

Opinion&Analysis

■ **QUOTE OF THE DAY**
Difficult times always create opportunities for you to experience more love in your life. – Barbara de Angelis, American writer

Strike power struggles do not benefit anyone in the country

BUSINESS WATCH

THE POWER struggle playing itself out between the management of the major platinum and other mines and the Association of Mineworkers and Construction Union does not bode well for job creation or even sustainable employment in the country.

The mine bosses have already indicated that retrenchments are inevitable because of the prolonged strike in the sector – and

the longer the dispute continues, the more dire the consequences for South Africa's mining industry and economy.

An almost four-week strike at the Port Elizabeth manufacturing plant of Continental Tyre South Africa (CTSA) over weekend pay rates provides some insight into what can happen when a union makes demands that are not supported by a corresponding increase in productivity and, ultimately, profits for the company to enable it to afford the higher overhead costs brought about by the higher wages.

The National Union of Metalworkers of SA (Numsa) was successful in getting CTSA to change its weekend pay rates but at the possible cost of the jobs of about 120 workers because changes to the shift pattern resulted in the tyre manufacturer having excess labour.

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In a country with an already absurdly high unemployment rate, this settlement hardly seems to be in anyone's best interests. It is also difficult to comprehend how any union can sell this sort of settlement

to its members, particularly those who were later retrenched.

With rare exceptions, the harsh reality is that only increasingly profitable companies and employers can afford to significantly improve the wages and salaries of their employees.

Pick n Pay

The Ackerman family is feeling bullish about its family retail business, Pick n Pay, especially with the former chief executive of Tesco, Richard Brasher, at the helm.

In his address during the company's annual general meeting (AGM) yesterday, the chairman, Gareth Ackerman, said: "I am, for the first time in some years, delighted to be opening this AGM this morning."

As always, he stressed the importance

of the family-owned business and its successes. The family control issue, which was raised at last year's AGM, was revisited.

"First, the comment was made that family control dilutes shareholders' rights and upholds a high dividend pay-out relative to peers in the retailer sector," Ackerman said.

Shareholders were told that the dividend policy was reviewed in October 2013 and a board resolution was passed.

He added that over the years, there had been a definite shift from Pick n Pay being family-run to being family-controlled and professionally run.

"The truth of it is that Pick n Pay has not been family-owned for decades. Both Pick n Pay Stores and Pikwik are listed companies with substantial holdings by

institutions and individuals," he pleaded.

He added that the family should be given credit for recruiting one of the finest retailing chief executives in Brasher.

Another delight that he shared with the meeting was Pick n Pay's ability to invest more than R2.6 billion and the projection that it would invest an additional R7bn over the next five years.

Last year, it purchased goods and services amounting to about R800 million from qualifying black-owned enterprises. The retailer also managed to create 5 000 jobs as a result of new stores opening.

Ackerman was also happy to announce that the board had asked him to stay on as chairman for a further five-year term.

Edited by Peter Delonno. With contributions from Roy Cokayne and Nompumelelo Magwaza.

Lessons of Afghanistan were clear, but it took Obama too long to learn them

US TROOP WITHDRAWAL

Martin Sieff

AFTER a 13-year occupation, the US armed forces are about to start pulling out of Afghanistan. They invaded the country in November 2001 to destroy the core leadership of al-Qaeda. That was a clear and straightforward mission, but it was bungled from the word go.

US President Barack Obama finally made the move, reluctantly and slowly, five-and-a-half years into his presidency. Even now, the full pull-out is not scheduled to be completed for another two-and-a-half years – at the end of 2016.

It appears that Obama and his advisers have finally recognised that the nation-building goal in Afghanistan has been a total failure.

Even so, they want to defer a full US pull-out until the president has safely left office. That means that his eventual successor will have to deal with the full consequences of that failure.

Obama was not the author of the crucial decision to stay in Afghanistan after ousting the Taliban, which supported al-Qaeda and Osama bin Laden. George W Bush, arguably the most catastrophic US president since Herbert Hoover, did that.

But Obama, urged on by then secretary of state Hillary Clinton and defence secretary Robert Gates, did make the crucial decision to stay the course rather than cut US and allied losses after he took office. Only Vice-President Joe Biden strongly pushed the case for full and rapid withdrawal at that time.

