

**NATURAL RESOURCES, FOREIGN DIRECT INVESTMENT AND
CONFLICT IN SOUTH AFRICA: A CASE STUDY OF THE
MARIKANA TRAGEDY**

By

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of the degree MA in Peace Studies and International Relations**

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**FACULTY OF HUMAN AND SOCIAL SCIENCES NORTH-WEST
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Supervisor

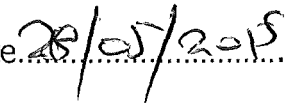
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DECLARATION

I, Ntlhopeng Osley Dikobe, declare that the mini-dissertation entitled "Foreign Direct Investment and conflict in South Africa: a case study of the Marikana tragedy", hereby submitted for the degree of Master of Arts in Peace Studies and International Relations has not previously been submitted by me for a degree at this or any other university. I further declare that this is my work in design and execution and that all materials contained herein have been duly acknowledged.

Signature.....

Date.....

DEDICATION

I dedicate this mini-dissertation to the government of South Africa. It can be used as a guide by various mining and host communities in the Southern African Development Community. To all mine workers who use their energy to build the economy of South Africa and who contribute directly to world economy. The findings of this study should also be used by mining companies in order to address anomalies existing in this fraternity.

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ABSTRACT

This study describes and investigates the relationship between Foreign Direct Investment and conflict in the mining industry. It also explores the conduct of foreign-based companies as influenced by the Bretton Woods Institutions and their ability to bring solutions to the socio-economic problems of the North West Province. FDI companies set targets which tactfully enforce mine workers to work long hours without overtime payments. The findings indicate that racial connotations are still a factor in South Africa and in employment.

Africans are restricted to low paid jobs. The study also indicates that the salaries and wages foreign multinational corporations differ significantly from one country to another and that Africans are usually restricted to lowest paid jobs. Foreign Direct Investment leads to population displacement and consequently to the cultural breakdown of some tribes. There is poor adherence to International Mining Action Standards and legislation governing the mining sector. It is therefore significant that companies that operate under FDI should implement the policies as required and laid down.

LIST OF ABBREVIATIONS

ANC-African National Congress
AMCU-Association of Mineworkers and Construction
AIDS-Acquired Immune Deficiency Syndrome
DRC-Democratic Republic of Congo
FDI-Foreign Direct Investment
HIV-Human Immuno-deficiency Syndrome
IMAS-International Mining Action Standards
NUM-National Union of Mineworkers
MDA-Mine Development Agency
TB-Tuberculosis
SA-South Africa
SADC-Southern African Development Community
UN-United Nations
US-United States
WWII-World War Two

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CHAPTER ONE

1.1 INTRODUCTION

This chapter explores the historical background of mining operations in African countries. Mining effects in host countries are revealed. Furthermore, the role of mineral resources in conflict is also examined. A synoptic overview of Lonmin Mining company is traced and provided in this chapter.

1.2 BACKGROUND TO THE STUDY

Carlos Lopes (2013) argues that the African continent produces plenty of minerals which do not positively contribute in the economic growth of Africa. The African continent is the second largest continent in the world with more than 50 countries. The African continent is among others, made up of the following countries: South Africa, Ghana, Zimbabwe, Tanzania, Zambia, Botswana, Lesotho, Namibia, Swaziland and the Democratic Republic of Congo. Countries such as Angola, Sierra Leone, Namibia, Zambia and Botswana rely mostly on mining as a factor for foreign currency provider and revenue base. Most of these countries are endowed with ample natural resources. Countries such as Lesotho (mention other countries) which do not have ample natural resources such as diamond and gold generally serve as reserves for cheap labour force and have lowest scales of underdevelopment. This can be explained by the fact that when people move and work in other countries, they help in developing such countries at the detriment of their countries of origin.

It is worth noting that despite the fact that the African is the second largest continent, the levels of poverty are high and generally, the conditions of living are predominantly very low.. Poverty and poor state of life could be attributed to the

following factors: poor education and poor health among needy communities. Where health issues are addressed, the quality is not up to standard compared to international levels and standards. According to Shantayanan Devarajan, the World Bank's chief economist for Africa (as reported in the Guardian: 2012), resource rich African countries have to make a decision of investing in health, education and jobs with the aim of lessening poverty for their people. This is because despite the fact that African countries are endowed with abundance of mineral deposits, poverty levels remain shocking in Africa. Most non-government organisations have advocated for transparency and honesty in the management of natural resources of African countries. Most of these products are consumed elsewhere rather than in Africa.

According to (Bench-marks: 2013), the mining industry is compounded by both winners and losers. The winners are shareholders who in the context of the African continent, are famously known as Foreign Direct Investors. The executive management of such companies, in most instances, are paid hefty salaries and receive huge bonuses. It is imperative to highlight that most of these executive managers are from the mother countries of such companies. The losers or the losing side are host communities and their countries. Issues such as water, air, health, safety, population size and other factors are negatively affected. Labour force is also hugely affected as they end up contracting a variety of diseases. The view is that the quantum of the diseases caused by these companies end up affecting young people to the extent that they become unemployable. The sole responsibility of addressing socio-economic ills ultimately becomes the primary responsibility of the host government/country. This has economic ramifications because such government will have to re-channel its limited resources to address anomalies caused by a mining company.

According to (Ross, 1993), factors which fostered colonial ties predominantly revolved around economic issues. Colonies were used to develop the countries of the colonial masters. This was made possible by the supply of raw materials and cheap labour to these developed countries. Colonialism established a mono-cultural

economy by preventing external competition in their colonies. This approach has made the effect of colonialism to be felt even beyond the colonial period. This is known as trademonopoly. The exploitation of mineral and other resources provided a huge base of wealth for the colonial masters, especially precious stones such as Gold, Diamond and Platinum. Most of the produce from the colonies continue to be agro-processed and beneficiated by former colonial masters. This clearly articulates the fact that most of the former economies of colonies are still mono-cultural.

The dependency syndrome in economic activitiescompelsthesecountries to always look up to the former colonial masters for any trade opportunity. The former colonies also view former colonial masters as the provider of solutions for all the socio-economic ills which engulf their countries. The policies adopted by former coloniesto a greater extent, provide solutions to the problems of developed states, rather than to remedy problems in under developed states. This type of economy inhibits African intra-state trade and channel African countries to continue trading with their former colonial masters.

According to Mnyandu (2014), Nigeria has become Africa's largest economy. This means that Nigeria has now surpassed South Africa, which has for many years, beenconsidered the largest economy of Africa. South Africa, in economic terms, is also very influential in the economy of the African continent. Like most countries in Africa, South Africa is endowed with various natural resources such as platinum, gold, diamonds, iron ore, manganese ore, coal and copper. These natural resources are scattered through various provinces in the country. In most instances, these resources are extracted from rural areas. It is inarguable that the immediate benefit to the hosting community is job creation and as purported, improving accessibility to modern technology. It is also a fact that most communities hosting these mining companies are also confronted with socio-economic challenges which usually lead to various socio-economic problems. These socio-economic problems hinder development and improvement of the quality of lives.

Foreign Direct Investment (FDI) is one of the key and dominant factors in the South African economy. Its introduction in South Africa has been through companies referred to as multinational corporations, multinational companies or transnational companies. These companies have their countries of origin or mother countries and are hosted by other countries. These companies operate under "foreign direct investment", by investing in various sectors and the extraction of natural resources such as gold, diamond, platinum, copper, manganese and oil. The scale of foreign direct investment varies according to the preferences or needs of the investing company.

It is largely believed that FDI is an important role player in socio-economic development and the political ideological model of host governments. The contributing factor to this is that, in most instances, the host country is amenable to the requirements of the investing company, which result in alteration of the model best suited to address the problems of host governments. This subsequently ends up compromising the initial plan of host governments. This has manifested itself in many African governments. For example, the African National Congress' history has proven that at the centre of its plans (The Freedom Charter as adopted at the African National Congress special congress on 26 June 1955 in Kliptown, www.anc.org.za/show.php).

The Freedom Charter has always advocated for nationalisation. It is apparent that the Freedom Charter has not been implemented due to the influence of investors in the South African economy. The African National Congress-led government has done a lot in terms of service delivery. However, there is a growing concern that since the ANC came to power, it has neglected the Freedom Charter, which is seen as the pillar of the ANC, notwithstanding the fact that the socio-economic conditions of many people has improved drastically.

Benchmarks (2013) argue that mining has made some tremendous progress in terms of development. Reference made about the development of the city of Johannesburg is a classical testimony. However, this development in areas which the

mining sector has propelled should over shadow its draw backs. This is because on the side-lines of mining, there are some disastrous side effects. This has therefore compounded the view by some scholars who believe that foreign direct investment improves the skills of recipient countries or host countries. This view is orchestrated by the fact that when FDI gets into the host country, it brings technology and skills which will enhance the development of such a company. This view is more dominant in under developed states or countries since they look up to developed states for their development.

This shows that FDI can erode the culture and the ancient ways in which people have adopted as their means to survival, subsequently leading to development. It is a fact that the South African economy is one of the power blocs in terms of strength in the Africa. This can, to a greater extent, be attributed to the crucial role played by FDI in the development of its economy. The big six mining houses such as: Anglo American/De Beers, Gencor, Gold Fields, JCI, Anglo Vaal and Rand miens have always been the dominant role players in the South African economy. It is imperative to highlight the fact that this view does not accord the pre-investment ways of life as a means of developing the people.

There has been a string of restructuring processes propelled by the new legislations and compounded by the democratisation of the country. The economic model as adopted by the South African government post-1994 increased the confidence of investors by liberalising the economy. Political stability, as championed by the African National Congress, has also increased the investors' confidence. The ruling party in South Africa has followed the conditions as set out by the World Bank. It is important to highlight that the economy of South Africa is classified into two economies with one part seen as highly underdeveloped and the other well developed. The ownership of such economies is racially bound and may be a source of crevice and conflict.

The mining sector in South Africa is one of the pillars of the economy and an anchor of the Southern economy, which broadly speaking, ownership of such companies favours the white population and the elite who are politically connected. The working class of such mines is predominantly black and most of them occupy low paying jobs, whereas their white counterparts occupy high paying jobs.

Pauline H. Barker, Alex Boraine and Warren Krafchik(1993) maintain that South African mines harbour a lot of expertise which could be used in the entire region of the Southern African Development Community. However, this view fails to take into consideration the fact that the South African mining sector is highly orchestrated by racial connotations. If the alleged cohort of expertise is exported and entrenched into the region, it could be an opportunity to export racially bound experts which, at the hind sight, could end up institutionalising segregation and subsequently flare in the entire region.

It is vital to highlight that ownership of the mining sector is still in the hands of the white minority. However, black owned mining companies such as African Rainbow Minerals formed and led by Patrice Motsepe and Mwelaphanda owned by Tokyo Sexwale, are making inroads in the sector. It is important to highlight that this is still a drop in the ocean. The Universal Access Charter to Mineral Resources stipulates that states have the right to exercise full and permanent sovereignty over their natural resources and this is in concomitant with the South African Constitution. On the contrary, control of such raw materials, as illustrated, is still in the hands of the few.

Makinana(2014) reports that Bidgette Radebe, who is the chairperson of Mmakau Mining company, urged the government to take stringent measures against companies which fail to comply and conform with transformative regulations. It has been reported that foreign owned companies seem to be far from adhering to the regulations since there are less punitive measures. These mining companies, since they own the South African economy, to some extent, dictate the destiny of South Africans.

Mckay(2013) quotes the then Deputy President of South Africa, Kgalema Motlanthe as follows: "One of these undesirable practices that need immediate attention is the migrant labour system which continues to be a scar on the face of democratic South Africa." History has demonstrated that migrant labour has always been a common denominator in the mining sector. This factor of migrant labour has always led to the social destruction of families. Subsequently, this over burdens host communities and increases social ills. The direct impact of mining activities, especially in Africa, aggravates poverty and material deprivation of many host nations. The Black Empowerment and Equity Ownership programmes have broadly targeted the change of ownership patterns of mines, with little consideration to the improvement of the livelihood of many host communities. This has resulted in increasing the gap between the haves and have-nots. Certainly, this has caused a perennial conflict between classes in societies.

