

Structured Inequality: Historical Realities of the Post-Apartheid Economy

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With the advent of the twentieth anniversary of the democratic elections in South Africa, it is useful to examine the most crucial and certainly one of the most controversial areas of change: the South African economy. The historic wealth of South Africa, making it the second largest economy on the continent, was based on enormous mineral wealth combined with a racially discriminatory legal system that resulted in an abundant disenfranchised and poorly paid workforce.¹ In this manner, huge profits were generated for a very few. While the apartheid economy suffered from a very small internal consumer market, and increasingly from external censure and withdrawal, it still functioned successfully for the extremely small, privileged white community that reaped the benefits of the country's wealth. Has it continued to be successful with an entirely different agenda of equality?

South Africa has fully joined the international community and has been transformed in countless ways. All residents of the country now enjoy the full rights of citizenship; they are free to move about the country, and to engage in business and economic pursuits. South Africa has been welcomed into international business circles and freely trades with all nations. South Africa was asked to join the BRICS group (Brazil, Russia, India, China, and South Africa) of developing economies, and is the only country in Africa to be ranked among the top fifteen emerging economies worldwide. The very size of the economy has expanded by 438%, from \$80 billion to \$350 billion, and per capita GDP has increased by 90%.² Any visitor to the country's urban centers will be astounded not only by the growth of the population, but also by the expansion of commerce. Apparently the end of apartheid was great for business in a general sense, but has that change benefitted most South Africans?

In reality, the economy has not changed much for many. South Africa today suffers with the most unequal income

distribution in the world. Most significantly, and least surprisingly, this inequality remains based on race. Eighty-five percent of Africans remain poor, while 87% of whites are in the middle and upper income brackets. Since 1993, the percentage of whites in the highest income levels has increased from 8% to 20%. At the same time, the percentage of blacks in the middle class has increased from 7% to 14%, with only 1% of blacks reaching the very highest income levels.³ And despite the explosion of business activity, unemployment rates remain shockingly high: officially over 25%, but 36.1% under an expanded definition. Again, these numbers differ sharply between black and white—nearly 30% of Africans are unemployed, compared with approximately 5% of whites.⁴ It is fair to say that these numbers correlate most strongly with educational levels and cannot be interpreted as a continuation of the sort of overt and institutionalized racism of the past. In fact, Black Economic Empowerment (BEE) programs have aggressively worked, with some success, to place more historically disadvantaged South Africans into business and government and are responsible, in conjunction with expanded social grants, for the improvement in poverty and income statistics for Africans.⁵ Nevertheless, Africans still suffer from poverty, inequality, and unemployment on scales not unlike their condition under apartheid.

A lack of economic opportunities—especially in terms of employment—is the root of the problem for Africans. It is widely acknowledged that mediocre job creation, especially in the manufacturing sector, plays a major role in this situation. The purpose of this paper is to offer a historical perspective on the embedded economic structures that continue to replicate these inequalities, specifically with regard to industrialization and manufacturing, and then to examine the impact of government policy changes over the past twenty years that have exacerbated some of the limitations of the country's economic progress. Apartheid institutions that underpinned wealth and employment for the white population have not expanded to perform the same service for the entire country. In the absence of the direct government interventions so prevalent under apartheid, the new government has allowed the private sector to take the lead on economic and industrial development. The result has been increased generation of wealth without an attendant increase in industrialization or jobs. Rather

than put the wealth of the country to work to create new industries and jobs, private capital has instead replicated many of the dynamics of the past.

Partnerships of State and Private Capital

When Nelson Mandela became president of South Africa in 1994, the apartheid policies of the past were swept away, and the practices of the former government that were so harmful to the country were ended. Without the intervention of a state bent on racial discrimination and limited privileges, the door was open to allow everyone to excel. But apartheid left a structure of inequality that did not simply evaporate and remains largely intact to the present.

The economic structure that was inherited by the Mandela government was the outcome of intentional government policies dating back hundreds of years and backed by extreme state force and violence. Since 1652, this region was ruled for the advantage of a few at the expense of many. This arrangement relied on many government actions over 350 years, including the land dispossession of over 80% of the population.⁶ It was also characterized by government support for business enterprises through limited taxation, infrastructure support, and guaranteed input costs. The bulk of the country's most profitable products have always been exported, whether wool or gold, making the government in turn reliant on those industries and thus willing to continue beneficial supports to insure their continued profitability. And most importantly, successive governments pursued a very limited goal that allowed for such extravagant support to business. Economic activity was meant to benefit only a very small group of South Africans, those of European descent, who represented less than 15% of the population. South Africa's economy was structured so that revenue generated by industry was split between the local white population and overseas investors with very little left over for the African majority.⁷

One of the most direct links between the government and industry has been the state-owned enterprises (SOEs) that are run through the government but supply services to private enterprise.⁸ The operation of these organizations most clearly reveals the relationship between the interests of the state and those of capital.

Viewed through an historical lens, the policies and operations of the SOEs have shifted according to the political imperatives of the day. They have been used as sources of employment for politically important groups, as low-cost suppliers of inputs for industry, and as financiers for new technologies. Overall, they have been used to promote capital accumulation in the private sector, and especially in those industries associated with mineral extraction and energy production. Often accused of inefficiency and corruption, the SOEs have in fact facilitated great profits for the private sector. Has their role changed in post-apartheid South Africa?

For the purposes of understanding the contemporary situations of the state corporations, it is important to be aware of their beginnings. The first state corporations were established in the interwar period, replacing existing private companies that provided goods and services for a hefty profit. The early state corporations helped create and support additional industries that were tied to the mining industry but that could also provide jobs for the white minority. The relationships between these early state enterprises and private capital were very close, and usually favored the interests of private capital.

In the case of the first state corporation, the Electricity Supply Commission (Eskom), the state took over the operations of a private company, expanded electricity for the mines at a cost to the state, and thereby insured greater mineral production, profits, and ultimately tax revenue for South Africa. While a private company, the Victoria Falls Power Company (VFPC), held contracts to supply the mining industry, Eskom was established in 1923, partially to supply electricity for the state-owned railways. By 1946, the mines correctly suspected that the VFPC was overcharging them for power, and the mining giant Anglo American provided Eskom with the majority of the funds to buy out the VFPC and become the sole electricity supplier on the Rand. At the same time, Anglo American was Eskom's major supplier of coal, and the two companies worked together to turn cheap coal into cheap electricity.⁹ Eskom provided cheap electricity to its major coal supplier.

