint responsibility for addressing crime. Our response to crime can only succeed if we are able to harness every possible resource to address the challenges which face us.

Most importantly, individuals, families and communities can and must play a greater role in building the type of society we want to live in and bequeath to the next generation.

Big firms,
competition or collusion
An interview with Simon Roberts

Simon Roberts is the chief economist at the Competition Commission of South Africa. Ben Turok interviewed him in Johannesburg on 3 August 2010

BEN TUROK: The World Bank's recent *World Investment Report* says the South African economy remains highly concentrated by international standards. Is this true?

SIMON ROBERTS: We haven't done a full international comparison, but I think so, from our experience. It's very concentrated if one looks at the economy industry by industry, as we do. Many of the major industries are dominated by one or two firms.

BT: Can you be more specific about what you mean when you say there's concentration in particular industries?

SR: It's where a small number of firms have the power to control their markets, either individually or as a group.

PRIORITY SECTORS

BT: Which industries give you particular concern?

SR: We have focused on four priority sectors that were chosen by three criteria: the likelihood of anti-competitive behaviour, which is linked to concentration; the impact on low-income consumers; and the relationship with economic policy objectives, such as the Industrial Policy Action Plan. The four sectors are food and agro-processing, construction, intermediate industrial products (such as steel and basic chemicals), and banking.

BT: Can we take the three criteria one at a time?

SR: The first one would be the likelihood of anti-competitive conduct. The Competition Act only comes into play where somebody is likely to be engaged in anti-competitive conduct. We're looking at sectors which have a high level of concentration, where there could be collusion, or where there could be abuse of a dominant position – monopoly power. We're looking for cartels and dominant firm conduct.

BT: What do you mean by collusion?

SR: Collusion is basically when firms get their returns through rigging the markets and agreeing together secretly as to how they will do business.

BT: Do they actually sit down and agree that tomorrow they will all charge a certain price?

SR: Yes, they do that. The other way is to allocate customers: "That one is your customer; this is my customer."

BT: Are there minutes of these meetings?

SR: Sometimes, yes.

BT: Do you find the minutes?

SR: Sometimes, yes. In early years, the firms were less smart and they wrote things down more. A case which is being finalised at the moment involves concrete pipes and culverts for bulk water that are used primarily in big infrastructure programmes. They had a modus operandi and they kept notes. They were meant to destroy the notes, but some of them we found in diary entries.

BT: About ten years ago, the banks were accused of collusion. The trade and industry portfolio committee called the presidents of all the banks to Pretoria for a meeting. They agreed that they had "had a lunch together", but there were no minutes and no decisions taken. How do you cope with that kind of thing?

SR: Ours is a legal environment. We have to collect evidence and prove our cases. In that kind of situation, we look at the conduct of firms themselves and might refer against what is called "concerted practice". We have to prove an agreement *or* a concerted practice that has the effect of fixing prices or allocating customers. It's more difficult when we have to do it that way, without clear documents that set out the collusive agreements, because it requires an enormous amount of research and we have to look at firms' strategies and behaviour. Those cases take a lot longer.

BT: Anti-competitive behaviour then is your first criterion for choosing priority sectors to investigate. The second?

SR: The second one is where firms are taking money out of low-income consumers' pockets.

BT: By setting prices, such as the recent case involving bread?

SR: Yes, that's a good example. For this criterion, we focus on products. When we looked at food, we focused on products that are staples for low-income households, rather than products for more upper-income consumers: bread, mealie meal, wheat flour, cooking oil and margarine, poultry and dairy products. Then the third criterion is the link with economic policy.

BT: What does that mean?

SR: At the time – a few years ago – when we were looking to choose the sectors, we were working with ASGISA [the Accelerated and Shared Growth Initiative for South Africa, 2006] and so we focused on the construction sector, because of its economic policy links – its connection to infrastructure projects and as a driver of growth – and the likelihood that there is bid-rigging in the construction sector, referring back to the first criteria. We've also chosen polymer chemicals and steel for their links to government policy. The department of trade and industry (DTI) actually requested us to investigate those industries.

THE SCALE OF CONCENTRATION

BT: What is the history of this concentration? How far back does it go?

SR: I'm not an economic historian, but I think you can trace it back to the formation of the big conglomerates. The role of the state is very important there, for example in building up corporations like Iscor and Sasol, which are now private.

BT: It's a rather strange situation. The apartheid state built a number of these important companies – there's Foskor, and others – and they were privatised by the ANC government?

SR: In the cases of both Iscor and Sasol, they were privatised before.

BT: Certainly we didn't take them back into state ownership. They are private, and they have concentration in the economy.

SR: They've got the power and they use their power. The question we look at is *how* they use their power. Competition policy is ultimately concerned with firms that have too much power, and their ability to use it when they're not facing the competition that naturally disciplines a firm's market power.

BT: What's the scale of this concentration?

SR: We don't work with aggregate measures. Even at the industry level, it's not that useful for us. You have to get to particular products.

BT: So you can't tell me the scale of concentration in the South African economy? When the World Bank says this is a concentrated economy, how do they know?

SR: I don't know what their methodology is.

BT: I think it's speculation.

SR: Maybe it's speculative, maybe they've interviewed people. I can't really tell. South Africa hasn't had a comprehensive survey. We have had a manufacturing survey that tells us about concentration in manufacturing. It wasn't a comprehensive census, just a large sample survey.

BT: Who did that? Can they give me this information?

SR: Statistics South Africa. Yes, they can give you that information, but for us it isn't very helpful. You get very wide categories, like "media" or "telecommunications", for example. There are lots of firms in the telecommunications sector selling internet service provision, but in a particular area like the broadband infrastructure there are very few firms. That's the problem we face with those kinds of surveys – they do not go to the necessary level of detail.

ABUSE OF DOMINANCE

BT: Some people say that vertically integrated corporations – which are highly concentrated – can be very efficient.

SR: It's not mutually inconsistent to have both efficiency and abuse of market power. If you're running a business and you want profit, you want both to reduce your costs and to screw as much as you can out of consumers. Those things are not mutually inconsistent at all.

We're not against large firms as such. Large firms are at the heart of most countries' economic development. The developmental states have had very large firms: firms that could make the big investments, go into new areas of activity and take risks. What they've done very successfully – which I don't think we have done – is to discipline their exertion of market power. Countries like Japan and Korea have very active anti-trust or competition authorities, with huge capacity. The South Korean authority has around six hundred people in it. It has powers to actually monitor the conduct of the large *chaebols*.

BT: Even now?

SR: Yes, even now. And they have a whole set of other powers. For example, they monitor sub-contracting relationships. Large firms have to build relationships with small and medium firms to grow their business. In the short term, they'll want to exploit those small firms, to lower their costs. But in the long term, those smaller firms have to be developed because their capabilities are going to build the industry – whether it's cars or shipbuilding or electronics. South Korea's competition authority has provisions to monitor sub-contracting relationships to induce and encourage longer-term constructive relationships rather than short-term profit maximisation.

BT: So you're not opposed to large firms. Are you opposed to monopolies?

SR: South Africa is a relatively small economy. In large industries, like chemicals or steel, you're not going to have large numbers of producers. Otherwise you won't achieve the necessary scale economies. Our problem is that we are a relatively small industrial economy a long way from other industrial economies. If the countries around us had big industries, then we would have rivalry at a regional level – and that, I think, is what's needed in the future.

BT: You're not opposed to a large firm, not even to a monopoly, as long as it's not abusing its position in the market and engaging in rent extraction?

SR: In the long view, large firms should want to develop their customers, not exploit them, because that's the future of their own growth. But in the short term, especially with the shareholder value movements and portfolio investors, rather than long-term investors, the pressure is for short-term profit, not long-term returns.

BT: The enemy is rent extraction?

SR: That's one way of putting it.

SOUTH AFRICAN CONDITIONS

BT: If these are the consequences of concentration, what are the factors that support it in South Africa?

SR: There is good reason for building a big firm initially, to create economies of scale, etc. It's very difficult to be the first company in a field, the first mover. But the danger comes when you lock in those advantages. That's the Microsoft case.

As an industrialising economy, we're at a more prosaic level. We're still talking about steel, fixed-line telecommunications, broadband access, these kinds of things. One issue is just our history and these lock-in effects. And that's where the Competition Commission comes in, because firms will then want to use those advantages to try to build barriers to entry even higher than they are. So, we could have – and we do have, in some parts of the industry – more than one steel producer. We had a merger of what was then Iscor acquiring Saldanha Steel, which are essentially stand-alone entities. There is no clear economy-of-scale argument why those two plants should be in the same firm. You have to look at it from a case-by-case basis.

BT: Does the environment in South Africa today, including government policy, support concentration?

SR: I think it can. If those firms have strong lobbying power and strong historical relationships with government, the danger is that they will continue to maintain their position. The government has to be very mindful of this. They need to be supporting firms only if those firms actually give developmental benefits. I think this is at the heart of the DTI's engagement with ArcelorMittal. They are saying, "We've locked in these advantages to the iron ore contract, but you haven't given us any of those developmental benefits." The state has got to be credible in doing this. The state must remove those advantages or take alternative steps where firms do not deliver on their side of the relationship. This is the realm of industrial policy. In this sense, industrial policy and competition policy are complementary if they both work to achieve competitive outcomes. They are not necessarily in conflict. But it's really about the choices the state makes under its industrial policy.

BT: Does big business have much lobbying power in South Africa? Many people say they don't have a lot of clout.

SR: That's not something we're engaged in. But, it's noticeable that many of the big industrial investment incentives in the 1990s and 2000s went to companies like ArcelorMittal and Sasol. It's a matter of public record. If you look at the 2001 Strategic Incentive Programme (SIP), the firms that obtained those incentives were large firms. They were getting big tax rebates as well – under Section 37E ("value-added processes") – around 1994.

BT: That was a very big handout, wasn't it? I remember Saldanha Steel saying they wouldn't build without a "37E".

SR: Yes, it was certainly a very big handout. I don't think it's being used anymore.

BT: What are the unions' views of concentration? If you have a big company with a lot of workers, in a sense that builds working class power.

SR: The representations they have made to us are mainly around mergers, where they've been concerned about job losses. Or they come to represent working class consumers around issues like food prices.

BT: Do they raise the principle of concentration or only the effects?

SR: They raise issues. For example, they raised a whole range of issues in the fishing industry in the Western Cape, around allocation of quotas and the prices.

BT: What is the current ANC government's policy on concentration?

SR: It's to have a strong competition regime, but I don't think it has an overly simplistic view on concentration – which is correct. The question is really on the follow-through. We have these dominant companies. Does the government have an effective strategy to engage them?

BT: The policy is for a mixed economy, and that must include space for large firms.

SR: Yes, I think so. But it is also the role of the state: how it is involved in regulating conduct, and in whose interest. Take Telkom, for example. The state still has a direct ownership stake in it, but as far as we can see, Telkom operates on private sector principles. Here you've got some state ownership and you've got regulation and you've got a big private firm run on profit-maximisation principles. The question is not really whether that's a mixed economy, but whether those tools, which include competition policy, are being used effectively.

BT: Yes, but isn't it inevitable that very large monopoly firms are going to abuse that? Isn't that the nature of the beast?

SR: This is the lesson from the developmental states. If we are serious about a developmental state, then it's not about breaking up your fixed-line telecoms company into ten players. That doesn't take you much further forward. The question is still on the table: how do you influence the decision-making of the company in terms of long-term interest? All countries regulate their telecoms operators. The question is: in whose interest and how effectively? You can't duck that question.

PENALTIES AND PROFITS

BT: Turning now to the Competition Tribunal. They have recently imposed what seem to be quite big penalties. Is the Commission happy with those?

SR: We are on record saying that the penalties need to have a deterrent effect and they have to be looked at against profits. And to consider that the profits are made over many years and the penalties are once-off.

BT: Are penalties based on a proportion of annual profit or turnover?

SR: Of the annual turnover. It's a maximum 10 percent of the annual turnover. That is, of revenue before the costs are subtracted.

BT: That's a big chunk. What's the reaction of business generally to this kind of penalty?

SR: It's important to distinguish between the penalties for abuse of dominance and the penalties for cartels, for collusion.

BT: Can you explain?

SR: A cartel is a "per se" offence...

BT: Give us an example of a cartel?

SR: It will be the concrete pipes cartel or the bread cartel. In cartels, if we find an agreement, then we can penalise it. We're like traffic cops. If you go over the speed limit, you get fined. You can't argue about *why* you were going at such a speed. The rationale is essentially deterrence. We don't monitor their speed afterwards – if they're in violation, we must catch them again. That's the logic of the law. It's relatively easy to prove it, if we have evidence of the agreements. So you have to find the evidence. You have to run the equivalent of the speed gun, be at the right place at the right time. That's not necessarily easy, but once you find it, that's it.

Those fines have got to be big. The maximum fine is 10 percent of the turnover, but international studies have found that cartel mark-up is between 20 and 25 percent on turnover each year. So 10 percent for one year is actually not such a big penalty. It may even be rational for firms to continue to re-offend if they only get caught once every five years. There's an international case study of the cement industry, which gets caught every few years in countries around the world. We're investigating here at the moment, so we'll have to wait and see.

On abuse of dominance cases, we've got to prove that there was a substantial effect. This is a "rule of reason" analysis. It involves arguments on both sides about what prices are, what they should be, etc. It's very resource-intensive and the cases go on for a *long* time. For example, the Commission found that Sasol was excluding smaller fertiliser producers and excessively pricing their main fertiliser-input product, ammonia. The case was settled last year, but it was referred to the Tribunal in 2005 or 2006 and the investigation started in 2002. There was no penalty, ultimately, because the settlement was around a change in their behaviour and Sasol had already paid a penalty in the collusion part of the same case.

BT: How do you define market dominance?

SR: If you have more than 45 percent of the market, you're presumed to be dominant.

BT: In South Africa many firms have that, don't they?

SR: Yes, but dominance is not the difficulty. The difficulty is to assess what is an abuse of a dominant position.

BT: And "abuse" means you use market dominance to ratchet up your price?

SR: Yes, it's the behaviour, and not only in terms of pricing. When we say that a price is excessive, that has to be assessed against something called "economic value", which is not defined in the Act. It therefore has to be assessed, and there are huge disagreements about it. And there is a process through which firms can appeal.

BT: They appeal to whom?

SR: The Competition Appeal Court, and then it can go through the court system. For example, we referred a case against Telkom – on excluding the independent internet service providers (ISPs) and value-added network service providers – to the Competition Tribunal. This case has not been heard for many years because of legal points being taken by Telkom in questioning our papers, which, of course, is their right. These issues have been through the Tribunal, the Competition Appeal Court, the High Court, and ultimately we won in the Supreme Court of Appeal. And now it's come all the way back to the Tribunal for the hearing of the substantive matter. This shows you the legal rights that defendants have.

BT: What about the competition legislation – is it adequate?

SR: It depends what you want to achieve. There are a number of areas that could be reviewed. For example, in some of the abuse of dominance provisions, there's no fine for a first offence. The Tribunal found that Senwes – it's one of the former agriculture co-ops that's been privatised – used its ownership of silos in the Highveld to leverage a position into the grain-trading market, essentially to make bigger margins. In the section of the Competition Act under which they were found guilty, there's no fine for a first offence. There's also no fine for contravening the price discrimination provision.

BT: Have you asked the department to toughen up the Act?

SR: It's one of the things we have mentioned that can be looked at by parliament. Access to information and withholding information is another area. A person can be prosecuted for perjury, at an individual level. But we think there could be much stronger penalties, including on companies.

INTERNATIONAL PRACTICES

BT: What's the international experience?

SR: There's a huge diversity. One big difference is that very few countries have a separate tribunal from their competition authority, as we do. Most countries have a competition authority that can investigate and take decisions. They operate much more like NERSA [the National Energy Regulator of South Africa] operates here. They have checks and balances. There may be a board structure that takes decisions and is separated from the investigators. Their decisions are taken more quickly than our prosecution through a tribunal. When the Commission appears before the Tribunal, we are just one party in the dispute, and the respondents then have a whole range of legal avenues they can follow. In other countries, the competition authority makes the ruling and then you can go straight to the appeal stage. In some countries the authorities also take decisions that affect the way that sectors are regulated.

We have fewer powers than the authorities in many other countries. The Australian authority is a merger of competition, consumer and regulation authorities. The Dutch authority regulates energy and transport as well as competition. And they are investigators and decision makers. If they decide there should be a change in conduct, they can rule on that, as long as they follow due process. The Australian authority essentially told supermarkets that certain types of exclusive leases were not allowed. In the UK, the government set up an ombud for supermarkets. Also in the UK, the Office of Fair Trading capped the rates of banks lending to small and medium enterprises for a period, after an investigation. That's not something we have in our power.

BT: What about the anti-trust activities that take place in the United States?

SR: One needs to bear in mind that the US experience in anti-trust regulation comes from a background of favouring small business. The "trusts" were the big conglomerates, Standard Oil and the steel companies, and anti-trust legislation broke them up. This is a different era. They mainly focus now on mergers and cartel enforcement. But in any event, there are several institutions variously located within their legal system, in the department of justice and their Federal Trade Commission.

The countries I'm talking about – like Australia or South Korea – see their competition authorities as part of the broader regulatory framework of the economy. You are looking at companies that you assume are trying to maximise their profits. You don't take a moral standpoint. You assume this is capitalism. But it's a mixed economy, and there is a role for the state in regulating the conduct of firms. In the US, they rather put the people who collude behind bars, but don't really engage with the conduct of dominant firms. They have no excessive pricing provision in their law at all. It doesn't exist.

I think that, as part of our economic policy tools, we should look at strengthening that regulation of conduct. Trying to put individuals behind bars is another path but, although focusing on a very small number of individuals can have a definitely deterrent effect on cartels, it takes attention away from the conduct of the dominant firms, the economic outcomes of their conduct, and the abuse of their market dominance.

COMPETITION AND IDEOLOGY

BT: The ANC has a left-wing history. It's not a free market organisation. And now it is supporting competition, which is a free market idea. Isn't it a paradox?

SR: Let's come back to the notion of competitive rivalry. It's not the same as ownership. Nor is it the same as having no regulation. In fact, in some industries, you need regulation to enable rivalry. In other words, competition can increase participation. Where you've got a big, dominant firm, an increase in dynamic competition is going to require a pro-active state to enable it. Telecommunications is a very good example.

BT: Participation is a capitalist concept. You talk about profit-making and private companies. So, the paradox I'm talking about is this: here is a ruling party that has never said that it's ideologically pro-capitalist. It certainly encourages capital in many ways, as you pointed out, but here they are, through your Commission, advocating competition, which is the essence of capitalism.

SR: I think that's an over-simplification. If you look at China, for example, they encourage rivalry between their state-owned phone companies. They say the best way to discipline their managers in SOEs is to make them compete against each other. You can have rivalry for non-profit-making objectives. You can set rewards for other criteria and have them compete for those.

It's about incentives. It's about disciplining the ability of firms to exploit power. What the objectives are is up to the owners. Even within capitalism, there is a choice between short-term profit maximisation, which is driven particularly by portfolio investors and financialisation, and longer-term returns sought by investors who take equity stakes and back big, risky investments. Historically, the firms that make big, risky investments tend not to be owned by portfolio shareholders.

We have our own examples. What I am saying here is that, within capitalism, there are different ownership models, which yield different outcomes in terms of risk-taking or long-term versus short-term. Within state ownership, you can have a laissez-faire state that decides to incentivise their managers on the return they make every year – and then that manager is going to go for short-term profit maximisation.

SUPPORT FOR SMALL ENTERPRISE

BT: Let's turn to the effect of concentration on small and medium enterprises. Barlow (now Barloworld), for example, was a very vertically integrated company. Their chief economist once told me, "If we need nails, we don't buy nails – we buy a nail company." In that way, they created a huge, concentrated, vertically integrated company. These days the tendency is not to do that but to outsource.

SR: There was a period of the "corporate raiders", who would buy big conglomerates with private equity, break them up, sell them off and tell them all to outsource, although I think that's changing. Again the issue is not really whether you own them or don't own them, but the relationship you have with those smaller entities. Do you have long-term relationships that enable them to build their capabilities? That comes back to the Korean model.

BT: The norm is exploitative relations, isn't it?

SR: It's normal in some countries and not others. For example, in Germany or South Korea it is well recognised that there are companies whose future capabilities depend upon the capabilities of the subcontractors. If your subcontractor can't build skills, where are you going to be in the future? The dense medium-enterprise networks are not operating in isolation from the large firms to which they sell their products.

The automotive sector is the archetypal case. In Germany, they also have advisory boards whose members are banks, long-term investors and trade unions: people who have a stake in the long-term interest of those companies and a stake in the interest of the companies who make the components. The trade unionist and the engine manufacturer both have an interest in both companies doing well – and neither wants the car manufacturer to be ripping off the engine manufacturer. That's one model. There is a huge diversity.

BT: Does the Competition Commission also raise questions about these smaller companies, about outsourcing and subcontracting? Take the textile or garment industries.

