

Marikana Massacre: All this to protect an Oligarch?

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Amidst all the confusion after the shooting of 44 protesting miners at Lonmin's Marikana platinum mine in South Africa, we should not lose sight of the astonishingly simple underlying issues.

We are told the workers are demanding that their wage be raised to R12,500 per month (about \$1,500) but the workers claim their salary is already at this level. They say they are sub-contracted by a company owned by billionaire South African oligarch Cyril Ramaphosa. He only pays them R5,400 or less and pockets the rest paid out by Lonmin.

If this is so then agreeing to the workers' demands would cost Lonmin nothing and the whole dispute is between the workers and Cyril Ramaphosa. Instead of saying this however, Lonmin has placed itself between the two and taken responsibility for negotiating a pay rise which no one has asked for. Doing this, Lonmin is placing Cyril Ramaphosa's private interests above those of its common stockholders and is neglecting its fiduciary duties. It is also leaving itself open to litigation.

Cyril Ramaphosa in fact owns 9% of Lonmin but was paid out \$304m in cash by the company in 2010 in a deal backed ultimately by Xstrata. By comparison common shareholders have received only \$60m in dividends in the last two years and have incurred over \$2.5bn of paper losses. What the workers are requesting is that Ramaphosa share with them about \$18m which he is taking from their wages.

When Cyril Ramaphosa bought 50.03% of Lonmin's Black Economic Empowerment partner Incwala Resources in 2010, Lonmin put up the \$304m in cash which he needed. Lonmin funded this with a share issue to which, according to Lonmin, Xstrata was the key subscriber. Since then a further \$51m of credit has been extended to Ramaphosa.

Ramaphosa's company also provides all of Lonmin's welfare and training services and for this he may have been paid at least \$50m in 2011 alone. Based on the worker's demands and their living conditions, we can guess at how much of this reached its stated purpose. Companies linked to Ramaphosa were also paid "advance dividends" by Lonmin of \$20m in the last two years.

All-in Lonmin seems to have paid Ramaphosa and his related companies well over \$400m since he bought into the company. This is about 25% of Lonmin's current market value and is a very large amount for a man who was supposed to be doing the paying when he bought his stake.

And this is not all.

The Marikana conflict is portrayed as a dispute between two unions, the hegemonic NUM and a small new union, the AMCU. But the NUM has been Cyril Ramaphosa's vehicle since he founded it in 1982. He was its Secretary General until 1998, the year he went into private business to become a billionaire. This has led to claims that the ANC has instituted a form of modern day slave labour. The workers' employer and their union are effectively the same person. Is it surprising that the workers worry that their union is not wholeheartedly defending their legal rights?

All this casts the Marikana conflict in a very different light to what we have heard so far.

The dirt-poor Marikana workers, many from Lesotho, living in slums, wearing rags, are asking for an extra \$750 per month from one of the most powerful figures in the ANC and one of the richest men in the world, and they are openly calling him an exploiter.

Such a debacle, which calls into question not only Lonmin, Xstrata and Ramaphosa but also the whole ANC hierarchy, the reality of the "New South Africa" and the credibility of the ANC's many foreign supporters, not least those in the United States, helps to explain the speed and the savage brutality of the reaction.

On 16th August, 6 days into the strike, the police opened fire injuring 112 and killing 34.

Local witnesses claim the workers were not charging at the police but were fleeing from them as tear gas was thrown at them by another police detachment. Autopsy reports apparently confirm many were shot in the back.

At the time Jacob Zuma, President of South Africa, was in Mozambique at an SADC meeting. He returned to South Africa but only one day later. He visited Marikana briefly but stayed away from the main area. A full five days passed and only then did he return and visit the crime scene. On the day of the attack Ian Farmer, the CEO of Lonmin, was diagnosed with a "serious illness" and still has not returned to work.

A few days later the 270 men who were arrested were charged with committing murder. They allege that they were stripped in their cells and beaten with sticks. Once an international outcry began and it became apparent that the publicity of a trial could be counter productive, they were quickly released.

Even with the above illumination, some crucial questions still remain.

How could Cyril Ramaphosa exercise such influence over Lonmin's Executive Board to be able to effectively bend it, and potentially the Board of Xstrata too, to do his bidding? And what truth could the South African government have been so desperate to hide that it was judged better to risk everything and open fire on its own people, rather than let it see the light?

The answer lies at the heart of the bitter fallacy of the South African commodities boom and the emerging markets paradigm which we have lived in the last 15 years. The sad truth is that nothing has changed, or, more accurately, nothing has improved.

In the past there was one oligarch, Harry Oppenheimer, who controlled Anglo American. Mr Oppenheimer officially opposed the apartheid regime and was a liberal but conveniently continued to export gold and diamonds from South Africa up to and beyond 1994.

Today there are five to ten oligarchs. They are black and they are African. They too oppose apartheid and they too are exporting all of South Africa's gold and diamonds at the present time. The reason Cyril Ramaphosa could ransack Lonmin in the way he has is because he effectively is Lonmin. Lonmin exists in many ways to serve his interests and its foreign shareholders would do well to understand this. The whole debate about nationalisation is therefore completely moot. South Africa's mines have already been nationalised and given over to a ruthless tyranny, signed, sealed and delivered by the many cheerleaders of the ANC overseas.

So what will happen next? In fact the next Marikana has already occurred. Tear gas was fired and four workers were shot two days ago on a gold property near Johannesburg controlled by another oligarch, Tokyo Sexwale. The strategy of the ANC's opposition, which is correct given the extent of the disenfranchisement since 1994, will be to now target every oligarch. It will be demanded that they return much of what was taken. But this will never be done voluntarily and so this conflict, just like the apartheid struggle, will go on for many years.