The former Minister of Mineral Resources and Energy, Suzan Shabangu, properly captured the challenges faced by the South African mining sector by declaring that "unless the mining industry could claim its legitimacy to all stakeholders, particularly investors, workers, host communities and host governments, it cannot claim its authenticity". This is very evident within the mining industry in relation to the implementation of the Mining Charter's objectives as adopted in 2002. The key indicators which demonstrated intransigency on employment equity are still racially skewed as they looked under the apartheid government. The ownership patterns in this industry are still far from showing compliance to the ethos of black empowerment and the spirit of addressing the injustices of the past. The mining industry is still white dominated which is a clear contradiction of what the current government fought for. Pressly(2012) further advances the argument raised by Peter Leon by maintaining that "the issue goes much further than simply living conditions. It seeks wider recognition to the voice of the community. The non-whites, generally owned only 8.9%, which is far below the target set by this government. Imposing punitive measures on mines for non-compliance has not yielded any desirable result. Thus the government has now threatened to invoke a licence for non-compliance. It

is important to highlight that other factors which might have caused delay could be attributed to the administrative functions of the government.

1.3 SYNOPTIC OVERVIEW OF LONMIN MINING COMPANY

According to (Reference for Business Company History Index), in 1909, Lonmin Mining Company was included into the United Kingdom as the London and Rhodesian Mining and Land Company Limited. This clearly shows that although the company was doing its business in Rhodesia, its country of origin is the United Kingdom. Logic guides that this company is likely owned by foreign nationals, especially from developed countries or former colonial masters. The proceeds from the mines will ultimately result in expatriation of wealth from the host country. Without any hesitation; the host country will remain in poverty and a degraded environment if the playing field is not levelled. The conditions attached to FDI are crafted and adopted to address the anomalies in their countries of origin, rather than host countries. FDI therefore, has little space for flexibility, if not rigid. The fact that ownership patterns and management outlook are non-African will result in less interest for host countries.

The host country, due to its situation, ends up receiving all the conditions attached to foreign direct investment plans. In essence, these conditions are designed to solve the problems of developed countries, thereby, expanding markets for such countries. This does not augur well for the hosting community as it signifies high level of unequal relations among the countries. The thriving policies of the foreign companies are moulded by their countries of origin.

The head office of Lonmin mining company is based in London. This company has its operation office in South Africa mainly because this is where it is extracting platinum. The biggest shareholders of this company were the British Royal Family and at some point in time, the royal house was criticised for its capitalist agenda. This company has gone through many facets and challenges. However, gradually, the company has introduced machinery under the guise that it is scaling up and improving the safety of its employees. The hindsight of this was the reduction of the

labour force. Many people believe that FDI stimulates development because it has the support of international institutions such the World Bank and the International Monetary Fund (Bretton Wood System), especially when all role players are conforming to the elements of conditionality as spelt out in such organisations. On the contrary, some scholars believe that FDI is a source of conflict for underdeveloped states, particularly in the African context. This can be attested by the fact some of the investors financially sponsor some of the groupings and governments to stay in power. In some instances, elites are bought to protect the interests of these companies.

With the existence of Bantustans, Bophuthatswana for example played a conspicuous role in depriving the labour force from receiving a better salary. Foreign investors found it profitable and lucrative to operate in these Bantustans because they had a veil of protection from their so-called governments. The repressive Bophuthatswana government provided a safe haven for FDI by preventing the existence of labour movements. This perpetuated the exploitation of the working class. Host communities were not factor for consideration since the Bophuthatswana pseudo government had all the powers in their control. According to (Fraser, 1991), about 35000 to 40 000 miner workers embarked on a strike. The strike was triggered by mine workers due to the refusal by the Bophuthatswana pseudo government to acknowledge the existence of the National Union of Mine Workers as a legitimate union. The Bophuthatswana government viewed the National Union of Mineworkers as a foreign force since it was not registered in Bophuthatswana. Subsequently, over 200 mineworkers were dismissed for purportedly participating in the illegal strike. The primary goal of the labour movement was to advocate for the rights of mineworkers, even beyond the parameters of the mines.

Around the 80's, the mining sector continued to decline and this meant that many miners and mining communities were now overburdened by a plethora of socio-economic ills. A Mine Development Agency (MDA) was formed with the primary goal of improving the livelihoods of communities. A strategy that sought to include the previously marginalised was formulated. Edward Webster and Karl Von

Holdt(2005) argue that the MDA strategy was not successful mainly because of lack of institutional force at the local level, in the rural areas, specifically in mine hosting communities. The absence of this structure inhibited a balanced, developed and discharge of well attuned socio-economic development issues in rural areas.

1.4 STATEMENT OF THE PROBLEM

Foreign Direct Investment has always been an integral part of the South African economy in the mining sector. Fundamentally, Foreign Direct Investment is in most instances, associated with conflict in South Africa. Investment in mining is two pronged as it projects legal/lawful conformation of legal and illegal extraction of minerals. In the South African context, Foreign Direct Investment may lead to aspects such non-conformity to policy issues, environmental degradation, contamination of water, social ills such as HIV and AIDS, TB, over population which increases over reliance on scarce resources and poor investment on social responsibility programmes. In the same vein, the contest for political space, power and terrain is a factor which should not be underestimated since it can lead to conflict. The aforementioned factors cannot be viewed independently from Foreign Direct Investment since these issues are interdependent and interrelated.

Foreign Investors in the mining sector extract natural resources and export such resources for processing in their countries of origin. More often, the countries which produce such natural resources are left impoverished. This situation will therefore provide a conducive environment for conflict. Foreign Investors, in most instances, escalate their profit margins, very often, at the expense of the work force. This factor, is always deemed as a critical factor linked to labour related conflict.

The above factors call for the need to undertake an investigative study in the mining sector. The study thus seeks to investigate if foreign direct investment has a role in conflict or not. It is therefore apparent that the Marikana tragedy is a point of reference to provide factual evidence for this study.

1.5PURPOSE OF THE STUDY

The main purpose of this study is to explore areas and components which can either evidently prove or disapprove the relationship between foreign direct investment and conflict. This will ultimately contribute into the existing body of knowledge on foreign direct investment and its role in conflict.

1.6AIM OF THE STUDY

The aim of this study was to investigate if Foreign Direct Investment, with specific reference to the mining sector, causes conflict in South Africa.

1.7RESEARCH QUESTION AND SUBSIDIARY QUESTIONS

- The main research question was: Is there is a relationship between Foreign Direct Investment and conflict in South Africa?
- The subsidiary questions asked in the study were:
 - i) What is the effect of the relationship between Foreign Direct Investment and the host country?
 - ii) Is there is a correlation between Foreign Direct Investment and conflict?
 - iii) What is the effect of Foreign Direct Investment on natural resources and labour force? and
 - iv) What is the character and conduct of Foreign Direct Investment in the host communities?

1.8 OBJECTIVES OF THE STUDY

The general objectives of this study were to investigate the role of Foreign Direct Investment on conflict in South Africa;

- Examine the role of FDI and conflict in the host community;
- Examine the impact of FDI on labour force; and
- Assess the impact of FDI on the host country in relation to conflict.

- Examine the policies of the FDI Companies
- Examine the conduct of the FDI in the host communities

1.9 SIGNIFICANCE OF THE STUDY

The present study is intended to reveal the role of FDI on mining as implemented within specific legislations, the mining charter, norms and standards as well as international mining standards. Ultimately, shortcomings and gaps identified are exposed. The recommendations could be beneficial to the government and stakeholders, particularly host communities involved in the mining sector.

The conduct and the practice of foreign investors were interrogated and examined in accordance with existing policies and resolutions in the mining sector. In order to justify certain views in the study, comparative analysis was carried out in order to understand the situation in some countries. From the Marikana tragedy, the study examined actual behaviour versus the expected policy guiding conduct, as directed by agreed protocols in the mining sector. The study reveals that current policies are able to instil and sustain peace but in the event of inadequacies, the mining sector will continuously be marred by conflicts.

In most instances, conflict is either between the community and the mining company or the labour force and the community. The character of the government was examined, as the custodian of the interest of communities. Recently, there has been a manifestation of conflict between tribal authorities and community members, especially interest groups. At the centre of this type of conflict, royalties play a key factor in triggering conflict.

It is therefore unequivocal that this research project acts as a guide and advice regarding the conduct of various companies within the mining sector that are able to assess if existing policies, legislations and plans are able to address the challenges. Furthermore, the government could strengthen its governance system in order to quell conflicts and maintain peace and stability. If the current approach, as discharged by the government is unable to bring peace, it is inevitable that policies must be reviewed and aligned to address the current challenges. This could assist in aligning and harmonising the interest of the government with the interest of

hostcommunities. New programmes may be suggested that might bridge the gap between mines and communities.

1.10 HYPOTHESIS

Foreign Direct Investment in South Africa, like anywhere in the world, operates under the guidance of policies. These policies, at a glance, are supposed to propagate developmental programmes for all role players. These policies are generically guided by world-based institution as influenced by developed countries. This study seeks to assess if Foreign Direct Investment brings conflict to a host community or a country.

1.11 SCOPE OF THE STUDY

This study discusses activities carried out within the mining sector in the Marikana area as follows:

- The impact of Natural Resources and Foreign Direct Investment on conflict in South Africa, "a case study of Marikana";
- The role of foreign investors in addressing the challenges/issues of communities and labour;
- The effect of foreign direct investment approach on conflict to the host country and community; and
- The interest of mining companies against their importance in communities.

1.12 RESEARCH DESIGN, METHODOLOGY AND FINDINGS

This study applies the qualitative approach using secondary data in order to provide information appropriate to the research question. The qualitative approach is mostly based on the interpretative naturalistic approach to its subject method. A case method was applied to provide in-depth knowledge on the subject matter. The existing body of knowledge was analysed and described in the context of the problem statement and the objectives of the study. This therefore brings us to the conclusion that the study is descriptive and qualitative in nature.

1.13 RESEARCH APPROACH

Despite the limited nature of available information on the Marikana tragedy, relevant books, journals, internet sources, print and electronic media were used to obtain and provide insights pertaining to the research question.

1.14 RESEARCH DESIGN

The case study method was applied to answer the research question. This method allowed the thorough examination of the identified area as a case study linking it with variables identified in order to allow the undertaking of this study.

1.14.1 Data collection

There is limited information regarding the Marikana tragedy as at the moment, the Farlam Commission is still underway with its investigations. Without any hesitation, the findings of the aforementioned commission, either positive or negative, will add value in the existing body of knowledge on this subject. Text books, articles, journals, internet and media sources (both print and electronic) were used as sources and tools to answer the research question. References were used to understand if FDI has an intrinsic role in conflict. As indicated earlier, the secondary data collection mode and the qualitative approach were applied in order to meet the objectives and aim of this study.

1.14.2 Data analysis

The data collected was mainly qualitative and its analysis guided by logic. The organised data was divided into manageable units and processed in order to give meaning to the research question.

1.15 RESEARCH ETHICS

The subject is very sensitive since it has social, political and economic ramifications. High level consideration and effort have been provided to avoid plagiarism or copying. The Marikana tragedy directly and indirectly, has brought sorrow and pain to many interested parties, and it is currently one of the highly politically contested

terrains, especially when one takes into consideration the upcoming local government elections and by-elections.

In the South African context, it is logical to conclude that the manifestoes of political parties for the 2014 National Elections have used the Marikana tragedy as trump cards to rally support presented in line with political ideology for either the support or anti-nationalisation of mines. This study is impartial and non-partisan in order to avoid serving the interests of any political party. Equally, due to the sensitive nature of this matter, the emotions of citizens and people interviewed in the study were strictly respected. No harm was deliberately perpetuated against anybody or organisation. All the data sources were duly acknowledged and referenced.

1.16 DEFINITION OF TERMS/CONCEPTS

1.16.1 Foreign Direct Investment

The International Monetary Fund defines Foreign Direct Investment, commonly known as FDI, "as an investment made to acquire lasting or long-term interest in enterprises operating outside of the economy of the investor". This investment made by a company or entity based in another country, accords the foreign based company or firm to manage or extract commodities of the host community or country. The typical characteristics of foreign direct investment are the influences which the investing company has on the host country. The influence of the investing company on the receiving nation often results into an open economy, which is more attached to the Bretton Woods system of conditions. This definition does not include or take into consideration shortfalls of the host nation which FDI could or should address. It is an important definition which does not take into consideration, or is not influenced by the host country. This, to some degree, provides a hosting government with the latitude of raising revenue beyond its national borders (Kolodkin, 2009).

