The impact of ethnic diversity on economic development in Malaysia: Lessons for South Africa

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> "the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way." – **Charles Dickens, *A Tale of Two Cities***

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Abstract

The research paper reviews the empirical evidence on the impact of multi ethnicity (heterogeneity) on economic development in developing countries looking specifically at South Africa and Malaysia. Malaysia is an important case study from which South Africa can learn important lessons and through which it can find solutions to ethnic coexistence and economic development. The commonalities between the two countries emanate from "common social, economic, and ethnic considerations, for instance both countries share heterogeneity in terms of religion, race, and ethnic considerations" (Omoweh, 2012). The paper specifically discusses collected data sources and influential theoretical leanings and outcomes of the strategies enlisted by developing countries affected by high poverty and inequality rates based along ethnic and cultural lines. The evidence suggests that successful strategies demand strong political will and well-orchestrated long term plans that transcend leadership across a long period of time. As observed in Malaysia poverty and inequality alleviation was a result of dogged focus on adopted plans with periodic minimal alteration to the plans. South Africa is the polar opposite of this – this society has continued to struggle with very high levels of poverty and inequality even after decades of the shift from apartheid. This is predominantly due to the haphazard changing of plans and direction with every new leader elected by the governing party.

The two countries shared similar historical challenges stemming from a heterogeneous and multi ethnic population characterized by a small population of haves versus a large population of have-nots. The fundamental difference was the strategies and development ideologies that each country pursued, which have in turn yielded different outcomes. Four decades after Malaysia the adoption of the 1971 New Economic Plan poverty levels have significantly decreased, adult literacy and life expectancy has improved national unity and harmony has been achieved through the radical socio economic policies and rapid economic growth. This body of work proposes that developing countries with high social stratification and multi ethnic society like South Africa - the Malaysian experience is a critical and salient example to study as means of finding relevant and long lasting solutions for such societies including South Africa.

Keywords:

Multi-ethnic society; inequality; economic development; developmental ideologies; Malaysian economic success; South Africa; solutions; inclusive society; heterogeneous populations.

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List of abbreviations and acronyms

AA	Affirmative Action
ABSA	Amalgamated Banks of South Africa
ANC	African National Congress
ARV	Antiretroviral Drugs
ASEAN	Association of Southeast Asian Nations
BCIC	Bumiputera Commercial and Industrial Community
BEE	Black Economic Empowerment
BRICS	Brazil, Russia, India, China, and South Africa (economic association)
CPS	Current Population Survey
Cosatu	The Congress of South African Trade Unions
CSO	Civil Society Organisation
DAU	Development Administration Unit
EEA	Employment Equity Act
EEC	Employment Equity Committee
EPU	Economic Planning Unit
EPF	Employee Provident Fund
EOI	Expression of Interest
FDI	Foreign Direct Investment
FELDA	Federal Land Development Authority
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services

GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution Plan
GLC	Government-Linked Investment Companies
GNU	Government of National Unity
IBRD	International Bank for Reconstruction and Development
ICA	International Compliance Association
ICU	Industrial and Commercial Workers Union
IMF	International Monetary Fund
INTAN	National Institute of Public Administration
MAMPU	Malaysian Modernization Management Planning Unit
MARA	Majlis Amanah Rakyat
MBB	Malay Banking Bhd
MCA	Malaysian Chinese Association
MEC	Minerals and Energy Complex
MERG	Macro-Economic Research Group
MIC	Malaysian Indian Congress
NDP	National Development Plan
Nedlac	National Economic Development Labour Council
NEP	New Economic Plan
NGO	Non-Governmental Organisation
NP	National Party
OECD	Organisation for Economic Co-operation and Development

PPP	Public-Private Partnership
RET	Radical Economic Transformation
SAA	South African Airways
SAB	South African Breweries
SACP	South African Communist Party
SACOB	South African Chamber of Business
SAF	South African Foundation
SANLAM	Suid Afrikaanse Nasionale Lewens Assuransie Maatskappy
SIU	Special Investigative Unit
SANRAL	South African National Roads Agency
SOE	State-Owned Enterprise
SME	Small to medium enterprise
SARB	South African Reserve Bank
SASOL	South African Synthetic Oil Liquid
TRC	Truth and Reconciliation Commission
UMNO	United Malays National Organisation

Introduction

Among developing regions, sub-Saharan Africa has the dubious honor of being one of the few developing regions to continuously register below-par economic growth rates in the 21st century. It is also home to the largest population of people who are impacted by high levels of poverty and inequality. In SSA, South Africa is the second-most competitive economy according to the World Economic Forum, yet it finds itself in a precarious position in the 21st century as it faces crisis with its developmental vision, the crisis being stagnant growth rates and chronically high levels of poverty and inequality. The economic agenda of 1994 – optimistic as it was – was underpinned by glaring socioeconomic deficiencies that required fundamental changes to the macroeconomic policies of the time, which had previously serviced only the minority white population. Labor demographics in 1994 were marked by a huge racial division of labor, with 42,2% of skilled labor dominated and accounted for by the minority compared to only 15,1% of black people, even though the same demographic constituted 87% of the economically active population (David & Asuelime, 2015). "This partly explains why the country's economy is still dominated by the white minority group and the resultant high levels of poverty and inequality since the termination of the apartheid regime" (Edigheji, 2010). Thus, in this context, it is salient to note that the government has been successful in reforming the electoral system and establishing a competitive political system, but has failed to transform the relevant macroeconomic policies that form the foundation of its ability to accumulate the necessary resources to eradicate poverty and high levels of inequality, as was promised to the masses in 1994. It is thus prudent to look outside the establishment for solutions to the challenges that face South Africa in the 21st century.

Historically it is a well documented fact that "the global political settlement established at the end of the Second World War and enshrined in the international institutions of the [United Nations], combined with a particular legacy of European colonialism, profoundly changed the dynamics of the states in Africa, endowing them with institutional structures that not only militated against the efficient developmental state […] but also failed to provide the basic security to its citizens that legitimates the nation state" (Adam & Dercon, 2009). These fundamental structural flaws, coupled with the ethnic-diversity variable, have proven to be the undoing of any African nation's attempt to achieve the desired successful developmental state. It is thus essential for any economic development paradigm to include ethnic diversity as an important variable, as it is the fundamental inhibitor to development in Africa. Malaysia's successful economic growth model may be labelled unorthodox, but it has proven its ability to stage a successful industrialization process that has led to major reductions in poverty and inequality.

Malaysia's recent successes is up there amongst high performing East Asian countries in achieving rapid and sustained economic development have resulted in a major shift from debilitating underdevelopment and poverty to excellent economic reform and performance. Its GDP growth has continued to exceed expectations, and their survival of economic crises has defied the negative outlook by Western economists and researchers. Much like South Africa, Malaysia is one of the most ethnically and culturally diverse country that has in the past faced challenges presented by economic disparities between the rich minority and the poor indigenous majority. Malaysia is an important case study from which South Africa can learn important lessons and through which it can find solutions to ethnic coexistence and economic development. "Malaysia is a multi-ethnic, multi-religious state which presents an excellent example of ethnic harmony and communal existence that added to its rapid economic progress. Its [gross domestic product, GDP] grew by 7, 1% in 2004, the fastest since 2000. The private investment also increased and contributed 6, 2% of points to overall economic expansion. Net international reserves registered an increase of US$21, 9 billion to US$66, 7 billion by the end of 2004" (Ahmed, 2005). These achievements were attained despite the challenges faced by that country, challenges that are similar to those experienced by South Africa. The commonalities between the two countries emanate from "common social, economic, and ethnic considerations, for instance both countries share heterogeneity in terms of religion, race, and ethnic considerations" (Omoweh, 2012). Minority populations dominated both economies while state institutions were controlled by the majority indigenous population, resulting in warped developmental agendas that increased poverty and inequality for the majority. The difference between the countries is that the strategies and development ideologies these countries embarked on have yielded different results, as "Malaysia had a far more expansive policy tool at its disposal in the years of the New Economic Policy (NEP) from 1970 to 1990 than South Africa in the post-apartheid period" (Omoweh, 2012). This policy became the cornerstone of the ethnic and economic imbalance redress for Malaysia.

The successful transformation that is evident in Malaysia today is a culmination of almost 60 years of policy reforms as well as the Malaysian government's dogged belief in its vision to become a high income developed nation. Malaysia's economic success echoes the principles highlighted in successful developmental states that emphasizes "the importance of both infrastructural powers and political commitment. […] The state must have the capacity to control a vast majority of its territory and possess a set of core capabilities that enable it to design and deliver policies. […] The project must [also] involve some degree of reach and inclusion, and have an institutional, long-term perspective that transcends any specific political figure or leader" (Fritz & Rocha Menocal, 2006). By the 21st century it successfully registered unparalleled decline in inequality and poverty eradication from 52% in 1970's down to almost 4% in 2009 thus raising the question why South Africa found it challenging to replicate the Malaysian experience.

This dissertation aims to critically reviews empirical evidence that juxtaposes the histories of countries', historical demographic composition, extraction of the different policy responses and outcomes that were instrumental in Malaysia's meteoric economic growth and poverty alleviation with the hope to recommend those as viable solutions to turning South Africa's fortunes around. The paper is organized as follows: Chapter 2 presents the literature review. Chapter 3 explains the research methodology employed and Chapter 4 discusses the theoretical framework of the body of work. Chapter 5 onwards is the comparative study in line with the topic.

Literature review

Economic growth and development are fundamental concepts for any developing country, and these concepts should be linked to each other in order to achieve what is seen as a well-functioning country. Economic development essentially refers to a state's ability to socially and economically progress its country, and no state can achieve this without economic growth. True to traditional economic growth models, African governments are aware of the role they are meant to play as mandated by the masses that put them in power: that is, to mobilize resources. The difficulty arises when "the state is hijacked by one or more ethnic groups, [and] upward social mobility becomes a preserve of such groups who use the state machinery for selfish ends as opposed to national development concerns" (Noyoo, 2000). Commentators in the West often deem such behavior backwards, and they continue to view Africa as a dark continent that still subscribes to ethnic distinctions.

Ethnicity

Before one delves into the merits of ethnic diversity as a central variable of economic development, it is prudent to seek clarity about the ambiguous nature of ethnicity because, "What is called race in one country, might be labelled ethnicity in another" (Morning, 2008). One cannot discount the interconnectedness of race and ethnicity, and researchers often use these terms interchangeably. However, for purposes of this study, the fundamental differences in the concepts of race and ethnicity will be based on the dimensions they are both derived from. "As a biological category, race is derived from an individual's physical features, gene pools and character qualities" (Chávez & Guido-Dibrito, 1999) – this view may imply a racist outlook as it is based on skin color. Ethnic diversity, on the other hand, is derived from social and cultural dimensions and is "an individual's identification with a segment of a larger society whose members are thought by themselves or others to have a common origin and share segments of a common culture and who in addition participate in shared activities in which the common origin and culture are significant ingredients" (Chávez & Guido-Dibrito, 1999). This thesis will employ a broad outlook on the prevailing ethnic groups without delving into the racial constructs of the societies concerned.

In the work of Bannon, Miguel, and Posner (2004), the notion of ethnicity and its importance to African societies are often associated with pre-modern states. These researchers found that “the instrumentality of ethnic identification is suggested by the finding that competition for political representation and jobs tends to increase the likelihood that a person will identify him or herself in ethnic terms and to affect the kinds of ethnic identities with which the person will identify” (Bannon et al., 2004). In light of the economic and political dispensation found in the “failed states” of Africa, ethnic divisions become pronounced due to limited economic opportunities in unstable, politically charged environments. This was also evident in Malaysian society in the mid-1960s, when “the economic inequality between the ethnic groups and the prevalence of ethnic stratification and mobilization transformed the personal sense of deprivation into an ethnic collective sense of relative deprivation” (Guan, 2000). The collective sense of deprivation along ethnic lines resulted in deteriorating ethnic relations that culminated in the ethnic riots of 1969. The state responded with the aggressive NEP of 1971, which depressed international economic investment. “Before the implementation of the NEP, Chinese investments comprised 66,9% of all investments in 1971. After 1972, Chinese investment averaged slightly above 30%” (Guan, 2000).

