

DealBook: How Mandela Shifted Views On Freedom Of Markets

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When you think about Nelson Mandela, you probably think about freedom — free people, free country, free speech. What may be overshadowed by Mr. Mandela's extraordinary legacy was his complicated journey to support free markets and a free economy.

When Mr. Mandela was released from prison in 1990, he told his followers in the African National Congress that he believed in the nationalization of South Africa's main businesses. "The nationalization of the mines, banks and monopoly industries is the policy of the A.N.C., and a change or modification of our views in this regard is inconceivable," he said at the time.

Two years later, however, Mr. Mandela changed his mind, embracing capitalism, and charted a new economic course for his country.

The story of Mr. Mandela's evolving economic view is eye-opening: It happened in January 1992 during a trip to Davos, Switzerland, for the annual meeting of the World Economic Forum. Mr. Mandela was persuaded to support an economic framework for South Africa based on capitalism and globalization after a series of conversations with other world leaders.

"They changed my views altogether," Mr. Mandela told Anthony Sampson, his friend and the author of "Mandela: The Authorized Biography." "I came home to say: 'Chaps, we have to choose. We either keep nationalization and get no investment, or we modify our own attitude and get investment.'"

Inside South Africa, Mr. Mandela's quick reversal was viewed with skepticism, and questions have long persisted about whether he was somehow pressured by the West to open up the country's economy.

However, according to Tito Mboweni, a former governor of the South African Reserve Bank, who accompanied Mr. Mandela to Davos, Mr. Mandela's change of heart was genuine.

When they arrived in Davos, where Mr. Mandela was scheduled to speak, "We were presented with a speech, prepared by some well-meaning folks at the A.N.C. office" in

Johannesburg that focused on “nationalization as A.N.C. policy,” Mr. Mboweni recounted in a letter to the Sunday Independent newspaper in South Africa late last year. “We discussed this at some length and decided that the content was inappropriate for a Davos audience.”

“So I drafted a short message for the audience,” he added. “That message was about how the A.N.C. intended to achieve social justice for the majority black people: decent housing, health care, decent education, public transport, access to clean water, sanitation and access to what I called ‘the means of production,’ that is, the creation of a black business class. That is all. No capitulation.”

But as the five-day conference of high-level speed-dating wore on, Mr. Mandela soon decided he needed to reconsider his long-held views: “Madiba then had some very interesting meetings with the leaders of the Communist Parties of China and Vietnam,” Mr. Mboweni wrote, using Mr. Mandela’s clan name. “They told him frankly as follows: ‘We are currently striving to privatize state enterprises and invite private enterprise into our economies. We are Communist Party governments, and you are a leader of a national liberation movement. Why are you talking about nationalization?’ ”

“It was those decisive moments which made him think about the need for our movement to seriously rethink the issue,” Mr. Mboweni said.

Mr. Mandela’s push toward free markets opened up his country to become the fastest growing in Africa and eventually brought in billions of dollars of investment from large companies outside the country. Barclays, for example, acquired Absa, South Africa’s largest consumer bank, in 2005. Iscor, the country’s largest steel maker, was sold to Lakshmi Mittal’s LNM in 2004. Industrial and Commercial Bank of China bought a big stake in Standard Bank, South Africa’s largest financial services company, in 2008. And Massmart, a South African supermarket chain, sold a majority stake to Walmart in 2011.

Mr. Mandela himself also embraced the big money charity that can only be delivered by billionaire capitalists. He became a friend of Bill and Melinda Gates, who have donated hundreds of millions of dollars to the region; Theodore J. Forstmann, the buyout executive and philanthropist; and Richard Branson, the entrepreneur, among others.

But for all of Mr. Mandela’s embrace of capitalism and free markets, as demonstrated though his policy called GEAR (Growth, Employment and Redistribution), the results raise more questions than answers about its success.

South Africa has certainly grown, but at an annual 3.2 percent clip from 1993 to 2012, far below other emerging countries like China and India. And the gap between the

haves and have-nots is now higher than it was when Mr. Mandela became president. Inequality in South Africa is a real and growing issue.

South Africa's National Planning Commission has said that in 1995, the proportion of its citizens living below the poverty line of \$2 a day was about 53 percent; the figure has gone as high as 58 percent and as low as only 48 percent.

The official unemployment rate hovers at about 25 percent and may, in truth, be much higher. According to Bloomberg News, the average white household earns six times what a black one does. Among young black men, unemployment is close to 50 percent. Whites still hold nearly three-quarters of all management jobs.

"There is still a war between capital and labor," Irvin Jim, the general secretary of the National Union of Metalworkers of South Africa, said on the South African Broadcasting Corporation's The Big Debate program in September, according to The Africa Report magazine. "Nothing has changed. During the struggle, workers fought for a living wage, but the apartheid wage gap is still there." The average white wage is 19,000 rand (\$1,900) a month, he said, but for blacks it is just 2,500 rand. "What does that buy? Inferior squatter camps, inferior goods, inferior everything."

Mr. Mandela may have ended apartheid and years of awful violence, but his dream of creating a country that, as he said, is "a democratic and free society in which all persons live together in harmony and with equal opportunities" may still remain a dream that capitalism and free markets have yet to solve.

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