



Moeletsi Mbeki (Thabo Mbeki's brother)

South Africa: Only a matter of time before the bomb explodes

I can predict when SA's "Tunisia Day" will arrive. Tunisia Day is when the masses rise against the powers that be, as happened recently in Tunisia. The year will be 2020, give or take a couple of years. The year 2020 is when China estimates that its current minerals-intensive industrialisation phase will be concluded.

For SA, this will mean the African National Congress (ANC) government will have to cut back on social grants, which it uses to placate the black poor and to get their votes. China's current industrialisation phase has forced up the prices of SA's minerals, which has enabled the government to finance social welfare programmes.

The ANC is currently making SA a welfare state and tends to 'forget' that there is only a minority that pay all the taxes. They are often quick to say that if people (read whites) are not happy they should leave. The more people that leave, the more their tax base shrinks. Yes, they will fill the positions with BEE candidates (read blacks), but if they are not capable of doing the job then the company will eventually fold as well as their 'new' tax base. When there is no more money available for handouts they will then have a problem because they are breeding a culture of handouts instead of creating jobs so people can gain an idea of the value of money. If you keep getting things for free then you lose the sense of its value. The current trend of saying if the west won't help then China will is going to bite them. China will want payment – ie land for their people and will result in an influx of Chinese (there is no such thing as a free lunch!)

The ANC inherited a flawed, complex society it barely understood; its tinkering with it are turning it into an explosive cocktail. The ANC leaders are like a group of children playing with a hand grenade. One day one of them will figure out how to pull out the pin and everyone will be killed. ...and 20 years on they still blame apartheid but have not done much to rectify things – changing names etc only costs money that could have been spent elsewhere.

A famous African liberation movement, the National Liberation Front of Algeria, after tinkering for 30 years, pulled the grenade pin by cancelling an election in 1991 that was won by the opposition Islamic Salvation Front. In the civil war that ensued, 200 000 people were killed.

The 'new' leaders are forgetting the 'struggle' heroes and the reasons for it – their agenda is now power and money and it suits them for the masses to be ignorant – same as Mugabe did in Zim. If you do not agree with the leaders then the followers intimidate you.

The former British prime minister, Margaret Thatcher, once commented that whoever thought that the ANC could rule SA was living in Cloud Cuckoo Land. Why was Thatcher right? In the 16 years of ANC rule, all the symptoms of a government out of its depth have grown worse:

- Life expectancy has declined from 65 years to 53 years since the ANC came to power;
- a leader who did not believe that HIV causes AIDS (Mbeki) and another who believes

having a shower after unprotected sex is the answer and has 5 wives and recently a child out of wedlock (Zuma). Great leaders for the masses to emulate!!- not!!

- In 2007, SA became a net food importer for the first time in its history; Yet they want to carry on with their struggle song 'kill the boer(farmer)' and stopping farm killings does not seem to be a priority. They do not seem to realise where food actually comes from.
- The elimination of agricultural subsidies by the government led to the loss of 600 thousand farm workers' jobs and the eviction from the commercial farming sector of about 2,4-million people between 1997 and 2007; and – yet they want to create jobs and cause even more job losses – very short-sighted thinking.
- The ANC stopped controlling the borders, leading to a flood of poor people into SA, which has led to conflicts between SA's poor and foreign African migrants. Not much thought was given to this – their attitude was to help fellow Africans by allowing them 'refuge' in SA. Not thinking that illegals cannot legally get jobs but they need to eat to live. I believe that most of our crime is by non-South Africans from north of the borders. They need to do something to survive! Remove the illegal problem and you solve most of the crime problem.

...but is it in their interest to solve crime? There are whole industries built on crime – each burglary, car hijacking etc results in more sales of product and contribute to GDP. What would sales be if crime was down? I do not believe that anyone has worked out how much electricity is consumed a day because of electric fencing and security lights at night. Reduce the need for this (crime) and Eskom would probably have a power surplus. – or if they charged our African neighbours the correct rates at least make a decent profit to build more power stations.

What should the ANC have done, or be doing?

The answer is quite straightforward. When they took control of the government in 1994, ANC leaders should have: identified what SA's strengths were; identified what SA's weaknesses were; and decided how to use the strengths to minimise and/or rectify the weaknesses. Standard business principle – but they too busy enriching themselves. People who were in prison or were non-entities 20 years ago are now billionaires – how? BEE??

A wise government would have persuaded the skilled white and Indian population to devote some of their time — even an hour a week — to train the black and coloured population to raise their skill levels. This done by lots of NGO's but should have been more constructively done by the ruling party.

What the ANC did instead when it came to power was to identify what its leaders and supporters wanted. It then used SA's strengths to satisfy the short-term consumption demands of its supporters. In essence, this is what is called black economic empowerment (BEE). ...and put people in positions they could not cope with making them look stupid. Whereas if they'd had the necessary grounding they could have been good in the position at the right time. You cannot 'create' a company CEO in a couple of years. It takes years of work starting at the bottom of the ladder – not in the middle. Only some things can be learnt in books – experience is the most important factor and this is not found in text books or university corridors.