Ethnic diversity

In view of these findings, neoclassical growth models’ disregard for the ethnic-diversity variable in economic growth ultimately renders them useless and Eurocentric, especially as these models fail to offer any solutions to the lack of economic growth and development in African states despite the rollout of “tried-and-tested” programs. Adora Ofodile’s Afrocentric study, “The impact of ethnic diversity on economic growth: The case of African countries” (2001), offers a case for the inclusion of ethnic diversity as a direct variable. Ofodile employs Barro’s work on economic growth and ethnic diversity to form the foundation of her study, its departure being the inclusion of ethnic diversity as a formidable influence on economic growth in African countries. “The basic idea is that the greater the ethnic diversity, the more difficult it is for a country to achieve levels of economic growth” (Ofodile, 2001). In the study, of the 59 randomly chosen countries where ethnic diversity and economic growth were researched, it was evident that the least successful countries were found on the African continent, with ethnic diversity cited as a notable hindrance to economic growth. Ofodile (2001) further states that, “after performing econometric analysis on some determinants of growth, my conclusion is that the problem and the explanation are rooted in ethnic diversity […] The 21 high-income [Organization for Economic Co-operation and Development, OECD] countries have an average ethnic fractionalization score of 0,15. The difference in growth lies between the 0,15 average ethnic fractionalization score and the 0,5 average for the African region." In essence, the conclusion of the study is that ethnic diversity substantially lowered the ability of African countries to generate comprehensive economic growth compared to OECD countries in the same study. This is evident in the challenges that face African countries in charting long lasting outcomes in development.

In conclusion, it is Ofodile (2001) hypothesis that:

> Ethnic diversity creates social barriers that hinder the positive spillover encountered through knowledge creation as a result of investment. It makes the integration of individual actors more difficult, and therefore reduces the level of social capital that would otherwise be attained. In addition there are issues of trust and issues of exploiting the public good for selfish reasons, all of which hinder growth. (Ofodile, 2001).

Simply put, the rent-seeking and corrupt behaviors evident in these countries stem from the inability of all stakeholders to reach an agreement on how to redistribute resources in order to invest in the development of the country in line with their aspirations of economic growth.

This hypothesis is also supported by the landmark paper by Alesina, Easterly, Devleeschauwer, Kurlat, and Wacziarg (2002), "Fractionalization". This study sought to describe how people classify themselves, and resulted in the classification of 650 ethnic groups in 190 countries (Fisher, 2013). They allocated ethnicity globally "by asking an elegantly simple question: If you called up two people at random in a particular country and asked them their ethnicity, what are the odds that they would give different answers? The higher the odds, the more ethnically 'fractionalized' or diverse the country" (Fisher, 2013). The Alesina et al. (2002) study went further to correlate the relationship between GDP and ethnic diversity in all countries polled. It is not surprising that the countries with the lowest GDPs were the same countries that registered high levels of ethnic diversity, echoing the findings of Ofodile (2001) and thus supporting the argument that high levels of ethnic diversity can be detrimental to the economic developmental agenda of a country.

A body of evidence in agreement with these findings is steadily being collected in the 21st century. A study of economic growth in Africa between 1960 and 1990 by Levine and Easterly (Easterly & Levine, 1997) impact on economic growth, especially through the rent-seeking activities of powerful elites shows evidence that ethnic diversity had a pronounced negative that resulted in the inhibition of the provision of public goods – the building of roads, provisions of healthcare services, and so on – thus repressing financial investment in African states. Alesina and La Ferrara (Alesina & Farrara, 2005)built on this work by studying the impact of ethnic diversity on American communities where, they found, ethnic diversity negatively impacted mainly poor communities as they failed to agree on common public goods and public policies. This finding was echoed by Collier (1993), who showed that "ethnic fractionalization appears to be bad for economic performance on the evidence of economic growth, macroeconomic policy, city government performance, public sector wage determination, and to the determinants of trust". A study by Ho (2005) was able to show how ethnicity directly influences economic growth through specific economic factors salient to the study of economics. The study found that for every "one unit increase in ethnicity (that is, change from complete homogeneity to complete heterogeneity) the real GDP growth rate reduces by 2,67 percentage points or, expressed differently, a 1% increase in the ethnicity index reduces the growth rate by about 0,36%. The direct effect accounts for about 38% of overall effect" (Ho, 2005). These studies confirm the argument that African states fail to achieve economic growth due to higher levels of ethnic diversity, which in turn result in the inability of ethnic groupings to agree on resource allocation that will bolster economic growth, and who are instead preoccupied with the accumulation of economic and political power for the ethnic group in question.

All is not lost, though, as the successes of newly industrialized countries in Southeast Asia have proven that the traditional supposition, that a country's ethnic homogeneity predisposes it to successful long-term sustained economic growth and development, is not entirely true. Ethnic diversity is indeed an anathema to economic development and growth as discussed above; however, it can be circumvented as seen in the case of Malaysia. Malaysia is an ethnically and religiously diverse country that has been able to transform itself from an underdeveloped country to one with high and sustained growth rates, which in turn have allowed the state to reduce the high levels of poverty and inequality experienced in the country's post-independence era. It was able to achieve this thanks to the "deliberate creation of a centripetal and a semi-democratic, if not democratic, developmental state in Malaysia that developed effective mechanisms for containing ethnic violence while pushing the country's majority political parties to the political centre, all but forcing them to provide the public goods and public policies that enhance growth and development" (Rock, 2015). The evolution and consolidation of the aggressive pro-Malay development agenda were achieved after the race riots of 1969 that saw the country plunge into economic and political instability. The pro-Malay development agenda focused on the improvement and upskilling of the agricultural sector in which most indigenous Malays participated. By doing so, it increased the indigenous Malay majority's participation in the economy. The government also enhanced its state capacity by restructuring the coalition leadership as a means to ensure long-term support of the pro-Malay agenda. These changes coincided with the increase of intra-regional trade activities, which assisted in supporting Malaysia's export-led growth plan. These transformations culminated in increased consumption levels and earnings within the country, which assisted in decreasing high levels of poverty and inequality.

The ability of Malaysia to achieve a successful developmental state and to overcome the challenges presented by ethnic diversity has prompted other African countries, like South Africa, to ponder the feasibility of emulating some of these lessons as a means of rejuvenating their economies while rectifying inequalities. This will mean transforming the state into an "instrument for attaining particular goals – in this case catching up, rapid economic transformation and growth" (Mkhandawire, 2010) instead of operating in the sidelines as a minor player in economic development. Similarly to Malaysia, the state has to play a central role in the organization and creation of institutional structures that will focus on development objectives. For any African state to transform itself into a development state, it is crucial that all ethnic groups in the country are included in the formation of an alliance government across ethnic, racial, and social divides, which will focus on the creation of a social and political climate conducive to economic growth, which will then result in the eradication of poverty and inequality.

Researchers like Burger may doubt South Africa's ability to become a developmental state similar to Malaysia due to the country's economic and political challenges, but it is important to note that the Asian economic growth paradigm is not static. It allows for countries at different levels of development and with a different social, political, and economic makeup to be pragmatic about the adoption of the paradigm to suit their conditions. South Africa's version of the developmental agenda will require the participation of all developmental stakeholders but, most of all, will require government to own the agenda while it "allow[s] the intimate link with the private sector but preserves sufficient distance for the renegotiation of goals and policies when capital interests are inconsistent with national development" (Ng, 2008). This research is particularly interested in the lessons for South Africa from the

Malaysian experience, given the similar contexts of both countries in relation to ethnic diversity and its related dynamics of economic development.

Research methodology

Research methodology is an important aspect of any study as it offers direction at a time when the researcher is inundated with wide ranging information. Researchers may opt for different methods in acquiring and analyzing data as a means to answering their research question. "Qualitative research helps us make sense of the world in a particular way. Making sense involves organizing undisciplined confusion of events and experiences." (Morse & Richards, 2002)

The qualitative research paradigm

At face value, the qualitative research method allows a researcher to interact with information in a robust manner without destroying its complexity and context. At a deeper level, the reasoning behind the selection of this research method is attributable to the paradigm's central focus, which is capably articulated by the definition by Strauss and Corbin (1990) as cited by Rahman (2017): "By the term 'qualitative research', we mean any type of research that produces findings not arrived at by statistical procedure or other means of qualification. It can refer to research about persons' lives, lived experiences, behaviors, emotions and feelings as well as about organizational functioning, social movements, cultural phenomena, and interactions between nations." Flick (2014) as cited by Rahman (2017) states that "qualitative research is interested in analyzing subjective meaning or the social production of issues, events or practices by collecting non-standardized data and analyzing texts and images rather than number and statistics". This body of work is keenly interested in the "social production of issues" as well as practices that have yielded success that may be duplicated in other areas. Such information already exists and has been decoded to fit the narrative of the topic.

The pre-existence of such information infers a reliance on widely available secondary data, which allows for rich, detailed insights that form part of the research and that factor in the vastness of the human experience. This study has relied on an array of secondary data including earlier research work, committee reports, census reports, books, journals, government and semi-government publications, and so on. "The advantage of using sets of secondary data is that they have been produced by teams of expert researchers, often with large budgets and extensive resources way beyond the means of a single student" (Walliman, 2011). The multifaceted nature of the data collected has allowed this study to be both descriptive and explanatory in nature. Different views have been taken into consideration in analyzing the research outcomes. The fundamental advantage of this method has been its flexible nature, that is, the ability to periodically alter and adjust the design of the research work to ensure the relevance of the information provided.

The comparative nature of the study has enabled the effective airing of the issues' analysis for both South Africa and Malaysia. As Collier (1993) states, the comparative method "sharpens our power of description, and plays a central role in concept-formation by bringing into focus suggestive similarities and contrasts among cases." This study interrogated data pertaining to the impact of ethnic diversity on economic development in developing countries. It juxtaposed the experiences of both Malaysia and South Africa and their government responses, including their effectiveness in alleviating inequality and poverty. The 'problem-solution discourse' is used to come up with a generalized solutions and recommendations that are a potential salve for South Africa's challenges that are causing instability in the country.

In response to this method's disadvantages, the researcher has been mindful of the biases and authenticity of the information that was used in this study. Such biases can be closely bound to a writer or researcher's feelings, attitudes, and judgments of the subject matter. This subjectivity has been diffused through the collection of large and diverse sets of data that offer varying views and attitudes. That said, qualitative research is inherently subjective as the employment of specific case studies has a specific predetermined end result in mind, which is finding a specific solution for questions raised in the study. Be that as it may, any comparative study seeks a predetermined conclusion, thus this method is the best fit as it will showcase the data while offering an answer to the research question.

Theoretical framework

This thesis will review the body of work of two schools of thought, namely post-development theory and postcolonial theory. The case study will be discussed with the intent of giving understanding the socio economic challenges resulting from being subjugated using post development theory. The postcolonial theory explains the response employed by specifically Malaysia in charting a way forward in developing itself to become a high performing nation-the outcome South Africa needs to emulate. The multifaceted nature of the challenges faced by South Africa and Malaysia it is not only pertinent to avoid the traditional "one-size-fits-all" approach but also imperative to find an all-inclusive approach that offers a workable framework for developing countries. These challenges include "globalisation, rapid technological change, financial deregulation, and the increasing subordination of postcolonial societies, serviced by the power of the Bretton Woods enforcement agents, the World Bank and the [International Monetary Fund, IMF], [challenges] which cannot be understood without the systematic attention of a critical gaze" (Charusheela & Zein-Elabdin, 2003). Such a critical gaze can be provided by two relevant theoretical perspectives: neo-developmentalism and neo-colonialism.