SR: Our powers are very limited. We've can't take the case of one small company being harmed. We can take a case only if a company is harming a whole group of its buyers or suppliers. We can't act on industrial policy grounds, but only in terms of our sections of the Act and particular practices. It's very limited.

MAKE A CHOICE

SR: Here's the other way to frame this: we've got to make choices on the kind of capitalism we want, or the kind of mixed economy we want, and I don't think we've made those choices. Or we have made them by default.

BT: Partly because we don't understand.

SR: The choices in telecoms are clear. Decisions have been made around telecoms, and everyone knows they could have been made differently. You choose to be hands-off? You've chosen. That's a choice you've made.

Returning to the case we referred against Telkom four or five years ago, that they were harming the independent ISPs, and a related case referred earlier this year. In its investigations, the Commission found that Telkom abused its near-monopoly position in the market for the provision of telecommunications network facilities. It did this by charging excessive prices for the basic infrastructure needed by its downstream competitors, the ISPs, to access a range of telecoms services, while keeping its own ISP service charges low. In this way, Telkom also raised its downstream competitors' costs, making it difficult for them to sell cost-effective services to end consumers. And yet, the government has a call-centre strategy. How are you going to enter BPO [business process outsourcing] in these conditions?

But is the Commission the best tool? Maybe not. The strongest tools are in the regulatory realm. We've referred the case. We'll do our work. But I think this case will only be heard in a year's time. In Europe, they had similar issues in telecommunications and the authorities just told firms what to do. For example, with regard to roaming charges, the firms were told to reduce them.

It's not that we don't understand the issues. I can guarantee you that people understand the issues. Anybody who uses their cellphone or looks at internet charges understands. I'm a bit nervous of just sticking with telecoms here, but it's such a clear example.

BT: There are very important policy decisions that have to be taken, by the leadership of the ANC and the national general council, by government and by the cabinet. Those decisions can only be taken with a deep understanding of the nature and structure of the economy. Do you feel that the understanding is there?

SR: If we think in terms of power or political will, I don't think it's about whether people have more or less understanding. Look at the Chilean experience with copper, or Norway and oil, Botswana and diamonds. They received returns from those industries. Here we are moving beyond a competition question to questions about resource rents. They've made those choices to take a larger share of resource rents, and they are going to invest those rents in long-term projects. Australia decided to increase taxes substantially on resources, but the prime minister was ousted. We have a government with such a strong electoral mandate that it doesn't run that risk. The issue of what our taxation should be on resources is not an issue of understanding but of choices and priorities. I don't think telecommunications pricing is an issue of understanding. Nor is the question of what tools to use to affect the prices of the industrial products of companies like ArcelorMittal or Sasol. China has made choices. Does China have a better understanding than us? They may, or they may not. But I don't think that's the reason.

BT: Here is the point I'm making. People are confused. Partly, it's because of the media and the difficulty of understanding what we mean by "mixed economy". If you come to parliament with legislation that touches on these things – political will and so on – I think you'll find that people are not clear about the arguments or the case that's being made. I don't know if you agree.

SR: I don't really agree. I have a lot of faith in the ability of policy makers to understand core questions, especially when they are about power.

The Union of South Africa

100 years later

By **Malusi Gigaba**

The author is the deputy minister of home affairs. He made this speech during the Debate on the Centenary of the Union of South Africa in the National Assembly on 1 June 2010

When the Blue Bulls won the Super 14 Cup at Orlando Stadium, while many may have missed the significance of the occasion in their euphoria, the Blue Bulls coach remarked, "One day we will look back and really appreciate what it was about".

For, indeed, this was not an insignificant and minor occasion – just as the founding of the Union of South Africa was such an important event one hundred years ago. Those of us lucky to be alive today are accorded the precious moment to look back and really appreciate what it was about. We carry the responsibility to find what was positive in that act, if anything, and yet to negate, through our present-day deeds, its destructive legacy of exclusion, racism, class oppression and gender discrimination.

Before we proceed further, we need to remind ourselves that the colonisation of South Africa, as that of the other colonies, had been spawned by the emergence and spread of capitalism as a global system. In 1776, in *The Wealth of Nations*, Adam Smith wrote that the discoveries of America and of the passage to the East Indies by the Cape of Good Hope were two of the greatest events recorded in human history, the full consequences of which were still impossible to fully comprehend. However, he noted that, "to the natives... both of the East and the West Indies, all the commercial benefits which can have resulted from those events have been sunk and lost in the dreadful misfortunes which they have occasioned". Almost a century later, Marx wrote that these events "signalled the rosy dawn of the era of capitalist production" and were "the chief momenta of primitive accumulation" (*Capital*, Vol 1).

They not only shaped the modern South African state, they also laid the base for the subsequent dreadful misfortunes that black people experienced. More than anything else, the discovery of diamonds and subsequently gold played a decisive role in the course of political and economic development in South Africa. It created new social conditions which were, in many ways, different from the general situation of the classical colonial system throughout the African continent.

> The so-called Anglo–Boer War was an imperialist war fought to decide the ownership of the richest gold mines in the world.

As a result of these discoveries, the colonial communities decided to settle here permanently, which created a peculiar situation in which the colonial ruling class, its white support base, and the oppressed majority all shared a single country. In this arrangement, all white classes benefitted, albeit unequally and in different ways, from the internal colonial structure and, conversely, all black classes suffered national oppression and economic exploitation, albeit in varying degrees and in different ways. This is what came to be known as "colonialism of a special type".

The discovery of mineral wealth propelled the conditions for an advanced capitalist economy in South Africa, within the broader system of colonial domination in the imperialist epoch. This created new levels of economic greed and political ambitions among the British imperialists, and set them along the path of war. The so-called Anglo–Boer War was an imperialist war fought to decide the ownership of the richest gold mines in the world.

Despite regarding it as a “family quarrel” to forge white unity, many Africans participated in the war and suffered in one way or the other, and yet their contribution was neither acknowledged nor rewarded. This was deliberate, as neither the Brits nor the Boers wanted to be seen to owe the Africans anything after the war. No rewards would be given for their participation in that war.

The defeat of the Boers and the end of the South African War resulted in the consolidation of the British Empire over all of South Africa.

In the post-war arrangement, the Afrikaners emerged as junior partners, even though they were never to accept this position. They began systematically to capture the levers of the state and the economy in order better to position themselves in the new settlement, forging specific economic interests and addressing themselves as a *volk*. Critically, they made use of *korrektiewe aksie* (corrective action) to enhance their political and economic aspirations as a group, the same “affirmative action” that today they don’t think is deserved by the victims of the legacy of this marriage of convenience achieved in 1910.

The Union partially settled the native problem by uniting the two central political blocs of the white establishment and excluding the black majority in the settlement. This was of course unsurprising. The priority now was the unity of the two main white groups to resolve the native question, the proverbial “white man’s burden”. In this arrangement, these two groups would have no concern over what black people thought or aspired to.

Unsurprisingly, race was to play a primary role in the Union. South Africa was dubbed a white man’s country and democracy itself was defined as a white man’s democracy. Accordingly, we see that the Union of South Africa was, throughout its existence, an anti-African union in which black people had neither a political role nor economic stake.

It was predicated on the notion that Africans were cheap and expendable labour, and were not South Africans. By failing to grant black people political rights, their economic exploitation became law. It created a situation in which race, class and gender oppression were so enmeshed that national liberation would be meaningless without at the same time pursuing gender equality and class emancipation.

This meant that black people could neither pursue their political aspirations nor realise their rightful economic stake in the Union, which condemned them to be perpetual producers of wealth – not for their own benefit, but for its appropriation by the white minority; treated not as human beings, but as beasts of burden. They represented a political threat to the establishment, which feared that the franchise would allow black people to use their numbers to unseat them, take over the state, and transform their status from rights-less producers to masters of their own destiny. The natives were an ever-present menace in the Union.

> The liberation of the African people was a necessary condition for removing the oppression of all other national groups in South Africa.

Accordingly, the exploitation of their labour, hand-in-hand with their political oppression, became a vital instrument for economic plunder. The exploitation of the country’s resources depended upon black labour. For this reason, the colonial regimes would put in place a battery of laws to control and exploit black labour, such as Bantu Education, to ensure that no skills would be acquired by black people, generation after generation.

This explains why the European settlers and successive white regimes relied on unskilled African labour and, consequently, why South Africa is today faced with such an enormous lack of skilled labour and high unemployment, particularly among Africans.

Among whites, the unemployment rate hovered at approximately 4 percent from 1970 to 2008, and only went up to 6.1 percent during the recession, which disproves the claim that white youth have been negatively affected by policies such as affirmative action and black economic empowerment.

The current structure of the South African economy was created over a century ago, and was pursued with unyielding zeal and unnerving totality since 1910. Clearly, the Union's economic structure was so perverse that it negated its own possibility for further development and modernisation, and eventually became a fetter to capitalism itself.

We see that Africans got the rawest deal from the white minority state that was established in 1910. This is why Walter Sisulu, writing in prison in 1976, characterised the central feature of the revolution in South Africa as an African revolution: "In the first place, the oppression and exploitation of the African people is the pivot around which the whole system of white supremacy revolves". By this, he meant that the liberation of the African people was a necessary condition for removing the oppression of all other national groups in South Africa.

1994 achieved what the founders of the Union of South Africa in 1910 had been too short-sighted to envision: the creation of a non-racial Republic of South Africa. Standing as we do at this historic juncture, only our extravagant imagination can allow us to go back a century and imagine what would have been achieved had the Brits and the Boers sat together in Vereeniging with the leaders of black people, such as Dr Abdullah Abdurahman, Professor Jabavu, Mahatma Gandhi, Dr John Dube, Dr Pixley ka Isaka Seme and Charlotte Maxeke to found a non-racial Union on the basis of universal franchise!

Indeed, the past hundred years would have turned out vastly and qualitatively different and the previous century of racial strife would have been avoided. For this is precisely what the Union of South Africa failed to achieve. While it united South Africa, it deliberately and dismally failed to forge a united, non-racial and democratic nation.

By precipitating the unification of South Africa as it did, it also helped to precipitate the forging of a liberatory African nationalism that eventually culminated in the formation of the South African Native National Congress, which brought together various native groups to forge a congress of the African nation across the whole territory of South Africa.

The formation of this Congress was an answer to the Union of South Africa, and set us along the path to a truly democratic and non-racial nation, an antithesis of the colonial state of 1910 that must find expression in the fulfilment of the social aspirations of all South Africans, black and white, so that they all can identify themselves with the new state.

The new South Africa we are constructing today is duty-bound to be consciously inclusive and biased towards the poor and the vulnerable of all racial groups. To say this does not mean that the liberation of Africans and black people in general is no longer relevant. However, it acknowledges the new political and social dynamics spawned by the progress of the national democratic revolution, such as that there are poor and vulnerable white South Africans who equally need the support of the new developmental state.

Only our extravagant imagination can allow us to go back a century and imagine what would have been achieved had the Brits and the Boers sat together in Vereeniging with the leaders of black people.

The new South Africa established in 1994 has been premised on the most noble values of the Freedom Charter: that "South Africa belongs to all who live in it, black and white, and that no government can justly claim authority unless it is based on the will of all the people"; that "our country will never be prosperous and free until all our people live in brotherhood, enjoying equal rights and opportunities"; and that "only a democratic state, based on the will of all the people, can secure to all their birthright without distinction of colour, race, sex or belief".

This remains a revolution of the whole people, where the liberation of the most oppressed would simultaneously result in the liberation of white people in general from the burden of apartheid that they have carried for centuries around their necks like a heavy chain.

In particular, it would free the white working class and the white poor from the pact they made with white capital to defend the status quo. It would bind them into a new principled pact with their black counterparts and free them wholeheartedly to pursue their class interests together without having to pay allegiance to a system that negated their genuine interests and made them partners to its depravity.

This is what a real Union of South Africa should have been about in the first instance!

The 2010 FIFA World Cup Delivered

"The FIFA World Cup was not just about Sport … It was about Tran-Sport."

- Minister of Transport, Sibusiso Ndebele

According to FIFA, a total of 3.1 million spectators attended the 64 matches of the 2010 World Cup tournament, which is the third highest aggregate attendance behind the United States in 1994 and Germany in 2006.

In addition to this, millions of other people travelled to fan fests, public viewing areas and other entertainment centres to watch the matches, the majority of them using public transport, mainly taxis, buses and trains. Public transport formed the backbone of transport plans for the 2010 FIFA World Cup.

Government invested billions of rands to ensure a safe, efficient and reliable public transportation system for the World Cup which included customer-focused and world class airports, upgraded train stations and refurbished coaches and luxury buses and integrated rapid public transport networks such as the bus rapid transit system.

Credit for the transport achievements during the World Cup needs to go to all members of the Transport family including all spheres of government, in particular to host cities, and to a range of parastatal entities in the aviation, rail and road sectors.

We also salute private sector public transport operators, local bus and coach operators who all came to the party and did us proud.

A special word of thanks indeed must go to the minibus-taxi industry for their wonderful customer service and friendliness to all commuters during the soccer festival.

AIRPORTS

Airports Company South Africa's (ACSA) R20 billion airports development programme was completed on time for the World Cup. This included upgrades and infrastructure rehabilitation at the OR Tambo and Cape Town International Airports, the Bloemfontein Airport as well as the building of the new Durban King Shaka International Airport.

Key aviation role players such as the Air Traffic and Navigation Services (ATNS) and the South African Civil Aviation Authority (SACAA) played a critical role in terms of aircraft movements with traffic nearly double the daily average handled at most airports.

The total number of aircraft handled between 1 June and 12 July at the three main international airports amounted to 58 045 - O.R. Tambo (35 964), Cape Town (14 600) and King Shaka (7 481).

RAIL SERVICES

At the very commencement of its operations on 8 June, the Gautrain sold 42,000 tickets, clearly demonstrating its popularity. By 27 June, 255 000 trips had been undertaken since launch of the service.

An average of 10 000 passengers per day during weekdays, and 20 000 per day on weekends have used the Gautrain on the Sandton - OR Tambo International Airport route.

The Passenger Rail Agency of South Africa (PRASA) successfully upgraded existing and built new stations, including various expansion projects and key rail infrastructure to increase mobility and accessibility for commuters. A total of 1,467 million passengers were transported on the rail services using 2, 256 trains.

INTER-CITY TRANSPORT

An inter-provincial and regional road transport system comprising luxury buses and midi-buses was put in place for the tournament. The Department purchased an additional 700 buses for use during the event, which, as part of the legacy, will be used to recapitalize the ageing fleet of the Autopax Bus Company.

ROAD INFRASTRUCUTRE IMPROVEMENTS

As part of the R23 billion Gauteng Freeway Improvement Project (GFIP) and to facilitate smooth traffic flow during the soccer tournament, key interchanges and flyovers were opened at the beginning of June 2010. These included the Gillooly's and N1 Pretoria/Polokwane flyovers, the N17 and new loop ramps at the Hans Strijdom interchanges and the Albertina Sisulu (R21) route.

HOST CITY TRANSPORT PLANS

All nine host cities had in place World Cup transport plans with a public transport focus. These were supported by Park-and-Rides as well as Park-and-Walks.

Integrated Rapid Public Transport Networks such as the Johannesburg Rea Vaya Bus Rapid Transit (BRT) system were in operation and have proved popular with commuters.

ROAD SAFETY

The Road Traffic Management Corporation (RTMC) was responsible for the coordination and implementation of the 2010 FIFA World Cup road safety plan, in conjunction with the South African Police (SAP), provincial and local traffic law enforcement agencies, disaster management, fire and ambulance, the South African National Defence Force (SANDF), the South African National Roads Agency Limited and the Cross Border Road Transport Agency.

Siyabonga – Re ya leboha – Re a leboga – Ri a livhuwa –Ha nkhensa - Siyabulela - Thank you – Bale dankie

MESSAGE FOR WOMEN'S MONTH

[illegible]

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MOTTO:
The University of Limpopo for human and environmental wellness in rural context finding solutions for Africa.

University of Limpopo
Community Research Projects







Limpopo IDC Nguni Cattle Development Project

Limpopo Industrial Development Corporation (IDC) Nguni Cattle Development Project is a developmental partnership formed by the University of Limpopo, IDC and the Limpopo Department of Agriculture. The project started in 2006 with the objectives of establishing a successful study of Nguni cattle breeders in Limpopo Province and to loan the farmers in the province a herd of registered Nguni cattle for a period of five years. The project has been very successful and is currently been extended to Mpumalanga.

LATS

Limpopo Agro-Food Technology Station (LATS) was officially launched in 2008. LATS is an initiative by the Department of Science and Technology (DST) through the then Tshumisano Trust to improve agro processing services in Limpopo province. The project is now under Technology Innovation Agency. Small Micro Medium Enterprises (SMME) agro processing sector in Limpopo Province is involved in turning primary agricultural products into finished goods for national and international markets. The project also serves as a source of income to many families in the province and the country at large.

Science Centre

The Science Centre stands central in the areas of science and technology education in the Limpopo Province and especially to disadvantaged communities. Its main focus is to create awareness of the role of science and technology in people's lives as well as contributing to the science and technology needs of both learners and educators. Various schools visit the Science Centre on a daily basis to see experiments performed or to hone their skills in performing these science experiments. There is also Science Educator Workshops which consolidate and broaden skills with the numerous courses in Lab Management, Mathematics, Physical and Life Sciences.

The Centre for Rural Community Empowerment

The Centre for Rural Community Empowerment (CRCE) is the outreach arm of the School of Agricultural and Environmental Sciences. CRCE operates based on three strategies: action research in rural communities; networking at local, provincial, national and international level; and documenting rural development processes and events through visual aids and other printed materials to access all kinds of audience. CRCE aims at improving the sustainability of small scale family farming in the Limpopo Province and produces knowledge out of the process. Four pilot sites are identified in Limpopo: Mafefe, Ga-Mothiba, Makgofe, and Ga-Sekororo, where it interacts with local stakeholders to address the complex challenge of local reality.

Dikgale Health and Demographic Surveillance System Site

This endeavour was initiated by the Department of Medical Science, in 1995. The department provides health information that more accurately reflects the prevailing disease burden of the current population and assists in monitoring and tracking new health threats, such as emerging infectious diseases and drug resistance at Ga-Dikgale Community.

UL-SAB Miller Micro Brewer Brewery Project

University of Limpopo-SAB Miller Micro Brewer Brewery is a brewing project located at the university, in the School of Molecular and Life Sciences, under the Department of Biochemistry, Microbiology and Biotechnology. The project familiarises students with beer brewing and assists them with hands-on experience in the brewing process. It also helps them to use the plant as a prototype bioreactor for research in brewing and other related biotechnological processes.

Physiotherapy Community Outreaches

Its focus is to promote health awareness. The services that they provide include screening for health conditions, intervening through health education talks, empowering patients with skills and information as well as using physical means to treat patients. These outreach activities take place in Elim and Malamulele Hospital, in Limpopo, as well as during the annual Comrades Marathon in Durban, whereby final year physiotherapy students massage the athletes.

Medunsa Clinical Research Unit (MeCRU)

The unit conducts a variety of clinical trials including HIV/AIDS vaccine, Human Papilloma Virus (HPV) and opportunistic infections trials.

Setšhaba Research Centre (SRC)

Setšhaba Research Centre was founded and developed by the Department of Microbiological Pathology for conducting the phase III efficacy trial of the Microbicide Carraguard®. The centre boasts a large modern research facility, equipped to conduct large scale clinical trials. Setšhaba has provided training and employment for more than 50 staff members since its inception. The clinic provides health care education services and empowers the Soshanguve Community and women at large. Networking with various community groups is an important activity, and support for HIV infected women is provided in terms of counselling and skills development.

Mobile Science Bus

The mobile science bus is a fully equipped mobile laboratory; UL Science lecturers conduct live science experiments and also impart information to improve Biology and Mathematical skills of Grades 9 -12 learners as well as their educators in various townships.

'FINDING SOLUTIONS FOR AFRICA'

Print more money
to protect jobs

COSATU has persuaded the ANC to debate the South African Reserve Bank's (SARB) mandate. Carol Paton speaks to COSATU head of policy and Wits economics professor Chris Malikane on the issues, and gets some unconventional answers. (This article was first published in the *Financial Mail*, 27 November 2009)

Q: What's the rationale for broadening the SARB's mandate?

A: It is a critical institution that influences the allocation of resources, particularly credit. It also influences the valuation of securities, which influences investment and consumption. Looking at [only] one variable limits the extent to which the Bank can manage the economy.

Q: What other variables should be included?

A: The key variable to include is employment. And to target employment you need to use the growth rate as an intermediate target.

Q: But isn't price stability critical for investors?

A: Financial investors do care a lot about inflation. But if you have a recession and firms are not making profits, you have a situation where the fundamentals of the economy are in the red. So you create a situation where people are pricing securities not on the basis of the real performance of the economy but on interest rates. That leads to people investing in interest-bearing assets rather than in real productivity.

Q: Do you agree that inflation hurts the poor most?