By 1960, Eskom supplied electricity primarily to the mines and railways via a national grid, with power stations in the eastern Transvaal near the Anglo American coal mines. Taken together, mining and industry accounted for 71% of all Eskom sales in 1960,

and these figures do not account for Eskom electricity sold by municipalities to industries, especially to the state-owned steel plant in Pretoria. Furthermore, these sales were made primarily to two customers: the Anglo American Corporation, Eskom's partner and the largest mining company in the country, and another state corporation, the South African Iron and Steel Corporation (IsCOR) and its subsidiaries, which made up the bulk of the South African engineering industry. It was clear that electricity generated with coal from the mining industry would be returned primarily to that industry and any that served the mines rather than to the broad population.¹⁰

In a similar manner, the steel industry was established with the needs of private industries in mind. The new steel company, IsCOR, was especially ready not only to provide steel to the mines but to encourage, promote, and even fund subsidiary companies to manufacture steel products from its raw steel. The chairman of IsCOR as well as Eskom, H. J. van der Bijl, outlined the company's approach in 1934:

[We will] confine our efforts, as far as practicable, to the production of primary steel products. . . . believing that where opportunity offers for the development of subsidiary industries private enterprises will not fail to seize it. We are of the opinion that the best results will be obtained by working amicably together with subsidiary and cognate industries and by encouraging the establishment of further subsidiary industries. It will certainly redound more to the benefit of the Steel Corporation if our efforts are directed towards assisting capital which has been invested in such industries to earn more and so to encourage further development.¹¹

True to his word, van der Bijl as chairman of IsCOR sought out private engineering firms, competitors, and customers and formed numerous joint ventures and subsidiaries, selling them IsCOR steel at close to cost. And for IsCOR, costs were partially contained by substantial vertical ownership of iron ore and coal mines to supply production, and marketing and sales partnerships with private subsidiaries.¹² In 1945, Anglo American became a partner to a second state-owned company through the acquisition of IsCOR's primary

coal supplier, the African and European Investment Corporation, thereby cementing the relationship with the mining industry.¹³

The early state corporations conformed to a very specific structure focused on capital-intensive industries dependent on advanced technology and a split labor force of highly skilled technicians and minimally skilled workers. This was the structure that worked well for the mines. But could this formula work for industries that did not work with the mining industries, especially those producing consumer goods? During World War II, South African industries began to develop in these directions, producing goods and clothing both for the troops and as import substitutes. Following the war and through yet another state corporation, the Industrial Development Corporation (IDC), the state tried to promote the local manufacture of some consumer goods, especially textiles, wool, and paper goods. Although the factories were placed near the "Native Reserves" so that they could use disenfranchised workers, and in most respects they followed the structures used at other state corporations, these enterprises failed. They faced competition from foreign goods and private capital as had Eskom and Iscor, but they lacked access to the primary centers of capital accumulation in the mining industries. As the chairman of Anglo American said at the time:

Far, therefore, from secondary industry offering an alternative to take the place of mining in our economy, the fact is that the prosperity of gold mining and the other primary exporting industries is a prerequisite and a condition of our industrial development. . . Manufacturing industry will only be able to serve as a substitute for the wasting asset of our mining industry if it is able to increase substantially its contribution to our export trade.¹⁴

No matter how much state support was provided, industries could not succeed in South Africa without a direct link to the center of capital accumulation, the mining industry.

Another IDC-sponsored state corporation, the South African Coal, Oil, and Gas Corporation (Sasol), proved the point. Established at the same time as the failed textile and paper operations, Sasol has achieved astounding success. Its operations were based on technology developed by the German government during

World War II to convert coal into fuel oil, and it was established in 1951 solely with government funds, since private investors did not want to risk their funds on the experimental technology. It proved to be a costly investment for the government, with the Minister of Finance at the time complaining that he “would probably not have approved of the scheme had I visualized that the cost would reach such dimensions.”¹⁵ The company struggled for years, but following the oil embargoes of the 1970s, and the rising price of oil since that time, Sasol has become the most successful of the state corporations, shedding government ownership and now operates as an international energy conglomerate. Sasol played a crucial role in the early development and success of South Africa’s energy sector and embodied the link between minerals and energy through its conversion of coal into oil. It fit perfectly into the country’s most successful industrial sector.

As the turn to democracy began in the late 1980s, these institutions loomed large in the South African economy. Various South African administrations had used the state corporations to promote employment for whites, to produce weapons or fuel oil to counteract international boycotts, or simply to develop import-substitute industries. In combination with protective tariffs and racially discriminatory wage structures, most of the state corporations had succeeded.¹⁶ Their successes in part allowed the apartheid government to withstand boycotts and unrest, and they were viewed as part of the apartheid bureaucracy responsible for the country’s regressive social policies. While it was acknowledged by the Mandela administration’s Government of National Unity (GNU), that the public enterprises “play a major role in the economy. . . to provide cheap and efficient services,” it was also noted that, “under the skewed policies of apartheid the Government inherited a range of assets that could now be sold to release resources for the implementation of the RDP.”¹⁷ In other words, these entities represented significant assets formerly used to support apartheid; they could now be liquidated to release new resources to enable the transformation of South Africa.

The Road to Freedom, or to the Free Market?

When Nelson Mandela took control of the South African government, he not only inherited a vastly unequal society, but he also

faced an international financial and corporate community that was nervous about the future of their investments and profits in South Africa. Banks and investors had withdrawn their funds during the 1980s, skeptical that the apartheid government was capable of protecting their interests. But President Mandela and the African National Congress posed a different type of danger. Would the new government withdraw the privileges enjoyed by those industries, or even impose greater responsibilities and costs that would eat into profits? Even worse, would President Mandela nationalize the mining industry—the veritable goose laying the golden egg?¹⁸ While the 1955 Freedom Charter called for the nationalization of the mines, few believed that the new government would pursue such action. Nevertheless, businesses could hardly believe that the new government would continue the profitable policies of the old.