In electing to maintain Bush junior's nation-building policies in Afghanistan, Obama, Clinton and Gates also chose to ignore the entire consistent course of Afghan history over the past 2 300 years since the time of Alexander the Great. And they proved blind and deaf to the disastrous experiences of the British and Soviet empires in that country.

In their time, Bush, his defence secretary Donald Rumsfeld and their team of "geniuses" determined that it would be better to stay in the country. They had visions of turning Afghanistan into a stable, modern, pro-West and centralised, Western-style state.

After more than 2 700 American lives and countless more Afghan ones have been lost, at a cost to the US taxpayer of more than \$1 trillion (R10.6 trillion), the Afghan people are far more anti-American today than they were when they joyously accepted (by and large) liberation from the Taliban in November 2001.

At the time, Bush and his advisers all made much of their reverence for Britain's World War II leader, Winston Churchill.



US Defence Secretary Chuck Hagel, left, shakes hands with Sergeant Jose Navarro during his visit to Bagram Airfield in Afghanistan on Sunday. US forces will all be withdrawn from the country by the end of 2016.

However, like Richard Nixon in Vietnam, Obama will go down in history as a leader who recognised reality reluctantly and late in the day.

Almost half a century before that war, Churchill eagerly participated as a young man in the Malakand Field Force, a British military expedition into Afghanistan.

The dream of repeating and improving on Churchill and the British Empire's exploits in Afghanistan was a powerful emotional force among Bush's neocon advisers in 2001.

One of them even bought a special bracelet for his wife engraved "Kandahar" to celebrate the supposed "monumental" fall of that city to US forces.

However, the ignorance of US policymakers and pundits regarding central Asian history blinded them to the fact that the initial act of defeating Afghanistan has always been easy: The British did it in 1839-42, 1878-80 and 1919. The Red Army did it only a few days in December 1979.

The problem has never been defeating Afghanistan, it has always come from trying to stay there and to "civilise" or remake the country.

The British tried that in 1839. Three years later, their contingent of 4 500 soldiers and 12 000 support staff in Kabul had been literally wiped out. Only five survivors made it back to Jalalabad.

The entire fiasco and the reasons for it have been memorably recorded in a great work of historical fiction, *Flashman* by the late George MacDonald Fraser.

Later on, the Soviet Red Army tried remaking the place from 1979 to 1987. The effort completed the bankruptcy of the Soviet Union and led to its collapse.

The lesson was well learnt in both Moscow and London.

For all their gung-ho derring-do, the British Indian Empire commanders of Churchill's day never made the mistake their grandfathers did – and that the US has tried over the past decade. They prudently stayed away from any attempt at nation building in Afghanistan.

Nor have any Soviet (or Russian) leaders in the past quarter century showed the slightest desire to repeat Leonid Brezhnev's catastrophic mistake.

Obama, in announcing the last phases of the US military withdrawal, made clear he had finally learnt the same lessons Britain and the Soviets eventually did. The president was right to publicly acknowl-

the Globalist

edge that, after the US withdrawal, Afghanistan would not be a perfect place, and it was not America's responsibility to make it one.

However, like Richard Nixon in Vietnam, Obama will go down in history as a leader who recognised reality reluctantly and late in the day, instead of making that difficult call at the beginning of his administration, years before.

As for Clinton, a lot of irony may lie ahead. Imagine that, after she is elected president in 2016 – as is still widely expected – she would have immediately to face a serious foreign policy crisis in Afghanistan.

That would be a direct consequence of the wrong course of action she urged and saw adopted eight years earlier. But Clio, the ancient Greek muse of history, is not easily mocked.

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World War I outbreak after years of stability shows butterfly effect

VOLATILITY CONUNDRUM

Sandy McGregor

THE EVENTS that triggered World War I are a warning of the fragility of the global political system and economy. Looking at the current levels of global markets, one should be wary of complacency, as history suggests stability can come to an end in a way that is totally surprising.

The lessons of 1914

This year is the centenary of the outbreak of World War I, an anniversary that has prompted the publication of numerous books and articles on what caused this momentous event, which so decisively changed modern history.

For the past 100 years there has been a sense of astonishment that a seemingly unimportant incident, the assassination of the heir to the thrones of Austria-Hungary by a Bosnian revolutionary, could have such profound consequences, and could trigger a chain of events that resulted in a world war.