1.16.2 Conflict

The Oxford Dictionary defines conflict as "an incompatibility between two or more opinions, principles, or interests". This indicates that a conflict can be viewed as a disagreement or differences between two or more parties. Conflict can be caused by clashing of interests, ideas, arguments, opinions, or views. Depending on the nature, origin and dynamics, conflict could have detrimental consequences. If conflict is not well managed, it could be violent and catastrophic or lead to physical war which is intra-state or within a state.

1.16.3 Resource curse

Investopedia maintains that resource curse is a situation in which countries or continents are endowed with plenty of natural resources, but, paradoxically, these countries have minimal or are still trapped in underdevelopment. Many of its citizenry still live in squalor conditions, poor education, health and experience many other social ills. A country which has resource curse is focuses more on mineral resources and other sectors are ignored and stagnant on various issues including economic contraction. Other major sectors or potential sectors which could trigger socio-economic growth are blatantly ignored.



The ultimate result will be over-reliance on one sector. Weak structures and the absence of appropriate regulations in that particular country are the perfect breeding ground for corruption and other immoral activities. The sector will be unfairly regulated.

Investopedia further maintains that a good example of resource curse is when the Dutch discovered a large natural gas reserve. The focus began to shift towards this lucrative sector and literally, other sectors were ignored. This created imbalance in the society as the economy started to be mono-cultural and high salaries paid to role players in that society. The high wages made the currency to be less competitive and the country overly relied in one sector. The manufacturing sector and other industries began to suffer. The Dutch became paradoxically interwoven,

as the country became a world of plenty natural gas but extremely poor in other sectors.

1.17 LIMITATIONS OF THE STUDY

There is limited literature that could provide information about Marikana. However, the massacre which occurred in 2012 has triggered interest from various scholars and authors. It is therefore apparent that most of the information utilised in the study was based on current issues.

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CHAPTER TWO

2.1 LITERATURE REVIEW

The character of FDI can be seen to be a proper tool to empower and develop underdeveloped nations. Borensztein *et al.* (1998) explain foreign direct investment as an important vehicle for the transfer of technology from richer countries to poorer ones, and as such, can generate more economic growth than domestic investment in capital scarce countries. History has shown that the gap between rich and poor nations has always increased. In some instances, the lives of communities in poor countries are worse off than they were before the inception of FDI by their countries. Southern African communities that experienced the influx of FDI around the 1980s are the most impoverished. This is an indication that FDI has done little to improve lives in some areas. The factor which inhibits balanced development is the fact that the host country is not viewed as an important role player in the rules as encrypted in FDI plan. Host communities are viewed as irritants and subjects who do not have a say in the decision-making.

Conflict has been rife and severely uncontrollable in areas endowed with natural resources, than areas without natural resources. This was prompted by the research conducted on rebels' access to natural resources undertaken by Lujala (2010); Lujala, Petter, Gleditsch and Gilmore (2005). The view reached was that oil exportation can be listed as the main cause of armed conflict. This subsequently puts more strain on institutions of authority because the government has to direct its energies on war machinery and personnel. Subsequently, constitutional obligations will be neglected and ignored. The extraction of oil which in this instance will be illegally extracted will be at the centre of conflict between warring parties. Civil war or conflict is easily fermented in a weak government and where there is high level of inequality. Oil as a natural resource, is strong enough to trigger conflict and civil war. This is because oil is largely consumed in the world and is one of the areas which attract more investors. Weak institutions also promote lawlessness. Oil proceeds are used for personal gains by greedy leaders.

Chris Hondros(2001) reports that the African continent has witnessed sustained conflict in various countries. Such gruesome conflicts have emerged in countries such as (but not limited to)Sierra Leone, Liberia Angola and the Democratic Republic of Congo(DRC). The stimulant of conflict in the aforementioned countries has been referred to as "blood diamond". This signifies the role which raw materials can play in the steering of conflict. The diamonds derived from such areas have been sold to foreign companies under the auspices of FDI. A large chunk of the proceeds from such mines has been used to fund and pay combatants. By so doing, conflict in this area will be sustained and prolonged. Logic guides that civilians are always the losers since the government of the day focusesmore on protecting its turf.

In the early nineties in Angola, over 500 000 people died and many scores left disabled since the warring parties had used intimidation methods such as amputations in order to coerce and solidify its support base. The raw materials from these countries were illegally sold to foreign firms in order to provide the combatants with clothes, foodand medicine. The opposite was that, many people languished in abject poverty where there was absolutely no serviceand which is tantamount to a failed state. It was estimated that the *União Nacional para a Independência Total de Angola* (UNITA) had approximately accumulated over \$200 million per year from these sales which were deemed to be illegal. The control of these diamonds could only be possible under monopoly by one group.

2.2 POLITICAL ENVIRONMENT

An array of various factors may be dependent on FDI but the factorsthat stand out are respect for the rule of law, entitlement to property rights, which operate under a particular political climate, will certainly have a role on FDI. The key factor in the political landscape may be the adopted ideology such as communist or socialism. Some of these political ideologies are inward-looking and do not create enough space for foreign investment or state intra-trade. Open economies with capable workforces and good economic growth prospects tend to attract larger amounts of foreign direct investment than closedand highly regulated economies.

Politically unstable environments like Zimbabwe, Palestine, Israel, Angola and Sudan would deter and scare away investors. However, it is important to highlight the fact that other determinants like uncertainty about the rule of law, political leadership and other factors may aggravate the circumstances. If an investor is less certain about the future in a politically unstable country, it will not make any sense to risk investing in that country. Regime change and political leadership can also cause an upset in foreign investment. It can therefore be concluded a sound political and stable environment attracts foreign investors(Onyeiwu and Shrestha, 2004).

According to Collier and Hoeffler(2000), a conflict infested area or war torn area, in a nutshell, scares foreign investors away from the host country or potential recipient nation of FDI. The escalation of conflict could be attributed to its poor economic performance, which is solely reliant on one economic commodity for export purposes. High levels of inequalities in which the other group has low income levels make people to feel that there is little to lose if they embark on a civil war. A landscape with dispersed populations and mountainous areas make it easier for fighting since there are areas that could be used as hide outs by opposing factions. Inequalities in a society are prone to areas that have adopted political environments which permit the existence of Foreign Direct Investment with the hope that foreign investments will absolve societal problems.

According to BIZCOMMUNITY daily industry news (2012), Dr Mamphela Ramphele declared that "we have just had this tragic Marikana debacle. What was in evidence is the consequence of South Africa failing to transform the mining industry which still relies on cheap migrant labour, very archaic mining technology and a low skilled, labour intensive industrial base". The mineral resources in the country, which is always the case with other countries in the world, have always benefited the minority at the expense of the majority. As a fact, substantially increases the likelihood of conflict or civil war. This becomes more conspicuous in an environment characterised by class or capitalistic society. Low income earners are always trapped in a poverty cycle and this situation mostly causes dissatisfaction and unhappiness.

One of the dominant features of society in the African continent is assets accumulation strata which is usually pyramidal in nature. At the top of the pyramid one finds the few elite who own and control the means of production while at the bottom of the pyramid, one finds the majority of people who are languishing in poverty and are compounded by high levels of socio-economic ills.

Natural resources are exploited for the benefit of the few, who have connections and networks at higher levels or echelons. The most dominating factor of the connection is "political associate". Undoubtedly, this environment always serves as fertile ground for the emergence of conflict because the unconnected component will be always be dissatisfied that they do not benefit from the natural resources. To make matters worse, those who have access to resources are likely to use them as a tool and a means to deter those who want to equally have access to natural resources. These situations prolong the time span of a conflict and make matters difficult for the resolution of a conflict.

The material and social conditions of ordinary citizens lack improvement and development pioneers because the energy of the leaders is geared towards benefiting and enriching themselves. It is important to understand the role of violent conflict in determining the location and scale of foreign direct investment. A deeper understanding of this relationship may illuminate tools to fight poverty and eliminate existing cycles of conflict and destitution. Foreign direct investment has also unclassified connotations. Some investors want to operate in an environment which is legitimate and free from any conflict. On the other hand, some of investors are lured by conflict because there is lawlessness and non-compliance to regulation. As a result, benefits are unlimited but largely depend on how much can these firms loot during conflict.

The ENCA bulletin of 02/08/14 (16hrs) reported that the Mid-Mar Crushers company in Kwazulu Natal Province caused damage to the houses of residents in a village where the mining company is carrying out its activities. One of the residents declared that "before the arrival of the white man who is mining here, in our village,

our houses were fine. After his arrival, our houses started to crack due to the heavy blasts carried out in this mining activity". This shows that even if the mining company could be a South African-based company, local residents do not associate themselves with such company or they do not have any benefits which could make them to support such company. They view it as a foreign company owned by a white man who is not one of them.

ENCA bulletin of 02/08/14 (20hrs) reported the discovery of the orange basin oil reserves in the off shores of South African Seas, around Durban. The minister of Minerals and Energy, Ngwaoko Ramatlhodi further reported that energy is one of the factors which could change the economic game in the South African economy and over five multinational companies are already lining up to mine in South Africa. As much as the news brings hope to South Africans in terms of revenue base and job creation, the fundamental question is does South Africa have adequate laws to deal with any adversarial effect which could arise from these activities? The previous mining challenges refute this notion. Foreign companies have more than the bargaining power to change the rules in their favour rather than empowering host countries. The elements or conditions which are attached to these companies are mostly rigid. The obvious outcome is likely to be the emergence of a conflict since the Marikana massacre has created a certain perception about FDI.

If conflict is spiralling out of control, this may propel external forces to intervene in order to address such anomalies. Intervention may be diplomatic or military and those who are in control will certainly have the resources to fend off any intervention and may intercept any personal accrual from such resources.

Collier and Hoeffler(1998) argue that a foreign based company in a conflict-ridden country may attract the mother country to intervene by protecting the interests of its citizens. This intervention may stimulate military conflict in case of large investments. There could be political instability which may propel external interventions to take side. Surely, this will escalate the level of conflict and sustain levels of dissatisfaction. Endemic poverty levels, class society, social ills, exclusionary

approach, as a general observation, are enough to cause conflict which can be costly. A society with good balance in terms of asset accumulation is able to better manage resources and tensions. Key to this is a better distribution of resources, particularly on economic scale. As shown by high human development indicators, society is able to manage tensions with less risk within legal frameworks and available resources such as institutions and social breakdown than a society marked by destabilising conditions such as extreme poverty, extreme socio-economic disparities, systematic lack of opportunity and institutions to resolve grievances. It is therefore inevitable that natural endowments should be properly managed in order to eradicate or minimise any conflict stimulant.

2.3 EXPANSION OF SOCIO-ECONOMIC DISPARITIES

Conflict adversely affects the trend and pattern of production of natural resources. In most conflict ridden areas, conflict escalates due to imbalances in economic growth. This ultimately reduces the revenue base of such a country therefore such a state will be incapable to dispense basic services to its citizens. The most vulnerable group will bore the brunt and most areas will deteriorate in terms of development. The inability of institutions to respond to the problems will also make matters worse.

Thandika Mkandawire(2004:316) reports that "the nature of developments henceforth was such that traditional societies in Zambia were thrown into disequilibrium and were compelled to adjust to the new reality without being completely absorbed". This observation was made during the colonial era pioneered by the discovery of mineral resources and industrialisation. The impact of mining has caused lots of community destruction and de-institutionalisation of various tribes. Social cohesion which had always been a binding factor among Zambian tribes no longer existed.

Padraig Carmody(2013) argues "conflict around oil and diamonds in Africa are well known and reported in popular media. However, there are other resources that cause conflicts which are not well known...The extraction of coltan has been

associated with war, poverty and environmental despoliation in the DRC". This further demonstrates that most of the minerals from the African continent, which are highly sought after by various countries in the globe, are used to divide and steer conflict among Africans. During the era of Mobuto Se Seko, DRC was mugged by prolific violence and wars which left many people dead. These wars were sponsored by the proceeds from mineral resources. The above attests that FDI in this area was more of illegal connotations which ended up benefiting the few. Corruption spiralled out of control as there was lawlessness and only the few who were connected to the few benefited from these illegal activities.

In the case of the Israeli-Palestinian conflict, which lasted many decades, David Fielding maintains that it has had negative effects in the economic investment of the region. It is worth noting that the government has gone an extra mile in attracting FDI in this region in dimensions such as: protection against expropriation, guarantee for repatriation, tax incentives and exemptions has been provided. However, factors that are beyond the control of the government such as military attacks have always pushed FDI out of this region. The escalation of political crisis has pushed capital investment from this region. This shows that there is a correlation between conflict and investment. Foreign direct investment moves to a more secured location. However, during apartheid in South Africa, some foreign-based companies such as Coca Cola and mining companies such as Lonmin and Anglo Platinum continued to invest in South Africa. The benefit to these companies has been due to lawlessness, which ultimately created fertile grounds for exploitation of the labour force. The gains to FDI companies were far too high than their reputation.