When the new government’s economic plan, the Reconstruction and Development Program (RDP) was unveiled in 1994, the massive document sought to address injustice through economic growth. It was hoped that the anticipated expansion and growth of the economy in a free and democratic society would ease the transition and enable the government to solve nearly every problem. Change was proposed from the “commanding heights” of the economy down to the country’s sports fields. At long last, the majority of South Africans could hope to make their dreams a reality. The document, signed into law by Parliament in November 1994, outlined objectives, programs, and targets and specified which government ministries were responsible for implementation. As President Mandela stated in the preface to the plan:

This transformation will permeate every level of government, every department, and every public institution. The Government’s RDP activities therefore should not be seen as a new set of projects, but rather as a comprehensive redesign and reconstruction of existing activities. Growth and development are more than interdependent. They are mutually reinforcing. Addressing inequalities will expand markets at home, open markets abroad and create opportunities to promote representative ownership of the economy. The expansion of the South African economy will raise state revenues by expanding the tax base, rather than by permanently raising tax rates.¹⁹

The RDP indeed envisioned a complete transformation of South Africa that was dependent on a highly successful, profitable, and expanding economy.

The role of the state in this plan was, however, problematic. What is easy to forget now, twenty years after President Mandela wrote these words, is the nature of the government and society that he was in the midst of inheriting. He took charge of a government bureaucracy that had implemented the policies leading to the gross inequalities in South African society. Was the existing state structure capable of such transformation? The basic immorality, greed, and discrimination inherent in the previous regime constituted a huge preoccupation for the new government, leaving “a legacy of secrecy and greed. The Government in its own activities and structures as well as through legislation will seek to promote transparency and accountability and the development of individual and social integrity.”²⁰ Addressing the less obviously social and political aspects of government policy, the new government faced the fact that even “science and technology have served the interests of the minority and the political goals of apartheid.”²¹ And time and again the RDP document addressed the urgent need for representation at all levels of society. The RDP represented a mixture of idealism and skepticism—idealism about the future, and skepticism about the apartheid structures that remained and needed to be reformed if any progress could be achieved.

When addressing problems in the economy, the RDP seemed unwilling to trust entirely to state mechanisms. While the government was committed to providing unspecified sources of support, the RDP also included plans to “reform those market structures that underpin high prices and complacency, and that constitute major entry barriers to small and medium-scale enterprise.”²² In other words, there was some hope that freeing market forces that had been constrained under apartheid would promote industrial development and job growth. There would be an organic process that would lead to “a more dynamic manufacturing sector [that] will emerge as a growing source of productive and well-paid employment opportunities and industrial learning.”²³ Relying on market forces, now decoupled from the apartheid agenda, the RDP forecast the growth of jobs, prosperity, and equality for all.

But within two years, concerns about significant depreciations in the South African currency led the government to quickly reformulate plans for development.²⁴ The Mandela government had initiated many crucial programs to address the quality of life for South Africans, including access to clean water, healthcare, and education.²⁵ Nevertheless, the RDP was abandoned in favor of a new plan, the Growth, Employment and Redistribution Program (GEAR), which placed heavy emphasis on a reduced—not expanded—vision of state economic intervention. This plan dealt almost exclusively with fiscal and monetary policies, and very little with industrial growth and jobs. The plan, written by a team representing the Development Bank of Southern Africa, the South African Reserve Bank, and the World Bank in addition to several South African academics, echoed then-current IMF and World Bank structural adjustment programs primarily focused on debt reduction, conservative monetary policies, and the relaxation of exchange controls and tariffs. GEAR proposed cuts in state expenditure in order to reduce South Africa's budget deficit to 3% of GDP by 1999. The plan also called for “speeding up the restructuring of state assets to optimize investment resources,” and “an appropriately structured flexibility within the collective bargaining system.”²⁶ While the plan acknowledged that serious investments in public infrastructure, including electricity, transportation, etc. were necessary, it did not commit the government to providing the support. Instead, “government is committed to the application of public-private sector partnerships based on cost recovery pricing where this can practically and fairly be effected.”²⁷ Satisfying the banks and putting the fiscal house in order were the first priorities for the state, not investing in industry.

Considering that GEAR remained the *de facto* economic plan for the country for the next ten years and played a crucial role in shaping the post-apartheid economy, it is important to understand the impact of the plan on employment, poverty, and inequality. While government debt as a percentage of GDP dropped from 49.7% in 1994 to only 28.3% in 2007, unemployment jumped from 22.9% in 1994 to a high of 30% in 2004.²⁸ At the same time, personal debt increased with household debt as a percentage of disposable income rising from 56.6% in 1994 to approximately 80% in 2007.²⁹ And manufacturing—the acknowledged driver of jobs and key to solving the problems of

unemployment and poverty—dropped as a percentage of GDP from 18.7% in 1994 to 11.6% in 2013.³⁰ By 2008, 85% of Africans were classified as “poor,” down from a high of 92% in 1993 but still far from a robust improvement. While GEAR strengthened the financial sector, “liberalized” the investment climate, and increased GDP, little of these improvements translated into jobs or prosperity. These gains, coupled with highly liberalized foreign exchange controls, allowed investors to make money that was easily transferred outside the country rather than reinvested inside South Africa.³¹

By 2005, growing unemployment and poverty prompted the Mbeki government to reconsider the role of the government in promoting development and to turn to the state corporations. Acknowledging that public-sector investment in infrastructure had fallen dangerously low—and that the private sector had not filled the gap—in 2006 the government released a tentative plan, the Accelerated and Shared Growth Initiative-South Africa (AsgiSA).³² Included were plans to beef up government-provided services through the state-owned enterprises:

Public enterprise investment expenditure for the period April 2005 and March 2008 is planned to be about R370 billion. Of this, about 40% will be spent by public enterprises, mostly Eskom (R84 billion) and Transnet (R47 billion, of which R40 billion is ‘core’), and mainly on power generation, power distribution, rail transport, harbours and an oil pipeline. The general purpose is to improve the availability and reliability of infrastructure services in response to rapidly growing demand.³³

The Industrial Development Corporation (IDC) also figured largely in these plans, including a R1 billion program to promote small and medium-sized businesses. “Government is committed to reviewing the functioning of the development finance institutions, which include the IDC, the Land Bank, the DBSA and the National Development Agency. These are powerful institutions that can be more effectively employed in our developmental efforts and support social mobilization and active participation of civil society.”³⁴ These were hesitant steps towards greater state intervention in the economy.