A: I don't. If you look at inflation of the items on which the poor spend most of their income, it is not driven by excess demand. It is driven either by the monopolistic behaviour of firms, as in the case of food, or commodity prices, as in the case of coal, which feeds into electricity. These are supply-side shocks that require government regulation.

Q: Are interest rates too high?

A: Definitely. If we want to maintain a certain ratio of public debt to GDP, then we need to structure the interest rate so that it corresponds to the growth rate. So, for example, our real interest rate must be at least equal to our growth rate, so that we have space to spend. Otherwise, spending is going to generate a huge increase in interest payments.

Q: That means negative real interest rates. Isn't that a problem?

A: In the current situation, it's not a problem. The economy is depressed. We need to stimulate growth so we need credit. If we maintain a positive interest rate while there is a negative growth rate, government spending can only generate huge debt. Finance Minister Pravin Gordhan said that debt was going to rise from 23 percent to 42 percent. Why so much in such a short space of time? Because of the interest rate – it is not low enough.

Q: So it's okay for the central bank to lend at a rate lower than inflation?

A: At the end of the day we have to ask: where does this money come from? Many economists don't want to answer that question. It comes from printing. But the way you print money should be consistent with your potential growth rate. You should not overprint. Our economy is growing at less than its potential. We need liquidity. There is scope to reflate the economy, to boost credit.

Q: Aren't you concerned that the authorities would print too much?

A: Yes, that's why it needs to be done in a measured way by lowering interest rates and weakening the exchange rate. All of those things attach to the policy of printing money. Why borrow when we can print money?

Q: Investors are likely to run a mile if you repeat that statement.

A: Well, realistically, how much money is out there? About R3 trillion. If government printed R1bn, what difference would it make? It is about the scale of printing and the state of the economy.

Q: Where are the limits? It could get out of control like it did in Zimbabwe.

A: In Zimbabwe they printed money even when they knew their potential capacity was very low. So they have too much money chasing too few goods. In South Africa, it's the opposite: we have too little money chasing a lot of goods. So there are no sales taking place. But in the process of stimulating the economy, we should make sure we don't overprint. It's better to have 10 percent inflation and the protection of one million jobs than inflation of 6 percent and the loss of one million jobs.

Corruption

the root of service delivery protests and crime

By **Tseko Nell**

The author is chief director of economic analysis at the national department of minerals and energy, writing in his personal capacity

In 1994, when our newly elected democratic government ascended to political power, they were very quick and eager to pander to the interests of those Western powers who had supported apartheid South Africa. They were too eager to please and impress these powers of the West that they were fit to govern South Africa and that the capitalist system would be preserved and even enhanced.

This crop of leaders was persuaded to keep the mild neo-colonialist status quo, hoping that we would attract investment into the country. They were also keen to create a buffer elite class between the people's aspirations and the vested interests of economic imperialism. In spite of all the euphoria, enthusiasm and overseas study tours, there was even more flight of capital than during the apartheid days, more emigration of white compatriots, more flouting of foreign exchange rules and siphoning off of diamonds and precious metals and foreign currency reserves by the captains of industry and former apartheid government leaders and officials.

With the establishment of a democratically elected government, we had hoped for substantive foreign direct investment to increase the productive capacity of our economy, to transfer skills and technology, and to invest in education, transport, social services, health, and so on. We had hoped that people who lost their jobs during the anti-investment campaigns in support of liberation struggle would now be re-employed through these new investments in the South African economy. We also hoped that victims of apartheid would be compensated by multinational companies that had benefitted from apartheid. For their sacrifices, the people were expecting a democratic dividend.

After the departure of Nelson Mandela from government and public life, most leaders lost the connection with the poor and the workers. There were no BEE leaders or established indigenous business leaders to look after the aspirations of the poor. The elected public servants and leaders sought personal rewards. Their children's school fees in elite schools were paid for by companies that won government tenders, along with holidays in Disneyland and discounts on luxury German sedans. From leaders we looked up to, we began to hear public statements such as: "I did not struggle to be poor", "first class citizen; first class salary", "no black brothers or sisters in business – we are here to make money" and "affirmative action must be scrapped". How insensitive to the poor and the unemployed! Do such statements not discourage motivation and provide incentives for crime, corruption and service delivery protests?

According to the World Economic Forum's Partnering Against Corruption Initiative, corruption "is the single greatest obstacle to economic and social development.

It distorts markets, stifles economic growth, debases democracy and undermines the rule of law. It costs more than 5 percent of the global GDP annually, and can add up to 20 percent to the total cost of doing business. It is estimated that, every year, US$1 trillion is paid in bribes" (WEF, 2009). Now, if 5 percent is the global average cost of corruption, what would be the national cost in South Africa as a developing country? Makes you think, eh? This corruption is fuelled by a consumerist culture of a small, enriched comprador elite. We are missing the lesson of how the countries of the West take care of their citizens through ensuring strong democratic institutions that deliver social security and high standards of living – on the back of the extracted resources from our shores.

Crony capitalism has flourished and no one cares about improving township schools and clinics, or the overflowing train carriages that take people to work. In fact, most of these leaders left the townships to live in leafy suburbs where service delivery is assured. Concerns of the townships and the rural areas were not attended to. Instead we were inundated with acronyms, jargon and high-blown concepts of "development". We heard of IDPs, LEDs, SLPs, SDPs, ASGISA, developmental states and perspective plans, but they never translated into tangible implementation or improvement in the lives of the people.

Now we are caught up with backlogs in service delivery and protests in various townships. Inequality has widened. When we have such well-paid business and government leaders, how can it be that there is so much mismanagement of resources and decay in government departments and municipalities under our own control? Is it not the hallmark of competent leaders and managers to ensure social justice, equity, stability and peace through efficient management and allocation of resources?

The arrival of the new Zuma administration has really brought a breath of fresh air. It is heartening to see the commitment to deal with the scourge of corruption in the public sector. Senior government officials are being brought to account for their use of taxpayers' money. Recently we have seen the suspension of senior government officials in the Gauteng provincial government, the South African Social Security Agency, and the departments of correctional services and water and environmental affairs. Maybe this is just the tip of the iceberg. With the political patronage and selective cover-ups characteristic of the prior administration, there could still be a lot of rot that needs to be cleaned up.

Whatever happened to the maxim of leading by example and being a servant of the people? One can only hope that, with the current ANC manifesto, we will achieve a better life for all, and not only for the few connected elites and their next of kin.

Let us put people first, as the slogan says. *Batho Pele*. Let us exercise modesty in our salaries and fringe benefits in the light of the current recessionary conditions, unemployment and poverty. Let us lead by example and with humility. Let us listen to the people out there – and not only when there are violent protests. Let us be modest in our tastes and consumption and have regard for those who are not endowed as we are. Let us desist from the notion of entitlement: these resources belong to the country and are for the benefit of all.

Eating at a Spur restaurant or driving a Camry or staying in Pimville won't make you less of a CEO or government leader.

Let us use simple and decent official cars instead of demanding two top-range German luxury sedans per minister. As accounting officers in government departments, let us stop embezzling taxpayers' money by renting mansions in security golf estates when decent accommodation has been provided, or booking luxury hotel accommodation when we can simply make do with our houses in nearby Tshwane, Sandton or Cape Town. Eating at a Spur restaurant or driving a Camry or staying in Pimville won't make you less of a CEO or government leader, given that you have all the VIP protection you can ever want (and *nogal*, protection from whom? One's own people, the Mafia or the CIA?).

In our cabinet collectives and boards of directors, let us be constructively critical of ourselves in order to improve governance and strengthen institutions of democracy. Consultants can never do this for us. They never help deliver freedom and democracy in South Africa. They do not know nor understand the aspirations of our people.

Nkosi Sikelel' iAfrica.

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south africa

Has international trade **increased workers' woes?**

By **Abdulkader Cassim Mahomedy**

The author is a lecturer in the School of Economics and Finance, University of KwaZulu-Natal

Most research indicates that trade liberalisation in South Africa has had only a small impact on employment. How then to account for the persistently high rate of unemployment, especially among semi-skilled and unskilled workers, during the liberalisation period? Secondly, how do we explain the sharp increase in the replacement of labour by capital generally? Thirdly, even though trade liberalisation has resulted in increased exports, employment losses in the export-oriented sectors have been relatively higher than in other sectors. Studies show that technological change is responsible for only some of the losses in employment. Even if technology was unambiguously responsible for these labour market pressures, trade itself may have facilitated such technical change. A second and related puzzle is that, when compared to the return on capital, unskilled workers were mandated a real *increase* in returns, while those of skilled or semi-skilled workers declined during the post-liberalisation period.

Given the above, are there other channels through which free trade exerts pressure on labour markets? This paper explores a new linkage: the impact of trade on the elasticities of the demand for labour. This aspect was first emphasised by Dani Rodrik, who argues compellingly that, with the demand for labour becoming more *elastic* as a consequence of globalisation, the relative position of workers vis-à-vis employers is significantly weakened.

LABOUR DEMAND ELASTICITIES

Firms are inclined to employ less labour at high wage rates, while at low wage rates the reverse is true. This intuitive "principle of labour demand" has been elevated to a "law" in economic theory. In order to reduce total production costs and maximise profits, firms respond to higher wage rates by (i) decreasing output and hence demand less labour and/or (ii) substituting capital for labour.

Firms, however, are not identical in what and how they produce, nor in their willingness and ability to adjust their demand for labour. The concept of "elasticity" is used to measure this responsiveness. The more sensitive employers are to wage rate changes, the higher the elasticity value of the demand for labour. If employment levels do not change significantly, the elasticity value is low. For example, a negative shock to the market caused by competition from cheaper imported goods would induce domestic firms to cut back on local production. This would force a decrease in the wage rate and in the level of employment. But when the demand for labour is highly elastic, the wage rate and the level of employment would decrease significantly more than it would if it were less elastic. Workers are placed in a more vulnerable position, leading to greater sacrifices in both their wages and the level of employment, job insecurity, increased wage inequality and the concomitant social tensions. The elasticity of labour demand is thus of central importance in many economic and public policy issues.

This concept illustrates other adverse effects for workers. The proposed inclusion of a "social clause" in the WTO agreements provoked fierce debate. Any improvement in working conditions would invariably imply an increase in production costs, and who would bear the burden of this depends on the elasticity of labour demand. As Rodrik argues, the more elastic the demand for labour, the more employers are able to shift the costs of higher labour standards and benefits onto workers themselves.

The third important implication relates to the bargaining power and negotiation strategies of labour unions. With economic integration, workers are more easily substitutable with other factors of production and, consequently, the ability of unions to bargain with employers on various aspects of the employment relationship is seriously weakened. A recent survey also suggests that, in the face of globalisation, many unions are finding themselves in a situation of survival rather than growth and influence. It is tempting to ask whether the recent wave of labour strikes is not organised labour's attempt to reassert its influence in a work environment perceived to exclude them from the gains of recent economic growth.

Free trade can increase labour demand elasticities both indirectly, through changes in the prices of goods, and directly, through the replacement of domestic workers with foreign inputs. With the opening up of a country's economy, heightened competition increases consumers' ability to switch to cheaper imports, making the goods produced by local firms more sensitive to price. This then feeds into the domestic labour market, inducing greater sensitivity to labour employment.

Several studies have demonstrated that firms with greater access to foreign factors of production are able to decentralise production across geographic boundaries. Furthermore, due to increased capital mobility, a negative local shock may induce firms to "pack up and leave" for safer territory. After trade liberalisation, for example, certain South African clothing enterprises relocated low value-added production activities to affiliates in Malawi and Botswana.

The second mechanism through which trade openness can cause an increase in labour substitution is outsourcing of the import of intermediate inputs. One feature of globalisation is the fragmentation of production into discrete activities, whereby industries become vertically integrated into a number of production stages. Firms can then "move abroad" by purchasing the output of certain stages from foreign enterprises. The motor industry is the archetypal South African example, importing component parts from parent firms overseas and then assembling the final product locally. Similarly, many large South African retail clothing outlets opted to produce merchandise as far afield as China. This form of outsourcing has contributed substantially to changes in the relative demand for certain types of labour, with a consequent impact on wage shares. Additionally, employment adjustment in multinational companies happens faster than in purely domestic firms. All of these observations support the contention that trade expands the substitutability of domestic labour.

POLICY RESPONSE AND IMPLICATIONS

How should the country respond to these far-reaching effects of trade in an increasingly integrated global economy? In South Africa particularly, with our historic inequities and widespread poverty, the imperative to forge towards a more balanced and sustainable economy cannot be overemphasised. On that score at least, one finds a clear commitment on the part of government, business and labour for a strategic set of policies. But there is a lack of consensus on how this is to be achieved.

Organised labour has recently struck up an alliance with 11 major manufacturers to call for more forceful government intervention through changes in its industrial policy, which they assert has lacked vision and resulted in a "crisis of de-industrialisation". They have demanded a devaluation of the rand and other protectionist measures (e.g. an increase in tariffs on imported goods) to boost South African industry. The government has recognised that it has several tools beyond those singled out by the labour movement, which offer quick but short-term fixes.

At the same time, the government has committed to use protectionist measures, where necessary, and provided that it has the legal space to do so. It would prefer to address trade challenges through its industrial strategy, recognising that key structural challenges in the domestic economy need to be addressed for South Africa to harness the long-term benefits of trade. All of this points to the need for a set of policy strategies that is co-ordinated not only within the cluster of economic departments but also across the departments of labour and education. More explicitly, the government needs to commit itself to a set of policy prescriptions and then see it through to fruition – rather than the kind of knee-jerk reaction recently displayed when import quotas on textiles from China were unexpectedly announced and then, after a brief period, abruptly ended.

Several issues concerning links between trade and labour markets remain contentious. The Doha Round of WTO talks – protracted, repeatedly stalled and eventually collapsed – is quite telling in this regard. Consequently, trade policy decisions impact upon a broad range of labour issues, such as minimum standards and basic worker rights, and need to be cautiously approached. Various failures in multilateral forums also indicate that economic integration and co-operation might be more effectively realised through bilateral or regional agreements between countries that are more likely to share living standards and social and environmental norms. This may be the only pragmatic approach to deal with the tensions between stakeholders characterised by high levels of inequality. South Africa cannot afford to treat this dynamic lightly.

Finally, these caveats should not be interpreted as denying the potential benefits of trading freely with the rest of the world. The process of increasing economic integration is irreversible, and policy makers and trade negotiators must manage it carefully to be compatible with domestic social and political undercurrents.

Accountable to the Minister of Transport, the South African Maritime Safety Authority (SAMSA) was established on 1 April 1998 in terms of the South African Maritime Safety Authority Act 5 of 1998.

SAMSA is governed by a board made up of the CEO and six non-executive members, including the Chair and Deputy Chair, as appointed by the Minister.

The organisation's objective is to lead and champion South Africa's maritime interests as custodians and stewards of maritime policy, vigorous promoters of the maritime sector and giving full and complete effect to our obligations for the benefit of all stakeholders.

VISION
The authority championing South Africa's global martime ambitions.

MISSION
To promote South Africa's maritime interests and development, and position the country as an international maritime centre while ensuring maritime safety, health and environmental protection.

In line with its objectives, as stated in Section 3 of the SAMSA Act, the organisation's primary areas of responsibility include:

- participating in the development and implementation of national and international maritime safety and marine environment protection standards;
- enforcing technical and operational standards for all shipping operations in South African waters and for South African ships anywhere, to promote responsible operations in terms of seaworthiness, safety and pollution prevention;
- enforcing training standards and competency of seafarers;
- managing the national capability to respond to marine pollution incidents and other maritime emergencies;
- operating the Maritime Rescue Coordination Centre to coordinate maritime assistance services and to detect, and coordinate the location and rescue of people in maritime distress situations throughout the internationally agreed South African Search and Rescue Region;
- overseeing the provision of maritime distress and safety communications services to discharge South Africa's responsibilities under the Global Maritime Distress and Safety System;
- administering South Africa's voluntary ship reporting system (SAFREP) for identifying and tracking ships at sea for safety purposes and to provide a ship's database for responding to marine emergencies;
- investigating maritime casualties; and
- delivering related services including:
  - public awareness and education in marine safety and pollution prevention;
  - administration of South Africa's ship registration system; and
  - publication of, and access to, ship safety and environmental standards.

SAMSA delivers four main outputs consistent with its mandate and responsibilities:

- safety and environment protection standards for responsible maritime transport operations;
- an infrastructure for monitoring and enforcing compliance with safety and environment protection standards;
- the capability to respond to marine pollution incidents and other maritime emergencies; and
- the capability to detect, locate and rescue people in maritime distress situations.

SAMSA makes waves in the maritime industry

Being responsible for the broad mandate of the South African Maritime Safety Authority (SAMSA) is a real challenge, especially in a sector which faces many obstacles. But SAMSA CEO CommanderTsietsi Mokhele is navigating these choppy waters with confidence and remains optimistic about the future. *New Agenda* caught up with him.

'There is an urgent need to develop maritime skills.'

How would you describe the role that SAMSA plays in the maritime industry?

SAMSA was formed in 1998 as the maritime authority for South Africa. The key mandate of the authority was given as the protection and advancement of the country's maritime interests. Given the fact South Africa's economy and geo-political interests are shaped largely by the country's reliance on trade, overwhelmingly trans-oceanic trade, being the focal point for South Africa's maritime interests places SAMSA at the center of the country's global maritime and economic strategy. This means we need to be aware of and continuously be engaged on issues like global competitiveness of our maritime industry and be part of making the rules of the game. In that regard it is important that we ensure our country and its industries comply with both domestic and international shipping legislation. SAMSA is charged with upholding multitudes of international treaties and conventions like the Safety of Life at Sea (SOLAS). SOLAS enjoins SAMSA to provide measures for the protection of seafarers as well as all ships finding themselves in our waters. Part of our maritime safety responsibility is to protect the marine environment against pollution by ships at sea. In 2008 the mandate of SAMSA was extended to include the regulation of boating in the inland waterways, consisting of 23 large rivers and about 400 navigable dams. There are over 1.2 million boaters in SA. SAMSA's extremely broad mandate also includes being the Maritime Skills Authority regulating seafarer training, accreditation and certification.

How important is the shipping industry to the SA economy?

It is vitally important. By volume 90% (by value 98%) of South Africa's trade, which includes exporting and importing, is done by sea. Considering that trade constitutes up to 58% of our GDP, the dependence of the economy on shipping cannot be overemphasised. This means that virtually all imported goods such as the TV you get in SA comes off a ship. South Africa is entirely dependent on trade by ships for our economy to survive. The maritime industry is therefore a key strategic industry and we need to bring the development of the maritime sector onto the national agenda. We need to urgently develop and protect the country's commercial shipping interests.

What are some of the challenges facing the maritime sector?

Two of the key issues facing the maritime industry are skills development and industrial development. We need to be training more South Africans to be seafarers, maritime surveyors, ship repairers and builders, logistics operators and maritime lawyers, amongst the many maritime professions. We also need, as a matter of priority, to develop our domestic shipping – coastal and transoceanic, with the intention to increase a share of goods moved by ships registered in the county, owned and operated South African, thereby creating a platform to kick-start domestic maritime industrialisation in ship building and repairs, and component manufacturing. Measures to attract investments into domestic shipping such as the terms of taxation, whereby the country moves away from a profit-based system to a tonnage-based system for such ships are long overdue. Such a tonnage tax will mean that we are no longer taxing vessels based on the shipping company's profitability but on the sizes of the ships.

We have realised that there is an urgent need to grow the infrastructure for maritime skills development. There are two critical components to maritime skills programme: Seafarer

training: the training of officers and the ratings who are not officers at sea. In terms of the former, currently students can attend either the Cape Peninsula University of Technology or the Durban University of Technology. Together with the provincial governments of the Eastern Cape and KwaZulu-Natal, there is a process to establish the feasibility of expanding the programmes to other universities such as the University of Zululand and Walter Sisulu University. The ratings training is provide at many public and private academies and institutions which have all been accredited by SAMSA. The other component of training is shore-based skills in shipping and maritime services such as port management, insurers, financiers, academics, logisticians, naval architects and marine engineers.

South Africa accounts for about 3% of global trade. There are 1.5 million seafarers and over 50 000 merchant ships carrying that cargo worldwide. South Africa only has about 1 000 active seafarers, which is literally a drop in the ocean. We lag far behind other third-world countries like the China, India, Brazil and Philippines where tens and hundreds of thousands of jobs have been created through the shipping industry. These seafarers are paid in dollars, which supports their local currencies' value and contributes positively to GDP and balance of payment. This is a huge area of intervention for SAMSA as we urgently need to develop maritime skills in SA. The lack of maritime skills in SA makes doing business here expensive and uncompetitive.

Unfortunately there is only one vessel registered in SA 'Safmarine Oranje' which is about to be decommissioned. This poses a serious problem because part of graduate students' training requirement is to do experiential work at sea. Without access to such training berths, our efforts to develop skills will be worthless.