Traditional international relations theories are often criticised for expressing a Eurocentric perspective of the international system in which states exist. True to the criticism, this gap makes such theories incapable of explaining and understanding challenges faced by developing countries, specifically those pertaining to development. This is clear in their failure to propose any workable solutions for development in Third World countries. Over and above the Eurocentric views purveyed by these traditional perspectives, Africa's unit of analysis of the international arena also differs from those in the West. Finding a multifaceted theoretical perspective will bring developing countries closer to understanding their challenges and thereby drive efforts to take ownership of the required solutions. The multifaceted usage of two perspectives will offer developing countries the opportunity to be pragmatic in their responses to these challenges, including those of development. This "idea of hybridity (deep cultural mixing) offers a fruitful analytical tool for better examining economies situated in multiple and dense cross-cultural intersections, and improves our understanding of contemporary economic phenomena at large" (Giffard-Foret, 2013).

To understand postcolonial and post-development theories within the context of the development of countries, one has to be mindful of the meaning of development in the same context. As per Mexican intellectual and activist Gustavo Esteva (quoted in Omar, 2012), the term development "always implies a favorable change from the inferior to the superior, from worse to better. It indicates that one is doing well because one is advancing in the sense of a necessary, ineluctable, universal law and toward a desirable goal." By this definition, both perspectives are thus concerned with the effects of an inherently paradoxical change, which presupposes inferiority of that which it seeks to develop. With this in mind, the concept of development is inherently problematic as it can be seen to imply further colonization of those that are being developed. Both theoretical views are a response to negating the assumption of inferiority of Third World countries by empowering them to define the concept of development and the shape of solutions that they seek for their society.

4.1 Post-Development Paradigm

The post-development paradigm is a critique of development as a concept. It takes into consideration that for more than 50 years development theories have failed to eradicate poverty and inequality; thus, post-development authors such as Vandana Shiva (quoted in Siemiatycki, 2005) contend that such theories should be "rejected not merely on account of its results but because of its intention, its worldview and its mindset". By virtue of the development project being the outcome of the post-World War II dispensation, the post-development perspective further posits that the true agenda of the project was not to beneficiate developing countries but to entrench Western cultural, political, technological, and social superiority. "From the start, development's hidden agenda was nothing else than the Westernization of the world" (Prosser, 2010). For developing countries, Westernization meant the "enlightenment" of the "dark continent" through the obliteration all forms of indigenous knowledge and culture under the guise of development, anchoring the subjugation of indigenous populations to the idea of Western supremacy. With these factors in mind, the post-development perspective calls for "the outright rejection of all current development plans, rather than revamping them" (Prosser, 2010).

The post-development perspective therefore criticizes development on three levels:

> Firstly, as a political project, secondly as an intellectual structure and thirdly, as a term in itself (Ziai, 2007). By intellectual structure Ziai means the reduction of

> possibilities in terms of human living systems. According to this thought, the Western European and North American industrial capitalism is of higher value than other forms of society or community. In consequence, the project of development is said to be imperialistic, the construct of development is attacked to be Eurocentric, the term itself is revealed to be empty. (Loper, 2011)

Such a view supports Esteva's implication that Eurocentric notions of development suffer from a superiority complex, which then imbues the term 'development' with unequal power relations that have subjugated and continue to subjugate Third World countries. The façade of development is thus mainly interested in continued mass consumption of natural resources from Africa for the enrichment of already wealthy countries and the maintenance of their economies, at the expense of the indigenous populations of developing countries. Another post-development thinker, Arturo Escobar, views development as cultural imperialism, which is an extension of colonization, the difference being that it is now presented under the guise of humanitarian aid. "For Escobar, development amounted to little more than the West's convenient 'discovery' of poverty in the Third World for the purposes of reasserting its moral and cultural superiority in supposedly postcolonial times" (Reid-Henry, 2012). Reid-Henry (2012) further states that all developmental ventures from outside Third World countries "strongly set the terms for how people in poor countries could live. Told how to behave, poor people were made subjects of development as much as they were subjects of their own government." The criticism levelled at post developmentalism hold true for countries like South Africa. There has been a concerted effort by the new age Bretton Woods enforcement agents, the World Bank and the [International Monetary Fund, who are administering colonialist policies under the guise of development, creating a paternalist relationship. It then becomes difficult for developing countries to own the process of development when they are being dictated to and controlled in a father like way making the developing country the subornate. .

A way forward for post-developmentalism recommends the full engagement of indigenous people's knowledge and culture to find relevant, localized development plans. In so doing, indigenous populations can be empowered to plan and manage their sustained development projects while closely managing their expectations of the development process. This perspective seeks to empower locals with the ability to negate the permeating effects of colonial thinking, which is embedded in the global institutions that regulate the global economy. As "economics have played a central role in organising the discourses of poverty and riches in the past half-century, and hence the frame for public policy that has shaped the lives of millions of communities around the postcolonial world" (Charusheela & Zein-Elabdin, 2003), it is with this in mind that post developmantislist insist that ownership of the development agenda will allow locals to own their modes of production without the pressure of mass production and consumption, but with a view to provide enough for the population to gradually reduce poverty and inequality. Escobar (quoted in Reid-Henry, 2012) similarly echoes this recommendation, as he posits that,

> The answer lies in creating space – intellectual first and foremost – for local agency to assert itself. In practice this means one of two things: First it means encouraging local communities and traditions rooted in local identities to address their own problems. Not buying into the Western development agenda does not mean denying that some societies lack both resources and power relative to others. The second and related to this first, it means criticizing any existing distortions – economic or political – that limit people's ability to develop.

Unfortunately this perspective has yet to be realistically put to the test and is often criticized for its idealist stance and overdependence on an indigenous population. Critics view it as unrealistic, stating that, "in a globalising world it simply isn't realistic to expect developing countries (such as Bhutan or groups living in the rainforest) to be able to tackle future problems if they remain underdeveloped – eventually population growth or climate change or refugees or drugs or loggers are going to infiltrate their borders, and it is much easier to respond to these problems if a country has a lot of money, a well-functioning state and a high level of technology" (ReviseSociology, 2017). In a very fast paced international arena, it is impossible for any country to wait for an underdeveloped country to get around to leisurely deal with development as there is pressure for these countries to remedy socio economic issues and become economically viable in order to provide for its populace. Be that as it may, it is beyond doubt that it offers a theoretical perspective for "those interested in contributing to a future in which dependency on the Western experience is lessened in favor of a holistic approach to improving well-being in which indigenous tradition and knowledge play a central role" (Andreasson, 2007).

4.2 Post-colonial perspective

Similar to the post-development theoretical perspective, the postcolonial theoretical perspective also directs the same damning criticism at the failure of traditional theoretical perspectives. It rejects the subjugation of developing countries and denounces any development agenda that perpetuates the status quo of rampant poverty and inequality of Third World countries for 5the enrichment of already wealthy countries. In essence, postcolonial theory rejects any exploitative and discriminative practice. Its rejection emanates from its origins, as it is a response to the colonization process undergone by many Third World countries. Research shows that postcolonial thought can be traced back to an era that saw bourgeoning anti-slavery activism and anti-colonialist thinking. Four distinct struggles gave rise to postcolonial thought as a theoretical framework. The first was the humanitarian justification – this can be traced back to Bishop La Casas of the Roman Catholic Church in 1542, which questioned colonization's mission "'as a means of civilizing the heathens by any and all means including force'. In his famous sermon, he 'informed the world about the genocide that had been practised under the blessing of the Spanish king' (Rukundwa & Van Aarde, 2007). The second was the economic justification by Karl Marx's in his anti-imperialist theory as he saw development as an extension of colonial expansion of an unjust effects of capitalism (Rukundwa & Van Aarde, 2007). He fundamentally criticized the fact that capitalism alienates the indigenous masses as they are forced to work for capitalists who own the modes of production. The third struggle was based on political justification – a notion linked to the rise of the anti-slavery movement, which called for human equality and independence. Lastly, the religious justification – which dates back to Bishop La Casa as previously mentioned. The role of the church in perpetuating the colonial system especially because religion specifically Roman Catholicism was spread across the world by capitalists in the middle ages. The development agents brought by missionaries like wagons, ships, carts etc. were the catalysts to capitalism. These technological advances were not for the betterment of the 'backward people' but the instruments that drove capitalist systems in the new land while religion put in place a means to rule over the indigenous people. It is worth mentioning that in the modern era independent African churches played a crucial role in fighting colonialism. In South Africa, liberation theology and black theology was the point of reference for the black masses and struggle movement against class domination, oppression, and apartheid (Rukundwa & Van Aarde, 2007). Alan Boesak and Archbishop Desmond Tutu are among the notable personalities who became well known about speaking up against discrimination and social injustice in the Apartheid era using the church spread the message to the black majority. It is with this background in mind that postcolonial theory is highly critical of any discrimination and social injustice that underpins the colonial and capitalist systems that fundamentally views developing countries as inferior.

The superiority complex enshrined in traditional theoretical perspectives of development "tacitly characterize outsiders of the Eurocentric centre as intrinsically less intellectually, culturally and technologically (in)capable of producing wealth and thus would naturally require assistance from the 'superior' West. This dynamic has been materialized in the role of the World Bank in its relationship with the 'third world' as managerial, providing a 'knowledge bank'" (Leckey, 2014). In essence, these institutions like World Bank, IMF etc. have essentially become the neocolonial administrators who preach development however their theoretical direction fundamentally at odds with postcolonial thought, as it deems Third World countries economically, socially and structurally inferior. The postcolonial paradigm thus highlights,

> "the structural relations of domination and discrimination that are expressed, manifested, constituted and legitimized in and by discourse. In its discursive analysis of ideological domination, postcolonial studies focus particularly on hegemony which is achieved not only by physical force but also through consensual submission (consent) of the dominated and perpetuated by the active implication of the plurality of the Ideological State Apparatus including education, religion, law, media, etc.". (Omar, 2012)

This notion of referring to developing countries as the Third World/outsiders is inherently problematic as it indirectly clubs all countries outside the Western world under one classification, which more often than not prescribe a blanket solution to their developmental challenges regardless of their economic and technological advancements, or their diverse cultural and political backgrounds. Post-colonialists further proclaim that the Eurocentric understanding of development has historical implications as it authorized and celebrated the exploitation and colonization of natural resources and developing countries (Charusheela & Zein-Elabdin, 2003) which is inherently problematic as development will be skewed. Thus the hidden agenda of such a development project will continue to ensure that developing countries continue to be sub-altern to the West through international financial systems. The interaction that exists between these institutions and developing countries must be underpinned by input by the indigenous communities.

Post-colonialists also find the exclusion of indigenous knowledge as part of developmental solutions reprehensible. Leckey (2014) finds that the trivialization of indigenous knowledge is problematic as it continues to be undermined since it cannot be understood nor defined by the Eurocentric scientific language which further exhibits the repressive nature of traditional perspectives on development. The continuous practice of undermining and alienating indigenous knowledge in preference for western theories of development of the third world ultimately undermines the same development strategies that seek to remediate and uplift developing countries (Leckey, 2014). The failure of these strategies is thus unsurprising; however, it also allows for the continuation of the narrative that presents developing countries as needing to be led and developed, keeping in place the status quo that is advantageous to the West, perpetuating the subjugation of developing countries.

Post-colonialists find the teleological definition of Western development flawed and intrinsically linked to its insistence on subjugating Africa. The subjugation of indigenous people is not only based on the lived experiences of developing country however it also downplays the impact of the slave trade on the development of Europe and the Americas. The convenient exclusion of the significant role played by the trans-Atlantic slave in the development of the West further exhibits utter disdain for Africa. Traditional development perspectives conveniently prefer to surmise that western development was a natural evolution from western inherent enlightenment principles (Leckey,2014), inferring to God-given abilities of self-actualization of all that is West. The role of the slave movement on the development of the west is well documented and cannot be separated from the economic development of the New World as they were able to bridge the gap by making up for the shortage of labor experienced in the New World (Hardy, 2014). Given this selective acknowledgement of the facts, developing countries should be cautious of traditional development perspectives, as the sincerity regarding the “development” of the Third World will always be questionable if it is authentic or not.