Nevertheless, an international panel of economists based at Harvard that the government consulted recommended continued reliance on the private sector despite the dismal record of support from that quarter. In particular, the “Harvard Group” report recommended that the government itself should finance exploration into new products, etc. that could “crowd in significant additional investment through imitation and replication” while specifically stating that industrial policy “should not focus on financing small and medium enterprises per se or BEE [Black Economic Empowerment] deals.”³⁵ In other words, government should take the risk to develop new industries that could be turned over to private enterprise and profit but these firms should evidently not include small, medium, or BEE businesses. Even more surprising, the group entirely discredited the creation of industries to process the country’s natural resources: “Greater processing of natural resource exports does not constitute either an easy or a natural next step in the process of structural transformation, especially in South Africa. . . . If these sectors have not developed on their own, it is prima facie evidence that either they face low social returns or confront obstacles similar to those of other sectors. . . . Privileging beneficiation is unwarranted and it takes government’s attention away from other opportunities that may have more potential to create export jobs in South Africa.”³⁶ By the time the Harvard Group report was submitted, the Mbeki presidency was already in trouble and would soon be replaced by a new government. Although fiscal and monetary policies remained conservative throughout this period, the AsgiSA was never fully implemented.³⁷

Upon taking office as the President of South Africa in 2009, Jacob Zuma seemingly reversed course and announced a new economic plan, The New Growth Path (NGP), with the aim of redirecting state support to small businesses and new entrepreneurs and stemming the tide of South Africa’s deindustrialization. The NGP signaled a move toward state-led industrialization: “Areas with employment potential often lack private-sector champions or supportive market structures, meaning that they require government encouragement.”³⁸ At the same time, the government hedged on full responsibility for promoting industrialization, stating that “the growth path, while state-led, has to articulate well with market institutions. The challenge for the developmental state

is to minimize costs for business except as required to support transformation toward a more equitable, decent, work-generating, and green economy.”³⁹ The National Development Plan (NDP) that ostensibly provided the details of the growth policy soon followed the New Growth Path.⁴⁰ But neither the NGP nor the NDP provided specific guidance on how the government would create the millions of jobs promised in both reports.⁴¹

Instead, the most direct policy proposals for state-led industrialization have been framed by the Department of Trade and Industry. The Industrial Policy Action Plan (IPAP), first introduced in 2007, has undergone elaboration and refinement over the years to reach a goal of creating more jobs through industrialization.⁴² The plan has received the endorsement of labor: “The only way to address the structural problems in the economy is through industrialization, in particular promoting the manufacturing sector and the creation of decent jobs. COSATU [Congress of South African Trade Unions] fully supports the efforts by the Department of Trade and Industry to reverse the deindustrialization of the economy as a result of neoliberal policies implemented before and after 1994.”⁴³ The IPAP clearly states that “sustainable long-term development should be underpinned by higher growth, exports and labour-intensive, value-adding economic activity in the production sectors, led by manufacturing. It is widely and increasingly acknowledged that manufacturing should play the critical role in this adjusted model of economic development.”⁴⁴

The IPAP also identifies the major domestic constraints to industrial development, leading back to the roles played by the state corporations. The primary obstacles to the development of key manufacturing industries are identified as high electricity prices and the “monopolistic pricing” of the materials that are key to manufacturing, especially steel, plastics, and polymers, produced by Iscor and Sasol.⁴⁵ Nearly twenty years after the demise of apartheid, those companies that were established by the apartheid state and that provided the electricity for a profitable mining industry, steel for mining and weapons, and oil to withstand international embargoes, are obstacles to the goals of post-apartheid South Africa.

Now that the government has come full circle to consider the advantages of state-led industrialization, can it regain some control over those resources that were “privatized” during the last

twenty years? The impact of GEAR, AsigaSA, the NGP, and the NDP has allowed the dismantling of many linkages between the state and the economy. It is evident that market forces have not supported the post-apartheid goals of equality and employment, and have in fact continued the historic trajectory of the South African economy.

Privatization and the Free Market

The close linkages between the state and capital as embodied in the state corporations have weakened considerably during the post-apartheid period as the new government has distanced itself from these relics of apartheid. By 2004, the government had “privatized,” or sold off, approximately twenty-six former SOEs. These included television stations, resorts, airports, and a forestry company. Of the most significant SOEs, Sasol and Iscor were “privatized” and are no longer under government control; the IDC now operates within the South African Department of Economic Development; and Eskom operates within the Department of Public Enterprises. The only other wholly state-owned companies are Transnet (rails and ports), South African Airways, Broadband Infraco, Denel (military equipment), Safcol (forestry), and Alexkor (diamond mining). While these enterprises have provided managerial positions for historically disadvantaged groups, they have suffered decreasing influence over the private sector and in fact find themselves undercut by the private corporations who were once their partners.⁴⁶

The transition to a post-apartheid economic agenda has been largely unsuccessful for the four enterprises that have been most closely involved in South Africa’s industrial development—Eskom, Iscor, IDC, and Sasol. The IDC has made the greatest changes in response to government pressure since it was targeted early on by the Government of National Unity for a bias toward large, highly capitalized projects rather than those supporting more broad based economic development and job creation. The IDC has changed mission, especially since the 2009 New Growth Path was implemented, and the agency now focuses on job creation for women and youth, entrepreneurship, and the development of green industries, among other areas. The IDC claims to provide over 60% of its funding for small and medium

enterprises.⁴⁷ The other state corporations have not made such changes, and Minister of Trade and Industry Rob Davies recently accused Iscor (now ArcelorMittal) and Sasol of overcharging on basic materials used in local industries and thereby undermining the development of local manufacturing. Eskom has come under even more severe public criticism following a series of rolling electricity blackouts in 2008, and again in 2012. The state corporations are variously accused of inefficiency, corruption, and incompetent leadership. Whatever the cause, they have failed to advance the goals of post-apartheid economic development.

Eskom is the most widely derided of the state enterprises. The utility's performance over the past few years has justifiably raised serious concerns since electricity is vital to South African society and the economy.⁴⁸ Nevertheless, it is clear that the utility was completely unprepared for the demands of post-apartheid South Africa. Throughout its history, Eskom had been built and structured to serve a small constituency—primarily the mining and manufacturing sectors—with cheap electricity that was generated from coal provided by its major customer, the mining industry. The relationship allowed Eskom to provide that power at a cheap rate to its partner, the mines, and by 1960, over 70% of its electricity was sold to the mines. Throughout the 1980s, there was little growth in Eskom's capacity due its inability to float the large overseas loans it needed to build new power stations. And even in the 1990s, the new South African government was slow to fund new power stations, still believing that Eskom should be privatized to realize revenues and to leave the problems of electricity generation to a private company. For a variety of reasons, capital was not eager to take on such a large operation, labor opposed privatization, and the government was disinclined to break up the operation—thereby undercutting the advantages of the nationwide grid—to sell it off in smaller chunks. The combination of a reluctance to invest with the imperative to expand left Eskom with disastrous results. While the total number of customers grew over 400% between 1994 and 2014, capacity only increased by 10%. The majority of additional capacity has come from a new coal-fired plant at Volksrust and two gas-fired stations on the west coast that are expensive to operate. In an effort to increase capacity and remain financially solvent, electricity prices have been steadily raised to build up resources to build new plants, leading

to more public dissatisfaction with the commission.⁴⁹ Although discussions concerning privatization have again resurfaced, these proposals are opposed by COSATU and are unlikely to attract private investors at this point.⁵⁰ Without significant government funding, it is doubtful that Eskom can ever catch up to the needs of present-day South Africa.