BEE promotes a number of extremely negative socioeconomic trends in our country. It promotes a class of politicians dependent on big business and therefore promotes big business's interests in the upper echelons of government. Second, BEE promotes an anti-entrepreneurial culture among the black middle class by legitimising an environment of entitlement. Third, affirmative action, a subset of BEE, promotes incompetence (what I said above) and corruption in the public sector by using ruling party allegiance and connections as the criteria for entry and promotion in the public service, instead of

having tough public service entry examinations. Nepotism is rife – jobs for friends and families who are nowhere near qualified – and then hire consultants to actually get the work done – at additional cost of course!

Let's see where BEE, as we know it today, actually comes from. I first came across the concept of BEE from a company, which no longer exists, called Sankor. Sankor was the industrial division of Sanlam and it invented the concept of BEE.

The first purpose of BEE was to create a buffer group among the black political class that would become an ally of big business in SA. This buffer group would use its newfound power as controllers of the government to protect the assets of big business.

The buffer group would also protect the modus operandi of big business and thereby maintain the status quo in which South African business operates. That was the design of the big conglomerates.

Sanlam was soon followed by Anglo American. Sanlam established BEE vehicle Nail; Anglo established Real Africa, Johnnic and so forth. The conglomerates took their marginal assets, and gave them to politically influential black people, with the purpose, in my view, not to transform the economy but to create a black political class that is in alliance with the conglomerates and therefore wants to maintain the status quo of our economy and the way in which it operates.

But what is wrong with protecting SA's conglomerates?

Well, there are many things wrong with how conglomerates operate and how they have structured our economy.

- The economy has a strong built-in dependence on cheap labour; With tight labour legislation they are preventing people from getting jobs. For some industries minimum wages are too high resulting in less people being employed. Because it is almost impossible to get rid of an incompetent employee without it costing lots of money in severance people rather do not employ – run on minimum with no incentive to grow the business – or alternatively automate. Result – more unemployment and employment of illegals at more affordable wages.
- It has a strong built-in dependence on the exploitation of primary resources;
- It is strongly unfavourable to the development of skills in our general population; Gone are the days of the artisan – no more structured learning to be artisans over a period of time. Try to fast track everything resulting in little on the job experience to be able to do the job. That is why Eskom has sub stations blowing up and catching fire – lack of skill and maintenance. A friend told me about 5 years that this would start happening after Tshwane (Pretoria) started qualifying electrical engineers who were not up to standard.
- It has a strong bias towards importing technology and economic solutions; and at a higher cost
- It promotes inequality between citizens by creating a large, marginalised underclass who depend on handouts that cannot be maintained into perpetuity.

Conglomerates are a vehicle, not for creating development in SA but for exploiting natural resources without creating in-depth, inclusive social and economic development, which is what SA needs. That is what is wrong with protecting conglomerates.

The second problem with the formula of BEE is that it does not create entrepreneurs. People do not develop necessary skills when being fast-tracked into a position and being given a free ride. You are taking political leaders and politically connected people and giving them assets which, in the first instance, they don't know how to manage. So you are not adding value.

You are faced with the threat of undermining value by taking assets from people who were managing them and giving them to people who cannot manage them (what I said earlier above).. BEE thus creates a class of idle rich ANC politicians.

My quarrel with BEE is that what the conglomerates are doing is developing a new culture in SA — not a culture of entrepreneurship, but an entitlement culture, whereby black people who want to go into business think that they should acquire assets free, and that somebody is there to make them rich, rather than that they should build enterprises from the ground. Agree!

But we cannot build black companies if what black entrepreneurs look forward to is the distribution of already existing assets from the conglomerates in return for becoming lobbyists for the conglomerates. All companies start from the bottom — when they are 'given' these businesses they are usually run into the ground because of inexperience. And when they are given loans to buy business the loans invariably are not repaid and the businesses go bankrupt.

The third worrying trend is that the ANC-controlled state has now internalised the BEE model. We are now seeing the state trying to implement the same model that the conglomerates developed.

What is the state distributing? It is distributing jobs to party faithful and social welfare to the poor (what I said in different words).. This is a recipe for incompetence and corruption, both of which are endemic in SA. This is what explains the service delivery upheavals that are becoming a normal part of our environment.

So what is the correct road SA should be travelling?

We all accept that a socialist model, along the lines of the Soviet Union, is not workable for SA today. The creation of a state-owned economy is not a formula that is an option for SA or for many parts of the world. Therefore, if we want to develop SA instead of shuffling pre-existing wealth, we have to create new entrepreneurs, and we need to support existing entrepreneurs to diversify into new economic sectors.

Make people work for their 'handouts' even if it means they must sweep the streets or clean a park — just do something instead of getting all for nothing. Guaranteed there will then be less queuing for handouts because they would then be working and in most instances they do not want to work — they want everything for nothing.

And in my opinion the ANC created this culture before the first election in 1994 when they promised the masses housing, electricity etc — they just neglected to tell them that they would have to pay for them. That is why the masses constantly do not want to pay for water, electricity, rates on their properties — they think the government must pay this — after all they were told by the ANC that they will be given these things — they just do not want to understand that the money to pay for this comes from somewhere and if you don't pay you will eventually not have these services.

And then when the tax base has left they can grow their mielies in front of their shack and stretch out their open palms to the UN for food handouts and live a day to day existence that seems to be what they want — sit on their arse and do nothing.

Mbeki is the author of "Architects of Poverty: Why African Capitalism Needs Changing."

This article forms part of a series on transformation supplied by the Centre for Development and Enterprise .