The postcolonial solution to Third World development is not as radical as that of post-developmentalism. However, similarly to post-developmentalism, it calls for majority participation of indigenous populations in seeking developmental solutions through the reconceptualization their own development agenda according to their needs and challenges, while using tools afforded by the global framework they exist in instead of an outright rejection of this framework. This is exactly what the Malaysian experience did, through the New Economic Policy. It sought to develop the country through the eradication of poverty which was predominantly experienced by the majority indigenous people. It also sought to aggressively and rapidly expand the economy that was at the time dominated by the minority Chinese to an economy that would allow increased participation of indigenous Malay. The policy was inward looking and did not rely on external institutions to set the themes for the country's development. This in essence allowed indigenous knowledge to "challenge traditional Eurocentric understanding, thus delivering more applicable and improved development strategies" (Leckey, 2014). It is thus important for developing countries to push for ownership of their development agenda while remaining discerning of the needs of their population, as the ownership of the development project forms an important pillar for economic growth.

Malaysia and South Africa – a comparison

Comparative historical background

South Africa and Malaysia's similarities in their multi-ethnic and multi-cultural characteristics and similarities are a result of a man made system of long term subjagation of indigenous people and creation of prefered minority class resulting in an unequal society. The monopolisation of these countries' resource endowments by the minority class is also similar which then prompted the first majority ruling government to focus on the evident disparities within the society. At independence, new political leadership faces a myriad of challenges including building a new bureacratic structure, a new identity for the country and a new values system that has to guide and merge the highly divided society.

In the case of South Africa and Malaysia it is important to understand what were the similarities of both countries at the 'jump off'stage- specifically in their GDPs, poverty and inequality levels as this was the critical point that eventually influenced the new governments' set of goals and trajectories going forward. "Around the mid-1970s, the share of manufactured exports in GDP stood at around 6,7% in both countries. By 2004, this figure had creased to more than 80% in Malaysia but to only 12% in South Africa" (Rodrik, 2006). This chapter will focus on two specific similar characteristics namely the ethnic composition and political factors that guided the decisions of each country resulting in drastically different economic growth and development discourses. It is thus evident that the political and economic institutional arrangements adopted by each country were played a significant factor in each country's socio-economic fortunes. It is thus important to retrospectively seek the point of divergence of both countries' economic and political choices in order to formulate South Africa's remedial actions, in line with its economic ideals, into the 21st century.

Malaysia

The evolution of Malaysia's political and economic character did not occur overnight, but was instead a result of "incremental piecemeal changes which could [have been] so light as to appear trivial [but] could, over the long haul, produce profound transformation" (Noh, 2010). Similar to the South African experience immediately after independence the alliance government was formed to ensure the stability of the country however did not necessarily institute an far reaching redress in wealth and opportunity redistributions in favor of the majority indigenous people. So it is not surprising that the 1971 Race Riots catapulted to the country into greatness.

1.1.1 Ethnic composition

Authors such as Horowitz (quoted in Noh, 2010) often refer to Malaysia's political and economic success can be attributed to the country's ability to manage the ethnic conflict in the midst of conflict-fostering conditions and conflict-reducing processes and institutions (Noh, 2010). This assessment holds true because the success of a highly plural society over a specific period, from the 1970's and beyond was often seen as unusual for any developing country as it had never happened. The ethnic plurality was not always taken in to consideration however in Malaysia it became clear that it was one of the most limiting factor in the achievement of any developmental ideals. After independence there was rampant rent-seeking activities embarked upon by the different communities within that society especially by the minorities that played a role of colonial administrators in the employ of the British colonial powers

At independence, the Malaysian society was composed of three major ethnic groups, 49,8% of whom were Malay, 37,2% Chinese, 11,3% Indian, and 1,8% "others" (Ahmed, 2005). Bumiputera is a term used to refer to Malays and or other groups indigenous to Southeast Asia that comprised the majority in Malaysia. The extreme ethnic divisions observed in Malaysia were a construct of the British colonial powers. "British colonialism contributed to the ethnic heterogeneous population by allowing, even encouraging, Chinese and Javanese immigration, and organizing Indian immigrants to work in the nascent public and plantation sectors, resulting in a close identification between race and economic function" (Gomez & Jomo, 1997). Ethnic segregation was an intentional exercise that separated society according to cultural, religious, and linguistic subgroups. These subgroup categories were used as basic criteria for allocating employment according to the colonizing power's whims. As centuries passed, this segregation policy accentuated and entrenched socially constructed differences within the Malaysian society and this was in line with the long-term plan of keeping the groupings separate in order to thwart any nationalist sentiments. One colonial administrator confirmed the plan with his comment that, " people of Malaya have in common essentially only the fact that they live in the same country. In race, religion, culture, economic interests, and the other attributes usually associated with the existence of a nation, their outstanding characteristic is not unity but profound diversity" (Bowie, 1991). One can posit that the introduction of indentured labor from India and China was deliberate by the British as they depended on ethnic differences to negate any nationalist movement to topple their hold over that economy. Only after independence did it become clear to the Bumiputera government that any noteworthy economic development can only take place after hard decisions about ethnic redress in the country. Only then would ethnic diversity no longer threatens economic development and growth.

1.1.2 Political factors

The political climate that has prevailed in Malaysia since its independence has been greatly influenced by British colonialists. The economic choices of the country were directly influenced by the country's political and institutional decisions before and after independence. The political culture before and after independence was heavily influenced by the colonial policy of segregation, in that "the character and constitution of most Malaysian political parties are ethnically based and heavily influenced by the multi-ethnic feature of its population" (Bowie, 1991) which was a historical construct created by the British colonial powers.

After World War II, when the British reclaimed Malaya as a colony, they suggested the formation of a union which would unite the nine Malay states with the straits of Penang and Malacca. The proposal proved to be unacceptable to the segmented society, prompting them to put aside their differences and join "together for the same cause and that was to oppose the establishment of the Federation of Malaya and to fight for the country's independence" (Ahmed, 2005). The major parties that came to be important political actors during this time were the United Malays National Organisation (UMNO), which was concerned with indigenous Malay people's interests, the Malaysian Chinese Association (MCA), which sought to protect Chinese rights, and the Malaysian Indian Congress (MIC), protecting Indian interests. Interestingly, party formation for the Indians and Chinese was initiated by the British, who had expected the demand for independence. The Chinese and Indians were seen as possessing considerable economic interests aligned with the British interest, which they were keen to protect after the imminent independence of Malaysia. The negotiation process between these three parties, during which Britain played the role of convener, commenced in 1949. “When the Alliance was officially formed in 1954, it was not only to meet one of the colonial government’s conditions that independence would only be granted to a multi-ethnic leadership, but also because of the apparent electoral appeal of a multi-racial party” (Gomez & Jomo, 1997).

Economic development and political priorities after independence were based on the concessions agreed to during the negotiation process. One of the concessions conceded economic development to leadership and direction from the private sector, which comprised predominantly of British, Chinese, and Indian companies. The minority parties MCA and MIC continued to enjoy economic dominance over the indigenous UMNO, which was allowed to enjoy cultural and political hegemony. It is important to note that the political preeminence that the UMNO was satisfied with would, in turn, constrain its ability to enact much-needed economic policies that could respond to problems arising from indigenous Malays’ rampant poverty and inequality, which emanated from previously being sidelined from an active capitalist economy. As part of the concessions, “positions of prime minister and deputy prime minister were reserved for Malays, [and] the important finance and commerce and industry portfolios were assigned to leaders in the MCA […] The price to be paid by non-Malays for full participation in the activities of the Federation and for continued economic dominance was their acceptance of Malay cultural and political hegemony” (Bowie, 1991).

By 1969, the concessions agreed to by the Federation were causing social and economic tensions, which culminated in what came to be known as the ‘race riots’. “Violence of this intensity was without precedent in post-colonial Malaysia and the events of May 13 came to be seen as a watershed in the country’s political history. They indicated the extent to which the intercommunal settlement, which had provided the underpinnings for Alliance government rule since independence in 1957, had been eroded as a result of ethnic antagonisms on both sides” (Bowie, 1991). This became a watershed moment that ushered in a new era for Malaysia’s politics and economic development from 1970 onwards. It saw the implementation of the NEP, which would finally focus on the upliftment of the majority Malay people. This was “a framework for a long-term plan extended over a period of twenty years (1971-1990). The two main objectives of the NEP were to reduce and eradicate poverty regardless of ethnicity, and restructure the society so as to eliminate community identification through economic sectors" (Ahmed, 2005). For all intents and purposes, the NEP was successful in the upliftment mostly of indigent Malays. However, in some cases the NEP reversed the fortunes of non-Malays, further entrenching the ethnic and racial lines within Malaysian society. Authors such as Gomez and Jomo (1997) and Jomo and Syn (2005) often highlight the fact that the NEP created a new challenge in the creation of a new Malay capitalist/rentier class within the administration and the UMNO party itself.

Some scholars blame the creation of the rentier class for Malaysia's lower-than-average growth compared to the rest of the East Asian region. The mismanagement of public funds is also associated with this rentier class, an indictment that is partly acknowledged by the government itself as it confirmed that "only 40% of the RM30 billion spent on poverty eradication under the NEP until 1988 actually reached the target groups, with the balance covering administration and infrastructure costs" (Gomez & Jomo, 1997). Government contracts were preferentially awarded to politically connected companies, which resulted in the introduction of cronyism to the political and economic arena. It is however important to note that prior to the NEP there were not enough Malay business people; thus, this process was seen as necessary for the creation of a Malay business class. This rentier class was not always a negative entity. Some of the rent-seeking activities embarked upon facilitated the increase of skill transference through investment opportunities via joint ventures. In as much as the rent-seeking activities were deemed unproductive, they were seen as a necessary evil or deemed as transaction costs would in the long run facilitate productivity and learnings for the Malay business class (Gomez & Jomo, 1997). The new capitalist class also made it easier for the administration to accumulate the capital that was needed for industrialization. As much as this behavior registered positive results for the country, it had a debilitating impact on the ruling party's internal structures as the quest for profits by politicians through their close relationships with business people – political patronage – resulted in infighting and bickering that caused divisions and factions within the UMNO.

The Malay capitalist class was also a manifestation of how the leadership and support base of the UMNO was starting to evolve. At independence, the leadership of the UMNO was comprised of mostly rural-based teachers. By the mid-1980s, more businessmen were taking up leadership positions within the party, thus compromising the integrity of the party as began to blur the distinction between corporate and political power. By 1995 almost 20% of the UMNO's 165 division chairmen were millionaire businessmen cum politicians ((Jomo &

Syn, 2005), which in some instances resulted in the goals of the NEP being compromised. By this time the party focus was more on these politicians amassing as much as they could from NEP business targets thus shifting focus from the upliftment of the majority.

1.1.3 Economic factors

As previously mentioned, understanding the developmental agenda of any country requires an understanding of the symbiotic nature between the economic and political spheres. As exhibited in the previous section, this was indeed the case in Malaysia. Since the inception of the coalition and the subsequent attainment of independence, Malaysia's development agenda was heavily influenced by the coalition's concessions. As the country started to undergo change, the country also saw "relationships between groups within an alliance change, so too [did] approaches to economic policy making and industrial strategy tend to change" (Bowie, 1991). To understand the progress in Malaysian economic development, it is important to view progress in the first two periods of Malaysian independence, between 1957-1970 and 1970-1985, as these periods set the tone for Malaysia's success into the 21st century.

1.1.3.1 1957-1970 period

At independence, Malaysia's economic strategy was market-led and dependent on the export of raw materials, a strategy that remained unchanged from the pre-independence period. Foreign entities continued to monopolize the means of production of most traded commodities, resulting in all profits being sent to their home countries. "European companies owned 83% of the land under estates (mainly rubber, but including some palm oil and coconut estates) […] in tin mining, three British companies alone accounted for 45% of total output in 1954. Foreigners also controlled the most lucrative segments (60 to 70%) of the import-export trade, as well as other services such as shipping and insurance. Three British banks dominated Malayan banking [and] together with other smaller foreign banks, they controlled 75% of all bank deposits in 1955" (Bowie, 1991). Authors such as Bowie (1991) contribute the unchanging strategy to the package deal all ethnic groups agreed to during the formation of the coalition. This meant that the Chinese continued to dominate the manufacturing and mining sectors, while Indians were concentrated in the government services and in estates, and the majority Malay people were left to languish in the underdeveloped agricultural sector. The initial earnest attempts at industrialisation of the country came with the introduction of the First and Second Malaysia Plans and the NEP.