Dewani Van Rensburg(2013) argues that mines which are certainly investors in a particular area, lead to a situation where most of the miners establish a second family. Logic dictates that the already strained and limited salary received from their employers will be inadequate to sustain two families. This may end up entrenching a situation whereby living below the poverty datum line becomes inevitable. It is a fact that some of the mining companies have been providing their employees with

living out allowance. Due to inadequate salary, this has led to the mushrooming of the shanty in mining communities.

According to Anup Shay (2010), the Democratic Republic of Congo has been plagued by regional conflict and a deadly scramble for its vast natural resources, such as water and diamonds. This conflict in the area is viewed as one of the deadliest conflicts since the Second World War. In fact, greed for Congo's natural resources has been a principal driver of atrocities and conflict throughout Congo's tortured history. In Eastern Congo today, these mineral resources are financing multiple armed groups, many of whom use mass rape as a deliberate strategy to intimidate and control local populations, thereby securing control of mines, trading routes and other strategic areas. A huge profit from these mineral resources, which is often perceived as the anchor of political strength, has huge a potential of coercing leaders into corrupt activities. These governments ultimately abandon the wish and the will of the people, which embodies democratic values, thereby turning into authoritarian repressive regimes. As an outcome, rebel groups emerge. The DRC has vast natural resources such as water, diamonds and other minerals. These resources are seen as a source of funding for the perennial conflict in the DRC.

According to Kakande(2001), the US parliamentary subcommittee has been duly informed that the US military has been covertly involved in the DRC. Despite the fact that Americans are not aware of these activities, they are covertly on-going. It is believed that the US military has been primarily involved because they are used to protect the interests of US firms operating in the DRC through illegal networks.

The salient feature of the above is that natural resources, which serve as nectar to foreign direct investment, in war torn countries in Africa, is highly linked with conflict. In some areas of Africa, natural resources have sustained conflict. This can be attested by the conflicts in Liberia and Angola. Natural resources are always seen as a strategic point to finance warring parties. The stronger group which is able to secure the mineral resources in a particular country will have control of such resources. In most instances, companies with interests in such resources will pay

dues to the dominant warring group that is in charge. Logic dictates that such mineral resources will be cheaper since they are illegally exported. Dividends accrued from foreign companies will be utilised to pay the dominant force securing and controlling the natural resources. It is therefore inevitable that conflict, to some extent, the benefits are utilised not to the advantage of citizens but armed forces. The communities therefore endure sustained conflict.

The profit accrued from the trade of minerals is one of the main motives for armed groups on all sides of the conflict in Eastern Congo. This has been dubbed one of the deadliest conflicts since WWII. The armed groups have mainly traded in gold, tantalum and tin. This money has enabled the military groups to purchase ammunition and continue to brutally attack civilians. Mining areas have experienced some worst cases. This has undoubtedly, exacerbated atrocities against civilians. This tendency has proliferated over time, conflict in many African countries.

Mthembu-Salter(2012) maintains that the resources in the DRC have inhibited the urgent need for the installation of a democratic government. It is apparent that where there is little control and authority, officials perpetuate corruption and the illegal selling of natural resources. These natural resources are being extracted by foreign companies, who end up not paying taxes or royalties, which could ultimately support impoverished citizens in the entire country. This certainly results in unhappiness as the citizens will see their government as not delivering or performing its constitutional mandate and ultimately trigger conflict. Foreign Direct investment in some instances has corrupted the national security by illegally paying rents to such security companies. This creates a fertile ground for conflict and ultimately results in conflict. Conflict-ridden areas have dismally failed to protect through the legitimate armed forces, the natural infested areas.

There is a high level of interest on all natural resources, especially the elite in Congo. Some foreign investors have deliberately failed to respect the rule of law and continue to illegally benefit from the natural resources of war torn countries. This has translated into a situation where elections cannot be held at the local level, but

the government rather, appoints administrators who will not serve the interest of the public but the minority elite. In fact, it seems as if FDI functions better under conflict ridden areas than peaceful areas.

2.4 ILLEGAL MINING AND CONFLICT IN THE DRC

Dunne backe (2011) states that some rebels have control of the minerals since they have been given permission to control such resources in exchange to defect to the government. This statement supports the view that criminal networks are so rife that they sponsor and sustain conflict. These networks become criminal because they are involved in the illegal extraction of minerals. The natural products derived from conflict ridden-countries end up in the coffers of foreign companies which collude with one of the warring parties. In some countries, these minerals are referred to as the blood diamonds. The *Congrès National Pour La Defense Du Peuple*(CNDP) has controlled much of the minerals, on the condition that they support the government.

2.5 THE PARADOX OF AFRICAN WEALTH OF MINES AND POVERTY

Mkentane (2014) argues Africa has plenty of mineral resources which are consumed and utilised all over the World. The contradiction is that the standard of living in Africa is at its lowest ebb. Dr Nkosazana Dlamini-Zuma maintains that although this continent is endowed with plenty of minerals which play a significant role in the economy of the world, the same continent hosts about 34 least developed countries in the world. This is because Africa as a continent is politically fragmented and lacks a common will to influence the prices and beneficiation of such minerals. Fragmentation of African countries can be attributed to the legacy of colonialism.

2.6 CONFLICTS AND MINING INDUCED POPULATION DISPLACEMENT IN THE AFRICAN CONTINENT

War Resisters (2008) state that in Africa, mining activities is associated with forceful removals, imprisonment and death of some community members. This happens irrespective of the common view that mines are community resources and as such, peaceful negotiations between countries and companies should be transparent, accessible and easily understandable by all. Lack of the knowledge regarding

contractual obligations makes communities to be less vulnerable. In most instances, natural resources are discovered in areas which are under the control and occupation of communities. This will without any doubt, lead to confrontation between the community and Foreign Mining Companies. In order for FDI to take place, there should be community displacement. In most cases, companies which force the indigenous community away are usually owned by foreign nationals. The perception is that developed countries continue to control less developed states.

To perpetuate matters, raw materials extracted from host nations are exported to developed states for beneficiation. The interest and quest to maximise profit lead to displacement and dissatisfaction of indigenous populations. People will ultimately be forcefully detached from their areas of origin or their ancestral hood connection. In South Africa, history attests that previous regimes have passed legislations which have forcefully displaced populations, especially non-whites from their forefathers' land so that they must give way to mining companies and other economic activities.

According to Rowen Moore Gerety (2012), there has been a violation of human rights on the displacement of the population in Tete province located in Mozambique. It is through this incident that the Brazilian mining firm has admitted to have flawed in relocating people to a certain area. People have lost vast lands which they have occupied for many years, and have practised agriculture for many decades. Many households resettled to make way for Vale and Rio Tinto's international coal mining operations in Tete province, Mozambique has faced serious disruptions in their access to food, water and work. In most instances, the local population becomes vulnerable because their government fails to protect them.

These activities carried out by international mining companies operating in Mozambique for failing to protect the rights of the local population displaced by coal mining companies, leads to animosity between mines and the community. Tete province has observed foreign companies such as Vale of Brazil and Rio Tinto of Australia. The government has unilaterally granted mining licences to these companies without taking into consideration the interest of the local population. The

end result has been the poverty caused by the disturbance of indigenous lifestyles of such communities. In instances where community members have been Promised Land, the hectares have been reduced and put far from the relocated land.

Owolami Okwechime(2007)purports that inhabitants of the Niger Delta have always relied on agriculture, mainly on groundnuts, Tin Ore, Cotton and Cocoa. Around 1958, oil was discovered in Nigeria. This signified the value and the importance of oil in the economy of Nigeria. The Niger Delta region is one of the largest oil producers in Nigeria. It means thatthe region has a significant contribution in the revenue base of Nigeria. On the contrary, the region is a host to many archaic and monumental problems and challenges. The region is no longer easy to develop whereas it has experienced many eras of oil expropriation which span back to many decades. The interest of the state has only been explained within oil extraction. The demands of occupants of the Niger Delta has not been adhered to, instead, the government has repressively attached some of the communities in this region.

The government has always listened and protected foreign firms. The quandary of the exploitation of host communities is well captured by the late Ken Saro-Wiwaas follows: "are we paying the price for our God given resources? Or are we just custodians of Nigeria's most possessions? "...the struggle that still continues",will always ring a bell in our bleeding hearts, and no matter how far, or how long it will take us, this struggle will continue".This is an indication of the pain endured by host communities and the devastating effect of foreign direct investment in changing the livelihoods of the people from better conditions to abject poverty.Host communities have little, if not, nothing to show in terms of benefits from mining companies.

This clearly indicates that the development plan of Nigeria is skewed and biased against indigenous people in the Niger Delta. Despite the contribution of oil proceeds in the Gross Domestic Productof Nigeria, payments from Foreign Direct Investment has been utilised to sustain the luxurious living lifestyles of the elite. Politically, the people of Niger Delta have no say on who becomes the leader of their area. It is

therefore believed that FDI in this area and its people has brought sorrow and pain. The Nigerian government, which is supposed to be the vanguard and custodian of its people, has now chosen to alienate them. The leaders in this area are usually people who will serve the interest of foreign companies. The socio-economic ills in this area are not attended to.

The astuteness of the political structure of Nigeria is highly contaminated and lacks moral grounds towards the people of the Niger Delta. There is huge political interest and favour which supports and protects the existence of oil companies in the Niger Delta, rather than the people of such areas. This clearly depicts that the state is more interested in supporting and protecting oil companies. The sense of national interest is derailed by the oil companies and leaves the people perplexed.

“It is an indisputable fact that there are significant differences in the development of various areas in Nigeria. However, the existence of massive poverty in the Niger Delta and the incredible wealth in the region is potentially destabilising” (Ojakorotu, (2010). This portrays the class society endured by Nigerians. The other layer of the society is embedded with abundance of wealth, lavish lifestyles and riches. This is mostly enjoyed by political leaders and their associates who are few in numbers. Paradoxically, the other layer is composed of the majority of people who are at the bottom of the pyramid. The defining characters of the class is among others, abject poverty, poor education, poor health, inadequate sanitation and lack of access to basic services. The voice of these people is not considered in decision-making. This is a recipe or a perfect formula to the destabilisation of the area. This on the other hand, is perpetuates class divisions within community members and is certainly viewed as a pioneer or stimulant for conflict in the near future.

The discovery of natural resources by mining companies could propel the development of host communities. In rare cases, the mining company built new houses for the people, but the truth is that these people usually lose their land as they transform it to the growing of crops and to keep livestock. This has long term effects because the people will have to adjust to new ways of living and be

dependent on foreign companies for hand-outs. Many of these people only do farming for their survival. It is therefore unequivocal that the biggest loser will be local communities. The greatest portion of land is usually under the control of mining companies and therefore a scarce commodity to community members or the local population.

Ghana has also experienced sporadic population displacement by foreign companies who come under the guise of investment. Mining operations take place in remote rural villages where people rely more on agriculture. The communities in areas have had to give way for the mining company. Violations of human rights through forced removals and other means have been a normal occurrence in Africa. These human rights violations occasioned by mining activities were not sporadic but a well-established pattern common to almost all mining communities. Between 1990 and 1998, more than 30,000 people in the Tarkwa district were displaced by gold mining operations. Most of the people have had to suffer beatings and imprisonment in order to coerce them into vacating the area (author unknown: 2009).

As indicated earlier, the introduction of mines in a particular area has detrimental effects on the livelihood of people. This affects the pattern which they have been attuned to, in terms of lifestyle. Many communities have not been at peace and comfort because of their displacement. The most unfortunate part is that the victims of all these atrocities usually become victims of the law. They are being persecuted for refusing to accept to be removed and to accept the demands of mining companies. Government intervention has in most cases, been biased in favour of mining companies, all in the name of foreign investment and job creation. This has always been a common phenomenon in African countries where mining activities are carried out and population displacement and commotion taking place.