Austria declared war on Serbia, which it blamed for the assassination. Russia mobilised its army to support Serbia. Germany regarded this as an unacceptable threat and declared war on Russia and Russia's ally France. Germany's inflexible military planning required it to invade France through Belgium. Britain had a treaty with Belgium and joined the war against Germany. Within two weeks all the great European powers were at war.

The role of chance and accident in these events was remarkable. For example, the assassin, Gavrilo Princip, was not standing on the chosen route for Archduke Franz Ferdinand's car. However, Ferdinand's driver took a wrong turn and gave Princip the opportunity to carry out his purpose.

So one can say that the consequences of a driver taking a wrong turn were the Great War, the overthrowing of the dynasties ruling Germany, Austria and Russia, the advent of Russian communism and, as a consequence of German defeat, the rise of Adolf Hitler who launched a second, even bigger war to reverse the decision of the first one. All because one driver made one mistake.

It also triggered a century of debate among historians about how this could have happened. How could a seemingly stable political order, which had lasted 99 years following the end of the Napoleonic wars in 1815, suddenly implode?

Perhaps the surreal character of these events is best evoked by the winning entry in a competition organised by a newspaper in the 1920s asking what would be the most sensational news headline. The winner was: "Archduke Franz Ferdinand alive. World War a mistake".

Investors are most complacent when they have been most successful. A long bull market breeds such complacency. We have now passed the fifth anniversary of the present bull market, which commenced in March 2009. In this period South Africa's FTSE/JSE all share index and the MSCI world index denominated in dollars have both appreciated 135 percent.

The actions of central banks have promoted a stable financial environment, which has allowed investors to make a lot of money. It is difficult to predict how and when the current financial boom will come to an end.

However, the longer the upward movement in prices, the greater the risks of some unexpected event which brings what seems to be an inexorable bull market to a sudden end.

A time for caution

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Risk in a connected world

One of the achievements of 20th-century mathematics was to explain why we cannot successfully make long-range forecasts about the weather or the economy.

Seemingly trivial and totally unpredictable events can have profound consequences, which make such predictions impossible. We now understand that if a butterfly flaps its wings in the Himalayas, it can trigger a hurricane in the Caribbean.

Complex systems tend to be less stable than simple ones. In an increasingly complex and interconnected global economy there is a growing danger that some totally unexpected event will have far-reaching

Hyman Minsky

In the agendas of governments and policymakers, economic stability always ranks as a key objective. They regard stable currencies, stable price levels and stable exchange rates with approval.

Above all, they want steady economic growth and abhor recessions. However, since market systems are inherently unstable, achieving these goals is extremely difficult.

Some of the most important insights into this problem came from Hyman Minsky, an American economist who lived between 1919 and 1996. Minsky argued that stability creates instability. In financial markets long periods of stability promote ever-increasing risk taking, with market participants assuming increasingly extreme positions and taking on more and more debt.

The longer the period of stability, the greater the financial excess and the more severe the inevitable correction. The conundrum governments face is that, in creating a stable economy, they ultimately generate a serious financial crisis.

The most recent example of this was the implosion of the US housing bubble promoted by the Federal Reserve's success in creating a stable financial environment over a long period.

Minsky believed that the solution to this conundrum lay in substantially more regulation of financial markets, a view shared by many, and probably most, regulators.

However, this approach does not solve the key problem that Minsky identified, which is that stability ultimately causes instability.

Another approach is to welcome greater market volatility, which would rapidly shut down excessive speculation. Unsustainable positions would be eliminated before they became big enough to threaten the stability of the system as a whole.

Long-term stability requires an underlying instability to be sustainable. The lessons of 1914 and of Minsky are the same. A long period of stability can come to an end suddenly and in a way which is totally surprising.

■ DILBERT



■ DIARY

Size matters for traffic cops in China

POLICE in China have recruited a retired basketball player to work as a traffic cop – because his commanding size gets the attention of errant motorists.

At 2.3m tall, Chu Yu is China's tallest police officer and something of a novelty on the streets of Dalian, a city in north-east China's Liaoning province.

Aged 25, he was a basketball player who quit after numerous injuries and found himself looking for a job. After a stint at college he was approached by the local police academy and asked if he wanted to become an officer.

"With a stature such as yours, you will command nothing but respect," the local police chief told him.

"The department likes to place tall guys like me on traffic duty precisely because we are more likely to be noticed by motorists in traffic," Chu said. – Daily Mail

Sandy McGregor is a portfolio manager at Allan Gray.