Iscor's fortunes have likewise shifted radically over the past twenty years. As the iron and steel industry hit a slump throughout the 1970s and 1980s, and faced dumping from international producers, it was feared that it made no sense to support a national industry. In that climate, the rush was on to privatize what seemed like a drag on government resources. In 1989, the government offered Iscor shares on the Johannesburg Stock Exchange but met with little enthusiasm. In 2001, the government decided to "unbundle" the steel corporation, essentially selling off parts of the carefully constructed vertical supply chain. Iscor's mining resources, including coal and iron ore mines, were sold off to Kumba Resources, leaving Iscor with only steel manufacturing operations. In 2006, Kumba retained the iron ore deposits and another private company, Exxaro, took over the coal mines.⁵¹ Privatization left Iscor with the least lucrative and most vulnerable operations of the former state corporation.

Today the largest steel company in the world, ArcelorMittal, owns Iscor. Iscor shares were bought out in 2003 by the Indian firm, Mittal Steel, which later merged with the European firm Arcelor in 2006, creating ArcelorMittal South Africa, the largest steel producer in Africa. The company still uses the facilities in Vanderbijlpark, Vereeniging, and Newcastle, although the Pretoria plant was recently closed, while new facilities at Saldanha Bay produce primarily for export. Emblematic of the new realities of the South African economy is the agreement ArcelorMittal reached in May 2013 to supply steel from the Newcastle plant for a number of hydroelectric projects in Zambia that are being built by the Chinese Sinohydro Corporation.⁵² The private company has come under attack from Minister of Trade and Industries Rob Davies for overcharging on steel to local industries. Davies accused the company of charging more than the price of imported steel and holding back on necessary investments in plant maintenance to manufacture sufficient products for the local market. Instead, the now-global company has focused on exports of steel

and coking coal.⁵³ As a small part of a multinational global conglomerate, the former Iscor operations are somewhat irrelevant to the success of the parent company.

Sasol, alone among the former state corporations to achieve great success despite a tentative start, was the first of the state corporations to be privatized in 1979. Since the 1930s, private entrepreneurs had tried to float a company to produce oil from coal but lacked the capital to do so. Following World War II, Parliament passed the *Liquid Fuel and Oil Act* (1947) to create regulations and protection for such an industry, but there were still no private companies willing to take on the financial burden. In 1951, the government finally decided to establish the industry, buying out interests in the technology that were held by the Anglo-Transvaal Corporation (now Anglovaal) and began to establish the industry under exclusive government control.⁵⁴ Due to the uncertainty of the technology as well as doubts about the ultimate financial success of the company, it remained a wholly government-owned enterprise, with the government funding the construction of three plants.⁵⁵ In the wake of the oil crisis of the 1970s and renewed oil embargoes against South Africa, oil prices rose and South Africa was desperate to overcome the international embargoes against the apartheid regime. Sasol's strategic significance insured continuing government support. Nevertheless, private investors were wary of the company's ability to produce on a profitable basis until the price of oil became high enough. With its three coal gasification plants underway with government funding, the public finally began to invest when the government offered shares on the Johannesburg Stock Exchange in 1979. The government's bet on this new technology would pay off handsomely for private investors.

Sasol consolidated its position within South Africa in the 1980s, moving into chemicals production, and it was poised for expansion by the late 1990s. By 2003, Sasol was listed on the New York Stock Exchange, in addition to its listing on the Johannesburg Stock Exchange (1979). As the leading manufacturer of oil from coal in the world, and enjoying the longest proven record in the field, Sasol's expertise was welcomed around the world. Today Sasol has joint ventures and operations in Malaysia, Qatar, China, India, Uzbekistan, Nigeria, Canada, Australia, Botswana, Mozambique, and the United States. The company recently invested in a

liquid gasification plant in the United States, undertaking a \$22 billion investment—its largest ever—to build a plant in Louisiana to convert natural gas into liquid fuels and chemicals.⁵⁶ Sasol is hopeful that the company will also be able to take advantage of hydraulic fracturing, or “fracking,” opportunities inside South Africa, as the government continues to consider allowing hydraulic fracturing to find shale gas in the Karoo.⁵⁷ The Department of Trade and Industries (DTI) has estimated that South Africa may contain the world’s fifth largest reserves of shale gas. Today Sasol ranks with the premier energy conglomerates in the world.

By 2010, the government recognized that the state enterprises could play a much larger part in economic development and President Zuma convened a Review Committee to recommend changes and restructuring of the state enterprises. The resulting report recommended a process for the restructuring of existing state enterprises to better align their operations with the developmental goals of the government. The report recognized that the state corporations had played a major role in the development of the economy and its “transition to a resource-processing economy.”⁵⁸ Nevertheless, the report did not elaborate on how the state enterprises could further the country’s economic development, nor what their goals should be.

Back to Mining

As the apartheid-era state corporations were “privatized,” they lost key resources that had allowed them to enjoy monopolies and secured markets that are now in the hands of private companies. The most important advantage they have relinquished is their close connection to the mining industry. Eskom is the country’s principle energy producer, but is now dependent on private minerals suppliers (coal) for its operations. And Iscor has lost access to the minerals it once controlled (iron ore, coke), and is no longer linked to its customers. The exception is Sasol, which continues to have direct access, both to the minerals that it needs for production (coal) through its subsidiary Sasol Mining, and in its role as a supplier of energy (liquid fuel). Although they could never have provided sufficient support for the economy under their apartheid-era structures, the loss of these advantages has severely hampered the success of the state corporations.