However, in the past six weeks, four shipping companies have approached SAMSA to say they are considering the options to register their vessels in South Africa. Some are new players, but the majority have their vessels registered elsewhere. This is indeed encouraging news and bodes well for the shipping industry as a whole.

You've recently returned from a visit to Russia and China as part of a presidential delegation. What was your role in the trade talks?

China is a new force in world economics to be reckoned with. It has just overtaken Germany and Japan as the world's second largest economy. There is R120 billion worth of trade taking place between SA and China annually. Transport being a very important link between our economy and those of others, shipping and maritime logistics are therefore some of the key points of interest. At the moment 100% of the trade between China and SA is conducted by Chinese and other foreign registered vessels. This needs to change. In addition, we are importing value-added or finished goods, whereas we are exporting largely raw materials. There is a huge weighting in favour of China when it comes to our balance of payments. If we could build up a competitive domestic shipping fleet wherein some of those ships are built and repaired in SA, the tide could begin to change and we could reduce this gap in our country's current account. Our talks in China as led by President Zuma culminated with the signing of the Beijing Declaration on 25 August 2010, which outlines 38 cooperation agreements including trade,investment, mineral exploration and agriculture. The two countries have agreed to improve the current structure of trade between them, in particular by working towards more balanced trade profiles and encouraging trade in manufactured, value-added products. On the other hand the Minsters of Transport of both countries signed Cooperation agreement on transport, including shipping and maritime.

What are your strategic objectives going forward?

SAMSA's three current strategic objectives are:

The industrial development of the shipping sector, to include the building and repairing of ships. This would create jobs as it these areas of the industry can be labour-intensive.

Getting SA shipping companies to register their vessels locally so that we can own and control a reasonable share of the world fleet.

Increasing maritime skills and job training. It's estimated that there is a 250 000 shortfall in seafarer jobs around the world. That's in the middle of a global recession, so that figure will increase when economies start booming again. We need to play our part in filling that shortfall in skills. With a multiplier factor of 8 to 10 jobs on land for every seafarer, the potential is glaringly there for the taking.

How do you intent to raise awareness around maritime issues?

September is our maritime month. We are setting aside the whole month to create awareness in the maritime industry and draw interested young people to our programmes. The Department of Transport has organised the celebration of the World Maritime Day in East London on 21 September. This year the theme of the celebration as proclaimed by the International Maritime Organisation (IMO) is 'Year of the Seafarer', hence our focus on seafarer training and other maritime skills development. SAMSA on the other hand will be sailing a government-owned ship called *Agulhas* from Cape Town to Durban at the end of September/beginning of October 2010, hopefully with a predominantly female crew on board. The ship will stop at coastal towns to hold maritime exhibitions, culminating in the function in Durban launching the SAMSA Center for Seafarers and Fishing. This Center will be responsible for the training, welfare, safety and promotion of the maritime jobs.

NATIONALISED MINING

lessons from Zambia

An interview with **Emmanuel Hachipuka**

Emmanuel Hachipuka was a senior executive of the Zambia Consolidated Copper Mines Ltd (ZCCM) during the Kaunda and Chiluba presidencies. He is now a member of parliament in Zambia and chair of the parliamentary public accounts committee. Ben Turok interviewed him.

Ben Turok: You were involved with the Zambia Consolidated Copper Mines Ltd (ZCCM), which is largely state owned.

Emmanuel Hachipuka: Yes, I was the general manager under President Kenneth Kaunda and director of finance when Frederick Chiluba was president.

BT: I would like to discuss the conditions in which the copper mines were nationalised. When did this happen?

EH: In 1969, after the UNIP (United National Independence Party) General Conference in Mulungushi in 1968.

BT: Why did Kaunda want to do that?

EH: He believed very seriously that the mines were the major resource of the country and he believed in indigenous ownership – that they must be owned by the Zambian government on behalf of the Zambian people.

BT: So they signed an agreement with Anglo American (Anglo), which was the main owner. What were the terms of that agreement?

EH: Substantially, that the mines would be owned by the Republic of Zambia through the ministry of finance and, because Zambians did not have the skills, Anglo American would be given the management contract. First they would be given a lump sum payment for the mines, and then Anglo would manage a programme of "Zambianisation", through

A Zambian copper mine

which Zambians would progressively take over the running of those mines.

BT: The Zambian government bought the mines and, in addition to that, paid for a management contract of some 30 million pounds.

EH: Yes, and subsequently the managers would remain on the payroll of the mining companies. The mines were subdivided into two mining companies: Roan Consolidated Mines and the other, where I was substantially employed, Nchanga Consolidated Copper Mines. Nchanga was for the mines owned by Anglo, a South African company, and the other was for the Roan Selection Trust (RST), an American conglomerate. The two management contracts were given to Anglo and RST. Later on, these were headed by Zambians.

BT: The mining companies were paid a very large sum for ownership of the mines. Was it based on market price?

EH: Based on some evaluation. Remember, the mines weren't taken from willing sellers. The government used its muscle to take them over. The sellers were not willing to sell but Kaunda was being civil to compensate them.

RACIAL EXCLUSION

BT: One of Kaunda's big complaints was that the Africanisation of the mines was not proceeding under private ownership. Under Anglo and so on, the colour bar was quite strong and white managers practiced some kind of apartheid...

EH: There was very serious racial discrimination. Kaunda saw that, while Anglo and RST owned the mines, he had political power but he didn't have the economic power to make those changes. In order to have economic power, he had to actually take over the mines. Because the mines were then seen as belonging to Zambians, he could push the racially inclined management out of the way.

There were white managers everywhere in the mines – even in jobs that Africans could easily accomplish. At the time, the mines were directly employing somewhere in the region of 60 000 people and 8 000 to 10 000 were whites. They also had a lot of influence in industry. The mines had white subcontractors and suppliers all over the Copper Belt. An African, for example, would never sell a hoe, a plough, a bolt or a nut to the mines. There was a very strong linkage to South Africa at the time. Most of the goods and services were provided from there.

A Zambian would never see the door of a supply office, would never supply anything. It was all the preserve of the whites, both in terms of direct employment and in terms of supply contracts of any kind – no matter how specialised or non-specialised the business was – that the mines required.

BT: Nationalisation was an attempt to attack the core of white power in Zambia.

EH: Yes, it was. It was perceived as such. The central committee of UNIP at that time felt it was one major instrument they could use to break their hold.

BT: Did it succeed?

EH: It succeeded. It succeeded in terms of political aspirations, in terms of breaking the racial wall. It also succeeded because it created a cadre of very effective African managers. It succeeded economically, until the copper prices collapsed. When copper boomed, it was fine.

The problem was that Kaunda forgot that his original idea was to break white control and to develop a cadre of managers and entrepreneurs. He spent too much time playing with power. After training these Africans to handle the industry, he should have moved from public ownership back to private under these African managers.

That is why President Chiluba, who came right after him, found it easier to privatise. Every Zambian was ready to see the public sector go into the private sector. The mistake the new president made was not to follow on Kaunda's legacy, to sell these companies to Africans. Instead, he opened up to the rest of the world.

BT: So, in fact, the Africanisation of management and ownership didn't happen? Who owns the mines now?

EH: Foreigners. They are owned by Indians, and by Chinese. We are back exactly where we started! Having created this cadre of managers, Kaunda should have created a cadre of entrepreneurs. And then, towards the end of his rule, he became very naive and difficult. He didn't want an African to own anything, which made it very difficult for Africans to acquire wealth. He thought the state should hold it in perpetuity.

> That is where you lose your sense and your conscience: when you're angry. He was angry against the whites.

NATIONALISATION STRATEGY

BT: Let's deal with this question of compensation. Here is a government that paid a huge amount for the ownership of the mines – unlike Cuba, where they just took it and paid no compensation. And then they had to pay for management. Is that what damaged the mining industry?

EH: It did, yes, because the cost of managing the mines was very high. When Kaunda realised that this cost was too high, he then started to Zambianise, but it was too late because this cost continued. The other mistake he made with the takeover was to leave 27 percent still owned by Anglo. Anglo was quite comfortable: even if they didn't get a dividend, they were getting the management fee, which was substantial. If Kaunda had brought in new management, it might have been different. But Anglo kept 27 percent of the shareholding. They were owners and they were earning management fees and, although their managers remained Anglo employees, these expenses were coming through on top of the management fee. This destroyed the economy.

BT: It sounds like a not very good nationalisation process.

EH: No, the best nationalisation policy would be this: if you are going to pay, then pay, but don't use the same person who was running it to manage it again. No! What is the point? It's better to bring in outside companies to help because they don't have that attachment.

ADVICE FOR SOUTH AFRCA

BT: There is some discussion in South Africa about nationalising the mines. Have you any advice?

EH: I would suggest, first of all, that they have to proceed very carefully. They must decide to have the mines properly valued. Then the discussion can go on. It is difficult to nationalise while discussing with the person who owns, because he will bring in all forms of arguments, including delaying tactics. It is highly unlikely that the South African government has a team of managers who can negotiate equally with the owners of the mines. The owners will always find a way to push their interests forward.

BT: The government will be cheated?

EH: The government will be cheated, no matter what, if they are going to negotiate.

BT: There is also the question of management skills. We do not have black managers who have the skills.

EH: No, you do not have black managers to negotiate or to run the mines.

BT: We will have to use the old managers anyway?

EH: You have to use the old managers.

BT: And pay the old companies a management fee? (laughter)

EH: Yes. Really, I think it's a nightmare to dream about nationalising the mines.

Clever finance people would look at what the mines have done in the past, at their books. In South Africa, you have lost time since the collapse of apartheid. The owners of the mines are very sensitive to risk. Looking at their results for the last five or ten years won't help you, because they have already been cooked. If they tell you they are making 10 million, you can rest assured they are making 30 million.

The alternative is to use whatever reserves they have and for that you need very serious consultants. But again, how do you pick ones who are not in the companies' pocket? It's a nightmare.

BT: Why didn't Kaunda simply increase taxation instead of nationalising?

EH: You see, Kaunda was a product of the fight for independence. People who come from that fight – and this is also a problem in South Africa – are still upset, still temperamental and heated. That is where you lose your sense and your conscience: when you're angry. He was angry against the whites. He wanted them out.

BT: It was really a racial campaign rather than a financial one.

EH: It was not a financial campaign.

BT: In our case, we could increase taxation?

EH: You could. In fact, you have many ways to increase taxation. If they argue about performance? That's your business. You must look at efficiencies available anywhere else. Fortunately, the world now is open and you can look at this. Whatever technology they are using, it is available in the world. Therefore, you can look at what processes are being used at every level of production and you can use those, within the government, to say, "As far as we're concerned, these are acceptable levels of efficiency. If you are operating below that, it's your problem. Therefore, we want so much for ore, we want so much for finished products, and we want so much out of profits." Because you're using indices that are well developed and the processes are known, you can levy them and what they do is their business.

BT: Thank you. That's good advice.

> The government will be cheated, no matter what, if they are going to negotiate.

ENERGY SECTOR IN THE NORTH WEST PROVINCE

INVEST NORTH WEST SOUTH AFRICA

Renewable Energy (RE)

South Africa is currently the 14th largest greenhouse gas emitter in the world, a reflection both on the country's heavy reliance on coal and energy inefficiencies. The White Paper on RE (2003) has set a target of 10 000GWh of energy to be produced from RE sources (mainly from biomass, wind, solar and small-scale hydro) by 2013 (5% of total electricity).The target was confirmed to be economically viable with subsidies and carbon financing.

Table 1: South Africa Primary Energy Supply (2000)

Energy Source	Percentage
Crude Oil	10%
Gas	2%
Renewables	6%
Nuclear	3%
Hydro	<1%
Coal	79%

ASSESSMENT OF RENEWABLE ENERGY POTENTIAL

Mining is the greatest consumer of electricity in the Province using 63% of electricity and RE interventions should occur in this sector. Nearly 20% of the population in the NW does not have access to electricity.

Municipal waste

Agricultural manure and humanure (sewage) can be used to generate methane-rich biogas with an energy potential of 199 MW. The municipal solid wastes (MSW) have an energy potential of 304 MW and can be used to produce energy either through combustion to electricity, biogas (landfill gas) or using biomass-to-liquid Fischer-Tropsch technology. Energy from biogas is appropriate for households, agriculture, SME, municipalities industry and mining.

Solar Technologies - Off-grid solar strategies for rural areas

Mini-grids or off-grid and hybrid technologies will be the most appropriate. Solar technologies hold the greatest potential for the province since there is a favourable solar insulation (approx. 275 MW/km2) and a suitable area to install solar energy technologies.

South Africa supplies two-thirds of Africa's electricity and is one of the four cheapest electricity producers in the world.

The application of domestic solar water heaters (SWH)

- The application of concentrated solar power (CSP) and concentrated solar thermal (CST)
- The application of photovoltaics (PV) for electricity

The greatest potential for solar is in the western parts of the province (more land availability and higher solar insulation).

Wind-power

Wind-power is most applicable for the agriculture and SMEs sectors, and may be combined with PV to increase the capacity factor. Wind-power is feasible for some parts of the province where average wind speeds are >4m/s.

Energy Efficiency

Companies that make smart meters and other home energy efficiency devices, grid management companies, and even software companies that are designing programs to better handle electricity loads are attractive investments to public and private sectors. (Source: Green Chip Stocks Editor Jeff Siegel, featured on CNBC's Green Week)

AVAILABLE INVESTMENT INCENTIVES

Rebate on Solar water heating system for households by Eskom

A household which buys the solar equipment can claim between 15% and 20% of the total cost of the equipment from Eskom, directly. Equipment must be SABS (South African Bureau of Standards) approved and the installer must be accredited.

Renewable Energy Feed In Tariffs (REFIT)

The four identified renewable energy technologies, and the approximate prices that energy suppliers would pay the renewable energy generators are, wind (R1.25/ KWH); small hydro (R0.94/KWH); landfill gas (R0.90/KWH); and concentrated solar (R2.10/KWH).

Multinational companies qualify for more incentives using green energy to manufacture their products.

Tax Relief for Electricity Generation

South Africa's Income Tax Act (Section 12B) already provides some tax relief for electricity generation
(Conversion rate: 1US$=7.5 South African Rands)

Carbon Credits

A vibrant carbon credit market exists globally where high polluting industries buy carbon credits from green operations. This is also a funding instrument for green industries.

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Traditional leadership

"You can't destroy it"

By **Chief Fortune Charumbira**

Senator Chief Charumbira is president of the Council of Chiefs in Zimbabwe. Ben Turok spoke with him in Arusha on 26 April 2010. (*New Agenda* does not endorse the opinions expressed here, but presents them as an undeniable feature of current debates in Africa.)

Ben Turok: What is the Council of Chiefs?

Chief Charumbira: The Council is the highest structure within the traditional hierarchy in Zimbabwe. It's like the national cabinet for traditional leaders and is composed of forty members, five from each of the eight rural provinces. It looks into the issues of traditional leadership.

BT: How old is the system of traditional leadership in Zimbabwe?

CC: As old as Creation by God. As long as we can remember, it has always been there.

BT: Was it changed under colonial rule?

CC: Surely. For example, we didn't have a national state like we have today. Each chieftaincy was a like a nation-state. Colonialism lumped us together into districts, provinces and into a national government. This meant that certain things could only come from a higher level. Before, we performed judicial, administrative and legislative functions. Some of these functions were taken over – the legislative by parliament and the judicial by the modern court system. Even in development, other structures were introduced, like rural district councils. So yes, our roles have been affected by colonialism.

TRADITIONAL LEADERSHIP AFTER INDEPENDENCE

BT: After independence in 1980, what was the attitude of the Mugabe government to the traditional leaders?

CC: In 1980, having come from a protracted liberation war waged by the two main political parties – ZAPU supported from Zambia and ZANU from Mozambique – there was a sentiment that some traditional leaders had identified with the colonial government and had not fought along with the liberation movements. Socialism, Marxism and federalism were the driving principles then, and so the new government thought the traditional leaders' powers should be diminished even further.

Certain judicial functions were still exercised by the traditional leaders under colonialism. But in 1981, government legislation said that the rural courts, the primary courts, would now be presided over by elected officers. When the Act was passed, all the judicial powers were totally taken away from traditional leaders.

Then came the famous Prime Minister's Directive on decentralisation in 1984. The prime minister then was Robert Mugabe, who said there was going to be a new developmental framework in the country, especially in the rural areas. There were going to be village development committees (VIDCOs) and ward development committees (WADCOs). These new structures were to be elected and would determine land allocation and development issues in a particular village or ward. In the new policy, ten villages would be brought together to constitute one VIDCO. These people would now preside over the village heads. So now the development functions were taken away from the traditional leaders. No land allocation, no determination of boundary fences: everything was taken away by the democratic dispensation. Democracy was the driving force of everything, and the traditional leadership had no meaningful role.

But the experiences of Zimbabwe from 1981 to 1984 to 1990 are worth recording in the history of the country. It didn't work. When these elected officials presided over a case or dispute, the majority of people did not believe in the legitimacy of the judgements. If there was a boundary dispute between two persons and these officials determined the boundary, some people would still go to the chief and ask for help – even people who were allocated land by the new structure. In their own conscience, they didn't believe that, without the chief and village head, they could legitimately claim that they had been given land.

The NGOs were the first to advise the government that this thing was not working. On the ground, you will see the elected officials. They want to set up a grazing area and erect a fence. People are resistant and ask who gave the authority to put up this fence. So there were now a lot of conflicts and the traditionalists are in the majority. At the community level, you are looking at a family, a clan. These are one people. To make them not believe in that institution would take millions of years. The whole developmental structure collapsed in the rural areas. There were serious power struggles – especially as the chiefs and the village headmen were still recognised in the minds of the people – until the ZANU-PF government realised that in fact it was losing power.

In 1991, that Act was repealed and judicial powers were restored to traditional leaders. The Customary Law and Local Courts Act basically said to those elected officers, "You have had your ten good years. It's over now. Give the judicial power function back to the chiefs." There was celebration. The government has now come to believe that the chief and the village head are the right people to decide on these things and to preside over justice in those areas.

That Act also gave us more enforcement power. In 1981, we could preside over disputes but, in order for the judgements we passed to have legal effect and be enforced, they had to be endorsed by a magistrate's court. That was amended so that the judgement of a traditional leader can be enforced as a court judgement without needing a magistrate to endorse it.

Then in 1998, the Traditional Leaders Act was passed to do away with the issue of the elected village and ward development committees allocating land. Then the delegated powers – the list is more than two pages – were given back in full to traditional leaders. It was said that, if ZANU-PF had not done that in 1998, they would have lost the election in 2000 because it was now in conflict with the people themselves. Those two Acts made people believe that now we are independent within ourselves.

THE DEMOCRACY QUESTION

BT: As you indicated, this is a feudal system. Some people say that is undemocratic, hierarchical and perhaps self-serving. What would you say?

CC: When you talk of democracy, people believe that it is only through electing a person or casting a ballot in a box, saying you like this party or this person. I think that misses the point of democracy and its meaning. Elections are the means to something; they're not the end itself. What is the end? The end is that people believe that they have created the leadership and that it's *ours*. They believe in it. That is where we should start the debate. People want to be governed by a system which they themselves have created.

BT: But how do people create leaders in the traditional system?

CC: Traditional leadership has two strengths. First, it is based on the community itself having set up that structure as the way they want to be governed, and they believe in that. It was set up by the people. It was not set up by an individual who is the chief today. And, as you know, it has been passed on for generations through succession. It is through succession, people believe, that the next person "comes into office".

The second is governance. Three years ago, the United Nations Economic Commission for Africa (UN-ECA) published a report on traditional leadership – their research was led by a number of consultants and professors across the continent, not by traditional leaders. I was there when the report was launched in South Africa. What were the findings of that paper? First of all, this institution [of traditional leadership] is resilient. You can't destroy it.

In terms of its own systems of governance, it is more democratic than some of the members of parliament and councillors we have elected. People have lost the point that a chief doesn't govern as an individual. He governs in a council, and the council is provided by the clan. He is not like a president who can say, "I like Ben. I like this other one. Come and govern with me". No. The chief's council is designed by the community itself. You have to pick from all corners of the clan to be able to govern, and that council is like your immediate parliament. These are the key advisors. And most of the time they are even older than the chief himself, and so they can tell you off. You have no executive power over them. This is a very big strength for the chief: you don't have the authority to hire and fire them like a president does. No, as a chief you have to live with them until they die. They are *given* to you. So, in that sense, this is a very participatory system. These people represent families within the clan, and so it scales down until every family member is part of the governing system.

The MP is elected as an individual – he has no council, no cabinet, he is running his affairs as an individual. There is an even greater tendency to be dictatorial there than the chiefs have. I would argue that the accusation that traditional leadership is undemocratic fails to understand this is a system created by the people themselves, and that the way you succeed to the throne is actually prescribed by the clan, and the clan is the owner of that chieftainship. To the extent that the chief cannot make any decision or decree alone, without that council of elders, this system functions very democratically.