In as much as the strategy remained unchanged, the government endeavoured to implement development policies that sought to assist the agricultural sector, a sector dominated by Malays. “Government focused its development efforts on rural economic activities, primarily rice and palm oil – beneficial to Malays. The government’s rice programme required substantial public expenditure on irrigation, land expansion, infrastructure, marketing of rice, and promotion of fast-breeding, high-yielding rice varieties that worked well in Malaysia” (Rock, 2015). These changes were drawn from the public development expenditure that saw “rural development receive 23% of the total and infrastructural development 52%, industrial development received only 1,3%” (Bowie, 1991). These spending patterns would continue into the 1970s and would see a gradual increase in the portion allocated to rural and agricultural development. Over this period, the annual growth rate rose from 2,8% in 1955 to 6% by 1970. The gradual growth was a positive return on the government’s progressive policy that focused on the agricultural sector, which would become the bedrock for Malaysia’s economic evolution from a backward economy to one praised for high performance. It is however unfortunate that these economic policies failed to alleviate the high incidences of poverty and inequality for most Malayans.

1.1.3.2 1970-1985

The year 1970 ushered in a new era for Malaysia as a result of the racially and ethnically charged riots of 1969, which confirmed that the base of agreement between these groups was eroding in the 1970s in the sense that elements within each group took issue with some of the terms of the original settlement that had guaranteed Malayan political hegemony in return for assurance of the rights of non-Malays to conduct business unimpeded by state intervention (Bowie, 1991). It was evident that the economic backwardness and exclusion of the ordinary Malayan, which led to the depravity that influenced the riots, had to be dealt with. The government decided to implement the NEP during the Second Malaysia Plan to try and foster economic redress and build national unity that had been absent in the first 13 years of independence. The two main aims of this plan were to reduce and eradicate poverty ‘by raising the income levels and also increase employment opportunities to all Malaysians’ cross racial and ethnic backgrounds. Secondly, the government would seek to achieve economic redress through the ‘implementation of preferential policies that benefit Malays disproportionately’.

After the riots, the NEP was a much-needed intervention as after 13 years of independence, the economic landscape still remained unchanged with “Malays only own[ing] 1,5% of corporate equity, in comparison with the 22,5% share of the less-numerous Chinese and the 62,1% share owned by foreigners” (Bowie, 1991). As part of the economic redress plan, the NEP sought to increase equity over a 20-year period in Malays’ favor from 1,5% to 30%. Some scholars refer to this strategy as tantamount to economic nationalism, while others refer to it as a gradualist strategy that would “incrementally uplift the Malay well-being such that it would not unduly overburden the non-Malay nor discourage the investments, especially foreign, needed to spur economic growth” (Guan, 2000). During the first 13 years of independence, Malaysia’s economy had been dependent on the export of rubber and tin, sectors that were dominated by foreign and Chinese companies. From 1970, with the implementation of the NEP, the government became the omniscient player in all matters pertaining to economic, industrial, and commercial activities for Malaysia, going as far as directly intervening in manufacturing and capital-accumulation activities that were previously presided over by non-Malays and foreign owners. For the government’s goals to succeed, it needed to rely on previous investments that had gone into agriculture to increase productivity within existing industries as a means to increase growth. To enact their transformation agenda in line with raising productivity, the government effected aggressive and progressive change in the area of corporate equity by enacting the Industrial Coordination Act (ICA) of 1975. This legislation was instrumental in asserting the 30% Malay equity participation in all industries. Non-compliance with this legislation resulted in government withholding business licenses from non-abiding businesses. This saw an increase in Malayan equity from 2,4% in 1971 to 19,1% by 1985.

Between the same period, the Malay government focused on wide ranging initiatives that set up productive enterprise, Malay equity funds and a number of state-owned economic enterprises (SOEs) as a means to aggressively create a government that became the biggest employer of the disadvantaged malay majority. SOE’s grew from 109 in 1970 to 362 in 1975, 656 in 1980 and 1 014 in 1985, and the size of the public bureaucracy that was needed to properly manage and monitor the much-expanded state economic activities ballooned from 140 000 in 1970 to 520 000 in 1983 (Guan, 2000). The expansion of SOEs was not only to create employment but also to deliberately implemented as a means to mobilize resources and accumulate capital in order to gain gradual control of strategic sectors of the economy. These enterprises were also mandated to offer human resource development and skills transfer in favor of the Malays. The result of this aggressive expansion was not only aimed at economic development but to also balance the scales in favor of the majority Malays. For the first time since British colonial powers the proportional representation of non Malays in the state bureaucracy significantly decreased (Gomez & Jomo, 1997) during this time.

The expanding SOEs continued to form joint ventures and making gradual steps towards the domination of key economic sectors, so triggering alarms among foreign companies and non-Malays as this would directly impact their dominance in the plantation and mining sectors.

The NEP's goals dislodged non-Malayans' positions of power in the industrial and manufacturing sectors, directly impacting the economic standing they had been used to. The non-Malayans, specifically the Chinese, felt that the NEP was 'lacking in diversity and inclusiveness' to the detriment of their livelihood. They elected to show their disdain the only way they could, by showing reluctance in investing in the economy. "Before the implementation of the NEP, Chinese investments comprised 66,9% of all investments in 1971. After 1972, Chinese investments averaged just above 30% before the ICA was enacted in 1975. But from 1975 to 1985 Chinese investments in manufacturing fell below 30%" (Guan, 2000). It is estimated that from 1975 to 1985, the total amount of capital flight amounted to US$12 billion. The more threatened the Chinese felt, the more disingenuous they became in entrenching their hold on important economic sectors. In some cases, in order to conceal their numerous investments in the country, some Chinese businessmen created numerous cross-holding networks, creating a situation where "one publicly traded company is owned by another publicly traded company causing its equity to be twice counted when determining the value and later creating management confusion" (Bowie, 1991) which would dissuade any mergers or joint ventures brokered by government from taking place. Another hindrance to disbursement of corporate equity was the widespread use of "Ali Baba-type arrangements, in which a Muslim Malay (Ali), to obtain Malay preferences, lent his name to an enterprise which was actually run and capitalised by a Chinese businessman (often a Baba) who retained most of the profits" (Bowie, 1991). These developments did not dissuade the government from pursuing its goal of a 'Malayanisation' process as they continued to access investments from SOEs and foreign companies, which went a long way towards achieving healthy growth rates that averaged 6,7% annually between 1971 to 1984, with the exception of 1984 due to the oil crisis.

In 1981, under the auspices of Prime Minister Mahathir Mohamad, there occurred a fundamental shift away from the previously discriminatory preferential policies as a means to “recalibrate the relative importance attached to objectives with respect to stimulating growth […] [towards] the implementation of the Malaysian Incorporated (Malaysian Inc.) concept” (Guan, 2000). The realignment between private and public sectors was welcomed and saw an increase in local and foreign investment, further buoying Malaysia’s economic growth. Many a scholar may cast doubt on the NEP’s success, but it is well documented that it attained the goals it set out to achieve in 1970. “Absolute poverty declined from 49,3% in 1970 to 15% in 1990, a better result than the NEP had targeted. Also, unemployment declined from 17% in 1990 to zero in 1995. The gross national product per capita rose from $370 in 1970 to $3 890 by 1995. The infant mortality rate fell from 45 per thousand in 1970 to 12 per thousand in 1994. These achievements in social development coincided with high economic growth throughout the NEP period, averaging about 6,7% annually. Economic growth was accompanied by a fundamental transformation of the economy. Malaysia was transformed from an agrarian economy and exporter of raw materials in the 1970s to an industrial economy in informatics being the dominant sector by the 1990s” (Omoweh, 2012).

The successes achieved by the NEP in fostering Malay business in areas of agriculture and manufacturing early in the development process continued to yield results in the 1990’s. Studies have observed that the “manufacturing industries […] contributed 44,6% to the country’s GDP in 2008 while it had only contributed 13,9% in 1970 and 35,5% in 1997” (Madanchian, et al., 2015) proving that the route chosen by the UMNO government was the correct on for Malaysia. As the economy continued to grow, the country never dealt with any ethnic or political disturbances as the all ethnic groups were active participants in the economic development of the country.

South Africa

1.1.4 Ethnic composition

South Africa is often referred to as the most unequal country on Earth due to the disparity that exists between rich and poor, a distinction that permeates the ethnic divide. This status quo did not come about after 1994, but can be traced back to the social relations that were set in motion by the arrival and creation of colonial settlements by Jan van Riebeeck in 1652. During the colonial and apartheid periods, classification was done according to ethnic groupings of Nguni people (Zulus, Xhosas, Ndebele, and Swazi), the Sothos (Bapedi, Basotho, Tswana, Tsonga, and VhaVenda), and coloureds (lineage of indigenous Khoisan people and white settlers) and Boers – the white farmer-settler group. When the British Empire took over from the Dutch at the beginning of the 19th century, "divisions between local settlers and metropolitan rulers [were accentuated] and […] the racial divide between whites and blacks [was widened]" (Worger & Bymes, n.d.) The entrenchment of divisions along ethnic and cultural lines was a culmination of policies and strategies employed by first the colonial powers and later the apartheid regime, which subjugated the indigenous majority. In 1994 the ethnic composition of the South African society was composed as follows: African -75%, Whites -14%, Coloureds- 9% and Indians – 2%. The permeating nature of colonial and apartheid segregatory policies has resulted in the "perpetuation of the poor living conditions of the largest section of the population. It also hampers the South African economy to grow" (Scheepers, 2010).

1.1.5 Political factors

Before the arrival of colonization and apartheid, the ethnic environment of South Africa was different as it was "rooted in the ideas of bonds in kinship, biology and ancestry. […] It involved more visible local communities, built on face-to-face signals of dialect, kinship, status, region, cultural practices, and on the force of understanding and fear produced by rural isolation" (South African History Online, 2015). The creation of colonial-owned ports and settlements by the Dutch at the turn of the 18th century created an appetite for cheap labor that was often sourced from the local Khoisan population and the imported slave labor from East Africa and Madagascar. This sowed the seeds of racial segregation in South Africa.. It was however the discovery of gold and diamonds that registered a more dramatic change that "altered the economic and political structure of southern Africa" (Worger & Bymes, n.d.).

The ever-profitable mineral industry that attracted attention and foreign investment into this new sector prompted a heightened need for organized labor. This saw an influx of immigration from foreign colonies and local independent states. The British were more concerned with the influx of people from these southern independent states, which prompted the British to respond by "constrain[ing] the ability of African workers to bargain up their wages and [in order] to ensure that they put up with onerous employment conditions, the British in the 1870s and 1880s conquered the still independent states in southern Africa, confiscated the bulk of the land and imposed cash taxation demands. In this way, they ensured that men who had chosen previously to work in the mines on their own terms were now forced to do so on employers'' terms" (Worger & Bymes, n.d.). By so doing, the British set the patent for the legislation the Boers would later use as a foundation to formally entrench and further disenfranchise people of color during the apartheid era.

The confiscation of lands and withdrawal of civil liberties for Africans were the fundamental thrusts toward the dismantling of the African peasantry, using "a range of coercive measures [which was] applied to guarantee and regulate the supply of labor. Administrative systems were used to establish and police racial division of labor separating skilled white (mainly European) labor from gangs of unskilled African labor. Organized white labor would lobby strongly (and act militantly) to entrench those measures while indigenous Africans waged battles for survival and dominance. This established the basis for a political alliance between the capitalist class and white labor, which was to survive until the 1970s" (Marais, 2011). Pro-white and discriminatory actions by the British administration were always challenged by the African population through primary resistance against the dispossession of their land and livestock, but that resistance was dealt a convincing blow in 1906. The suppression of the Bambatha Rebellion in 1906 "symbolized defeat of armed resistance that was waged by various African kingdoms, African people became exposed and subjected to oppression, economic exploitation and suffering of unprecedented proportions" (Ntlemeza, 2011).