Eskom's situation is the most serious. Beginning with its establishment in 1923, the corporation constructed a series of complicated partnerships with the mining industry to secure its success. Coal supplies were provided by the major consumers of electricity, the mines, at low cost in exchange for low prices on electricity. Unfortunately for Eskom, today the supply of coal has become difficult as the export market for South African coal has become extremely lucrative. Nearly three quarters of Eskom's fuel supply comes from domestic coal, but estimates show that Eskom will suffer a shortfall in supplies as early as 2015 and well into the future.⁵⁹ In 2013, South Africa exported over 70 million tons of coal from Richards Bay Coal Terminal.⁶⁰ Since 1994, the price of South Africa's export coal has more than tripled from \$29 per ton to \$71 per ton.⁶¹ And the South African government has repeatedly encouraged increasing these exports as a way to raise revenue. Facing shortages of coal supplies for its stations, Eskom has been forced to turn to the much more expensive alternative of purchasing gas to fire its turbines. While the government prefers for Eskom to develop clean energy including hydraulic and wind-powered stations, the current demand for electricity supplies is creating an impossible financial situation for the utility. Faced with rising fuel costs from its private suppliers, Eskom can no longer produce enough cheap electricity to power the South African economy.

Eskom's situation, as well as Iscor's, is most directly connected to the rapid reconfiguration and consolidation of private enterprise in South Africa, especially in the coal-mining industry. Without the international embargoes and constraints that companies experienced under apartheid, in the past twenty years South Africa's corporate world has become increasingly international, with many formerly local companies now moving on to the global scene, including the mining giant Anglo American, which moved its headquarters from Johannesburg to London in 1999. As a result, the companies are less reliant on their South African customers. Currently there are five major coal-mining companies in South Africa, producing over 80% of the country's coal. Three of the companies have ties to Anglo American—Kumba Resources (a subsidiary of Anglo American), Exxaro (67% owned by Anglo), and Eyesizwe (Anglo is a major shareholder). One company, Xstrata, is owned by the international conglomerate

Glencore. The fifth coal company is a subsidiary of Sasol—Sasol Mining—that supplies primarily to Sasol. Exxaro has made no secret of the fact that it hopes to expand export sales of coal.⁶² And the Glencore-Xstrata relationship threatens Eskom’s ability to negotiate necessary short-term prices with the international conglomerate.⁶³ The new firms are not reliant on South African profits alone, and today they can realize much larger profits on their coal exports than on the South African operations. The consolidation of ownership in the coal industry by a few international companies is choking off supply to local industries.

The dramatic acquisition of mineral resources by increasingly globalized conglomerates invites export and processing of the minerals overseas, and undermines attempts to use South Africa’s own resources as a springboard to industrialization. The astounding growth of the financial services sector in South Africa attests to the level of foreign exchange activity—especially the movement of profits out of the country—that is underway. At the same time, the very profitable export of coal, iron ore, and now perhaps shale gas and resulting petroleum generates considerable profits and revenue for the government. But the lack of secondary or tertiary impact throughout the economy lies at the heart of the unemployment, poverty, and inequality paradigm. International corporations—such as ArcelorMittal, Anglo American, and even Sasol—spread their operations around the globe and suffer little dependence on South African resources, markets, or labor. In these situations, neither South African firms nor the government has tremendous leverage.

Nevertheless, in 2014, the South African Parliament passed a bill that could significantly reclaim the country’s control over these resources. *The Mineral and Petroleum Resources Development Bill of 2012* would allow the Minister of Mineral Resources to designate certain minerals and petroleum resources for “beneficiation,” defined as the “transformation, value addition or downstream beneficiation of a mineral and petroleum resource. . . to a higher value product.”⁶⁴ Under the terms of the bill, the Minister will determine the percentage of each mineral or petroleum commodity that may be “required for local beneficiation, after taking into consideration the national interest.”⁶⁵ Every producer of such commodities will be required to offer local processors a percentage of its products, as determined by the Minister. And any

producer planning to process such materials must obtain written consent from the Minister of Mineral Resources.⁶⁶ The bill also provides that “the state has a right to a free carried interest in all new exploration rights, with an option to acquire a further interest on specified terms through a designated organ of state or state-owned entity as determined by the Minister in the Gazette.”⁶⁷ In terms of the bill, “free carried interest” is defined as “a share in the net profits derived from the exercise of an exploration right or production right issued in terms of this Act. . . despite the State not contributing to the capital expenditure.”⁶⁸ In sum, the bill gives the state a 20% interest in the mineral extraction and energy production, and full control over the use of those commodities, whether for export or local processing.

Not surprisingly, the bill has generated controversy. The major minerals and energy producers, including BHP Billiton, Exxon Mobil, Total, and Anglo American, have all voiced alarm and, in a not-so-subtle threat, warned that the bill “could hamper South Africa’s ability to attract and retain investment in mining.”⁶⁹ The Minister of Mineral Resources, Susan Shabangu, told the Parliament, “We are on the path of changing the mining and petroleum industry in South Africa, whether you like it or not. Change is painful, change is bitter, especially when you are stuck in the past. This act is about the people of South Africa.”⁷⁰ The bill was approved by Parliament in March 2014 and still awaits signature by President Zuma. In the meantime, the new Minister of Mineral Resources, Ngoako Ramatlhodi, has advised Zuma not to sign the bill. He is considering industry requests to separate oil and gas from the current bill, but he has also announced that he is considering declaring coal and iron ore “strategic minerals,” restricting their export and promoting local processing.⁷¹ The stakes are high for industry, government, and the economy.

Conclusion

This article has sought to place changes in the South African economy over the past twenty years in a historical context, focusing on the role of the state, and the state corporations in particular, in the promotion of local industries. Always a challenge for successive South African governments despite the tremendous wealth of the country, minority regimes prior to 1994 fashioned an arrangement

that benefitted the small white population and the primary mining industry. When the new government took control in 1994, these corporations were rightfully viewed as part of the apartheid alliance and most were dismantled or privatized. In turning over these operations to private enterprise, however, the outcome for South Africa has not improved. And with the appearance of global conglomerates, South Africa's resources are now leaving the country at an accelerated rate. While the South African government may reap tax revenues from these companies, and an expanding GDP, this new relationship undermines job creation, and the quest for greater economic equality for all South Africans.