THE MODERNISATION QUESTION

BT: Another allegation that is made – by city people, by people in political parties who are trying to modernise the country, by feminists, by young people, etc. – is that traditional leaders are a conservative orthodox force holding back development. How would you answer that?

CC: It depends on what you mean by development.

BT: Let me put it in terms of modernisation. At the turn of the 20th century, there were distinguished black South African intellectuals, educated in America, and they began the movement of political organisation. The chiefs at that time also wanted to overcome white rule, but they were not as dynamic and the young intellectuals wanted a more modern society. So, in the current period, how does traditional leadership fit into the programme of modernisation?

CC: Modernisation should not mean uprooting all the values that are the very essence of our own identity as a clan, as a country. If modernisation comes at the expense of our values, then that modernisation is toxic to ourselves and should not be accepted. Or if modernisation is simply imported, as is common in Africa: one goes to the West to be educated, gets a PhD and comes back with "in America, they do things this way". Please!

Look at the Indians in South Africa. Even if there is only one Indian family in a whole city, you see the way they dress or the way they are accompanied. They have stuck to their own culture and values – but one cannot say that Indians are not modern. They live in houses that are air-conditioned, with the best of all the new technology. In fact, India is leading in technology today, but it is one of the most conservative countries in values and culture. So there is no contradiction. The example of India is the best. The Indians are very conservative, more even than us Africans. The way they eat, the way they dress, the way they won't intermarry, wherever they stay. They may be in Uganda for a hundred years, but they are still particular about those issues. And yet India is leading in modernisation.

The crisis we are faced with is unlike that. In Africa, what they call "modernisation" means changing the very face of the African to look white. Paint yourself

until you are no longer black: that is modernisation! No, no, no. That is *not* modernisation. But if you bring us computers? As chiefs, we have never opposed computers. We want that technology. Air-conditioning in the houses, tarred roads, good vehicles? Yes, please bring that. I've got an email address. I surf the internet. In those things, we are with you – but not in values which go to very root of my own existence as a human being, as an African. That is where we have a problem.

Like the gays and lesbians – to us, that is unacceptable. I know in South Africa you have accepted it in law. That is unfortunate. It should not happen to Africans. If modernisation means allowing male-to-male and woman-to-woman marriage and gay practices, then we will resist that. We are very clear that development or modernisation should not leave us less human. It should not be a result of an inferiority complex. It's a question of technologies and other things that can enable us and strengthen us. Look at which countries today are moving fast in terms of development: China, Brazil, India. All of them are very, very strong on their cultures and identities. So there is no contradiction between preserving your own culture and modernising.

TRADITIONAL VALUES

BT: What are the key aspects of what you consider to be traditional values? In South Africa, we talk about *ubuntu*.

CC: First of all, we are communal people. We are loving people. When I eat and you are not eating, even if I am very hungry, I will make sure that I share with you what I have. *Ubuntu* is the antithesis of capitalism. We are, by nature, not capitalist. That is why we are taken advantage of when people from the West come to do business in Africa. They take everything because we are caught unawares. We think these are friends and we are in a community, and yet they are out there to outwit us.

Ubuntu is one with values that promote love and communalism. The reasons why the traditional leaders – the kings and queens – were overthrown in Europe don't exist here. In fact, the opposite exists here. The kings themselves are there to promote *ubuntu*, which means to support everyone in the community to be able to develop and share. Sharing and respect for one another is the essence of *ubuntu*.

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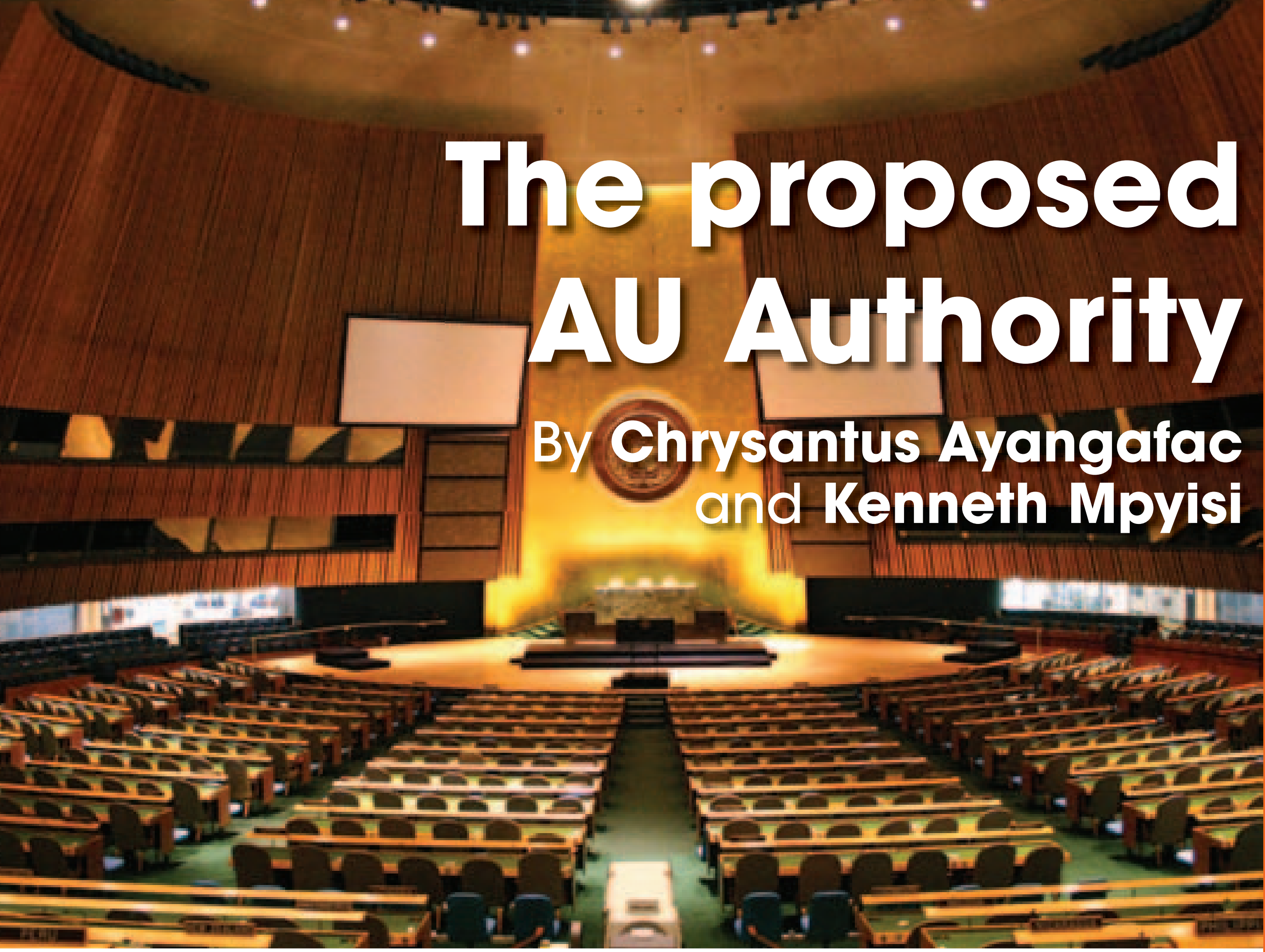

The proposed AU Authority

By Chrysantus Ayangafac and Kenneth Mpyisi

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hybridisation, balancing intergovernmentalism and supranationalism

The African Union (AU) is an institutional expression of the imperative of integration as a policy strategy to address Africa's myriad problems of poverty, underdevelopment and conflict. In an attempt to achieve its objectives, the AU created the AU Commission. The Commission is the secretariat of the AU and is charged with, among others, initiating proposals for consideration by other organs of the AU; implementing decisions taken by other organs of the AU; co-ordinating and monitoring implementation of AU decisions; and representing the AU. There is little doubt that the AU Commission can play a critical role in helping the AU to achieve the development and integration of the continent. However, there seems to be consensus that the Commission (as well as other organs of the AU) has not lived up to expectations. The low implementation rate of just over 10 percent of its decisions by certain departments of the Commission could be seen as evidence of the validity of this assertion. The question is, however, whether the low implementation rate points to the ineffectiveness of the Commission or to its weakness. Regardless of the reason, there seems to be a need for change.

It is against this backdrop that the General Assembly of the African Union decided in January 2009 to transform the African Union Commission into the African Union Authority. This outcome was a consensual decision based on a compromise between the proponents of different schools of thought and diverging streams of opinion on how to move forward with continental integration. While there is consensus regarding the rationale for the transformation of a commission into an authority, the competence, mandate and function of the proposed Authority are still open to debate.

This paper is a contribution to the ongoing reflection on the proposed AU Authority. It contends that, while the AU Commission might have failed to deliver in certain areas, the reasons for non-delivery are a combination of technical and political constraints. The proposed Authority could play a vital role (in co-ordination, implementation and advocacy and as an institutional driver) in the integration process, provided its technical and political capacity is improved and some changes are made to the institutional configuration of the AU. How the proposed Authority is going to achieve this is contingent on how it balances *intergovernmentalism* and *supranationalism*.

Specifically with regard to the decision-making and implementation processes of the AU, this paper proposes that the AU Authority should have exclusive policy initiation and implementation capacity in certain domains, while other domains should remain the preserve of the intergovernmental set-up in terms of decision-making and directives. To move forward, AU member states will have to think creatively about how to strike a balance between their preserved areas of competence and those in which powers will devolve to the proposed Authority.

OPPOSING POLICY POSITIONS ON THE PROPOSED AUTHORITY

The rationale for the transformation of the Commission into the Authority is the need to reform and refine the existing governance structure of the AU as a tool for accelerating the economic and political integration of the continent and to ensure that AU policies, positions and decisions are translated into action and implemented fully. Thus the Authority is conceived of as an institutional enhancement for achieving the primary objective of the AU, namely development and integration.

Although there seems to be consensus that the AU Commission has not achieved the desired results – thus the need to transform it into an Authority – there is little consensus as to *why* it has not. Answering this question is as important as engaging in the debate on the approach to continental integration. It is no surprise that the reasons advanced so far reflect the ideological divide which animates the integration debate in Africa, namely between proponents of a gradualist and a maximalist approach.

Gradualists argue that the reasons for the Commission's non-delivery are purely technical in nature and pertain to – for example – managerial problems, a lack of resources and competence, internal institutional incoherence, and a lack of co-ordination. Some AU member states argue that the AU Commission has not really failed to do what it was designed to do, namely play an advocacy and co-ordinating role. Rather, it has failed in its objective of accelerating development and integration because of its design, mandate and function. The weakness of the AUC is also a symptom of the weakness of the AU. These states favour a more powerful Authority, supranational in nature and modelled along the lines of a national cabinet. They contend that an Authority with supranational status is a more appropriate policy instrument for addressing Africa's myriad political and socioeconomic problems and that the current Commission does not have the mandate to deliver on African integration. They contend that the debate on a union government or union authority is a question of semantics and that the important aspects are the function, power and areas of competence of the Authority. Advocates of the maximalist approach to African integration conceive of the proposed Authority as a policy instrument or an institutional motor to fast-track the continent to its final destination – a United States of Africa.

Other AU member states argue that although the AU Commission has not entirely failed to deliver on its mandate and function, there is a need to enhance and improve the capacity of the Commission by transforming it into an Authority. While these states do acknowledge the need for such transformation as a measure to deliver on the process of integration, they argue that transformation would be purely aimed at addressing the technical difficulties referred to above. These states contend that the Commission's failure to deliver cannot be solely blamed on its design, mandate or function.

Because the AU is an intergovernmental organisation, the Authority must and should be intergovernmental in nature, too. However, the proposed Authority will have to respect the principle of subsidiarity, for it will be an agent of member states and not their principal. Accordingly, any attempt to extend the powers and functions of the Authority beyond the realm of intergovernmentalism will defeat the very purpose and nature of the AU. The political and economic asymmetry characteristic of the continent demands a gradual and incrementalist approach to ceding sovereignty to the continental level.

Thus advocates of the gradualist approach now conceive the proposed Authority as an institutional bulwark against the maximalist approach to continental integration.

WHAT IS THE POLICY DEBATE ALL ABOUT?

A perusal of the conclusions of the 12th extraordinary session of the Executive Council would suggest that the Executive Council emphasised a change in structure rather than substance with regard to the decision-making and implementation processes of the AU. In fact, the debate on the Authority is about the nature of the African state and African politics. The proposed Authority is more than just an institution – it is a policy instrument aimed at national and international engagement. The structure, design, mandate and function of the proposed Authority are political in nature and are dealing with control of political and economic spaces. The question is how much political and economic space African states are prepared to cede or pool. Consequently, the politics of resource distribution and accumulation are important for understanding what is at stake.

If politics and the need to deliver on human security are at the heart of the current Authority debate, then the position adopted by the two approaches is flawed. It is unrealistic to expect that some of the African states would be prepared to cede their sovereignty regarding highly sensitive political issues. Losing or pooling sovereignty goes beyond democracy and the quest for political survival. Attachment to sovereignty is born out of a fear of the unknown. Establishing structures that would take away national sovereignty might expose Africa to chaos and disintegration if such arrangements fail to work. Thus some authors point to the debacle of the East African Community integration arrangements in 1967 and their long-lasting consequences as an experience not to be repeated. It is important to investigate what binds some African countries together beyond the normative clique of pan-Africanism and to determine the level and impact of interconnectedness between African states. Even in one of the most advanced democratic spaces in the world, the European Union, states have not given up their sovereignty on sensitive issues such as foreign policy and security.

Despite its deficiencies, the AU Commission has had some achievements. It has

- raised the profile of the AU
- properly articulated the African agenda on the world stage (for example with regard to the Ezulwini Consensus)
- worked tirelessly to implement the African peace and security architecture
- developed comprehensive policies such as the African Union policy on post-conflict reconstruction and development and the African Charter on Democracy, Elections and Governance.

The challenge is how to design an AU Authority which speaks to contemporary African political realities, the need to address the limited state capacity and to deliver on human security.

The policy options proposed here for the AU Authority are not exhaustive. Rather, the aim is to stimulate reflection on how the proposed Authority could strike a balance between intergovernmentalism and supranationalism. We accept that the technical problems need to be addressed, but we have confined our discussion to policy options that are political in nature.

POLICY OPTIONS AND CONSIDERATIONS

Nature of the authority

The AU Authority should be a hybrid of an intergovernmental and supranational institution. Since the AU is an intergovernmental organisation, the Authority should principally assume the nature of an intergovernmental organisation. However, should the Authority be entirely intergovernmental in nature, there is a greater likelihood of its internal decision-making processes being permeated and influenced by national interests.

While this cannot be avoided entirely, it is important that the proposed Authority ground its work in the common interest of member states and Africans. It should not only be the agent of member states, but rather an agent of Africans, in line with the concept that the AU is a union of African people. The proposed Authority can achieve this balance by exercising some degree of independence in its operations. In essence, the Authority should be the leading African institution on the continent, mandated to think African and to promote development and integration. This would result in the Authority having some traits of a supranational institution, especially with regard to influencing the policy-making and implementation processes in certain areas of its jurisdiction.

Areas of jurisdiction

In its conclusions, the 12th extraordinary session of the Executive Council set out the areas of jurisdiction of the proposed AU Authority. These areas can be divided into two main pillars. The first pillar would constitute issues that are not politically sensitive and where member states would be prepared to pool their sovereignty. The second pillar would be made up of areas that are politically sensitive and where member states would be protective of their sovereignty. This division is important because of its implications for the mandate and functions of the proposed AU Authority.

First pillar	Second pillar
Continent-wide poverty reduction	Free movement of people
Inter-regional and continental infrastructure	Foreign and defence policy
Global warming, desertification and coastal erosion	International trade and negotiations
Epidemics and pandemics	Transnational crime
Research/university centres of excellence	Peace and security
Food security	

With regard to the right to initiate policy for consideration by other organs, the proposed AU Authority should have the exclusive right to agenda setting or policy initiation in areas constituting the first pillar. The argument is that this will enhance the co-ordination, coherence and convergence of AU policies. Moreover, it will allow the Authority to act as an institutional driver for instilling confidence in member states. Technical co-operation in these areas might provide the accelerators and multiplier effect which would spur even more integration. Robust and sustainable integration should not be measured by how fast the continent wants to move forward, but should rather be informed by a combination of gradual/cumulative sectoral successes and anti-retrogression checks or benchmarks.

This does not mean that the Authority should have a free hand in policy initiation. This right should be exercised only when the Authority deems that a common position or addressing a problem at the continental level is the most effective goal-oriented approach to resolving a problem. Thus, in keeping with the principle of subsidiarity in policy initiation, the Authority must work in close collaboration with the Executive Council, regional economic communities (RECs), the Pan-African Parliament (PAP) and the Economic, Social and Cultural Council (ECOSOCC).

With regard to areas in the second pillar, the proposed Authority should not have the exclusive right to policy initiation. Policies would have to be initiated under the direction and guidance of the Executive Council. The Authority should play mainly a supporting and co-ordinating role in these areas of jurisdiction.

Implementation of decisions

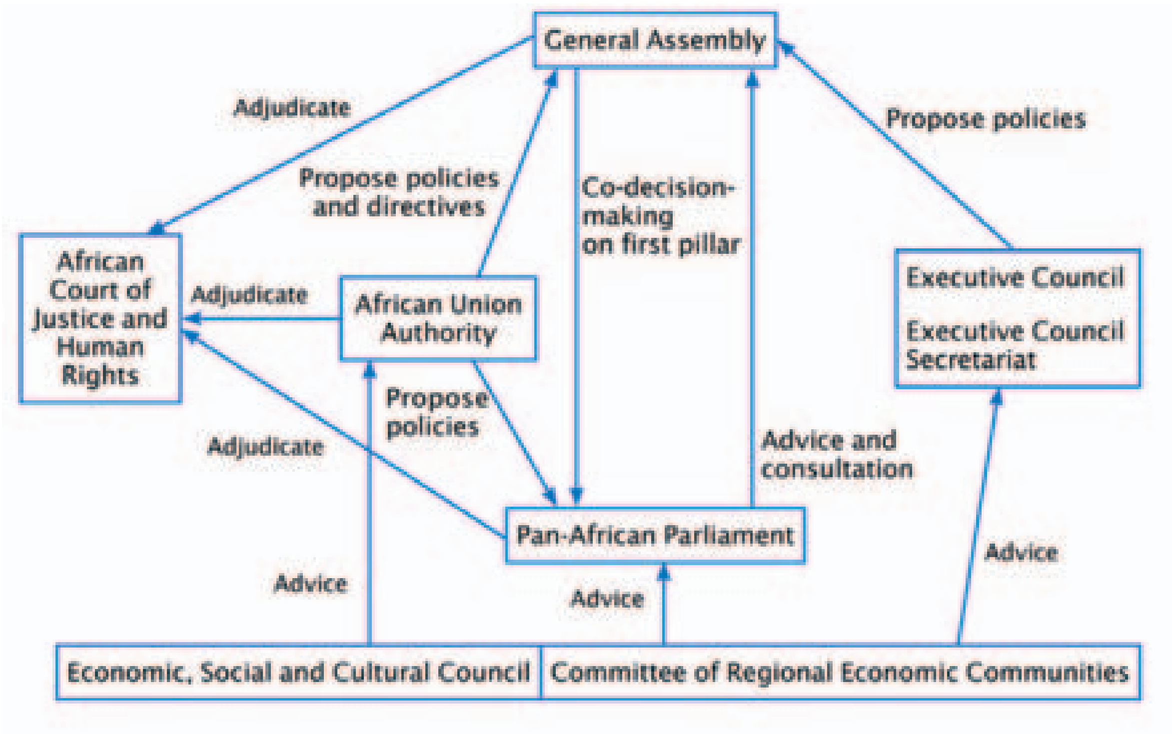
In those areas where the proposed Authority has the exclusive right to policy initiation, it is important that it should have extensive powers in order to ensure implementation and monitoring. In setting community directives, the proposed AU Authority, the AU Assembly and the Pan-African Parliament should define and agree on the directives. Moreover, the proposed Authority should have the power to raise an issue with a member state that is in breach of or not complying with a directive at the African Court of Justice and Human Rights. In areas where the Authority does not have the exclusive right to policy initiation, its mandate should be one of monitoring and co-ordination only and it should work in close collaboration with the RECs and member states.

The Authority should be geared to manage political sensitivity and the need for a robust bureaucracy capable of delivering on its goals and programmes. This can be achieved by allowing political appointments in the senior hierarchy (the president and secretaries) and technocrats in the second tier. The proposed Authority should be headed by a president, who should be appointed by the General Assembly. AU secretaries should head those areas of jurisdiction where the Authority has the exclusive right to initiate policies and should be appointed by the AU president. However, the appointment of these secretaries should be approved by the AU Assembly and the PAP. This will go a long way towards ensuring collective responsibility as recommended in the audit of the AU.

Institutional framework and implications

Those areas of jurisdiction where the Authority does not have the exclusive right to policy initiation should be headed by special secretaries appointed by the General Assembly. These special secretaries should be managed by a new structure, the secretariat of the Executive Council, which should work closely with the Permanent Representative Committee. This will help to ease the burden of the Authority in confronting national governments in politically sensitive areas.

