

Government's initiative for black empowerment in the mining industry has caused serious damage in the markets. Now is the time for cool heads and clear leadership.

Growth or train smash – which will it be?

WE have seen the smoke, we have found the fire and we have felt the heat – and if we don't act wisely, we might end up in an inferno. I am referring to a new phase of black economic empowerment.

Cabinet discussed the issue last week but its decisions have not been made public yet. What has become public is an empowerment charter for the mining industry.

However, the consequences are there for all to see. Mining shares were slaughtered – the sector lost R67 billion in market capitalisation in nine days. The manifesto should not get the blame for all of it, but it certainly is responsible for a good chunk of it.

Placed in context, the drop in market value is equal to 17 times the total budget for low-cost housing in the current fiscal year. Nearly R7 billion left the country from the sale of shares and equities by foreigners. No small change.

South Africa has now reached the critical stage where a collision between transformation and the economy is imminent. Our future depends on how we drive these two social locomotives. Are we going to have a train smash and repeat the story of Zimbabwe, or can we keep them on parallel tracks for continued growth and steady improvement?

These are powerful and potentially destructive engines, one political, the other economic.

First the political locomotive of transformation. Black South Africans need to get a larger slice of the country's economic cake. The economy cannot be owned and controlled only by whites. Just as

Afrikaners resented economic control by English business, black South Africans today resent white control.

This is a very strong force and it should be addressed, not ignored.

If we are to have a capitalist system and an open economy, we need to have black capitalists. The alternatives are either a white capitalist system, which will not last; or a state-dominated economy, which will impoverish us all.

Neither will do the country any good in the long run.

Next we have the economic locomotive. We cannot have growth, job creation, poverty relief and social delivery if investors and entrepreneurs are not treated with respect. Simple. And not just foreign investors but, more importantly, local investors as well. R67 billion has already disappeared in smoke as a result of disrespect.

The same is true of the current famine in Zimbabwe – disrespect was shown, thousands will die. Literally.

So, how do we prevent a collision between these two powerful forces?

Firstly, by showing considerably more discretion than that displayed by government officials during the past few weeks. Our officials and politicians should realise they are playing with fire – and they could cause an inferno that would burn all of us.

Secondly, now is the time for leadership, also from the white business community. Leadership and the vision of a way forward that will accommodate empowerment while maintaining a capitalist and open economy. Co-existence. White business has a critical role to play.

Impossible to reconcile? That's what they said for all those years about a political settlement. Just think back on all those predictions of a violent collision between black and white, of murderous clashes between various ethnic groups ... No, with the necessary leadership, a solution can be found.

Thirdly, we can take a leaf from the book of Afrikaner empowerment. In fact, there were several leaves. From Harry Oppenheimer assisting Afrikaner entrepreneurs to gain a foothold in the mining industry via General Mining (later Billiton) to political connections for licences and state contracts. The more things change, the more they stay the same.

An admirable achievement by Afrikaners was to mobilise savings and build businesses organically. Rembrandt shares were sold door-to-door in towns and villages, and on farms. Those savings have produced three JSE-listed giants. The savings of ordinary people also helped to establish Sanlam, Naspers and other success stories.

That is why last week's decision by the telecommunications regulator should be welcomed. It ruled that the empowerment group gaining 19% of the second fixed-line telephone licence had to sell 40% of its shares on a broad base to (formerly disadvantaged) members of the public.

Another valuable lesson from Afrikaner history is that only those businesses set up by true entrepreneurs and run by skilled managers have survived. Gone are all the easy riders who survived (and lived well) on government contracts. In the end the market will govern. Empowerment does not equal business acumen.

And a last lesson from Afrikaner history, just as valuable today – what was good for Afrikaners was not necessarily good for South Africa. Many of today's empowerment ideas have not been thought through. We need to apply our minds much more thoroughly if the country is to benefit.

Are we going to see a neat and clean solution? Forget about it. We are living on this side of the grave. Prepare for abuse, corruption and cronyism on a large scale.

But we should also see the rise of a new generation of black businesspeople, helping to build an open economy. Indeed, it was a black mining entrepreneur who made pronouncements to calm the nerves during the past few weeks. Capitalism will only survive in South Africa if we have many black capitalists.

Let's see if white business can exercise the leadership that can prevent the fire from spreading. And let's see if black leadership can pursue empowerment in a manner that will benefit the country, not merely a select few. Interesting times.

- *First published in Beeld and Die Burger on 6 August 2002.*