2.7 POOR ADHERENCE TO INTERNATIONAL MINING ACTION STANDARDS

The International Mining Action Standards implies that mines should be viewed as community asset in which dialogue should be at its highest level. The government

and mining companies should be transparent, accessible and easily understandable by citizens. The paradox is that most of the mines are seen as private property which perpetuates the exclusion of community views/voices in decision-making. The history of mining in Africa has not been fair, especially to host communities. The United Nations has realised that mining activities, if not well managed, causes extensive damage to local communities, particularly in Africa and other underdeveloped continents. The UN has thus coordinated the development of the International Mining Action Standards, which mining companies should comply with. The primary aim of the International Mining Action Standards is to protect local communities and harmonise relations. The investing companies such as mining, hydro power, alternative energy and others have abused and disregarded indigenous people over the years. Their rights have therefore been encroached (www.mineactionstandards.org/news/details/article/1412693493).

The mining action standards should have various outputs which find expression in improving the quality of humanitarian aspects, the provision of alternative land, awareness campaigns on risks involved, remedial measures and rehabilitation programmes. Many mining companies do not fully implement the standards as spelt out in the aforementioned standards, and the UN lacks competent monitoring and evaluation in this regard. Failure to implement this has led to perennial conflict between communities and mining companies.

In order to circumvent the international standards, mining companies deliberately withhold some of the education and training so that host communities should not be well informed about their rights or entitlements. The issue of community liaison is severely compromised. A case in point is the community demonstration as espoused in the North West province where community members felt that the mining company does not employ local people. Furthermore, the royalties as disbursed by mining companies do not reach the intended beneficiaries.

The Marikana massacre, has demonstrated that most of the casualties are from other provinces, particularly the Eastern Cape and afield countries such as Lesotho

and Mozambique. The community is also not well attuned about the mining clearance method which in the near future becomes a panacea for conflict. Without any doubt, the Marikana conflict has garnered enormous international attention. The conflict has illustrated that there is conflict-relationship between mining and foreign direct investment. Mines employ foreigners, especially those who are uneducated. Since they are desperate for employment they end up being under paid.

2.8 CONFLICT IN THE NIGER DELTA

According to Ojakorotu(2010), "prior to oil exploitation and exploration, the Niger Delta region had been a peaceful place with fishing and farming as the main means of livelihood of its citizens. Unfortunately, it had for long been ravaged by Europe's incursion, through slave trade as well as colonialism. However, since the advent of oil exploitation and exploration in the area, the Niger Delta region has suffered from environmental degradation and deprivation". Socio-economic standards were better in the past as there was abundance of natural resources to feed the people, particularly indigenous people.

The above bears testimony to the fact that most areas were at peace and had abundance of ability in the production of many goods before the arrival of foreign investors. Indigenous people were able to farm peacefully and above all, they were sustainable. The discovery of natural resources in Nigeria ushered in high hopes for the local people. The local people hoped that foreign companies will bring development in their areas. However, this has brought the opposite. Indigenous people have become worse off than before. The local people have witnessed their wealth being expatriated to other countries. The elite in the community have benefited more than other community members. Foreign Direct Investment, in this context, has led to the emergence of corruption. Environmental degradation has worsened the situation because it has adversarial effects on the lives of the people, as this has drastically changed the way people are living.

Ojakorotu(2010) further argues that oil has been an integral component of the Nigerian economy for many years. The greater portion of the Nigerian foreign

exchange is from oil reserves. Shell is dominating the oil industry of Nigeria's domestic oil sales. The effect of these has been severe on local farmers as these mines have had adversarial effects on the environment. This has resulted in the reduction of agricultural produce. This shows that the presence of foreign direct investment has spelt a new era for farmers. Local people were displaced to pave the way for foreign companies. It is vital to highlight that the interest of foreign companies have been fiercely protected by the Nigerian military government.

In the early 90's, tension arose between foreign oil corporations and the Niger Delta Minority Ethnic Groups. These groups felt that they were being marginalised and exploited by these oil mining companies. The conflict persisted until 2013. The scramble for the control of oil wells led to political unrest and ultimately in huge ethnic violence. To some degree, justice has not been sought because the victims feared mutiny by those who wanted to control and protect the interest of foreign companies. This is because some ethnic groups perceive themselves as rightful beneficiaries of the meagre proceeds from the mining company than other ethnic groups.

2.9 THE EFFECT OF MINING ON THE ENVIRONMENT

Smith(2009) points out that research has revealed that for a coal mine to take place, large areas of the land will be temporarily disturbed. These may include aspects such as soil erosion, dust, noise and pollution of water. Without any hesitation, these issues will adversarial affect the livelihoods of indigenous people. The implication is that wildlife and biodiversity, loss of fertile soil, pollution of air and drinking water, degradation of farmland and damage to aquatic ecosystems will be severely affected. The absence of fertile soil, indigenous groups loses their mode of survival and are faced with food shortage and thus forced to be coerced into the dependency of mining companies.

High poverty levels will force community members to fight over limited and strained resources. This confirms the fact that foreign direct investment, historically, has had either a direct or an indirect role in triggering conflict in communities. The above statement validates the assertion that in some instances, foreign companies do not comply with the set of international standards as agreed by the UN. The ultimate result will be that the health of the local population will be at a great risk. Poor health will weaken and inhibit the production ability of the local population, since they will spend most of their time trying to recuperate from ill health. The root cause of poor health, in this instance, orchestrated by the mines, creates a confrontation with the community. This has certainly affected the mode of production of the local people. It is alleged this has dismally affected the production capacity of the soil.

Amnesty International(2014) reported that the government of Nigeria and Shell Pollution in Niger delta, despite the huge public outcry. These companies, instead, invest more resources and energy in distorting facts and preaching propaganda with the intention of saving the image of Shell Company at the expense of suffering community members. In this incident, Shell did not own up to its poor administration of the infrastructure in protecting and promoting the health of communities. The focus was more in falsifying facts in order to protect the integrity of the company. Shell blamed sabotage which surely has led to conflict in the community.

The oil spills and dumping in waterways have been extensive, often poisoning drinking water and destroying vegetation. These incidents have become common due to lack of laws and enforcement measures within the existing political regime. Looking at Shell alone, though it is operating in a number of countries, 40% of its total spills has taken place in Nigeria. The absence of laws has provided an opportunity for the non-regulation of business by to foreign countries. These companies have not been able to account for the damage caused to the public. Water was contaminated to the extent that it became unhygienic.

Most multi-national companies started to be more conspicuous after the colonial period in Africa. This has been epitomised and anchored by comprehensive principles which promote and protect foreign direct investment. The powerful FDI's always sway the policy position of the host nation in order to accommodate the plans of such FDI's. This emerged as a result of the so-called Structural Adjustment Programmes. This epoch certainly marked stagnation in development, which is an embodiment of the desires of community members. The problem of most African countries has been the acceptance of FDI without the modification of the original plan, Sucha plan which can alleviate the problems of the hosting states have been amended. The challenge is that most host nations look at the short-term gains or quick wins such as employment which is also short-term. The implications of FDI in the long term are unbearable as illustrated above. FDI has proven to be developing a characteristic of externally controlled privatisation. The economic, social and political outlook will be dependent on foreign standards. Environmental degradation leads to diseases, which are currently referred to as globalised diseases. The indigenous population gets displaced as they pave the way for FDI. All these are still relevant to many African countries.

The belief that wars and other violent conflicts in the 21st century will be about natural resources is difficult to refute, given instances of cases around the world, especially in Africa (Collier and Hoeffler, 1998). The above assertion, although futuristic in nature, has proven to be true in some conflict-ridden countries. The perennial conflict in the Democratic Republic of Congo is purportedly caused by the

quest to control diamonds. In Angola, the rebels are starting to ignore the existence of the peace accord with the main intention of controlling the oil reserves.

The fact that African countries still export raw materials from their natural state is one of the dominant indicators of colonialism. The beneficiation programme of such materials takes place in developed countries and spells a bleak future for African countries, unless pro-African policies which are meant to address the challenges of African countries are developed. The norms and standards as dictated and spelt out in globalisation were set by developed countries. It is worth noting that African countries have never had a say or influence in decision-making which involves Africa. In conclusion, most African countries were led by Europeans or Africans who were loyal to the European power. Africa lacks the implementation of pro-African policies. This factor is a source for many African countries. A case in point is the Niger Delta crisis. In this area, the inhabitants have attempted to revolt against the manipulative and exploitative policies. The state, which by its nature was supposed to act as the sole protector of citizens' rights, instead intervened in favour of foreign companies, and acted despotically against the genuine and legitimate rights of the people. Dr Nkosazana-Dlamini Zuma in her address to the South African mining lekgotla, succinctly captured the challenges of the African people by declaring that "the aspirations of African people are simple: a continent with shared prosperity, where they are not paupers, while the riches are taken from the soil and bowels of the African earth, often within their own sweat, blood and effort" (The Herald, 2014).

2.10 THE INSTITUTIONALISED AGENDA TO UNDER-DEVELOPED SOUTHERN AFRICAN COUNTRIES

Southalls (2013) argues that liberation movements in the southern tip of Africa, as is the case with Africa, had almost the same objective centred on political independence, modernisation of the state and industrialisation and ownership of government by the nation in its entirety. Modernisation of the state in essence was to embrace democratic principles which signify capitalism. This was underpinned by

the principles of transparency, honesty and accountability. However, along the way, capitalist elements crept into African politics and there has been a deviation from the initial agenda. Capitalism embraces the ethos and the connotations of FDI and thus, by its nature, was never going to solve African problems, but perpetuate inequalities and a class society. This will always lead to a conflict-ridden society since inequality in this context, marks lack of access to basic services and other basic means of living.

Many phases or historical epochs have aggravated the exploitation of African countries, since each period has always guaranteed the exploitation of African minerals in the interest of foreign direct investment. All these historical phases have at the core of their economic programmes, the origin and historical perspective of globalisation in Africa. All areas explored do not illustrate that Africa will develop. A huge harm has been caused to African resources and its people. Considering the fact that this concept can be traced as far back as during slavery, with unfolding periods, today, Africa is still one of the underdeveloped continents in the world. The economies of African countries are designed in such a manner that they must benefit and sustain the economies of former colonial masters through foreign direct investment. African leaders have been made to believe that without foreign investment, their countries cannot sustain and uphold democratic principles and develop.

2.11 FOREIGN DIRECT INVESTMENT AND CONFLICT IN THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

According to Benchmarks (2009), the Southern African Development Community (SADC) hosts various mineral deposits which are used and highly sought after in the world. The mining sector in Southern Africa has been going through a massive growth period considering the rising mineral and commodity prices but is now starting to decline. Political leaders in the subcontinent are implementing a number of strategies aimed at creating a friendly investment climate conducive to exploration

and mining activities in the region. The contraction is that hostcommunities continue to endure the escalating poverty levels. It is important to highlight that Corporate Social Responsibility looks good in the reports but on the ground, the situation is highly pathetic. This is because of lack of clear monitoring facilities by statesand countries in the region do not have joint bargaining forum which will compel the mining sector to uplift the standard of living of these communities.

The Bench Marks Foundation (2013) alludes that "... the reality is that often, the profitsare kept in the hands of a few (first with families like the Oppenheimers and now with junior BEE players), the environmental damage is hidden or the responsibility denied, and the fabric of society destroyed as communities are uprooted, workers poorly paid, and health and safety risks to workers and communities increase". This shows that although mines place the host country on the global map, the advantages of mining far outweigh the disadvantages. The poorly paid labour force is reminiscent of another form of exploitation. Mining companies do not own up to the after effects of mining activities. Obviously, mining causes damage to the environment. This illustrates a flagrant ignorance of prevailing legislations, which in theory, are sufficient enough to protect host communities of mining companies.

2.12 THE EFFECT OF BOPHUTHATSWANA HOMELAND IN THE MINING SECTOR

Knight(2002) presents the forceful and painful removal of the people of Mogopa in order to pave the way for mining operations. The Bophuthatswana pseudo state played a significant role in ensuring that such communities are removed. The ushering in of democracy in South Africa led to the end of apartheid laws entrenched by minority white rule. The democratic dispensation has ultimately led to the abolition of the homeland system, which was established by the minority rule in South Africa. Nine provinces were subsequently created. The North West province was constituted from Transvaal and Cape Town provinces. Bophuthatswana was also dismantled and the greater portion of this offloaded into the North West Province.

Bophuthatswana's economy was largely boosted by subsistence farming and mining. Mine labourers were not allowed to belong to unions, since the Bophuthatswana government did not recognise labour movements. The formation of homelands did more harm than good to the lives of many communities. Bophuthatswana, like any other homeland, was strategically seen as a reservoir of cheap labour. The absence of labour movements propelled labour in the mining sector prone to exploitation by investors. Investors believed that the salaries were controlled by supply and demand, just like the prices of commodities. Wages were therefore not regulated by the Bophuthatswana "government". Without any doubt, South Africa inherited a labour force which had huge salary discrepancies and majority of them were hugely exploited.