The policy-making organs of the AU (the General Assembly and Executive Council) are still very much embedded in the domestic politics of member states. Hence, in an attempt to enhance the independence of the proposed Authority, decision-making should be decentralised. In an effort to enhance citizen participation, provision must be made for a form of co-decision making at the AU. This can be achieved by adopting an incrementalist approach and by empowering other institutions of the AU, such as the PAP, by granting them full legislative powers in those areas of jurisdiction where the Authority has an exclusive right to policy initiation.



The Pan-African Parliament

The PAP needs to become a legislative body that represents the interests of Africans. The areas of jurisdiction on which the PAP can legislate should be limited to those where the Authority has the exclusive right to policy initiation. However, the PAP does need not to legislate on the proposed policy per se – rather, it should ensure that the proposed policy does not impact negatively on the rights and freedoms of Africans. This will enhance the work of the Authority, for although the Authority's policy proposals will take into consideration political realities, these will not be entirely subject to the political exigencies of member states. The question is how differences between the PAP and the Assembly will be managed. In our opinion, it should be the task of the Authority to find common ground when there are conflicting arguments and positions.

The African Court of Justice and Human Rights

This institution needs to be fully operational and have judicial powers. However, for the time being its powers to adjudicate should be limited to those areas of jurisdiction where the Authority has the exclusive right to policy initiation and where the Assembly and PAP share decision-making powers.

Committee of Regional Economic Communities

Apart from co-decision making, there is a need to enhance co-ordination and collaboration between the AU and RECs. The AU should create a committee of RECs that should be mandated to promote collaboration and co-ordination. The committee should be situated at the AU Authority and should function within the framework of the memorandum of understanding between the RECs and the AU.

In the areas of jurisdiction where the Authority has the exclusive right to policy initiation and where the Assembly and Pan-African Parliament to some extent share decision-making powers, policies should be applicable immediately, without the need for ratification, once a decision has been taken and directives issued by the Assembly.

CONCLUDING REMARKS

Key legal instruments of the AU will have to be revisited. This is likely to be a lengthy process unless a fast-track procedure is established and implemented. Member states will have to commit themselves to substantial funding and support for the structures of the Authority.

The establishment of a hybrid AU Authority with intergovernmental and supranational traits will not neutralise the integration debate between the two opposing camps, but when there is a good design in terms of areas of jurisdiction, the importance of these differences is likely to diminish over time. However, this is based on the premise that the Authority will deliver on the AU promise of material security and freedom, as well as peace, security, stability and progress for the people of Africa.

RURAL HOUSING LOAN FUND

THE FINANCIAL MUSCLE BEHIND RURAL HOUSING

VISION

RHLF is a world class rural housing social venture capital fund that creates new financial arrangements and opportunities for rural families to improve their housing, living and economic conditions.

MISSION

To empower people in the rural areas to maximise their housing choices and improve their living conditions with access to credit from sustainable retail lenders.

RHLF
RURAL HOUSING LOAN FUND

WHO IS RURAL HOUSING LOAN FUND?

Rural Housing Loan Fund (RHLF) is an association incorporated under section 21 of Companies Act, "Not for gain", which was established in 1996 by the South African government. The South African government initially capitalised RHLF with a grant funding of R150 million from the Kredistanstalt Weiderbaufbau (KfW), a German development bank, as the result of South African-German Government Cooperation Agreement. The Ministry of Human Settlements is the Executive Authority of RHLF. RHLFs mandate is to facilitate loans to low-income earners who want to improve their living and housing conditions in rural areas. RHLF operates as a wholesale finance institution and facilitates incremental housing finance through intermediary lenders.

INTERMEDIARY LENDERS AND INCREMENTAL HOUSING FINANCE

RHLF follows a strict set of criteria in selecting and approving lenders who want to partner RHLF in facilitating access to incremental housing finance. Lenders have better understanding of the target market and have sufficient infrastructure that is geographically spread, thereby enabling national footprint of RHLF loans. This is a very cost-effective business model. RHLF only works with the intermediary lenders who are registered with the National Credit Regulator.

WHAT IS THE PERMISSIBLE RHLF LOAN USAGE?

RHLF loans are accessed mainly by people earning less than R9 800 per month who want to incrementally improve their housing conditions in rural areas. Rural areas in the RHLF mandate include communal land, rural towns, farming areas and secondary towns.

Borrowers who access loans from our intermediary lenders can use loans for:

- Building a new house;
- Extending an existing house;
- Improving quality of a house;
- Connecting to services, such as water and electric and other sources of energy such as solar systems;
- Improving sanitation conditions;
- Fencing a home.

In essence, RHLF loans are used for developmental purposes in order to improve living conditions and quality of life of rural households.

RHLF'S ACHIEVEMENTS

When the government established RHLF in 1996, there was no evidence that the housing microfinance existed in South Africa at the time. However, working with intermediaries, RHLF has proved that the housing microfinance market exists and is huge. Indeed, low income in rural areas and small towns aspire to improve their housing conditions and are mainly yearning for access to loan finance in order to build better homes.

Since inception RHLF has facilitated cumulative disbursements of more than

R730 million, which our intermediaries turned into more than 230 000 loans. Over this period, RHLF has enabled the rural working poor and professionals such as teachers, nurses, police officers to improve their housing conditions – an achievement they would otherwise have found difficult to achieve due, mainly because they cannot access mortgage finance due to low income levels and lack of title to land in rural areas.

The 2009/10 fiscal year was a tough one for RHLF and its intermediary lenders due to the South African economy experiencing its first recession in 17 years. The economy shed about one million jobs, with a significant proportion of the figure being low income earners, which are always vulnerable to economic shocks. Notwithstanding the challenging economic conditions, in 2009/10 fiscal year alone RHLF was able to disburse a total of R161 million which was turned into about 33 112 loans. Of these 33 112 loans:

- 84% was used for permissible housing usage;
- 32% was accessed by borrowers who previously received a government subsidy house;
- 59% went to female borrowers;
- 68% was accessed by public servants;
- 62% went to borrowers who earn R3 500 and below.

Since 2006, RHLF started tracking loans going to government prioritised Rural Nodes. During this period, RHLF has facilitated 43 009 loans valued at about R207.6 million – a significant achievement given the poverty levels in the rural nodes. During the 2009/10 fiscal year alone, 12 264 loans valued at R48.9 million went to the Rural Nodes.

These statistics show the relevance of RHLF as a development oriented organisation and that is always striving to achieve development impact in line with its mandate.

FUTURE OUTLOOK

The fact that the present government has set rural development as one of its priority areas for service delivery means that RHLF is well positioned to continue to be a key delivery agency for government in fulfilling its mandate. RHLF will continue to play a significant role in supporting government efforts to create sustainable and vibrant rural human settlements as envisaged in the Comprehensive Rural Development Programme. With the Minister of Human Settlements announcing a capital injection of R49.5 million to RHLF in 2010/11, RHLF has resources to scale up incremental housing finance. The challenge, however, remains a fragile economic recovery which still leaves a significant proportion of people in our target market without jobs to afford housing loans.

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Africa's resilience in the global financial crisis

By **Wim Naudé**

The author is a senior research fellow at UNU-WIDER. This article was first published in the *WIDER Angle* newsletter, March 2010

External shocks can have devastating consequences for development, as the recent earthquake in Haiti, the Asian tsunami of 2004 and other natural disasters in recent times have made clear. But man-made disasters also occur with regular frequency, the most recent financial crisis which broke out in the USA in September 2008 being a case in point. There have been more than one hundred financial crises worldwide since the 1970s. Some even think that the stage is being set for another financial bubble to burst in the near future.

At least over the short term, there may be little that developing countries, particularly the poorest such as those in Africa, can do to reduce their vulnerability to such external shocks. Climate change and a more closely integrated global economy may result in African countries becoming more, not less, vulnerable to external shocks.

But countries and their populations are not passive recipients of what humans and nature may throw at them. Being vulnerable does not consign a country inevitably to the hardships of hazards turned into disasters. The risks from being more vulnerable to external shocks can be reduced – through fostering resilience. Indeed, the recent global financial crisis has been remarkably, and perhaps unexpectedly, well-weathered by African economies in general. Most African countries are now well on their way to recovery, with the financial crisis seeming to be a thing of the past.

In this article, I reflect on the apparent resilience of African economies, appreciating that it may mark a potentially important historical milestone in Africa's recovery from the "lost" decades of the 1980s and early 1990s. I will illustrate the nature of vulnerability to external shocks and of resilience drawing on the conceptual frameworks set out in the recent UNU-WIDER book *Vulnerability in Developing Countries* (Naude, 2009), as well as UNU-WIDER's contribution to the 2009 European Report on Development.

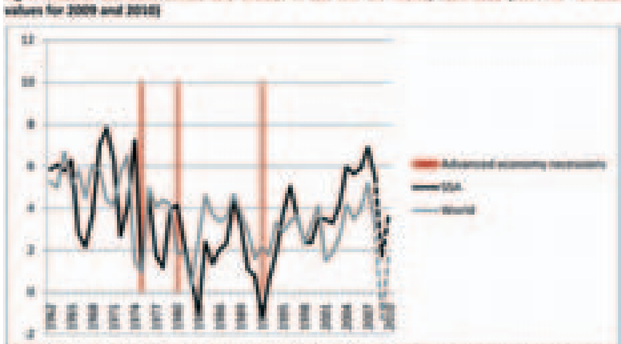
VULNERABILITY

Soon after the crisis erupted in US financial markets in September 2008, justifiable concern was expressed that poorer countries such as those in sub-Saharan Africa (SSA) could eventually be hardest hit. The IMF kept revising SSA's expected growth rate for 2009 downwards, from 5 percent in October 2008, to 3.5 percent in January 2009, to 1.7 per cent in April 2009 and 1.3 per cent by October 2009.

Why was SSA seen as vulnerable? Four reasons, or threats, stand out. First, Africa's good growth in recent years has been largely driven by exports, particularly of commodities demanded by fast growing emerging economies like China and India. Trade was one of the first casualties of the financial crisis: already by the end of 2008, global trade started to contract, and indeed the eventual contraction in global trade was of historic proportions. Second, foreign banks play an important role in SSA, where domestic financial sectors are often seen as underdeveloped. At the beginning of the crisis there was uncertainty about the extent that banks in Africa were exposed to (toxic) sub-prime mortgage-backed securities, and to what extent their banking systems would be able to withstand contagion effects. Third, financial flows to SSA have always been volatile in times of uncertainty, with portfolio inflows, foreign direct investment and foreign aid suffering in particular during a global downturn. Reductions in such flows were expected to exert negative pressure on African countries' exchange rates, balance of payments and government finances. And fourth, African countries were seen as vulnerable due to the potentially long-term adverse impacts the crisis could have in the absence of broad social security and countercyclical fiscal programmes. In such circumstances, adverse coping by households, such as children dropping out of school, reductions in healthcare, or household members engaging in more risky behaviour could leave permanent development scars.

The 2008–09 global economic crisis was not the first one that SSA was exposed to. During previous crises, these four threats did indeed apply and caused much harm. According to the IMF, there were three years prior to 2009, when 10 or more of the 21 advanced economies were simultaneously in recession. These globally synchronised recessions of 1975, 1980 and 1992 are indicated in Figure 1. As can be seen, these were also years during which SSA growth declined (with the exception of the 1980 recession; African growth declined only in 1983). The 1992 recession in particular had a very detrimental impact. It was also accompanied by financial crises in advanced economies: the European Exchange Rate Mechanism (ERM) collapsed and the Nordic countries suffered a severe banking crisis. And following the 1998 crisis, it took SSA quite long time to recover, compared to the world average.

Fig 1. External Economic Shocks and Growth in SSA and the World, 1960-2008 (with IMF forecast values for 2009 and 2010)



Source of data: World Bank's World Development Indicators Online, and International Monetary Fund

RESILIENCE

Concerns about the impact of the global economic crisis on SSA and expectations of growth collapsing were thus justified. However, by October 2009, only one year after the outbreak of a crisis described as the worst global crisis since the Great Depression, the IMF (2009: 89) was reporting signs of global recovery, and described SSA's economies as "regaining momentum". The IMF more recently reported SSA's growth in 2009 to have been better than predicted at 1.6 percent real GDP growth, and forecast a strong recovery in 2010 of 4.3 percent growth in real GDP (IMF, 2010: 2). The sense of recovery and having weathered a significant external shock is not only reflected in the recovery of average growth rates, but also by many individual country success stories, both in terms of how the crisis was managed and how it was felt.

What explains this better-than-expected performance? I wish to argue that SSA was actually less exposed to some of the threats discussed in the previous section – less vulnerable – but also that it is due to the improved resilience of SSA economies.

> The recent global financial crisis has been remarkably, and perhaps unexpectedly, well-weathered by African economies in general.

Concerning SSA vulnerability: while Africa's exports did initially suffer a drop due to declining commodity prices and export demand, these trends started to reverse by the end of 2009, buoyed by recovery in China and India (where large stimulus packages were adopted). Second, it turned out that African banks did not have as much exposure to toxic assets, and were relatively well capitalised and less leveraged – more resilient. African countries thus avoided the large-scale banking failures seen in the US and parts of Europe. The reduced vulnerability of African countries to financial shocks emanating in the West may indeed support the recognition that there is a growing "decoupling" of growth rates between African and high income countries.

But less exposure explains only part of the outcome. It also has to be recognised that SSA countries have been more resilient this time around than during previous crises. The resilience has in part been due to improved macro-economic management and in part to better governance overall. The improved macro-economic position of SSA before the onset of the crisis in 2008 is depicted in Figure 2.

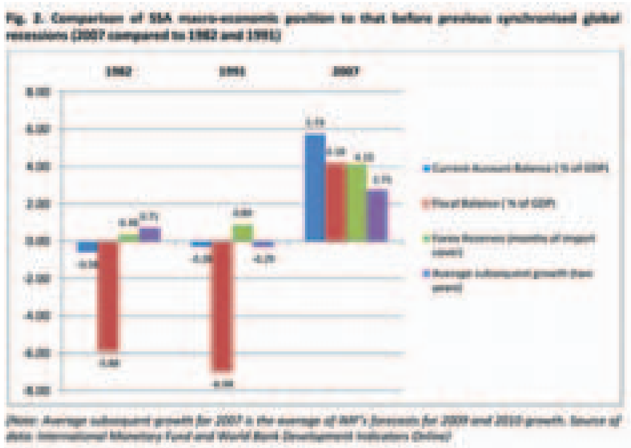


Figure 2 depicts macro-economic balances in SSA before the 2008 crisis and compares these balances with those before the 1992 and 1983 globally synchronised recessions. It also contains average subsequent economic growth. It is clear that SSA's macro-economic position was much stronger in 2007 than at any time in the past. Indeed, the chronic fiscal deficits and negative current account balances that left SSA particularly exposed in the past did not, in 2007, generally pose problems (there was of course variation in individual country situations).

Improvement in governance in SSA and its role in managing the impacts of the crisis are discussed by Fosu and Naudé in two 2009 papers. Various measures of governance show improvement in recent years. For instance, measures of executive constraint, which deteriorated in the 1970s, have improved substantially. And we note that African countries appear to have made progress with multiparty democracy. The measure of political contestability has risen from an average of about 3.0 in the mid-1970s to equal, by 2007, the world mean of 6.0.

Improvements in macro-economic management and governance, key ingredients in building better resilience, have also been accompanied in SSA with important declines in overall poverty. In a recent working paper entitled *African poverty is falling... much faster than you think!*, Pinkovskiy and Sala-i-Martin (2010) present empirical evidence that poverty in SSA has been falling so significantly since 1995 that "if present trends continue, the poverty Millennium Development Goal of halving the proportion of people with incomes less than one dollar a day will be achieved on time".

CONCLUDING REMARKS

Africa's better resilience, the fact that it weathered the global financial crisis of 2008–09 remarkably well, and falling poverty levels across the continent do not justify relaxed vigilance. Africa's development challenges remain formidable. We still need to gauge the eventual impact of the crisis on household and firm level; many pitfalls remain to be avoided as countries unwind their responses to the crisis; and cereal prices still remain above pre-crisis levels. But there is reason for optimism – after all, African countries have succeeded against the odds often in the past.

Global population growth and its concentration in urban areas, climate change, and the integration of production, consumption and distribution systems through the processes of globalisation may all have contributed to a more hazard-prone world. These trends cannot all be rolled back or reversed, at least not quickly. And the world would be a much worse place without the net benefits of globalisation and urbanisation. But there is no need to be alarmist. Progress in global development requires that countries and households improve their ability to withstand frequent and varied hazards. This can be done, as borne out by the experience of sub-Saharan Africa during the past global economic crisis. The continuing challenge facing the international development community is to enhance countries' and households' measures to reduce risk, to mitigate the impacts of hazard, and to strengthen the ability of the affected to cope.

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OCCUPYING THE CENTRE OF

SOUTH AFRICA'S

INTERGOVERNMENTAL SYSTEM

The National Council of Provinces (NCOP) is one of the two Houses of the Parliament of South Africa. It is there to represent the interests of the provinces to ensure that provincial interests are taken into account in the national sphere of government. It does this mainly by participating in the national legislative process and by providing a national platform for public consideration of issues affecting the provinces.

Chapter 3 of the Constitution enjoins the three spheres of government, namely national, provincial and local, to observe and adhere to the principles of co-operative government and intergovernmental relations. These principles include, among other things: providing effective, transparent, accountable and coherent government, and co-operating with one another in mutual trust and good faith by, among other things, co-ordinating their actions and legislation with one another and assisting and supporting one another.

Being the only institution provided for by the Constitution, which brings together the three spheres of government at national level, the NCOP has an important role to play in ensuring that government works together in a unified manner in responding to the needs of the people.

Towards this, the NCOP is working hard to promote relations and understanding between the different spheres of government on issues of common interest. It does this by ensuring that it considers issues that emanate from its main constituents, in this case the provinces and organised local government. The institution has initiated particular programmes and created platforms for facilitating the consideration of provincial and intergovernmental issues at national level. These include:

Consideration of legislation – when considering legislation which affects provinces the NCOP provides space for the canvassing of public views by the provincial legislatures by interacting directly with people for purposes of informing their voting mandate on a particular piece of legislation.

Debates on policy issues – the institution has identified priority areas for oversight during the fourth term of Parliament, which include education, health and social development, rural development and land reform, and economic development. From time to time it calls for debates on policy issues for purposes of facilitating engagement, communication and implementation.

Provincial weeks – the institution has put aside at least two weeks each year for its permanent Delegates to go back to their respective provinces to work with their counterparts from the provincial legislature and municipalities on joint oversight activities. This is important for purposes of informing the NCOP about the nature of challenges affecting provinces and how government is addressing them.

Taking Parliament to the people – this is a public education and public participation programme which seeks to promote direct interaction between the people and their representatives. The programme has evolved and now has a deliberate oversight element to it which is informed by communities that are visited as they interact with the NCOP.

Questions to the Executive – the NCOP utilises questions to members of the Executive as a mechanism for checking on the work of government. The questions are informed mainly by the issues that emanate from provinces.

The work of the NCOP during the electoral mandate period of the fourth Parliament (2009-2014) is guided by the Strategic Framework Plan developed by representatives of the different spheres of government last year. The performance of the NCOP towards meeting the objectives of the framework plan will be reviewed on an annual basis.

PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

Transforming Africa, one student at a time

By **Neil Turok**

The author is director of the Perimeter Institute for Theoretical Physics in Waterloo, Canada, and the founder and chair of the African Institute for Mathematical Sciences. He also chairs the AIMS Next Einstein Initiative, which seeks to create 15 AIMS centres across Africa within the next decade. This article appeared in *The Globe and Mail*, 2 July 2010

South Africa is finally recognising the essential role of maths and science in creating a capable workforce for the country, and indeed for the whole continent. Six years ago, the African Institute for Mathematical Sciences (AIMS) was started in Muizenberg, Cape Town, to try to raise awareness about the mathematical sciences, especially at post-graduate level, through exciting, innovative teaching methods. The idea received strong endorsement from the universities of Stellenbosch, the Western Cape and Cape Town and support from Cambridge, Oxford and Paris universities in Europe.

Some of the best post-graduate students were recruited from across Africa, establishing a unique environment where students of highly diverse ethnic origins, religions and personal experience were brought together in one building with outstanding visiting scholars from many parts of the world for nine months of intense learning. The climax was the awarding of diplomas by the vice-chancellors of Cape Town's three universities in a moving ceremony where Africa came together in the pursuit of science and maths.

"Education is the husband that will never let you down," said Daphney Singo, bringing the audience of 2 000 to their feet at the Technology, Entertainment and Design (TED) conference in Long Beach, California last February. Daphney, who was born to a poor family in the northern South African province of Mpumalanga, was quoting her mother, a domestic worker who single-handedly supported and encouraged her throughout her education. She is now completing her PhD in nuclear physics at Stellenbosch University, developing neutron detection systems for South Africa's nuclear energy programme. I had the privilege of observing her transition from shy new graduate to impressive young scientist at the African Institute for Mathematical Sciences in Cape Town.