From this point forward, peaceful resistance was organized mostly by "educated" urban Africans and minorities who would actively lobby and petition the British government for equal rights and treatment. These actions were for the most part unsuccessful; however, they set the foundation for future resistance structures. The notable earlier organizations were the African People's Organization established in 1902, which was concerned with the educated coloureds, followed by Mahatma Gandhi's peaceful resistance campaign against the poor treatment of Indians in the country. "These activities culminated in the establishment of the South African Native Convention or the National Convention in March 1909, which called for the constitution giving 'full and equal rights for all blacks, Coloureds and Indians" (Anon., 2011). This structure was the first of an all-inclusive race organization at the time in South Africa whose prime concern centred on the plight of people of color. In 1910, as a response to the increasingly unstable and often untenable constitutional and political crisis in South Africa, the British government established the Union of South Africa, deeming the country “a self-governing state within the British Empire, [and] legislatively restricted political and property rights to whites at the expense of blacks” (Worger & Bymes, n.d.). In this way, white superiority over the independence of the indigenous black population was legally entrenched. Black people’s rights and freedoms would be diminished under the union, as they were seen as cheap and inexpensive labour for the state and foreign companies. Pieces of legislation such as the Native Land Act of 1913 and the Native Trust and Land Act of 1936, which expropriated arable land from Africans, were instrumental in “shepherding” people into native reserves, forcing them away from subsistence farming into the low-wage and expendable workforce for the emerging capitalist system. “African societies were fiercely marginalized. Not only were they transformed into reserve armies or labour, but they were burdened with the principal costs of reproducing that labour supply […] They were barricaded into native reserves outside the mining and industrial zones where they were denied access to the types of health, education, welfare, and recreational networks introduced in the urban centres” (Marais, 2011).

By 1945, as evidence of the repressive and dispossesive nature of white rule, 36% of previously rural Africans were working in urban areas, mainly in gold mines under inhumane conditions that would later propel and provide the critical mass of support for African nationalism. The state-enforced mass exodus of the African population to urban areas coincided with the 1948 victory of the National Party (NP), so officially consolidating apartheid. “South Africa was proclaimed to be a white man’s country in which members of other racial groups would never receive full political rights. Africans were told that eventually they would achieve political independence in perhaps nine or 10 homelands carved out of the minuscule rural areas already allocated to them, areas that even a government commission in the 1950s had deemed totally inadequate to support the black population” (Worger & Bymes, n.d.). As a means to ensure compliance with the stringent pass laws and to control the influx of African workers, the police force and its powers were increased. The state intensified its efforts to discourage political activism in urban areas by banning prominent political figures from attending political meetings and placing them under house arrest at will.

The aparrtheid government inacted a number of draconian legislations adopted to dissuade them from politically or economically trying to bring about any political, industrial, social, or economic change within the Union by using disturbance or disorder (Worger & Bymes, n.d.).

The apartheid regime was cognizant of the need to maintain their rule over Africans and thus to ensure the entrenchment of white supremacy for generations to come. In the rural areas, the Bantu Authorities Act of 1951decimated the indigenous tribal aurthorities upsetting the customary system of checks and balances. It instead replaced it with government chosen tribal leaders who were only seen as an extension of the Apartheid government creating a situation whereby indigenous people no longer had the confidence in their chiefs as they were viewed as collaborators with the government (Worger & Bymes, n.d.) The exploitation and the oppression became unbearable, and the African population resolved to find more effective ways to engage with the government. By 1961, in the face of repressive rule, Umkhonto weSizwe (MK) – the armed division of the ANC – was born out of the frustration experienced within the organization. By this time, the government had not only banned most of the black political organizations such as the ANC and the Pan Africanist Congress of Azania (PAC), their leaders were already languishing in detainment, including Nelson Mandela who was imprisoned for life in 1964. Others went into exile.

The struggle took a multi-pronged direction, whereby MK continued to engage in physical battles against the state inside and outside the country while civil organizations and trade unions organized rolling mass stay always as a means to continue frustrating the apartheid state. “Throughout the mid-1980s, a series of urban uprisings, strikes and consumer boycotts combined with the ANC’s strategy of economic warfare, industrial sabotage and attacks on government targets to bring the country to a standstill” (De Klerk, 2002). Leaders in exile, such as Oliver Tambo and others, continued to lobby foreign governments and non-governmental organizations (NGOs) to bring to light the plight of the black people in South Africa with the hopes of discouraging those countries from doing business with apartheid South Africa. These activities yielded the desired effect of negatively impacting the economic interests of the apartheid government and its investors. The sacrifices of these actions were immense, as thousands of people lost their lives at the hands of the apartheid state through assassinations by the security forces. “The strategy of insurrectionism and the ferocious impact of state repression together pushed the resistance campaigns of the 1980s off the rails. Coercive tactics and revolutionary violence had by 1986 become acceptable methods of struggle among many of the youth on the frontlines” (Marais, 2011). It became clear that the political and economic situation in South Africa was becoming untenable, and would require the government and capital to forge an appropriate course of action as a stalemate had been reached.

By this time, the apartheid government was cognizant of the need to engage with the opposition; thus, there commenced numerous secret meetings with Mandela and other exiled ANC leaders to initiate the path to transformation of the country. The journey to the 1994 election and subsequent victory of the ANC and its partners can be likened to political and ideological panel beating, as concessions and negotiations proved grueling and often precarious. The first major show of good faith by the state came in 1990 when then-President F.W. de Klerk announced the unbanning of all political organizations and the release of all political prisoners, including Mandela. Consequently, four major bilateral agreements were enacted and would provide the framework for the impending negotiations while setting the tone and environment for their success. These were the Groote Schuur Minute of 1990, the Pretoria Minute of 1990, the ANC and IFP agreement in 1990, and the D.F. Malan Accord of 1991. The inclusion of the cessation of hostile warfare by both parties was paramount, while the review and partial pardoning of political offences by political figures and the secure facilitation of the return of all exiles were important for the ANC. Once both sides met the fundamental requirements for negotiations to begin, the arduous journey commenced. Subsequently, the Convention for a Democratic South Africa (CODESA) paved the way with a multi-party negotiating forum and the National Economic Forum, with the ultimate goal of building an equal society and a government based on majority rule. During this process, the ANC was compelled to reevaluate its previously held ideological and political positions as a means to fast-track positive changes for the emancipation of its supporters. Interestingly, the apartheid state often followed “a twin-track strategy in that while negotiating with the government they would also be actively trying to derail and destabilise the process” (vanWyk, 2009). Among the compromises tendered, the most salient was “the protection of apartheid and Bantustan government officials [which] was provided for in the 1992 interim constitution. In addition was Joe Slovo’s sunset clause which *inter alia* offered employment protection to the predominantly white Afrikaans bureaucracy” (Van Wyk, 2009). Other concessions included the acceptance of debt incurred by the apartheid government, the protection of domestic corporations that benefitted financially from the apartheid system, the renouncement of nationalization by the ANC, and the acceptance of a neoliberal economic system. These would later become the source of much consternation. Christie (2006) notes that the reason why the idealist policy proposals developed before the election did not have their anticipated importance was because they were not grounded in reality or lived experience of governance which then compromised the ANC's negotiating position at the talk. They were severely underprepared against an enemy that had done its homework and was clear on what it deemed as an acceptable outcome.

The fall of apartheid through peaceful transition was indeed the best and greatest human achievement in the 20th century; however, the cost of achieving it was equally just as high. Countless lives were lost, families were destroyed, and unfortunately the ANC's unpreparedness allowed whites to keep the arable land, the productive mines, manufacturing plants, and financial institutions, and the continued ability to export vast quantities of capital to safe havens without any adverse action (Bond, 2013). This was apparently clear even to the stalwarts who were instrumental to the negotiation process, as they have acceded to the fact that the ANC and its alliance partners were out of their depth during these negotiations, and that the concessions made would come back to haunt them. It is often mentioned that the ANC government that ascended to power in 1994 was preoccupied with proving to the world at large that they could "act like a government seeing that they managed to resolve the political situation in the country, yet they were clearly oblivious to the underlying economic and social crisis that would require their immediate attention. [The ANC] negotiated the settlement without a vivid program for overhauling the structural foundation of a society in which injustice and inequality had been horrendously fused" (Marais, 2011). This assessment rings true for stalwarts such as Ronnie Kasrils, as he agrees in principle that decisions made in the early days of the transition were erroneous, and that the general populace continues to pay for them today. "From 1991 to 1996 the battle for the ANC's soul got under way and was eventually lost to corporate power: we were entrapped by the neoliberal economy – or as some today cry out, we sold our people down the river" (Kasrils, 2013).

Leading up to and after 1994, the ANC and its allies were preoccupied with arbitrary policy considerations, which resulted in historic racial and economic fissures being glossed over in favor of uniting the South African society. It is however prudent to note that not all participants were oblivious to the pitfalls of the concessions. In 1992, "Palo Jordan accused his colleagues of elevating negotiations to the level of strategy and warned that they risked giving away what we have won on (other) fronts. [South African Communist Party, SACP] Central Committee Member Blade Nzimande accused SACP Chief Joe Slovo of developing a scenario in which the masses are absent and instead the issue becomes primarily that of tradeoffs between negotiators, constrained by the logic of the negotiations process" (Marais, 2011). This warning clearly fell on deaf ears, as it is common knowledge that despite South Africa's transition to democracy, the country still struggles with historical and inherent racialized economic poverty and inequality, which have resulted in lower life expectancy and high unemployment. Bond (2013) eloquently notes that "South Africa's democratization was profoundly compromised by an intra-elite economic deal that, for most people, worsened poverty, unemployment, inequality and ecological degradation, while also exacerbating many racial, gender and geographical differences."

1.1.6 Economic factors

South Africa's economic performance since the fall of apartheid can only be understood by appreciating how it has evolved from the onset of colonialism. From colonialism until the takeover of the NP in 1947, economic clout was mostly in the hands of the English capitalists, "financed by the financial houses of London that held monopoly over mining and political power in the hands of the Afrikaners and deployed by the state" (Ashman & Newman, 2013). More than 40% of annual profits made by multi-national corporations that were fostered in South Africa would be redirected back to their countries of origin. When the Afrikaners came into power, there was a palpable shift in policy. The state blatantly empowered Afrikaner companies that were competing with English-owned companies as a means to consolidate their rule. As Ashman and Newman (2013) note, "State focus on large scale investments in electricity, fuel and chemicals was driven by the need to consolidate Afrikaner capital into large-enough units to compete with English capital as well as the dependence on mining as a source of demand. This acted to develop and strengthen the [minerals energy complex, MEC] core during the 1950s and 1960s with little diversification." Since then, the South African economic landscape has not changed much. The same dependence on core sectors established by apartheid-era monopolies still prevails today. Unfortunately the economy's performance has been modest at best, compared to peak growth rates of 9% that were attained during apartheid's heydays. Some have attributed this lack of performance to the sad excuse for an economy that the ANC-led government inherited in 1994, as well as their economic policies between 1994 and 2007.

"South Africa's economic outlook in recent years, particularly since 2007, has been less encouraging considering the decline in its growth rate, decreasing from 3,6% in 2011 and 2,2% in 2013, to 1,5% in 2014. Also alarming is the projection of South Africa's third in ranking after Argentina and Venezuela in the 15 most miserable economies in 2015, according to the Bloomberg misery survey" (David & Asuelime, 2015). It is thus important to understand the economic concessions that were agreed upon before the 1994 takeover as major contributors to the government's failure to eradicate poverty and inequality. The government has been faced with valid criticism for its failure to create an economic and sociopolitical environment where citizens would have access to quality work and enterprise opportunities. (Harmse, 2006). This indictment is not only directed by a section of the population and some scholars of economic development but has also supported by one of the ANC's stalwarts, Ronnie Kasrils. Kasrils notes that this failure emanated from an "ANC-Communist Party leadership eager to assume political office [that] readily accepted this devil's pact, only to be damned in the process. It has bequeathed an economy so tied into the neoliberal global formula and market fundamentalism that there is very little room to alleviate the plight of most of our people" (Kasrils, 2013).