It is also important to highlight that whites were given huge salaries and some jobs were reserved for whites on the basis of the pigmentation rather than their ability and skills. It is therefore not surprising to see that the dissatisfaction and casualties experienced in the Marikana saga are of African origin. Most of them come from former homelands, especially poor homelands which did not have mines and a hospitality industry. The paradox is that although Bophuthatswana hosted many mines, especially platinum mines, most of these mines were owned by non-residents

of this homeland. This situation has undoubtedly perpetuated the gap between the rich and the poor based solely on racial connotations. The effect can still be felt in the standards of living nowadays.

This demonstrates that just like in other countries in Africa, most countries in SADC are vulnerable to FDI. Communities in the areas are confronted with problems which inhibit non-dependent development. FDI's awkwardly disburse aid in the form of corporate social responsibility, which is often used to perpetuate exploitation. FDI's target areas which have weak mining legislation as this will enhance the profit margins of such companies. This will further enable FDI companies to avert any form of compliance as espoused by the UN resolution. The obvious results are that the rights of communities end up being severely encroached.

These conditions are adequate enough to trigger conflict in the area. The social structure of community members is such that some of them do not have any income and are thus bound to fight for resources. Some intervention must be done that will ultimately provide positive results for communities and the protection of the environment. In South Africa, as in the SADC region, the rush for investment, particularly in the resource extraction sector, often allows for the outflow of economic wealth while leaving host countries and communities impoverished. This impoverishment is seen in economic, social and environmental aspects and in people's struggles for a meaningful life and dignity.

Sometimes, foreign direct investment is so powerful to the extent that it controls and dictates the rules of the game for the host countries. It is often believed that most foreign-based firms make exorbitant profits more than what they require. This tendency creates displeasure among community members. Politics is about power and control of resources in order to consolidate political position. More often, this power is attained at the expense of the masses. Nigeria is a classic example of how the masses or indigenous people can be exploited. In most instances, the primary aim of the state to carry out its constitutional mandate is derailed and defocused.

The state tends to focus more of revenue from natural extraction and ultimately gets detached from its electoral mandate.

2.13 THE 1946 BLACK MINE WORKERS STRIKE FOR AN IMPROVED WAGE

Dundar (1986) states that around 1946, Black South African miners went on strike demanding labour working rates of 1 shilling a day. At that time, white African miner workers were paid R 848,00 a day while their black counter parts were given R70 a day. While the workers were on strike, the police force was mobilised by the state to come and defend the interest of the mines by killing scores of mine workers. Some were forcefully chased down the mineshaft through the barrel of the gun. The mineworkers who went down to the shafts countered the police by staging a sit-in underground. One can draw a similarity between the 2012 Marikana tragedy in the North West and the 1946 black African mine strike. In all these historical epochs, the governments have deployed its resources in any capacity, as might have been reasoned to suppress the strikers.

The fact is that despite the South African government crafting and passing democratically legislation change is still difficult to make since the outlook of the mines still denotes racial connotations, although the gap is not the same as in 1946.

2.14 THE RELATIONSHIP BETWEEN FOREIGN DIRECT INVESTMENT AND MARIKANA TRAGEDY

The profile of the South African mining sector has always been characterised by the exploitation of the majority of the people. These, including the exploitation of host communities and the labour force. The labour force has been underpaid and host communities are not being recognised as strategic partners. The IOL News(2012) maintains that around August 2012, in Marikana, Rustenburg, a conflict arose when miners demanded R12 500,00 as monthly salary because they argued that they were underpaid by the Lonmin company. This was looked at against the gross profit margins of the company, and the salaries of the mining bosses. A

conflict was propelled by a dispute over salary and unfortunately, led to a tragic outcome where strikers lost their lives and scores of them injured. This has stirred debates internationally and subsequently brought into question the moral conduct of mining companies in host countries. It is also important to highlight the fact that the mining sector in Rustenburg and beyond has experienced wildstrikes which have threatened total shut down of mining companies.

Furter(2012) proposes the following as factors which led to the eruption of the fatal violence in Marikana. These factors are summarily perceived as failures.

i) Health and safety management

The mining sector has been infested by a number of fatal accidents in its daily operation. This has been viewed in the light that mining companies want to maximise their profit, thereby lowering r standards. It is thus perceived that mining companies do not care about the lives and the welfare of employees, but focus only on escalating profit margins.

ii) Security Management

Although it is a compelling matter that mining companies should have security companies, it is opinionated that these security companies are used to coerce and force labour to work during marches. This is a violation of the labour rights of employees.

iii) Corporate social investment

Most community members in mining areas are worse off than the pre-mining period in their area. Indigenous people have been displaced from their place of origin. Their methods of survival have been curtailed since they had to abandon farming and other activities. As an ultimate result, this has made the person who resides in the mining sector to see aid from the mines as a pathway out of poverty. This creates dependency syndrome on mining companies since the lifespan of mines is not eternal. At some point in time, people will be left with a degraded environment that is unable to produce

agricultural crops to the fullest. The area will be dolomitic and unsuitable for residing. Both surface and underground water will be unhygienic for consumption. The displacement of indigenous people propels people to detach themselves from their origin which may include cultural aspects.

iv) Organised labour

The leaders of labour movements tend to alienate their agenda of serving the interests of workers and improving their welfare. They ultimately get bribed and always lose cases of workers against the employer. In Marikana, this perception has led to the National Union of Mines workers losing its members to AMCU.

v) Government approach

The conduct of government in partnership with the mining company has in most cases been biased. A case in point is Marikana where the matter which led to the massacre was a pure labour issue, but mistakenly resulted in political and security matters. Miners who were on strike, were viewed as a threat to the security of the country, hence the promulgation of a bill to prohibit the carrying and brandishing of traditional weapons.

The first deaths occurred on 16 August 2012. These events were merely orchestrated by workers who demanded a better salary. Unfortunately, workers' demands were blown out of proportions and distorted to the extent that its outlook was perceived to be a threat to the security of the state.

Despite the gruesome killing of scores of people in Marikana, the state was not willing to make available funds for victims of such a massacre, although this has moral implications. Hoaeane (2013) wrote an open letter in support of the rights of miners' movements, joining scores of sympathisers of miners who suffered in the tragedy. The initial refusal by the South African government to disburse funds presented the government as being on the side of mining companies. The view was that the failure of the South African

government to finance the legal costs of miners was to cover and conceal the root causes that led to the massacre.

The Mail & Guardian(2014, 06, 27) reported that Gary White, an international expert declared as follows: "My opinion is that this operation represents a serious failure of public order policing. With better preparation, planning, leadership and execution, a situation in which more than 100 SAPS [South African Police Service] members felt compelled to fire live ammunition is likely to have been avoided." These are the words he uttered when testifying at the Farlam Commission. Gary White demonstrated the inability and the incompetence of the South African government in dealing with the crisis in Marikana.

It is, however, imperative to indicate that this inability of the government could be well orchestrated and planned with the broad aim of protecting the interest of investors rather than workers. The history of labour demonstrations is characterised by a merciless hand of the police service. Many employees died in the hands of the police, even prior to the Marikana massacre. The long history of demonstrations propelled by anti-apartheid protests, could have better prepared the South African government to deal with protests.

According to Peter Alexander, Peter Lekgowa, Mmope Thapelo, Sinwell Botsang, Xezwi Luke and Bongani(2013), Marikana was in effect witnessing an undeclared state of emergency. The Police and Lonmin were on one side, and the workers on the other. The following week, a thousand troops were deployed and orders given by the police for people to stay off the streets. The above signifies the role and the position of the state, rather than being neutral and encourage fertile grounds for discussions. Instead, the state chose to be solely on the side of the mining company alleged to have underpaid workers. This phenomenon is not new to South Africa as it has also occurred in a number of African countries like Liberia and Nigeria. This ascertains the view that those who are in positions of power and

authority, are quickly made to align and be the vanguards of foreign investment. It is important to highlight that these companies are making enormous profits which end up being invested in foreign countries, rather than in host countries and communities.

From the interviews with the migrant labourers, it was evident that most of them joined the mines due to poverty and the need for a better life. Immediately they got employed, they accepted any working condition. Most of the workers in the Nkaneng settlements live in squalor conditions with no basic social amenities that would in a way, improve the lives of the workers and their immediate families. The fact is that the same poor conditions in which these people live in after working hours, triggers the poor state of health of the workers.

Mining companies invest very little in host communities, and subsequently invest nothing in areas where their workers are located. This, without any hesitation, aggravates the living conditions of their families and they will subsequently be forever trapped in poverty. It is obvious that children living such conditions will be forced to quit school and search for employment, with the hope of improving their living conditions. The first danger which confronts such workers is poor safety standards in the mines as encountered by rock drillers and other underground workers. Secondly, is the poor living condition in their dwelling area. Tuberculosis and other illnesses are widespread and this has a negative bearing in the life span of such people. This communicable disease can proliferate to other family and community members.

Despite the fact that the people do not have access to social basic amenities, it is purported that mines always have access to energy and water. It is therefore perceived that the state always prioritises the mining company in terms of provision of such services. This ultimately renders the people unpleasant and it then becomes a factor to stimulate and trigger conflict between the community and the mining company. The relationship

between mining companies and host communities has always been fragile. This is due to the fact that the benefits are extremely skewed and imbalanced. The legacy of mining companies has negative lasting effects on host communities. In the African continent, the land that is used to extract minerals was previously used as residential area or agrarian land. The introduction of mines on such lands resulted in the displacement of people. Beyond the lifespan of the mines, the land becomes unproductive and consequently, famine and hunger become the order of the day. Residents therefore have to rely on hand-outs for their survival.

Peter Alexander, Peter Lekgowa, MmopeThapelo, SinwellBotsang, Xezwi Luke andBonganai(2013) argue that "in South Africa, a typical working day lasts eight hours, but Lonmin workers we spoke to said they could not "knock off" until they had reached their target, which often meant working 12 hours". This pragmatically, translates into gross violation of the South African labour laws. Hefty fines which may be imposed on such a big company have little to deter this behaviour. However, it is vital to highlight that the same behaviour heightens displeasure on the working community. This may in the long run, backfire and raise conflict between the employer and the employee. The salary issue, as it happened during the Marikana unrest, is likely to cause conflict. The government, as the custodian of its citizens' rights, has not been vigilant and effective in protecting and curbing abuse by mining companies from encroaching legislation.

According to the South African Survey (2000-2001),the then minister of Mineral Resources and Energy, Phumzile Mlambo-Ngcuka noted that "the 21st century Africa is not going to allow a white mining industry to exist, period". This further demonstrates that despite repressive laws of segregation, the pre-democratic dispensation is still in place and intact. Transformation is still a pariah in the South African societal strata.

Accordingly, the legislative framework has been flawed on a number of occasions. Labour laws in South Africa dictate that a typical working day lasts eight hours. More often than not, the salary of workers is not commensurate with the long working hours. Lonmin Company is a multinational corporation, and when one looks at the salaries given to Lonmin workers, in other countries such as Australia, such salaries are far beyond the wages given to Africans. This attests to the fact that wage is a factor that propagates conflict. When one looks at the current global wages in the auspices of Lonmin, it is likely to continue causing conflict within the mining sector. Despite workers being subjected to long hours, the mine chose to neglect bonuses. This is, without doubt, a gross violation of labour rights which occurred under the watchful eye of government institutions. This has led to a lot of dissatisfaction and protest has become inevitable.

The National Union of Mineworkers, being the oldest labour union in Lonmin, was seen as not advancing the interest of workers, and was therefore perceived to be taking bribes from the employer. This view escalated discomfort in the relationship of this union with its members. Lonmin mining company cannot be exonerated from the shaky relationship between the union and its constituents. This is due to the fact that the company was perceived to be bribing leaders or influential people who represent the workforce ultimately weakening the bargaining power of the workforce.

From observation, race has appeared to be a salient feature among strikers in Lonmin. It can therefore be concluded that jobs, to a greater extent, are still allocated according to colour. People who were brutally massacred by the police during the tragedy were all Africans. No other racial group was identified except Africans. In South Africa and within its historical context, this obviously will do more harm than good to the country. This may lead citizens to believe that segregation is still prominent in the mining sector. Low wage jobs are for Africans, as has always been the case in the past, and better paying jobs are for other races.