Jules Baruani is an impressive young man, a leader with natural style and gravitas. He is now a senior technician in a South African information technology company. At 17, he was separated from his family in eastern Congo, then a war zone, and escaped with his younger brother across Lake Tanganyika. Repeatedly held at gunpoint, interned and deported, they journeyed through Tanzania, Zambia, Malawi, Botswana and finally to a refugee camp in Namibia. There, Jules managed to pass the entrance exam to Windhoek University, where he obtained his BSc in mathematics. He worked as a tutor in Angola before he got his lucky break to come to AIMS and obtain his master's degree in computer science.

Daphney and Jules are just two of AIMS' 252 graduates so far, from 30 African countries. Every one of them has an inspirational story.

AIMS was set up with one goal in mind: to help people like Daphney and Jules realize their potential. A million

students graduate from Africa's universities every year, but there are few careers available to them. Their universities have suffered decades of underfunding and isolation. Graduates leave with a certificate, but without the problem-solving and independent thinking skills that governments, companies and non-governmental organisations desperately need. Nevertheless, among them are many exceptional people who, with modest investment, are capable of leading Africa's renaissance.

AIMS recruits Africa's top maths, science and engineering graduates and outstanding visiting lecturers from all over the world. Its intense ten-month programme serves as a stepping stone to a scientific career. And its track record is remarkable: 95 percent of its students continue on to master's degrees and PhDs, roughly a fifth in each of biosciences and health; information and communications technologies; finance and decision-making; natural resources; and pure maths or physics. The vast majority remain in Africa, many in academic careers helping to renew the continent's universities and colleges. Their success proves that investing in graduates is a highly cost-effective way to contribute to Africa's development.

Mathematical sciences might not seem an obvious focus for a pan-African educational centre. But for many reasons, maths and science are ideal: they are cross-cultural, foundational, universal. Whether you are Cameroonian, Madagascan or Sudanese, two plus two equals four and the hydrogen atom is described by Schrödinger's equation.

It is a delight to see how students brought together by their shared interest in science rapidly overcome

AIMS recruits Africa's top maths, science and engineering graduates and outstanding visiting lecturers from all over the world. Its intense ten-month programme serves as a stepping stone to a scientific career. And its track record is remarkable.

language, cultural and religious barriers to form a close community. As one student said, only at AIMS did he really learn what it means to be African. Africa is the world's most diverse continent and at AIMS it is a source of pride and strength to be a part of a continent's entry into high-level science. Teaching this diverse, highly motivated group inspires the lecturers to teach at their best. Through living and interacting with outstanding international scientists, the students build the global networks and contacts that will support them throughout their career.

AIMS is now attracting increasing attention as a successful model for high-level, relevant education in the African context. The African Union and many leaders are becoming interested in the idea of a pan-African network of many AIMS centres. If this plan is realised, the outcome could be extraordinary. Just think what will happen if Africa does for science what it has done for music, for literature and for art. Not only Africa, but the world, could be transformed.

NATIONAL CORRIDOR PERFORMANCE MEASUREMENT

The National Corridor Performance Measurement (NCPM) concept was first initiated eight years ago with the aim to evaluate the operational performance of transport logistics within a given freight corridor. Since then the concept and methodology for NCPM has evolved and is now in the process of being formally implemented by the Department of Public Enterprises, in consultation with a number of government departments. Full scale implementation of the project began on the 1st of April 2010 with the focus on the automotive, bulk, chemicals, containers and agro-processing commodity groups.

The NCPM initiative finds its origins embedded in the need to improve the competiveness of South Africa within the global marketplace. In comparison to international standards South African freight logistics is regarded as costly and inefficient. These inefficiencies can be attributed to many factors, including poor business practices, a lack of appropriate infrastructure and insufficient or inappropriate regulation. Since the demand for logistics services stem from economic activities that are expected to grow in the future, improving the cost and efficiency of freight logistics has important implications for sustainable development in general.

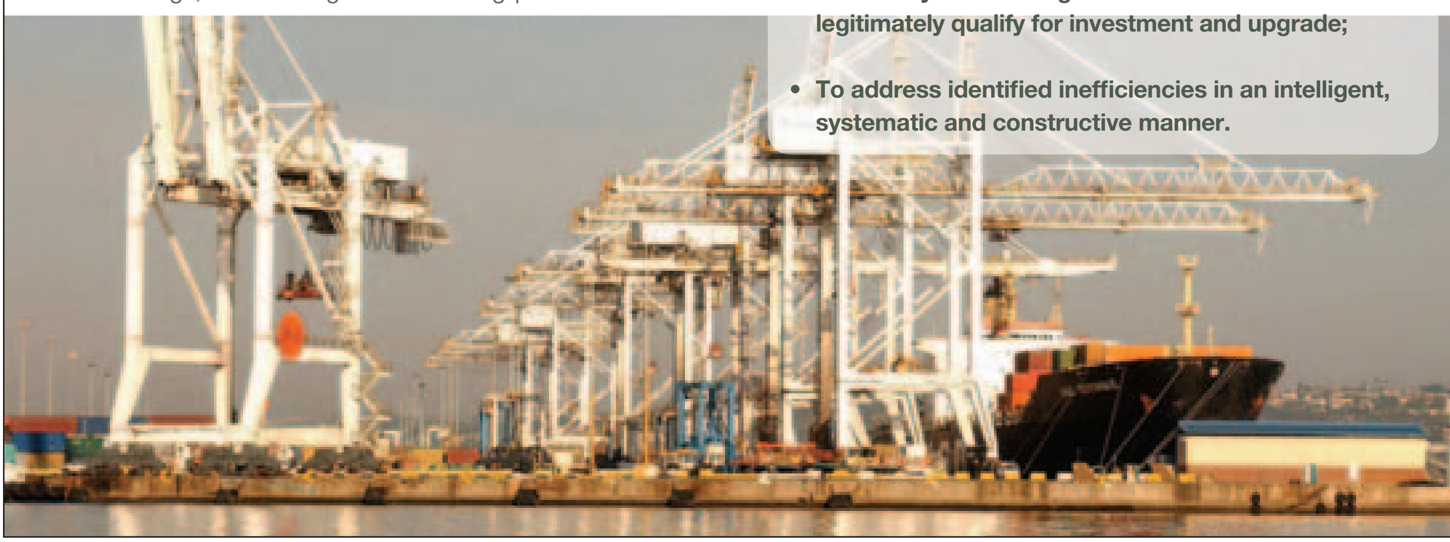
South Africa has a number of freight corridors most notably the Johannesburg-Durban corridor which carries the largest volume of goods in terms of value. The behaviour of this corridor is complex and the efficiency thereof results from the interaction of various role players with each other and with the environment within which they operate. Given this complexity the behaviour of the corridors can be influenced rather than controlled. The performance thereof is a function of decisions that are taken at different levels of the system, and from the perspectives of different role players with narrow interests. The purpose of a corridor performance measurement system is therefore to influence corridor behaviour at levels ranging from operational to strategic that will result in step improvements across a supply chain.

The current level of maturity of industry suggests that firms are, on average, still focusing on establishing processes that work across silos within a firm, or that individual firms within a supply chain are beginning to collaborate with suppliers (and in some instances buyers) to optimise behaviour. True collaboration across a supply chain is limited, indicating that firms will in the near future benefit the most from interventions that focus on streamlining its interfaces with its immediate neighbors in the chain. From the perspective of improving system performance, collaboration-focused methodologies suggest the most effective way to improve corridor performance.

When considered from a systems perspective, the performance of the corridor is influenced by both the individual and collective behaviour of its components. At an individual level, company behaviour is for example driven by a need to maximise sales, or minimise costs. In the context of the entire supply chain, such behaviour often optimises the situation for the specific player, but merely shifts cost and do not necessarily optimise performance for the entire chain. For example, the focus of a service provider to optimise the utilisation of his vehicles could force manufacturers to carry more inventories, hence minimising cost for the service provider but adding cost to the total supply chain. At a collective level, performance is improved if the individual companies in the chain start collaborating to take costs out of the chain or improve the efficiency of the entire chain. These might in some instances benefit some players more than others, but should minimise the total cost of producing a product, or improve the total efficiency of the chain, making it more competitive in the global market.

Performance measurement has been specifically identified as a tool to address these behavioral issues and inefficiencies for the following reasons:

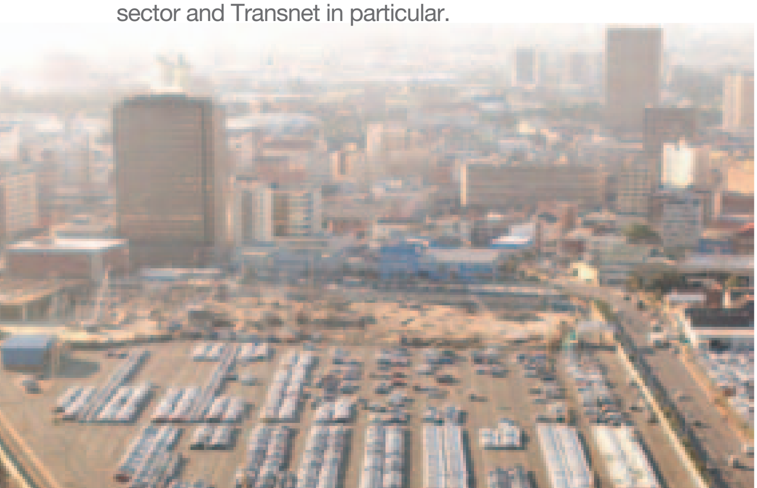
- **To ensure an appropriate modal split between road and rail services;**
- **To ensure the effective utilisation of existing logistics infrastructure;**
- **To identify areas of logistics infrastructure that legitimately qualify for investment and upgrade;**
- **To address identified inefficiencies in an intelligent, systematic and constructive manner.**



NCPM

Performance measurement provides the mechanism required to address supply chain inefficiencies on an ongoing basis. It is capable of providing quantifiable answers to the questions of efficiency and capacity over both the intermediate and long terms. The aim of the project is to ultimately develop a detailed picture of the operational environment and its efficiencies. The first step in this process is to become customer focused. This requires a clear understanding of "customer requirements" with cargo owners, logistics service providers and Transnet all members of the customer base that compete for resources.

By driving a focus that is truly customer focused the DPE intends to promote supply chain maturity within the transport sector and Transnet in particular.



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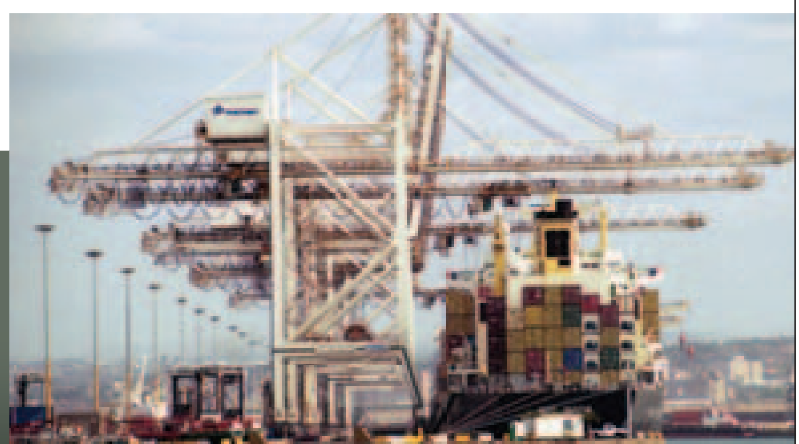

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South–South co-operation

should be defined by the South

By **Vicente Paolo Yu III**

The author is a co-ordinator at the South Centre. This article was first published in *South Bulletin*, 8 March 2010

The UN held a High Level Conference on South–South Co-operation (SSC) in December 2009 in Nairobi. The South Centre's Vicente Yu highlighted the South's own definition of SSC and how this must be respected in light of attempts by the North to define it on their terms. Below are excerpts from his statement.

The need for collective action on the part of developing countries in the international arena has long been recognised. From the Buenos Aires Plan of Action on South–South Co-operation thirty years ago to the reaffirmation of the principles of South–South co-operation by the Group of 77 (G–77) in September 2009 to today's High Level UN Conference, all of these are premised on South–South co-operation as an essential element in the South's development process and in multilateral North–South dialogue and global governance.

The establishment of South–South political and economic co-operation mechanisms such as the G–77, the Non-Aligned Movement (NAM), the various southern regional co-operation and economic integration organisations, as well as the South Centre – the multilateral intergovernmental think-tank of developing countries – are all reflections of this recognition of the need for South–South unity and co-operation.

We believe that SSC will increasingly become a defining element over the next few decades. Its principles and concepts serve as important benchmarks for shaping not only South–South but also North–South relations.

At the core of SSC is the belief that achieving development is the South's own responsibility, and that such development can only be achieved under conditions of fundamental equity, social progress, respect for sovereignty, and equal economic and political relationships with the countries of the North. It lays the foundation for an effective and productive engagement by the countries of the South with each other and with the developed countries. In this regard, effective collective action by the South in the international arena is the most fundamental basis for ensuring that developing countries' development needs and objectives are placed at the heart of global policy discourse.

SOUTH–SOUTH CO-OPERATION DIFFERS FROM NORTH–SOUTH CO-OPERATION

A major systemic issue that has come to the fore lately is the role of the South's emerging powers in international development co-operation. It is quite distinct from existing modes of North–South development co-operation.

South–South development co-operation is a manifestation of political and economic solidarity to address common development challenges, and a way for developing countries to help each other move away from the dependency created by existing aid frameworks and towards a situation where developing countries will no longer require aid to improve their own development prospects.

For the Southern "donors", SSC is seen to be based on equality and mutual benefit, in which partners seek to actively develop external economic, trade, scientific, technological and cultural co-operation to accelerate their own development through political solidarity, utilisation of complementarities between developing countries, and direct co-operation between larger developing countries and other countries in the South.

Driven by such principles, SSC is conceptually and ideologically different from North–South co-operation or aid. Hence, the rules and principles governing these are different from those of North–South development co-operation, which is essentially a relationship between the developed country donor and its ex-colonies and other developing countries. In some cases, development aid reflects the donors' acceptance of colonial guilt. In others, it is charity from the rich to the poor, or a means to further the donor's foreign policy interests.

While many developing countries signed on to the "aid effectiveness" agendas of Northern donors promoted through the OECD–DAC (e.g. the 2005 Paris Declaration and the 2008 Accra Agenda for Action), they did so as aid recipients rather than as donors. That agenda is therefore relevant only in the North–South donor–receiver context and not in the partnership relationship that conceptually characterises South–South development co-operation.

Attempts by the established Northern bilateral donors (including the multilateral donor institutions controlled by the North, such as the OECD, the World Bank and the IMF) to extend and apply the principles and standards of North–South development co-operation to SSC ignore these conceptual and political differences. They are not automatically appropriate in the South–South development co-operation context.

The problem is that the Northern countries refuse to accept that the development co-operation processes of North and South can be complementary rather than competitive. The solution is for them to acknowledge the fundamental differences that underpin the two systems and to assess how they could work together.

It is important to realise that, although SSC has assumed an important role, it is not intended to replace North–South co-operation. While the entry of emerging powers may provide additional sources of development finance for other developing countries, OECD–DAC country-sourced official development assistance (ODA) will remain a major source of development finance from the North to the South. This should be premised on and consistent with a strong foundation of South–South co-operation.

Principles of South–South Co-operation

1. South–South co-operation is a common endeavour of peoples and countries of the South and must be pursued as an expression of South–South solidarity and a strategy for economic independence and self-reliance based on common objectives.
2. SSC and its agenda must be driven by the countries of the South.
3. SSC must not be seen as a replacement for North–South co-operation. Strengthening SSC must not be seen as a measure to compensate for the developed world's receding interest in assisting developing countries.
4. Co-operation between the countries of the South must not be analysed and evaluated using the same standards as those used for North–South relations.
5. Financial contributions from other developing countries should not be seen as ODA. These are expressions of solidarity and co-operation born from shared experiences and sympathies.
6. SSC is a development agenda based on premises, conditions and objectives that are specific to the historic and political context of developing countries and to their needs and expectations. SSC merits separate and independent promotion.
7. SSC is based on a strong, genuine, broad-based partnership and solidarity.
8. SSC is based on complete equality, mutual respect and mutual benefit.
9. SSC respects national sovereignty in the context of shared responsibility.
10. SSC strives for strengthened multilateralism in the promotion of an action-oriented approach to development challenges.
11. SSC promotes the exchange of best practices and support among developing countries in the common pursuit of their broad development objectives, encompassing all aspects of international relations and not only the traditional economic and technical areas.
12. SSC is based on the collective self-reliance of developing countries.
13. SSC seeks to enable developing countries to play a more active role in international policy and decision-making processes, in support of their efforts to achieve sustainable development.
14. The modalities and mechanisms for promoting SSC are based on bilateral, sub-regional, regional and interregional co-operation and integration as well as multilateral co-operation.

Source: G–77 and China Ministerial Declaration 2009. www.g77.org/doc/Declaration2009.htm

The Zuma Administration Critical Challenges

Reviewed by **Kealeboga J Maphunye**

Kwandiwe Kondlo and Mashupye H Maserumule (Eds)
HSRC Press: Cape Town
2010. 146 pp

This book outlines the policy challenges and practical dilemmas faced by the administration of South Africa's newly elected president, Jacob G Zuma, and critically reflects on the dynamics around these challenges.

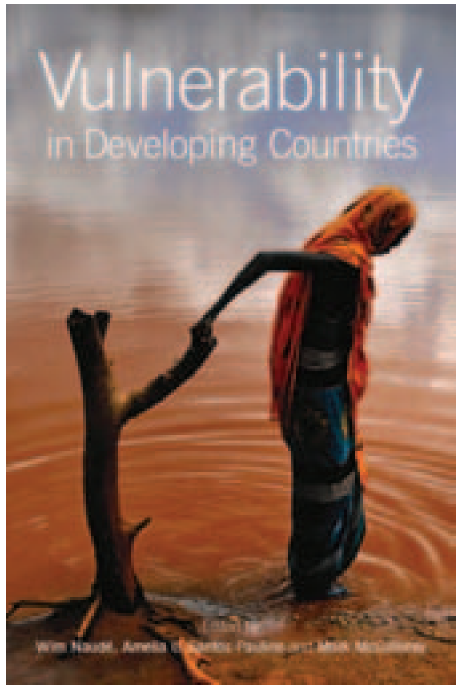
As a public administration and management scholar, this reviewer believes that the book is a must-read for two reasons. First, it seeks to explain the many, often conflicting public expectations for the Zuma administration in improved service delivery and a different governance style. Second, it examines the political and other controversies surrounding President Zuma as the main character of the book. A wide cross-section of readers – especially academics, public officials and political analysts – might find it appealing and sometimes provocative.

Its main strength is a timely analysis that bravely tackles what may go down in history as democratic South Africa's most controversial presidency and historical epoch. The book's critical, analytical and balanced style should appeal to admirers and critics of the Zuma presidency alike. The first three chapters (Kondlo, Maserumule and Mayende) lay the foundation upon which the last three (Kanyane, Mello and Mashigo) layer relevant details on the issues discussed. A significant attempt was made to analyse issues based on the book's underlying theme of "the developmental state", but probably a second edition of the book will be required at the end of the Zuma administration's first term of office to delve into all aspects of this broad topic.

The book's main shortcoming is that it does not have any graphics, tables or data figures to enliven its essay style, which might disappoint those looking for evidence of rigorous empirical research. Neither does it systematically prioritise the short-, medium- and long-term "critical challenges" of the Zuma administration. While the discussions all offer balanced and critical reflections, the book omits several challenges of equal relevance to its title, such as the overall organisation of the state; issues pertaining to gender and persons with disability; the role of Chapter 9 institutions for promoting constitutional democracy; international relations (e.g. IBSA, the India-Brazil-South Africa trilateral forum) and foreign policy; and the politicisation of the bureaucracy through the ANC's cadre deployment policy (although Maserumule briefly alludes to this). Finally, the confusion regarding the relationship between poverty alleviation, reduction and eradication in the debate on poverty in South Africa should have been tackled.

Despite the small font of the book, and the fact that it does not have a concluding synthesis of the material, it is written in a readable style. All six contributions suggest a level of professionalism, expertise and experience in the pertinent areas which further enhances the book's credibility and usefulness.

Vulnerability in Developing Countries



Reviewed by **Wolfgang H Thomas**
(University of Stellenbosch School of Business)

Wim Naudé, Amelia U Santos-Paulino, Mark McGillivray (Eds)
United Nations University Press: Tokyo, New York and Paris, 2009. 321 pp

Many people feel that vulnerability is on the increase as population growth and globalisation combine to raise humanity's exposure to risk via climate change, natural disasters, disease, conflict and financial crises. Furthermore, it is generally accepted that, although these risks affect everyone, residents of developing countries are more susceptible because of the higher incidence of poverty.