South Africa's economic mechanisms were and are no different from most ex-colonial territories. At the onset of colonialism, general capital accumulation for the English empire was crucial for the creation of outposts, which required economic growth and development to yield the desired profits. It is thus salient to note that the modes of accumulation would take on the traditional shape, in that they "can be used as empirical indicators as [sic] forms of exchange (gift giving, state-administered exchange, market trade) and forms of control that are employed to mobilise social labour and/or to extract surplus product (normative regulation, serfdom, slavery, taxation, tribute, wage labour)" (Chase-Dunn & Hall, 1997). Colonial powers would then find means to co-opt the majority indigenous black population and use them as the foundation for cheap labor. Such was the nature of the early capitalist venture that would embed the inextricable relationship between politics and economics in South Africa. As Fine (2008) states, economic policies cannot be separated from politics, as the adoption of the latter is entirely dependent on the political dispensation that prevails within the state.

In the case of South Africa, Fine (2008) posits that the mode of accumulation that was developed was the MEC, that is, "a system of accumulation, centered on core sectors that evolved a character and dynamic of its own that was far from predetermined. Its history and consequences can be traced back to the emergence of mining in the 1870s through to the present day." These sectors were heavily based on mining with linkages to other sectors. Ashman and Newman (2013) further state that the coherence of this core set of industries meant that their "development was mutually reinforcing with few knock-on effects for sectors outside the core." The apartheid era would set in motion the strengthening of the core sectors it deemed important for the industrialization and development of the Afrikaner capitalist system. The apartheid regime made large-scale investments in electricity, fuel, and chemicals around the mining and manufacturing industries.

By design, the creation of South African conglomerates coincided with the consolidation of the apartheid system in the 1950s and 1960s. "Core MEC sectors drove the economy, furnishing a surplus for the protection and growth and, ultimately, incorporation of Afrikaner capital. State corporations in electricity, steel, transport and so on, represented an accommodation across the economic power of the mining conglomerates and the political power of the Afrikaners" (Fine, 2008). Legislation promulgated during this period, such as the tightening of the pass laws and the consolidation of the homeland systems, would ensure the availability of cheap labor for the budding conglomerates. The apartheid government played a principal role as facilitator in forming new forward and backward linkages between all sectors – that is, private business and state entities. Prioritization of certain conglomerates would involve the provision of capital funding for the expansion and upgrade of "transport and telecommunications infrastructure and [the] erect[ion of] high-tariff and non-tariff protective walls around those industries" (Marais, 2011). Companies that benefitted from the apartheid regime include Anglo American, Gencor (now known as BHP Billiton), the Rembrandt Group, South African Breweries (SAB), and De Beers, to mention a few.

South African conglomerates, including the companies mentioned above, are known to not only have partaken in exploitative and oppressive behaviour but also to have been vital in the design and entrenchment of apartheid. This statement was explained by the Congress of South African Trade Unions (Cosatu) at the 1997 Truth and Reconciliation Commission (TRC) as follows: "Capitalism in South Africa was built and sustained precisely on the basis of the systematic racial oppression of the majority of our people […] Employers collaborated with the apartheid regime from the outset, supported apartheid in all its manifestations and benefited from apartheid capitalism with its exploitative and oppressive nature […] Far from being innocent of racial oppression, it was precisely the captains of industry who pioneered many of the core features of what later came to be known as apartheid" (Dixon, 2001). Legislation passed by the apartheid state allowed these companies to treat their cheap labor in an inhumane manner. The rise of the NP into government can be attributed to the support it received from these conglomerates as they sought political allies that would guarantee the steady stream of cheap labor. After the NP took over, they consolidated the repressive working conditions and further accommodated business by upholding legislation that would allow it to continue paying workers meagre wages that were inadequate for maintaining families. Companies were also not mandated to develop humane living areas for workers; thus, workers were subjected to subhuman conditions in hostels. Conglomerates such as De Beers were able to amass their wealth from such practices. It is not surprising that by the end of apartheid, De Beers and others owned numerous multi-national companies that were managed through a complicated system of pyramiding. Five conglomerates became powerhouses and owners of the South African economy. These were Anglo American (which included SAB), Old Mutual, Liberty Life, and the Rembrandt Group. They accounted for and controlled 85% of all shares listed on the Johannesburg Stock Exchange. Some companies often disingenuously deny their involvement with the apartheid regime; however, their continuing operations and reaping of profits from the country deem them complicit. In its final report, the TRC noted that the "South African mining industry [had] direct involvement with the state in the formulation of oppressive policies or practices that resulted in low labor costs, [which] can be described as first-order involvement [in apartheid]" (Dixon, 2001).

From its inception, South African businesses had a rich history embedded in the gold- and diamond-rush era. The treatment of workers was neither new nor the only indictment against these companies; they were also notorious for their anti-competitive behavior. The employment of a cross-holding system can be traced back to the colonial era, as it avoided competition. "From its earliest inception, the mining industry organized into small numbers of holding companies or mining houses, which each controlled a substantial number of individually incorporated mines. They kept control over each of the individual mines in their stables through a complicated system of cross-holding, known as pyramiding. Pyramiding was structured in such a way that hostile takeovers of individual mines by competitors became almost impossible. Later in the 20th century, pyramiding would become a defining feature of the entire South African economy" (Hattingh, 2007). Through their multi-nationals these conglomerates controlled the price and the availability of certain products through cartels, thus restricting other companies' entry into these sectors. De Beers is notorious for embarking on this behavior as its existence stemmed from "setting up a cartel with other producers in order to control international prices of diamonds" (St. Antoninus Institute, n.d.).

The collusion of the repressive apartheid regime with business was crucial to the establishment of "an affluent welfare system state for whites. White workers were guaranteed access to jobs, enjoyed rising wages and were cushioned by a wide-ranging social system, along with easy access to credit and loans. This increased their consumptive power making them the consumptive core of a growing economy" (Marais, 2011). Between 1960 and mid-1970, the South African economy was booming, growing at an average of 6% per annum. This indeed was the apartheid heyday, which would fortunately be short-lived. By the mid-1970s, the armed struggle was succeeding in putting pressure on the state and those in exile were making steady headway into raising awareness about the repressive apartheid regime, thus slowly but successfully lobbying businesses to disinvest from the country. Activism by trade unions was also proving effective and was further emboldened by the despondency of almost a million unemployed Africans – the highest levels of unemployment experienced up to that time. The Soweto uprising of 1976 was the watershed moment in South African history, as it abruptly put an end to the apartheid heyday. Coupled with the work done by exiled leaders, this massacre forced the hand of the companies that continued to do business with the regime. From that point onwards, "foreign capital inflows virtually dried up overnight. Long-term foreign investment shrank from R1,6 billion in 1975/6 to R452 million in 1976/7, while short-term capital gushed out. As foreign exchange dried up, industrial expansion slowed" (Marais, 2011).

In 1977 the United Nations passed sanctions by way of an oil embargo against the apartheid government, thus pressurizing the regime to enlist the services of often-dubious middlemen in supplying the country with oil at premium prices. "Apart from arms and oil, a third set of sanctions that took a heavy toll on the economy concerned the lack of foreign credit available to the regime. In the mid-1980s foreign banks, traditionally loyal supporters of the apartheid state, started calling in many of South Africa's short-term loans" (Van Vuuren, 2006). The pressure of sanctions coupled with the untenable political situation within and outside the country forced the regime to make decisions about the future of the country. Managing the social system that ensured white privilege maintaining the defence force, which was costing nearly R7 billion per annum, was proving very expensive and arduous, as no foreign capital was forthcoming. The end of the 1980s presented the regime and businesses the opportunity to weigh up the options available to them. By this time, the GDP had shrunk from the 6% of the early 1970s to 1,8% in the 1980s, and it reached an all-time low in the 1990s as it plunged into the negative range at -1,1%. "The economy was marked by industrial decay, limited capital-goods production, exports declined from 31% (1960s) to 12% (1988). Unemployment levels kept rising and the economy was patently unable to create enough new jobs […] Shortage of skilled and surplus of unskilled, poorly educated and low-productivity labor – the cumulative results of business treating black workers as a replaceable factor of production rather than a human resource" (Marais, 2011). In light of the failing South African economy, corporations were aware that they could no longer realize the profit rates they previously enjoyed and would then "lead a section of South African capital to favor, and in some cases actively work towards, a political settlement in South Africa. To this end, some of the largest corporations began to make contact with the ANC in exile to discuss the future of a post-apartheid South Africa" (Hattingh, 2007).

Curiously, from this point onwards the roles of the state and business would change. The government would move from playing a leading role in managing and directing economic activities of private business to being equal or lesser partners of the conglomerates. After the economic isolation of the 1980s and a failing economy, South African conglomerates were desperate to open the economy and rejoin the financialized global economy (Hart, 2013). This meant that their active participation in engaging with the ANC would elevate their position in the negotiation process when the time came. While the ANC and the apartheid regime were establishing the path to independence, business was already ahead. The Brenthurst Group – comprised of the top 15 senior executives – was created to hatch an economic strategy parallel to that of the regime's, under the tutelage of "the mining mogul Harry Oppenheimer [at his] Johannesburg residence, crystallizing in secret late-night discussions with the Development Bank of South Africa. Present were South Africa's mineral and energy leaders, the bosses of US and British companies with a presence in South Africa, [and] young ANC economists schooled in Western economics. They were reporting to Mandela, and were either outwitted or frightened into submission by hints of the dire consequences for South Africa should an ANC government prevail with what were considered ruinous economic policies" (Kasrils, 2013). The ANC leaders present at these strategy sessions were Trevor Manuel, Alex Erwin, and Tito Mboweni. These strategies would form the basis of the economic concessions that were solicited and agreed on by the ANC and its alliance partners. It is interesting to note that the ANC's capitulation of its radical economic agenda may have been altered by the receipt of R150 million from Anglo American before 1994.

Be that as it may, the ANC's surrender of its nationalization ideals and acquiescence to the regime's and business' demands did not go unnoticed. Kasrils decried this turn of events as a Faustian pact – that is, "the acceptance of the devil's pact only to be damned in the end". The Faustian pact, or economic compromise, included the following provisos:

- The repayment of the US$25 billion apartheid-era foreign debt.
- "Permitting most of South Africa's 10 biggest companies to move their headquarters and primary listings abroad […] The results are permanent balance of payment deficits and corporate disloyalty to the society" (Bond, 2016).
- Consent to the independence of the South African Reserve Bank, removing the state's ability to keep oversight and accountability of this department, which would further allow for it to be heavily influenced by big business.
- Protection of property rights under the constitution, a decision that would later hinder economic redresses.
- Decrease of corporate tax from 48% to 29%.
- The acceptance of the "US$850 million loan from the [International Monetary Fund, IMF], signed first by subsequent Finance Minister Pravin Gordhan. […] The loan's secret conditions – leaked to the *Business Day* in March 1994 – included the usual items from the classical structural adjustment menu […] In addition, Michel Camdessus, then IMF managing director, put informal but intense pressure on incoming President Mandela to reappoint the two main stalwarts of apartheid-era neoliberalism, the finance minister and central bank governor, both from the National Party" (Bond, 2013).

For some, this was seen as the beginning of the end for the ANC's ideological position vis-à-vis the economic transformation and nationalization ideals that were based on the Freedom Charter. Instead of demanding economic transformation and nationalization that would favor the impoverished majority, "the top leadership's choices became stark and binary: either yield to the injunctions of corporate capital or expose the economy to the wrath of the markets" (Marais, 2011). The ANC and its alliance partners would later understand the impact of such choices as they plunged the majority into further economic deprivation.