It is unlikely that the future role of the state corporations will resemble that of the past. They played a large part in shaping an economy based on privilege and advantage for a very small group. Yet they can still serve as tools for economic development—through cheaper electricity, or steel, or fuel, or finance—if the government can successfully exert leverage on the much larger global actors that have increasingly come to control South African resources.⁷² While threatening to withdraw investments, it is inconceivable that they would abandon even a fraction of the great profits they have reaped in South Africa. The government is faced with increasing unemployment, inequality, and an unproductive economy if it cannot regain control over the country's resources. The country's wealth is enormous, not only in minerals but also in human capital, but it must be claimed for the benefit of all South Africans.

Endnotes

¹ South Africa's economy was listed as the largest in Africa until April 2014, when it was surpassed by Nigeria. "Africa's New Number One," *The Economist*, 12 April 2014.

² Goldman Sachs, *Two Decades of Freedom: A 20-Year Review of South Africa*, 2014, pp. 2, 9.

³ *Ibid.*, p. 23.

⁴ Southern Africa Labour and Development Research Unit (SALDRU), *Employment and Inequality Outcomes in South Africa*, 2010, p.11.

⁵ The Black Economic Empowerment initiative, first launched in 2003, provides certain benefits to businesses based on the participation of previously disadvantaged groups. Financial support is extended to children, the disabled, and the elderly for nutrition, education, and healthcare. Since 1994, the number of

beneficiaries of social grants has expanded from 2.7 million to over 16 million. Republic of South Africa, *South Africa Yearbook 2013/14*, p. 358.

⁶ See Union of South Africa, *Natives Land Act*, (No. 27 of 1913).

⁷ For an understanding of the influence of the economy on South African history, some of the best work remains a series of edited volumes based on doctoral work at the University of London: Shula Marks and Anthony Atmore, *Economy and Society in Pre-Industrial South Africa* (London: Longman, 1980); Shula Marks and Richard Rathbone, *Industrialisation and Social Change in South Africa: African Class Formation, Culture and Consciousness 1870-1930* (London: Longman, 1982); Shula Marks and Stanley Trapido, *The Politics of Race, Class and Nationalism in Twentieth Century South Africa* (London: Longman, 1987). Since 1994, there has been a more contemporary focus on the economy by social scientists rather than by historians. For example, see the works of Daron Acemoglu, Patrick Bond, Ben Fine, Terence Moll, Nicoli Nattrass, Stefan Schirmer, and Charles Simkins.

⁸ Today, these institutions are referred to as State Owned Companies. During various historical periods, they have also been referred to as State Corporations (1920s-1960s), Parastatals (1970s-1990s), and State Owned Enterprises (1990s-2010s). In this paper, they will be referred to as state corporations prior to 1994, and state-owned enterprises post 1994.

⁹ Nancy Clark, *Manufacturing Apartheid: State Corporations in South Africa* (New Haven: Yale University Press, 1994), pp. 155-159.

¹⁰ *Ibid.*, p. 159.

¹¹ H. J. Van der Bijl, quoted in *South African Mining Year Book* (Johannesburg, August 1934), p. 67.

¹² Presco was formed with the British firm Hubert Davies to manufacture fabricated steel products; Phoenix Colliery was operated jointly by Iscor and Johannesburg Consolidated Investments to mine coal from Iscor's Witbank coal mines; two marketing firms were established, Steel Sales Company and Iscor Baldwins Lysaghts, to jointly market products from Iscor and the private companies; Vecor was established in partnership with Mesta to manufacture machinery. See Clark, *Manufacturing Apartheid*, pp. 89, 92, 117.

¹³ Clark, *Manufacturing Apartheid*, p. 147.

¹⁴ Quoted in H. F. Oppenheimer, *Future of Industry in South Africa* (Johannesburg, 1950) pp. 3, 4.

¹⁵ Department of Commerce and Industry, "Secretary of Finance to Secretary of Commerce," December 1951, 506/1/4, vol. 3, HEN 3206.

¹⁶ For the history of the state corporations see Clark, *Manufacturing Apartheid*.

¹⁷ Reference is to the Reconstruction and Development Plan (RDP); see discussion below. Section 3.16, White Paper on Reconstruction and Development, Notice No. 1954 of 1994," *Government Gazette*, 23 November 1994.

¹⁸ Just before his release from prison, Mandela stated that "the nationalization of mines, banks and monopoly industries is the policy of the ANC and a change or modification of our views in this regard is inconceivable," prompting a nervous

editorial in *Business Day* that he “will set back the hopes of those moving towards acceptance of majority rule in the belief that free enterprise and individual property rights would still be possible.” Quoted in Patrick Bond, *Elite Transition: From Apartheid to Neoliberalism in South Africa* (Pietermaritzburg: University of Natal Press, 2000), pp. 16-17.

¹⁹ Republic of South Africa, *Government Gazette*, Notice No. 1554 of 1994, Nelson Mandela, “Preamble, White Paper on Reconstruction and Development,” 23 November 1994.

²⁰ *Ibid.*, Section 3.15.

²¹ *Ibid.*, Section 3.13.

²² *Ibid.*, Section 3.6.7.

²³ *Ibid.*, Section 3.6.2.

²⁴ Republic of South Africa, Department of Finance, *Growth, Employment and Redistribution: A Macroeconomic Strategy* (Pretoria, 1996), Introduction, p. 1.

²⁵ Improvements in services for black South Africans have been dramatic over the past twenty years, leading to a 93% literacy rate; 91% of South Africans now have access to clean water, and 85% have electricity in their homes. The shortcomings of industrial development should be understood in the overall context of government efforts. Goldman Sachs, *20 Years of Freedom*, pp. 2-3.

²⁶ *Ibid.*, p. 2.

²⁷ *Ibid.*, p. 16-17.

²⁸ Goldman Sachs, *Twenty Years of Freedom*, pp. 10, 31.

²⁹ *Ibid.*, p. 42.

³⁰ *Ibid.*, p. 44.

³¹ For a thorough discussion of ongoing capital flight, see Sam Ashman, Ben Fine, and Susan Newman, “Amnesty International? The Nature, Scale and Impact of Capital Flight from South Africa,” *Journal of Southern African Studies*, Vol. 37, No. 1 (March 2011), pp. 7-25; Patrick Bond, “Debt, Uneven Development and Capitalist Crisis in South Africa: from Moody’s Macroeconomic Monitoring to Marikana Microfinance Mashionisas,” *Third World Quarterly*, Vol. 34, No. 4 (2013), pp. 569-592.

³² The Presidency, Republic of South Africa, “Accelerated and Shared Growth Initiative-South Africa,” 2006, p. 3.

³³ *Ibid.*, p. 6.

³⁴ *Ibid.*, pp. 13, 15.