Against this background, *Vulnerability in Developing Countries* brings together ten papers by leading scholars, originally presented at the 2007 Conference on Fragile States–Fragile Groups held in Helsinki, Finland and organised by the World Institute for Development Economics Research (UNU–WIDER).

Aside from an introduction and concluding section by the editors, the collection covers a wide range of countries (India, China, Tajikistan, Zimbabwe, East Africa, the Caribbean and Singapore) and an equally wide range of vulnerability causes, including food crises, HIV/AIDS, natural disasters, political instability, extreme poverty and lack of credit.

The collection places particular emphasis on the measurement and quantification of vulnerability. This is understandable since, as the editors put it, "few other concepts summarise as aptly the *zeitgeist* two decades after the end of the Cold War as the concept of vulnerability". While advanced economies have lately been shocked by terrorism, natural disasters, climate change, and financial implosion, those in the developing countries face vulnerability due to poverty, ill health and natural hazards. And there is an increasing realisation that both cross-influence the other with their vulnerabilities.

The first substantive paper (Gaiha and Imai) reviews different measures of vulnerability in semi-arid south India. This is followed by a closer look at financial (credit) constraints that prohibit the acquisition of resources to escape poverty in rural China. An equally solid third-country case covers rural vulnerability in Tajikistan in the transition of Eastern Europe. This is followed by a statistically less demanding, but equally extensive, report on the dimensions of vulnerability in crisis-ridden Zimbabwe. The role of HIV/AIDS in complex vulnerability is covered in a chapter on the semi-arid tropics of Andhra Pradesh.

Equally thorough and intellectually demanding chapters cover food crises in fragile African states as well as natural disasters in the Caribbean.

These chapters on diverse-vulnerability focus areas reveal an admirably high standard of academic engagement. Unfortunately, this may also restrict the number of readers of the publication and therefore limit the spread of its message. The final chapter by the editorial team ("Implications and conclusions") goes some way to present the overall approach in a more digestible way.

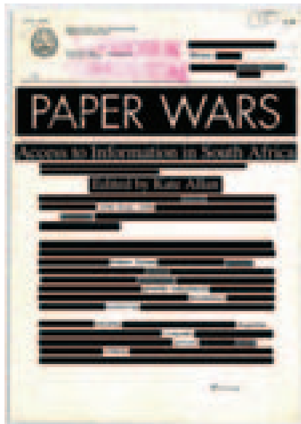
Wim Naudé, one of the project's three editors, has been based in South Africa, so it is a pity that the collection does not contain a chapter directly related to the great diversity of vulnerabilities experienced in this country. Perhaps the collection will provide enough of a challenge to trigger such a project.

Paper Wars

Access to Information in South Africa

Reviewed by **Marius Meyer**

(Faculty of Management, University of Johannesburg)



Kate Allan (ed)
Wits University Press: Johannesburg, 2009. 283 pp

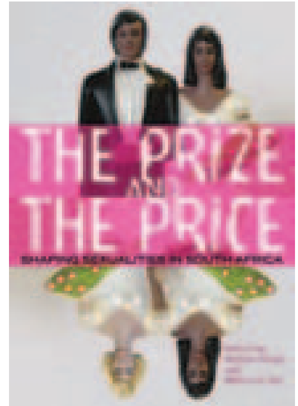
With a fresh and thought-provoking insight into the archives, Allan and her authors speak to a broad range of issues arising from correspondence and access to information, specifically when that access was denied. Through an analysis of various projects and a range of case studies, the book demonstrates the pain evoked from uncovered truth, but also the freedom and healing achieved when access to information ensures transparency in the spirit of democracy.

Topics range from the records of the Truth and Reconciliation Commission to apartheid South Africa's nuclear energy and weapons programmes and the military archive, and finally to applied legal, political and contextual issues, drawing on the work of the South African History Archives. The book details the challenges information activists faced as they attempted to put South Africa's constitutional right of access to information into practice. Reacting against the secrecy of apartheid, *Paper Wars* will stand out as a key publication addressing the transition from a closed to an open society. In particular, it highlights the role of information as catalyst for change, transformation and constitutional freedom.

In a time when the government is considering limiting citizens' access to information, the book demonstrates that the maturity of a democracy is threatened where there is no transparency and openness in government decision-making and citizens become passive observers. *Paper Wars* also shows the value of the role played by activists to achieve justice and reconciliation in South Africa. In the concluding chapter, Verne Harris challenges society to move towards an ethics of hospitality, one that acknowledges the gatekeeper in all of us while reaching beyond gate-keeping. It is my hope that this book will contribute to the growth of an open society in South Africa. As Harris asserts, "For in it is to be found the future of our hard-won democracy".

The Prize and the Price

Shaping Sexualities in South Africa



Reviewed by **Malcolm Wallis**

(Dept of Commerce, Durban University of Technology)

Melissa Steyn and Mikki van Zyl (eds)
HSRC Press: Cape Town, 2009. 416 pp

This collection of essays is organised around the theme set out in the book's subtitle. The introduction by the editors makes for a daunting start. The first word encountered is "heteronormativity", closely followed by "positionalities" and "othering". The good news is that most of the book is quite free of such jargon and most of the writers convey what they want to say in plain English.

The coverage of issues is commendably wide, and includes queer marriage, commercial sex work and gender violence. Although this is not a book about law, considerable and meticulous attention is given to legal issues. Not surprisingly, HIV/AIDS is given some space, as are the racially driven sexual histories that still play a part in our lives. However, it is a strength of the book that these themes are not dominant. Other issues are given their due, including valuable accounts of sexuality in later life, the sexual experience of the blind, and female sex tourists. There is ample evidence that detailed research informs many of the findings and numerous references are given. As a student of Lesotho, I was interested to see that John Gay has written on sexuality in that country. Some pieces are rather eccentric, such as the correspondence between Margaret Orr and Joan Hambidge on sexual harassment. There is nothing wrong with this approach: it makes for a lively and moving account of deeply felt experience.

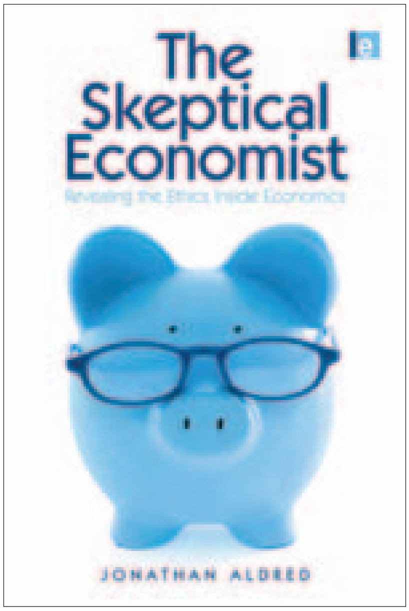
The authors mostly come from academic backgrounds, but some are primarily activists and others represent professions such as psychology. All of them use the opportunity to write about sexuality to advocate particular points of view, almost all of them arguing for greater liberation while affirming what has been achieved in South Africa. Beyond the scrapping of racist legislation, there is also the right to gay marriage and, perhaps most important of all, the emergence of a culture in which open debate about these issues is possible. In this sense, the book is both a critique and a celebration of what South Africa has become and is in the process of becoming. Readers of *New Agenda* will find this a valuable source when carrying out policy work in a number of areas in which gender and sexuality are salient.

The Skeptical Economist

Revealing the Ethics behind Economics

Reviewed by **Vuyo Njokweni**

Jonathan Aldred
Earthscan: London, 2009. 271 pp



Imagine if every rainmaker, rocket scientist and trader on Wall Street had been privy to the nuggets of wisdom found here. Chances are that the implosion of the financial markets would have been minimal. Insights from this book would have added an ounce of wisdom and shown the folly of orthodox economics.

In captivating and well-written prose, Jonathan Aldred takes the reader on a tour of the way the field of economics creates an illusion of knowledge and "science" through an impenetrable edifice of vocabulary couched in what he refers to as "veto economics" and "black box assumptions". Technical terms which are used as barriers, such as "anti-competitive effects", are stripped naked and explained in an accessible way to unmask the ideological agenda of orthodox economics.

Many economists have staked their careers on claims that the "truths" or "axioms" we were taught in orthodox economics are as unerring as biblical doctrine. This book, however, exposes them for what they are: a monumental hoax. Elegant formulae have replaced ethics in economics. What one normally encounters in graduate classes is graph theory, network analysis, diffusion models and a hotchpotch of other esoteric dynamics.

Aldred convincingly shows that, when reality does not square with their theoretical assumptions, orthodox economists have a tendency to bend reality to fit the claims of economic theory. Often models and theory precede reality. In the words of Mark Blaug, "modern economics is sick... Economists have converted the subject into a sort of social mathematics in which analytical rigour is everything and practical relevance is nothing". Drawing from Michel Callon, Aldred argues that economic theory is performative, or self-fulfilling. In other words, it creates the world according to its own image. The book compels us to question the extent to which economic theory influences our day-to-day interactions in the policy and corporate arenas.

The book suggests that we place economics in its rightful context, at the heart of ethics. Aldred writes that, "although orthodox economics has not yet recognised the proper place of ethics, there are of course a number of great economists who have done so". One of these is the great Bengali economist and polymath Amartya Sen, who has been vocal on the need for ethical considerations to take their proper place in economics. Sen agrees with Aristotle's *Nicomachean Ethics* that economics should ultimately serve the general good of human beings.

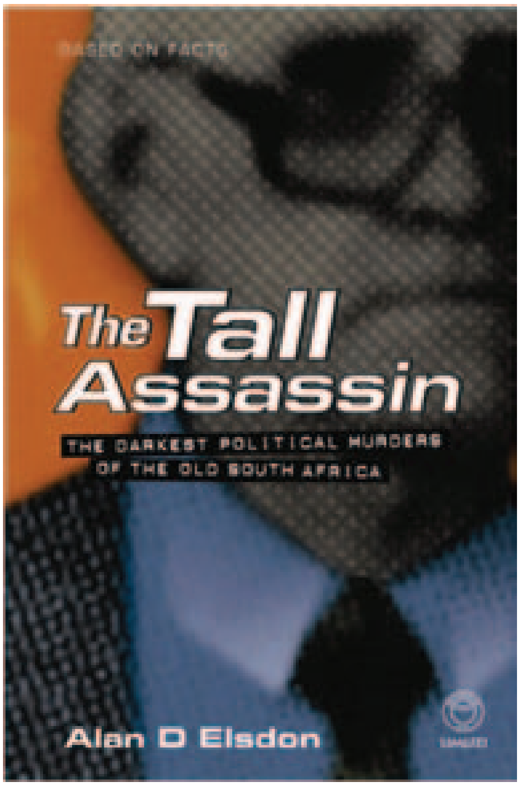
book reviews

The Tall Assassin

The darkest political murders of the old South Africa

Reviewed by **Gusha X Ngantweni**
(Department of Police Practice, University of South Africa)

Alan D Elsdon
Umuzi: Cape Town, 2009. 237 pp



Any book that is written on political murders in the old South Africa is not only for historians, but also for those who want to understand the true depth of apartheid from the perspectives of those who championed it and those who suffered under it. Alan Elsdon writes from the vantage point of an ultimate insider. A member of the South African Police from 1973, he served in the notorious Security Branch from 1977 to 1993 – a critical period in the struggle against apartheid.

You will think that not even the best researcher could uncover some of the details that this book graphically brings out. The author notes in the introduction, "for the first time, the identity of the mastermind behind most of the country's darkest political murders is exposed", and then zooms in on the secret world of the "tall assassin", General "Lang" Hendrik van den Bergh, who is described as a noted personality among Cold War spies. For a moment, the book made me wonder what else the author knows, and frankly, I got scared. As a naive and impressionable young cop and police science student, I once interviewed General Johan Coetzee for a student newspaper at the Police Academy. Like Elsdon, he had served in the Security Branch and later became the national commissioner of police. We asked him about atrocities he may have been involved in committing during apartheid. He denied this vehemently. The next we heard, he was applying for amnesty before the Truth and Reconciliation Commission.

The letdown in the book is a disclaimer that it is "a work of fiction based on historical facts and events". Works of fiction that chronicle political developments should not have such obvious and detailed similarity to actual events; it defeats the purpose of creative writing. Given the detail that Elsdon commands, I think he had enough material to write a book of non-fiction beyond the facts that are in the public domain. It strikes me as an act of cowardice that he hides behind the veil of "fiction".

To the author's credit, the book reveals to the rest of us the world of the security police, their war against anti-apartheid activists, and conspiracies in the corridors of power. He writes in graphic detail of the murder of Steve Biko and the unrelenting torture that precipitated it. And although the assassination of Hendrik Verwoerd was officially declared as the work of one man, the book suggests otherwise, describing a series of actions by General van den Bergh following a conversation with BJ Vorster, the then minister of justice and Verwoerd's successor. In twenty-four chapters, the book is a gripping read, despite its weakness. I suspect many of those who fought to defend apartheid are pleased to have recorded their mastery, their trickery and their enjoyment of their work.

Books available **for review**

The following books have recently been received

Interested reviewers should contact Helen Douglas at mwnewagenda@mweb.co.za

Ali, Tariq. **The Idea of Communism**. Seagull Books: London, New York and Calcutta, 2009. 126 pp

Barbier, Edward B. **A Global Green New Deal: Rethinking the Economic Recovery**. Cambridge University Press: Cambridge and New York, 2010. 308 pp

Bernstein, Ann. **The Case for Business in Developing Economies**. Penguin Books: Johannesburg, 2010. 396 pp

Carneson, Lynn. **Red in the Rainbow: The Life and Times of Fred and Sarah Carneson**. Zebra Press: Cape Town, 2010. 315 pp

Claasen, Mario and Carmen Alpín-Lardiés (eds). **Social Accountability in Africa: Practitioners' Experiences and Lessons**. Idasa: Cape Town, 2010. 224 pp

Du Preez, Max. **Pale Native: Memories of a Renegade Reporter** (rev ed). Zebra Press: Cape Town, 2010. 388 pp

Du Toit, Fanie and Erik Doxtader (eds). **In the Balance: South Africans Debate Reconciliation**. Jacana: Auckland Park, 2010. 178 pp

Electricity Governance Initiative of SA. **The Governance of Power: Shedding a Light on the Electricity Sector in South Africa**. Idasa: Pretoria, 2010. 63 pp

Gerhart, Gail M and Clive L Glaser. **From Protest to Challenge Vol 6: Challenge and Victory, 1980–1990**. Indiana University Press: Bloomington, 2010. 778 pp

Jeffery, Anthea. **Chasing the Rainbow: South Africa's Move from Mandela to Zuma**. SAIRR: Johannesburg, 2010. 500 pp

Meager, Kate. **Identity Economics: Social Networks and the Informal Economy in Nigeria**. Boydell and Brewer: Woodbridge and Rochester, 2010. 208 pp

Misra-Dexter, Neeta and Judith February (eds). **Testing Democracy: Which Way is South Africa Going?** Idasa: Pretoria, 2010. 282 pp

Morrow, Wally. **Bounds of Democracy: Epistemological Access in Higher Education**. HSRC: Cape Town, 2009. 176 pp

Naidoo, Kumi. **Boiling Point: Can Citizen Action Save the World?** (Development Dialogue No 54). Dag Hammarskjöld Foundation: Uppsala, 2010. 199 pp

Osborn, Don. **African Languages in a Digital Age: Challenges and Opportunities for Indigenous Language Computing**. HSRC Press: Cape Town, 2010. 150 pp

Preda, Alex. **Framing Finance: The Boundaries of Markets and Modern Capitalism**. University of Chicago Press: Chicago and London, 2009. 318 pp

Reinhart, Carmen M and Kenneth S Rogoff. **This Time is Different: Eight Centuries of Financial Folly**. Princeton University Press: Princeton and Oxford, 2009. 461 pp

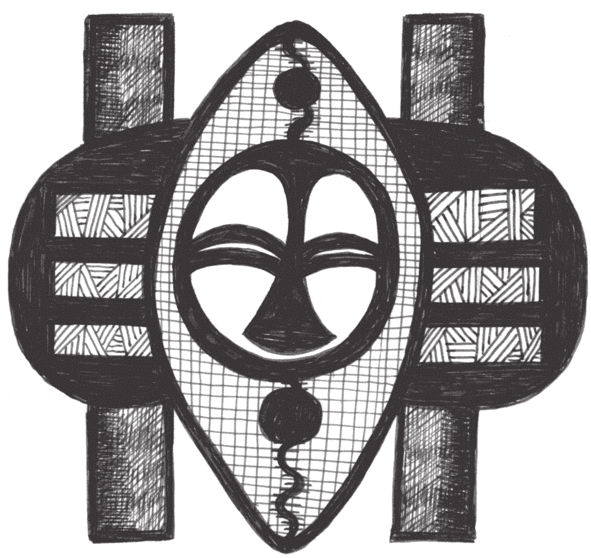
Ruger, Jennifer Prah. **Health and Social Justice**. Oxford University Press: Oxford and NY, 2010. 276 pp

Swartz, Sharlene. **iKasi: The Moral Ecology of South Africa's Township Youth**. Wits University Press: Johannesburg, 2010. 228 pp

Tandon, Yash. **Development and Globalisation: Daring to Think Differently**. Pambazuka Press: Cape Town, 2009. 175 pp

Van Dijk, Meine Pieter (ed). **The New Presence of China in Africa**. Amsterdam University Press: Amsterdam, 2009. 224 pp

Von Benda-Beckmann, Franz, Keebet von Benda-Beckmann and Melanie G Wiber (eds). **Changing Properties of Property**. Berghahn: New York and Oxford, 2009. 367 pp.



Oil and gas exploration in South Africa set to take off under new enabling legislation!

CEO: MR MTHOZAMI XIPHU

Oil and gas exploration offshore South Africa is once again on the Agenda. Petroleum Agency SA has recently completed the conversion of Forest Oil International's right to explore Block 2C off the west coast and conversions of BHP Billiton and CNR's acreage are imminent. The Agency also granted three new technical Cooperation Permits for appraisal of shale gas potential in the southern Karoo.

All uncertainties regarding South Africa's oil and gas investment incentives have been resolved. After a period of relative inactivity in offshore exploration, we are now seeing the resumption of exploration programs by our international offshore operators and explorers.

The Royalties Bill has been passed into law, and brought into effect. Under the new Mineral and Petroleum Resources Royalty Act, royalties for petroleum are based on profitability. The minimum rate is 0.5% while the maximum is capped at 5%. Royalties payable are calculated by applying a formula to the ratio of operating income to gross sales of unrefined product for the year of assessment.

Changes to the Income Tax Act under the Revenue Laws Amendment Act, entrench the generous deductions allowed, while the costs of acquiring a right are now also deductible.The issues of state participation and the participation of Historically Disadvantaged South Africans in the upstream industry have now also been clarified. The state retains the option to take up a 10% interest in petroleum production operations, to be exercised through the national oil company, PetroSA. A further 10% interest shall be made available to Historically Disadvantaged South Africans, and, in the event that such a partner cannot be found, PetroSA shall have the option to take up this interest also.The Minister may waive either of these two equity stakes should she feel that it is appropriate to do so.

The clarification of all investment incentives has raised the interest of international exploration companies in South Africa, and the recent license round attracted successful bids from Shell International Exploration and Production, and Silver Wave Energy, Pte. These companies have submitted bids for previously unexplored areas. Other companies involved in offshore exploration for oil and gas in South Africa include Forest Exploration International of Denver, BHPBilliton Petroleum, Global Offshore Oil Exploration, Sasol Petroleum International, Q Venture Development, Pioneer Natural Resources, CNR International, New African Global Energy and of course South Africa's national oil company, PetroSA.

A major event for the west coast Orange Basin during 2009 was the signing of a Production Right with Forest Exploration International and its joint venture partners, over the Ibhubesi Gas Field. During its exploration campaign, Forest has drilled 8 wells in this field with tests demonstrating very good rates of production. Exploration to date represents an investment of about US$100 million besides monies paid to our Upstream Training Trust. The Ibhubesi Joint Venture has submitted a development plan for the gas field that envisages a multi-billion dollar investment over a 20 year period.

Onshore, applications to explore for coal bed methane continue to increase. The Agency has received over 140 applications and there are currently about 40 granted Exploration Rights. Interest in coal bed methane is obviously concentrated around the coal bearing basins in the north eastern part of the country. Major players include Anglo Operations, NT Energy Africa and Badimo Gas.

A relatively new development is the interest developing in deep seated "central basin" gas. The Agency has recently granted two Technical Cooperation Permits that will result in large regional studies aimed at determining prospectivity for such gas in the southern part of the Great Karoo Basin.

Petroleum Agency SA is the entity responsible for promoting and regulating oil and gas exploration in South Africa, as well as archiving all data related to iol and gas exploration. The Agency reports to the Ministry of Mineral Resources, headed by the Hon. Minister Susan Shabangu.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