2.15 THEORETICAL FRAMEWORK

Proponents of international relations have advanced various theories in the field of Foreign Direct Investment and conflict in the global village. These theories are seamless towards underdeveloped countries with most of them endowed with mineral resources. The dominating factor in most of these countries that have plenty of mineral resources and yet are overwhelmed by abject poverty include deep rooted social ills and highly imbalanced economic scale. Such imbalances perpetuate the concept of resource curse in the country. Consequently, some authors have developed a theory about this phenomenon and refer to it as the resource curse.

2.15.1 Centralised political economy models of the resource curse

The centrality of the resource curse is heavily embedded in the political leadership of countries where such concept is experienced. The desire and efforts most of the time of such leaders and politicians are for self-enrichment.

Ivar Kolstad and Arne Wiig (2014) argue that the more the revenue of naturally endowed countries, the more multiple effects it has on such countries. One of the effects is that, politicians who lead a country endowed with mineral resources tend to prolong their stay in power because governance issues are not addressed. When their term of offices comes to end, they are usually unwilling to leave power because they have provided mining licences to such big companies. These companies feel morally and financially compelled to support such leaders. Revenue obtained from the companies serves as an incentive and motivation to remain in power for a long time. The second effect is that it propels others to take power and be in control. Most of countries in Africa with rich mineral resources have relative stability. Countries such as Angola, Liberia and the Democratic Republic of Congo are good examples of countries which do not have political and social stability which could be compounded into poor governance issues. These

countries are infested with rebel groups who are desperate to take control of the country.

The government tends to use the revenue in order to solidify its stay in power, by increasing spending in military ammunition and salaries. It then becomes obvious that the community will not benefit from such revenues. The government may also spend more money to garner political support in order to stay longer in power. Political campaigns are very expensive. Under normal circumstances, it will be too difficult to democratically oust a ruling party. Some of political opponents tend to seize control of natural resources in order to bolster their chances of winning power. Under such circumstances, favouritism becomes the order of the day in allocating jobs rather than employing skilled personnel. The ultimate outcome is usually less development and economic growth for such countries hence the resource curse.

In this entire horizon, politicians tend to benefit more and more. In Africa, these politicians usually amass a lot of wealth during their stay in power than in their entire lifespan. Jobs for friends become rampant and this erodes the spirit of democratic governance. They also make sure that their successors are their allies in order to protect and cover their immoral actions. Service delivery, as compelled by various state legislation favours the few in a society.

It is significant that a country should not direct its resources to one commodity. This is harmful to other sectors of the economy as it could propel the economy into diversification. In other words, these models predict that a country can experience either negative or positive developmental effects, arising from dominating mineral resources. A resource curse in other words, is neither guaranteed nor inevitable. The policy perspective or point of view of a country which has plenty resources can do extremely well if it uses its resources as a bargaining tool and have a well responsive and nation based needs resource management programme. A case in point is Botswana where

natural resources have not created few billionaires whereas the majority is languishing in abject poverty. Botswana has used its resources to quell unfavourable conditions from foreign investors. It is important to highlight that most foreign-based companies dictate their terms to host countries; hence the policies and programmes of such countries do not benefit the majority of citizens. Botswana has been able to provide quality education to all who have access to it and is also able to send its youth to various institutions of higher learning (Chasca Twyman, 2000).

It is imperative to highlight that FDI lean towards the conditions as espoused in the Structural Adjustment Programmes (SAPs). These policies advocate for reduced spending on social programmes and increased spending in production which will ultimately lead to the exportation of goods and services. This will subsequently increase foreign exchange earnings. It is hoped that if the private sector plays a bigger role in the economy, more jobs will be created and development aspects will trickle down to most needy community members.

Most of governments in Africa have had a bad experience about resources extracted by foreign-based companies. This has thus eroded core elements of the rule of law, democratic principles and ethos. The government can turn into supporting the interests of a powerful group at the expense of a weaker populace. The vexing factor may be if the weaker group is in the majority. This situation is a recipe for conflict and disharmony. It may certainly lead to conflict because earnings from natural resources are used to benefit a few people. In some cases, those who are in power can manipulate the control of mineral resources in order to prolong their stay in power. If it is during a campaign, they may bolster their chances of winning the elections.

Foreign Direct Investment became more dominant and prominent after the Second World War. However, it is vital to carefully study and observe the character of the economic agents. To the host country, FDI carries a

character of bringing solutions to the socio-economic problems of the host nation, rather than the mother country or the investing company. Under normal circumstances, FDI will inspire investment in an environment which is peaceful and free from violent conflict

It is vital to first look into the factors that compel an economic agent to invest abroad or in a foreign country before looking at the benefits attached to export gains which would increase the revenue base of the host nation. Other gains to the host nation could be job creation and the introduction of new technology to the host country.

It is an undisputable fact that foreign-based firms are bringing new technology from the mother country. This is essential to the host nation to empower local firms and creates new pathways in conducting business. These technological spill overs are essential for benchmarking by local firms and society. The key issue is that FDI in most cases leaves the area only when the natural resources have been depleted. This therefore illustrates that positive effects are fewer than the gains.

The outlook of the FDI programme, if thoroughly analysed and scrutinised, may give a hint if such a programme will have positive effects or not. The outlook or the nature of FDI or key drivers for FDI to take place may decide whether investment would bring more harm than good to host communities. However, in Africa, sectors such as mining wherein reliance is more on natural resources than other resources have brought more harm to the continent. This can be attested by the fact that the positive effects of FDI in the agriculture and mining sector are limited. This is due to the fact that, the environment is left degraded and in a poor state. This may warrant years of recovery before the environment comes to its original state.

It is apparent that multi-national corporations are attracted by the opportunities to economically prosper and make enormous profits. This may

imply that the local investors' models or approaches have failed to stimulate economic growth which is tantamount to foreign investors. In summary, this leads to failure on the part of local economic agents and gives foreign economic agents leverage and a better outlook. It is vital to highlight that foreign investors consider resources in the form of their superior technology and knowledge will give them the opportunity to obtain marketshare. Through modern technology, they are able to market their products afar and benchmark the quality of their products with the best in the world market. This is driven by the quest to be competitive over others.

2.15.2 Resource curse theory

It is vital to indicate that the resource curse concept had existed for some time before being officially used. The view that natural resources can be more of a curse started to gain dominance around the 1980s. The contradiction to this view is that many people use resource indicators as a symbol of wealth.

It is through a paper by Sachs, Jeffrey D. and Andrew M. Warner (1999) that they thoroughly analysed countries that have abundance of natural resources unable to use this to their optimum benefit. These countries tend to have less economic growth than countries without plenty of natural resources. The leaders and the government tend to focus more on available resources and this causes commotion and competition on available resources. Angola has a lot of oil reserves, but its economy is not able to support the majority of the people, instead, it has brought conflict to the country. The result is a decline in other sectors since focus is not provided to such sectors. Sometimes, citizens are too submissive to government leaders who squander these resources for their benefit or allow themselves to be owned and used by foreigners. However, the fundamental problem which engulfs most of resource-based countries is lack of a resource management strategy and plan.

Competition to control and manipulate available natural resources is a capable stimulant to trigger internal strife within a country. This conflict is driven by the fact that interested groupings aspire to control the resources. The struggle for control over resources may lead to conflict within a country. Due to international agreements and declarations, this may result in international war or conflict. Iraq's oil reserves is a classic example.

Rachel Cemansky argues that revenues acquired from mineral resources can fundamentally serve as a source of conflict and subsequently prolong the conflict. Those who are in control of resources may use profits from the revenue to enrich themselves, or serve their subjective interests. If this revenue is not used to serve the broader population, it may coerce anger and conflict in the society. It is important to indicate that this view is not casting as since in some of the areas, the revenue has done well to uplift the standard of living of many people. In South Africa, the government has done well in terms of social interventions including the building of houses, schools and the school nutrition programme. Partly, money used to build and sustain such projects is usually acquired from mining companies. It is; however, worth nothing that in some African countries, mismanagement of resources prolongs conflict.

2.15.3 Oligopoly theory of advantage

According to Dixit (1992), Foreign Direct Investment is explained by the oligopoly theory of advantage. Trade firms have a characteristic of inter-sequential decisions. The oligopolistic big firms tend to dominate in the global market. The dominance of key firms is often made easy by the following factors:

The primary aim of big firms, undeniably, is to make huge profits. It is therefore vital that these firms protect their space and in so doing, prevent other emerging possible competitors by creating tough barriers. The growth of such firms will ultimately determine their size. The thrust of this theory mainly describes the behaviour of big firms, which is more of defending

its territory rather than providing a space that will enable the growth of new entrants. These multinationals tend to seek monopoly of the industry at all cost. However, it is imperative to highlight that this monopoly by big firms, in the long run, will create a class society full of inequalities. The other part of the society has abundant resources with aspiring firms that intend to enter into the market. Logically, small firms may embark in a struggle to eliminate barriers. The likelihood is that the barriers created by big firms may raise conflicting efforts and instability.

2.15.4 Superior knowledge

The superior knowledge factor encompasses various intellectual skills. Since these firms are internationally based and have footprints worldwide, they possess advanced technology which can assist foreign based firms to maximise their production and subsequently, their profit margins. This approach has severe adverse impacts on the resources of the host community. Employment is an obvious and immediate benefit to the host community. Although in most instances the employment provided to such communities is not skilled, it ultimately finds expression or translates into cheap labour.

The advanced technology possessed by foreign firm leads into production of quality products. If a locally based firm is not able to produce to the standard of a foreign based firm, its product may be classified as being inferior product which may reduce its need in the market. This can drastically reduce the profits of a local firm and in the worst cases; a local firm may shut down. In the long run when the resources in an invested area are depleted, such technology may be obsolete and irrelevant.

2.15.5 Eclectic theory

According to Dunning (1980), (founder of the eclectic theory), the theory is deemed to be all inclusive. Dunning's analytic approach for FDI concludes on some of the variables listed below:

i) Country-specific

Country-specific factors lure foreign direct investment and perfectly suit the conditions for FDI.

ii) The geographical environment

The geographic environment for investment is important. There must be an opportunity for growth for the foreign-based firm. The most attractive geography is where there are required resources and underdevelopment. These geographical factors may allow space for growth and reduce growth opportunities for other firms. Geographical indicators may reduce transport costs, which certainly will have a bearing on operational costs. Factors to be considered may relate to availability of raw materials relevant to the commodities or production materials of an investing firm. This will imply that on hindsight, the environment under the geo-space of a hosting country will be adversely affected. Although such a firm is likely to prosper under such conditions, facts have revealed that the geographical space is not well taken care of since there is poor adherence to applicable legislation, especially sector specific legislation.

2.16 The Government's regulatory framework

Foreign-based firms carefully scrutinise government's regulatory framework within an area of interest of such a firm. If conducive to such a firm, then investment will originate. This is always a factor because in South Africa, firms have been complaining that the regulatory framework favours labour force and labour movements, and thus fuel a perception that may discourage investment. The prolonged strike in Marikana in which AMCU members were

asking for R12,500 at entry level for mine workers, demonstrated the power which workers wield. This as a result may compel mining companies to explore the latest technology which may ultimately reduce labour force with applicable technology.

i) Taxation and fiscal policy

The primary factor for foreign-based firms is maximum profit. If taxes are high, profits will be curtailed and the chances of investing in such a country will be seriously reduced. The tax is looked against the profit, and high tax may encourage tax evasion and partial declaration of profits.

ii) Production and transportation costs

The operation costs variable is an issue which the investing company looks at against the expected profit. If production costs are low, this will encourage more foreign direct investment within the host country and the longer they will stay in the country. However, it is important to highlight that this variable should not be viewed as an independent variable as other factors may have an influence on investment. The problem is that these firms, which by nature are capitalistic, reduce their production costs at the expense of the labour force. South Africa's history of oppressive laws provides an opportunity for investment.

iii) Research and development advantages

A feasibility study/research will reveal the advantages and disadvantages which could be captured under strengths, weaknesses, opportunities and threats (SWOT) analysis. If the strengths and opportunities far outweigh the weaknesses and the threats, the implication is that it is advantageous to invest in the identified country.

Through feasibility study, a targeted host country may be persuaded to relax certain conditions which may stifle financial growth of the investing country.

These may document the manner in which the host country is amendable to accommodate the conditions and elements which will make such firm to prosper. Also, the character of the labour force may be included because if there are strong labour unions, the firm is likely to be held ransom due to unprecedented labour strikes.

