Analysis: NGC goes gaga for Chinese model

BUSINESS REPORT

Commentators wary of mixed signals

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By Donwald Pressly

The ANC edged towards greater government intervention in the economy at its policy review conference last week, while business commentators were concerned that mixed signals were projected to the financial markets.

Key conundrums over policy were not tackled, argued Brait economist Colen Garrow. He said issues concerning both domestic and foreign investors were not really addressed.

AgriSA president Johannes Moller, who staffed a stall at the business network forum during the national general council (NGC), said "mixed signals" were the order of the day.

Garrow said an indication from National Planning Minister Trevor Manuel that the rand would not be pegged, as sought by Cosatu and the SACP, was welcome, although he was concerned that a tax on "hot money" - global inflows of capital to emerging markets - had not been seriously considered.

Garrow noted that strong inflows strengthened the rand, hurting local exporters.

Collins Chabane, the Minister for Evaluation in the Presidency, emphasised that South Africa wanted to maintain a role as "a global player" in the diplomatic and economic arenas, which meant enhancing the efficiency of government and administration.

Yet Moller said he was concerned that there was the belief that the local government should emulate the Chinese model of the state intervening in the economy while eliciting the support of the private sector. Describing it as a move towards socialism, he said: "China has a government which is socialist but allows the free market to carry out the government programme."

Moller said he was not certain whether South Africa had the work ethic, the levels of efficiency and administrative capacity to carry out such projects in a similar way.

The council called for state loans to prop up the national health system envisaged from 2012, a state mining company to compete with the private sector and for consideration to be given to a national retirement system.

While the policy conference saw greater intervention in the economy - of all sectors - as the way to go, it put full-scale nationalisation, particularly of the mining sector, on the drawing board only for the next conference in 2012.

Moller was concerned by Defence Minister Lindiwe Sisulu - the former housing minister who is also the ANC sub-committee chairwoman on social transformation - indicating that the willing seller, willing buyer model for land reform was outdated.

"I see big problems coming here," he said, noting that the farming community "is not going to play dead".

Sisulu said delegates had demanded answers on why land reform was progressing at a snail's pace. An amendment of the Expropriation Act is expected to be the vehicle in which the willing buyer, willing seller principle will be reformulated.

Agriculture Business Chamber chief executive John Purchase said in the absence of the agricultural green paper there was little direction on whether Sisulu's comments on expropriation would be taken seriously.

While it appeared that nationalisation would apply to mining rather than agriculture, talk of intervention and the end of the willing buyer concept had the potential to undermine the competitive nature of agriculture.

Although the country's farmers provided food for the nation reasonably efficiently, he said South Africa "has to be careful not to chuck out the baby with the bathwater".

At the start of the council, President Jacob Zuma said the willing buyer model had constrained the pace of reform.

Purchase said: "If you are going to have a situation where farm values depreciate, production potential will be affected because farmers will not be able to access loans as the land value is the principle source of collateral."

Public enterprises committee chairwoman Vytjie Mentor, noting that she had not been present at the NGC, nevertheless welcomed the move to greater intervention in the economy. "The Chinese economic model is something we can take a leaf from."