³⁵ Ricardo Hausmann, “Final Recommendations of the International Panel on ASGISA,” CID Working Paper No. 161, May 2008, Recommendation 12.

³⁶ *Ibid.*, Recommendation 16.

³⁷ Ricardo Hausmann, former Minister of Planning of Venezuela and former Chair of the IMF-World Bank Development Committee, led the Harvard Group. His concept of economic “self-discovery” clearly influenced the AsgiSA report. For an enlightening discussion of the report, see the exchange between

Hausmann, Matthew Andrews, and Ben Fine in *Transformation: Critical Perspectives on Southern Africa*, No. 69 (2009).

³⁸ Republic of South Africa, Department of Economic Development, *The New Growth Path: The Framework* (Pretoria: 2010), p. 18.

³⁹ *Ibid.*, p. 28.

⁴⁰ Republic of South Africa, National Planning Commission, *The National Development Plan* (Pretoria, 2011).

⁴¹ See criticisms by COSATU: “Why the NDP Must Be Redrafted,” *City Press*, 31 March 2013.

⁴² Republic of South Africa, Department of Trade and Industry, *Industrial Policy Action Plan* (Pretoria: 2007, 2013, 2014).

⁴³ “COSATU welcomes revised Industrial Policy Action Plan,” statement issued by Patrick Craven, National Spokesperson for COSATU, 5 April 2013, <http://www.cosatu.org.za/docs/pr/2013/pr0405a.html> (accessed 10/11/2014).

⁴⁴ Republic of South Africa, Department of Trade and Industry, *Industrial Policy Action Plan: Economic Sectors and Employment Cluster, 2013/14-2015/16*, p. 11.

⁴⁵ *Ibid.*, p. 19.

⁴⁶ Anne Pitcher, “Was Privatisation Necessary and Did it Work: The Case of South Africa,” *Review of African Political Economy*, Volume 39, No. 132, June 2012, pp. 243-260.

⁴⁷ See RDP. See *Industrial Development Corporation, Integrated Report 2014*.

⁴⁸ See Taryn Dinkelman, “The Effects of Rural Electrification on Employment: New Evidence from South Africa,” *The American Economic Review*, Vol. 101, No. 7 (December 2011) for evidence that rural electrification significantly raised female employment in rural areas.

⁴⁹ Eskom, *Annual Report: Financial Statements* (1994), pp. 40-48. Eskom, *Integrated Annual Report*, 2014.

⁵⁰ “Nene Open to Partners for Eskom Plants,” *Mail and Guardian*, 26 August 2014.

⁵¹ See below for discussion of the ownership of the private mining companies.

⁵² “ArcelorMittal South Africa to Supply Zambia Hydro Projects with 120,000 Tonnes of Steel,” <http://corporate.arcelormittal.com/news-and-media/news/2013/may/28-05-2013> (accessed 10-24-2014).

⁵³ “Davies Sounds Warning to ArcelorMittal, Sasol,” *Business Day*, 3 September 2014.

⁵⁴ Clark, *Manufacturing Apartheid*, p. 161.

⁵⁵ Sasol 1 in 1955, Sasol 2 in 1976, and Sasol 3 1982. Private investors who bought stock in 1979 were not required to take on any operating risk in relation to Sasol 2 and 3. Statement by Zavareh Rustomjee to Competition Commission, quoted in “Sasol’s Past Should Haunt It,” *City Press*, 26 May 2013.

⁵⁶ “Sasol Cracks Major US Fracking Deal,” *Mail and Guardian*, 20 September 2013. It is estimated that the Louisiana project will produce a total economic impact in the state over the next twenty years of \$46.2 billion. “Sasol Gives Final Approval to \$8.1 Billion Louisiana Project,” *Advocate*, 27 October 2014.

- ⁵⁷ “Sasol Still Keen on Karoo Fracking,” *Reuters*, 9 September 2013.
- ⁵⁸ Presidential Review Committee, *Restructuring of State Owned Enterprise in South Africa*, May 2012, p. 6.
- ⁵⁹ “Supplying Eskom is Coal Industry’s Greatest Challenge, Says Professional Services Firm,” *Mining Weekly*, 14 March 2014.
- ⁶⁰ “South Africa Has New Chance to Hit Global Coal Top Spot,” *Mining Weekly*, 29 January 2014.
- ⁶¹ *World DataBank, Global Economic Monitor (GEM) Commodities*, www.databank.worldbank.org (accessed 10/22/2014).
- ⁶² “Exxaro to Acquire Total’s South African Coal Mines for \$472M,” *Mining Weekly*, 28 July 2014.
- ⁶³ Eskom later withdrew its complaint with the Competition Tribunal after reaching a confidential agreement with Glencore. “Undisclosed Agreement with Glencore Sets Eskom at Ease,” *Mail and Guardian*, 25 January 2013.
- ⁶⁴ Republic of South Africa, *Mineral and Petroleum Resources Development Amendment Bill*, B15-2013, Section 1(b), Section 21.
- ⁶⁵ *Ibid.*, Section 21(c) (2B).
- ⁶⁶ *Ibid.*, Section 21(c) (2C).
- ⁶⁷ *Ibid.*, Section 54 (f).
- ⁶⁸ *Ibid.*, Section 1(k).
- ⁶⁹ Cynthia Carroll, CEO of Anglo American, quoted in “The Proposed Mineral and Petroleum Resources Development Amendment Bill,” Emery Mukendi Wafwana and Associates, *Lexology*, 19 October 2013.
- ⁷⁰ “Minerals Law Opposed by BHP to Exxon Adopted in South Africa,” Mike Cohen, *Bloomberg News*, 13 March 2014.
- ⁷¹ “South Africa Divided Over Controversial Mineral Law Reforms,” Cecilia Jamasmie, *Mining.com*, 19 June 2014; “South Africa Considers Declaring Certain Minerals as ‘Strategic,’” *Reuters*, 14 October 2014.
- ⁷² The government has recently recognized the potential value of the state enterprises, but does not necessarily grasp the importance of the supply agreements. Nevertheless, the government has recognized that “in principle, Public Enterprises could be powerful instruments of development and a robust governance process, to weigh up restructuring opportunities, [and that] the current socio-economic climate in South Africa requires a coordinated and integrated strategy leading towards a robust role of Public Enterprises for long term development.” Presidential Review Committee, *Restructuring of State Owned Enterprise in South Africa* (May 2012), pp. 5, 7.