The company-specific paradigm relates to ownership and managerial variables:

iv) Managerial effectiveness

The quality, effectiveness and efficiency of management is an important variable to propel a company to success. In so doing, the foreign-based company is likely to come along with managers from its country of origin. The foreign-based company uses the "creation of employment for the local people" as a yard stick to be allowed to invest the area.

It is worth noting that local people are only provided with low ranking jobs. For example, the strike in Lonmin, Marikana was led and followed exclusively by Africans despite the fact that it is a multinational company. During the massacre, only Africans lost their lives. This justifies the fact that well-paid jobs are provided only to whites and other races. Little is done to empower local people to aspire or secure well-paid jobs. This approach creates disharmony among races and the perception that the colour of person's skin still dictates which job to hold or aspire for.

v) Structure

Decisions are taken and endorsed by the highest structure in the company. Logically, these decisions will be in favour of the interests of those who will enhance growth in the company and may be at the expense of host communities. This is aggravated by the fact that local people or officials working for a foreign-based company are always included at the lower echelons of the structure due to lack or poor knowledge in terms of profits and the direction of the company.

vi) Product processing or beneficiation

In South Africa, most raw materials are exported to developed countries for beneficiation. The process of investment or production of goods is deliberately fragmented. This is to deprive local people from taking over as they will not know the entire value chain system.

vii) Technology advantages

The technology brought along with investment is used as a bargaining tool by an investing company. Foreign-based firms always purport that the technology they bring to the host community is part of development. They claim that it capacitates the locals on how to use technology but the same technology is more if not holistically, for the benefit of the investor.

2.17 Production cycle theory

The origin of this theory dates as far back as 1966 (Vernon, 1979). It perceives a product's life cycle and FDI. It argues that FDI can be recognised at the maturity stage and afterwards, it would decline. On the other hand, it purports that a company sets up a production facility in its mother country in which it will add variables. These variables add value and standardise that particular product and then establish a plant in the host country in which that product is intended to be consumed. However, one could be correct because most FDI in this instance are usually from developed countries. Though they come under the guise that they are bringing development and jobs, which are critical and highly required in underdeveloped countries, the fact is that this theory appears to bring a solution and remedial measure to FDI since the markets of the mother country are now saturated.

When such product is at the stage of being manufactured in the host country, when it comes back to the mother country of the FDI Company, it then

becomes an import to such a country. It is vital to indicate that in the case of African countries, there is less beneficiation which ensures that a finished product is imported by the mother country. As such, the host country's gains are limited or very little. Although technology is cost effective, to produce more in a short space of time, on the other hand, hampers optimal job creation. This perpetuates class society and becomes a fertile ground for conflict between the haves and the have not.

A product innovation takes place whereby a new product is designed and launched by an investing company. This theory fails to state that product design is made and influenced to satisfy the desire and the standard of super-rich consumers. Most of this class is based in developed countries where unfortunately, most of the raw materials are neither mined nor extracted. In terms of time horizon, most of this started after WWII. Since this product is designed to satisfy a particular class in a society, the lower class will associate the product with the rich, and wish they could afford such product.

By virtue of the high standards of its design, this product will attract many people and have political ramifications. In the context of underdeveloped states, political leaders may see a particular product as a tool to elevate their political standing, since it is viewed as an international product. It is certain that the product will come to the host country with a huge price. E.G. Mining has brought labour exploitation, air pollution, disease, population displacement and water contamination, whereas the mother countries of the mining countries receive a lot of benefit since profit from such companies is invested in their mother countries.

This approach may to some extent, expand the revenue base of the host country. This is a desirable stage for political leaders who are in control of the government to have more resources to implement government programmes. The envisaged gain to the host country will be technological advantages. However, as to whether the technology brought to the host country is a gain

or not, will depend on the nature of investment and the technology brought to that country. A host country may have a high rate of illiteracy and subsequently, the levels of unemployment will also be high. The technology brought to the host country may be irrelevant and lead to job shedding. As a result, this technology would no longer be an advantage but remain a disadvantage.

The first stage of the production cycle accorded foreign-based firms with an opportunity to always be above other competitors in terms of technological acquisition. This serves as an enabler for the standardisation of their products. The challenge may be that other firms may emulate such technology. However, in a modern world, this may be a challenge of the past since international laws provide and protect patent rights. If a local firm has copied the technology acquired by a foreign firm, this may raise the competition bar.

2.18 The internalisation theory

Peter J. Buckley and Mark C. Casson (2002) maintain that this is one of the oldest theories that has evolved with time. This theory looks into the growth of MNCs and the factors which compel these FDI's to invest across the borders of their mother country. The origin of this theory can be traced as far back as 1937 and was formulated and pioneered by Coase around 1937. This shows that even before the outbreak of WWII, some countries had already started to venture in trade across borders. The theory was launched at the international level in which he based his argument solely on two main determinants. He was in favour of the removal of competition. His argument was that other firms have a high level of competition or are highly competitive in some activities. However, economically, in a modern world, healthy competition is always good for prosperity since other competitors may aspire to improve the quality of their products and services in order to match other good products.

However, competition is more prominent in a capitalist environment and may result in a class society. The principle could be that the rich become richer and the poor become poorer. The super-rich will be at the apex of the pyramid while the majority will languish and be trapped in poverty. The ultimate result will be famine and starvation. This may lead to greater dissatisfaction by many people. The majority of the people who are trapped in poverty will be forced by the circumstances to work for the few who own the means of production.

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CHAPTER THREE

3.1 DATA PRESENTATION AND FINDINGS

A qualitative approach was used to study and analyse various literature pertaining to Marikana and other host countries. Secondary data was utilised to establish the body of knowledge. The existing body of knowledge was analysed and described in the context of the problem statement and the research objectives. The findings are presented in order to provide a perspective in relation to the research question.

3.1.1 Research findings

In an attempt to answer the research question, it was discovered that the North West Province, despite its abundance in minerals, poverty levels are still very high, especially in mining communities. This therefore suggests that the prevalence of mining operations in a particular host community causes the emergence of poverty in such a community and results in potential conflict since the majority of people lack access to basic services such as water and electricity.

The mining sector is one of the strong areas which boost the economy of the North West province. However, it is worth mentioning that in the same vein, the structure of the mines in the context of South Africa creates, perpetuates and widens the gap between the rich and poor, mine owners and the workers, subsequently, those who are on the losing side are the poor and labourers and this class finds itself entangled within the poverty cycle. This situation contributes to the dissatisfaction of the impoverished component of the community.

The inception of Foreign Direct Investment Companies in a host community leads to a change of the lifestyle patterns of the host community. In most instances, there is deviation from the agrarian mode of living to employment patterns. Poverty levels have escalated in host communities post inception of investors in such communities. This is due to a disturbance of the traditional way of living, with the hope that an investing company will create jobs for the local people. In most cases, local people are employed in low paying jobs due to the myth that they do not possess the

necessary skills. The levels of positions within the mining sector are still based on skin colour. This is evident in the complexion of Lonmin miners who demanded wage increases. Most of the workers were Africans, whereas South Africa has been a democracy for the past 20 years.

The South African mining sector is predominantly controlled by the multinational companies with their own set of conditions. This sector has further created few superrich under the auspices of the Black Economic Empowerment. This makes it difficult for the South African government to intervene when there is a problem since such intervention will be perceived as interfering in the affairs of private business. The government has little to do when job shedding takes place in pursuit of maximising the profit of such companies.

The former homeland or Bantustan system perpetuated and entrenched the exploitation of black people. The Bophuthatswana government had little or nothing to do in changing the oppressive laws, especially based on the colour of the skin. Most of the private sector which operated in Bophuthatswana served as a safe haven for those who were pro-segregation. The barring of labour movements by the Bophuthatswana government aggravated the exploitation of mine workers and inequalities.

Conflict is susceptible in communities with mining operations than in those without such operations. This has been recurrent in most villages that host mining activities in the North West province. It is very apparent that there are poor civil organisations and Non-Governmental Organisations that serve as custodians of the rights of communities hosting the mines. This makes most host communities to be the great losers since none of the organisation look at the interests of community members.

The transition from a non democratic to a democratic South Africa has delayed conformity regulatory frameworks in the mining sector. Most mines have abdicated their social responsibilities toward host communities and little has been done to make good progress at the implementation level. This is aggravated by the fact

that most communities are not viewed as partners but as irritants. This widens the gap between host communities and mining companies.

Mining companies have access to water and energy services. Most of these services are constitutionally defined as basic services. The contradiction is that the same services which mining companies have access to everyday, most host communities struggle for such services. In some instances, mining companies do not comply with rehabilitation programmes which create unsafe environments. This attracts illegal mining and in some instances, result in casualties and the emergence of the illegal trade of precious metals.

The interests of host communities are ill considered because poverty is high in such areas. For example, the Nkaneng informal settlement in Rustenburg. It is a fact that Lonmin has been operating in the area for a long time but very little can be shown by this mining company as a good gesture in favour of residents of this settlement.

Some mining companies, such as Lonmin, sets daily production targets which tactfully enforce mine workers to work long hours without overtime payments. Racial connotations are still rife in the mining sector, especially when one looks at employment levels. Africans are still considered as inferior with low paying jobs while their white counterparts are provided with better paying jobs.

Foreign-based firms have varying salary wages for the same jobs aligned to countries. African countries are victims of low salaries than other countries. Foreign direct investment leads to population displacement which translates into cultural break down of some populations. The host community may be forced to give way to mining activities. This will result in the dependency syndrome by affected communities as they are now compelled to rely on hand-outs from mining companies. The traditional way of surviving by the host community is enormously affected by the introduction of mining activities. For example, agricultural land may be converted into mining land. There is too much in-migration into the mining area. This may lead to an increase of social ills such as HIV and AIDS, TB and

crime. Poverty escalates in mining areas. There is poor adherence to International Mining Action Standards and legislation governing mining and there is promotion of elitism or class society, where only the few, who are influential, are the main beneficiaries.

CHAPTER FOUR

4.1 RECOMMENDATIONS

The discovery of raw natural resources brings new mining activities. The findings of this research project reveal atrocious incidents suffered by host communities, especially in the North West province.

It is therefore recommended that:

There should be broad consultation with all stakeholders including affected communities at the inception of a mine. A clear consensus should be reached between all role players or stakeholders. This means that the playing field should be levelled. Community members should be adequately informed about the processes of the mining company with the primary purpose to forge a common understanding.

The outcomes of the Environmental Impact Assessment should be able to address areas of concerns in order to curb the socio-economic challenges and subsequently, address all expected social anomalies. All issues that affect the community should be properly addressed and parties should always strive to reach a consensus. It is always important to take into consideration the economic aspects of affected community members. Where possible, their economic ways of living should not be disturbed. The element of economic advancement should at all cost, averts and minimise the dependency syndrome of affected community members.

The government, as the vanguard of the rights of its citizenry, should always protect its population against any form of exploitation by mining companies. The government should encourage and advocate the establishment of NGO's, specifically dedicated towards mining issues in each hosting community. Appropriate monitoring and evaluation measures should be put in place to curb any anomaly against any stakeholder, be it the host community or the mining company.

As a developing country, South Africa with its policy Black Economic Empowerment, should concert efforts in order to achieve its empowerment goals, rather than be overly receptive to the conditions attached by mining companies.

The country should speed up the implementation of mineral beneficiation strategy/plan in order to optimise job opportunities and benefits. The coordination and management of mining activities should be expanded to the province and at the local level in order to improve monitoring and evaluation as well as enforce rehabilitation programmes by mines.

Joint efforts between the government and mining companies are required for the provision of basic services such as houses, water, sanitation and education to areas around the vicinity of mines. Water used by mines could be recycled and purified for human beings. It is also vital that in-migration be adequately managed in order to ensure that it does not create unnecessary burden on the already ailing economy and basic services.

4.2 CONCLUSION

South Africa is endowed with various mineral resources which play an integral part of the country's economy. It is a fact that the lifespan of the minerals is limited. However, it is important to note that some of these minerals will outlive today's generation. It is therefore important for the government to develop a concrete plan that seeks to properly manage these mineral resources in order to optimally boost the economy of the country and the region. The government needs to monitor compliance by mines of all regulatory frameworks which should include equity ownership in terms racial balance. The provincial and local sphere of government should be legislatively empowered to address the socio-economic challenges caused by the mines, because most of these mines operate within their vicinity.