The rapid roll-out of neoliberal policies, much like the previous government, ensued under the tutelage of apartheid-regime business leader-turned-finance minister Derek Keys, in conjunction with South African Reserve Bank Governor Chris Stals, as mandated by the economic concessions. These two figures were highly influential in ensuring the implementation of the economic concessions, as the first actions they set in place were the easing of exchange controls, raising interest rates, and devaluing the rand en-route to final removal of the financial rand's existence. The financial rand was the cheaper version of the commercial rand and was only available to foreigners for investment purposes. To illustrate the salience of these individuals, upon their nomination by the Government of National Unity (GNU), they "actively assisted Gencor's international expansion by allowing it to take US$2 billion out of South Africa to purchase the mining entity Billiton from Shell in 1994. This deal was made directly possible by the first post-apartheid Minister of Finance Derek Keys. Derek Keys had been chief executive of Gencor in the 1980s before going into government [...] Months after the deal had been concluded, Keys retired from government to become Billiton chairman" (Hattingh, 2007). The removal of such an amount of money from the country would not have been possible unless it was qualified by Stals' Reserve Bank. Gencor was not the only company to rush into disinvesting from South Africa; countless others followed suit as the "total stock of outward [foreign direct investment, FDI] grew from $8,7 billion in 1995 to $28,8 billion in 2004" (Fine, 2008).

Such brazen acts of depravity took place with the full awareness of the new government and under the watch of the alliance's economic head Trevor Manuel. "Manuel ensured that a small group of neoliberal managers were gradually brought into the Treasury and South African Reserve Bank. COSATU offered similar pragmatists who – no matter their personal predilection and internecine conflicts – would be trusted to impose neoliberal policies, including future Trade Minister Alec Erwin, Reconstruction and Development Programme Minister Jay Naidoo, Housing Minister Joe Slovo, Transport Minister Mac Maharaj, and Minister at Large Essop Pahad. This politically fluid group of change managers within the ANC-COSATU-SACP alliance had become trustworthy to the Afrikaners and English-speaking business" (Fine, 2008).

Over and above these economic concessions, subsequent economic slap-dash plans such as Growth, Employment and Redistribution (GEAR) failed to address the economic fissures that had formed along racial lines. Instead, it further perpetuated the ever-widening gap between the rich and the poor in South Africa, thus failing to live up to its name. From 1996 to 2000, no growth took place within the economy, unemployment levels continued to skyrocket, and the notion of redistribution was a mere fallacy. Growth was actually negative in per capita terms using GDP as a measure, and unemployment rose from 16% in 1995 to 30% in 2002, further exacerbating low incomes of black households. Black African household income fell by 19% from 1995 while their white counterparts' income rose by 15%. Fine (2008) suggests that the only sector that benefited from the strategy was big business, as government went ahead with decreasing corporate tax from 48% in 1994 to 30% in 1999, "and maintained the deficit below 3% of GDP by restricting social spending". As a strategy, GEAR may have been marketed as pro-poor; however, it is evident that it was a continuation of the pro-business economic concessions agreed to by government. Fine (2008) further suggests that GEAR should have been termed "Decline, Unemployment and Polarization Economics", a sentiment that is echoed by the strategy's failures.

The post-1994 shift by the ANC and its alliances, from transformation of the economy for the betterment of the majority through nationalization of the country's resources to a more Western and neoliberal outlook, was also evident in the commencement of discussions around privatisation of SOEs, a far cry from any pro-socialist ideological stance. The nuances of the ideological shift coincided with the commencement of serious negotiations about the transition of the country. Two events allowed the shift to gain traction: the $850 million loan from the IMF and the Mont Fleur Scenario Exercises of 1993. This project brought together a myriad of actors from trade unions, businesses, political parties, and civic organizations with the intention to hold debates on what they believed would shape the future of South Africa. By 1993, it resulted in tentative agreements over the transformation of the economy in that it would "lean toward the social-democratic end of the spectrum, [which] would end up assisting the march of orthodoxy. It agonized over a dreaded prospect of macroeconomic populism and decried redistributive state spending" (Marais, 2011). The IMF loan that was signed in December 1993 called for the structural adjustment of the economy as a means to rejuvenate a struggling economy burdened by high debt and low/stagnant productivity. These conditions put paid to the ideas of radical transformation of the economy, and instead ushered in the idea of privatized SOEs, which were once seen as the answer to the question of employment for millions of poor South Africans.

It would have been prudent for the alliance to take cognizance of the apartheid regime's reasons for creating these SOEs. State-owned corporations allowed the apartheid government to exercise a high degree of influence over the economy, created employment for its white support base, and empowered Afrikaner businesses. It was also a mechanism "to provide infrastructure needed by a developing local industry, including setting up new SOEs like Iscor and Sasol and expanding existing public-sector companies like Eskom, to further build the government base of support" (Mostert, 2002). When the GNU took power, it "inherited over 300 SOEs, with four of the firms accounting for 86% of aggregate turnover, 94% of total income, 77% of all employment, and 91% of the total assets of these enterprises. These 'key enterprises', as they are collectively described in the government's Policy Framework Paper, are in telecommunications (Telkom), energy (Eskom), transportation (Transnet), and defense (Denel)" (Ayogu, 2001).

The call for privatization post-1994 flew in the face of the nationalization ideology that was fundamental to the struggle against apartheid. Those who were in favor of the policy of nationalization, such as COSATU, saw this as the government's 'willingness to turn resources over to the private sector'. COSATU's view was that this policy would make some people worse off and would lead to poor service delivery, a loss of jobs, and increases in the price of services. The tentative forays into partial privatization of some SOEs led to embarrassing failures for the government. In the case of Telkom, the disposal of 30% of the enterprise led to massive job losses and a rise in the cost of local phone calls, which in turn lead to mass disconnections. For South African Airways (SAA), privatization "led to the collapse of the first regional state-owned airline. [SAA] was disastrously mismanaged, with huge currency-trading losses that continue into the 2000s, and an inexplicable $20 million payout to a short-lived US manager. The Airports Company privatization led to security lapses and labor conflict" (Bond, 2013). Partial privatization has proven to be a major cost and money vacuum for government as the SOEs that were privatised have operated as "private companies, whilst still being bailed out by the public fund" (Bond, 2013). Thus, government lost money bailing these SOEs out instead of using it for its social upliftment projects.

The alliance's inability to articulate and commit to a long-term economic plan proved detrimental to its transformation efforts during the first 20 years. The private sector's co-opting of the alliance's influential figures, and the loans given by the Bretton Woods Institutions, allowed them to reign over the economy of the country. Bond (2013) often equates the country's transition as one that removed race as a fundamental prejudice only to be replaced by "class apartheid". "The behind-the-scenes economic policy agreements forged during the early 1990s meant the Afrikaner regime's own internal power-bloc transition from apartheid 'securocrats' […] to post-apartheid 'econocrats'. […] This was matched by a similar process of de-radicalization in the ANC" (Bond, 2013). The subsequent plans put forth by the government between 1994 and 2007 failed to yield a transformation of the economy. Instead, it further entrenched the influence of business on the economy while the majority continued to live in poverty.

At the commencement of their independence, South Africa and Malaysia's economic and political situations were similar, as the majority population in these countries achieved their ascension to power through compromised package deals. Their sociopolitical and economic characteristics are also similar, as they are both multi-ethnic and multi-religious states that were able to somewhat achieve ethnic harmony and coexistence. Upon independence, both countries were taken over from colonial and repressive minority-headed governments whose economies were backward and plagued with high unemployment, poverty, and inequality levels. Unfortunately the compromises that were signed constrained the majority governments' abilities to drastically transform the countries, while economic status quos were maintained – that is, the economies continued to be owned by the minorities. The concessions made merely handed the majorities the reign over political institutions and the bureaucratic structures.

The points of departure for both countries emanate from the decisions taken after the first 10 years of "democracy". For South Africa, the status quo remained in place as stipulated by the "Faustian pact" that was signed by the ANC and its alliance partners, while Malaysia's race riots forced the hand of the Malaysian government to institute changes that would put the well-being of majority Malayans and the economy first. The critical ingredient to their subsequent success lay in the 'capable, credible and committed government' The government directed all socioeconomic activities in the country and possessed strong future orientation. The role of the state in the economic growth agenda

Malaysia’s success and South Africa’s failure in terms of economic transformation and rejuvenation lie in the positioning of the states and their economic growth agendas. Scholars have divergent views on a state’s role in a country’s growth agenda; however, Malaysia’s success in achieving high and sustained economic growth directed by the state through highly centralized and interventionist policies is a testament to the fact that the role of state must be central.

Malaysia’s success has come under severe scrutiny in the 21st century, and one reputable report from the Commission on Growth and Development (2006) noted that, “the critical ingredient identified by the Commission was a capable, credible and committed government. By this it meant a system of governance and leadership that had the flexibility to adjust policy and institutional structures to changing circumstance and opportunities, but to do so in a manner that is credible and commands broad support.” Indeed, the state’s central role was instrumental in turning around Malaysia’s economy, as it demanded a long-term strategy that would transcend leadership and time. It would be foolhardy to omit the state’s adaptability in line with changes in the internal and external economic environments. It is clear that within the first 10 years of political settlement, the state soon understood that whoever owns the economy ultimately drives the economic development agenda to their advantage, echoing the view that economic development is essentially immersed in the politics of power.

This view was echoed by the Commission’s report, which highlighted two primary stages in the achievement of economic growth for developing countries, “the first being the process by which the political leadership chooses (or imposes) an appropriate economic model […] The second stage is concerned with the capacity of leadership to adapt growth strategies and to retain support for such changes – as circumstances change both through exogenous events and in response to changes occurring endogenously as a result of the growth strategy itself” (Adam & Dercon, 2009). Conceptually this may seem an uncomplicated route; however, the complexities and challenges presented by former colonies and highly ethnically fractionalized societies are daunting. For developing countries such as Malaysia, colonial backgrounds almost guarantee that the owners of the economy are rarely the same group that is in political power. Malaysia’s unique achievement of independence through political settlement presents a distinct condition, in that such settlements are usually pre-negotiated for not only the political dispensation but also in matters concerning economic ownership of the country. As previously mentioned, because any economic agenda is immersed in the politics of power, to effect perceivable change the state has to be autonomous in the selection of a state's industrial strategy. In political settlements, this is hardly ever possible, as seen in Malaysia's case.

As part of Malaysia's political settlement, the minority Chinese and Indian populations continued to dominate the country's economy, and thus directed the industrial strategy. This entrenchment of the pre-independence status quo directly contradicted the fundamental thrust of the majority who sought independence, which was to attain political and economic self-determination in their own country. This state of affairs would lead to some scholars noting that "the state in Malaysia on the one hand (was)'captured' by one community – those dominating the private sector" (Bowie, 1991). In the short term, this arrangement created unhappiness within the majority and constrained the government's ability to convert the economic status quo to one representative of the majority.

Bowie (1991) discusses this unforgiving relationship between the political settlement and the constraints it presents. He states that, "where societal constraint is high, the state's realm of autonomous action is relatively limited as a result of pressures that societal groups are able to bring to bear on state actors; where constraint is low, the state is able to formulate policy (in this case, industrial strategy) without being unduly constrained by pressures from societal groups" (Bowie, 1991). The former was the case in Malaysia after independence, when the political settlement limited the state's ability to intervene in the Chinese- and Indian-dominated commercial and industrial sectors. In response to this, "the government focused on the development of infrastructure and the rural sector, while industrialization was left to the private sector. The state restricted itself to the creation of a favorable climate to attract foreign investment in import-substitution industries. The state enacted the Pioneer Industries Ordinance, and also created the Malaysian Industrial Development Finance Corporation, which was responsible for providing investment capital and for the development of industrial estates" (Kinuthia, 2009). As an economy dependent on the export of primary products, the government focused its efforts on modernizing the agricultural sector – specifically rice and palm-oil sectors, as these were dominated by Malays in rural areas. The government viewed the agricultural sector as the backbone of the economy, therefore actively injected funds into the modernization of this sector. In the rice sector, the government actively promoted the usage of fast-breeding and -yielding rice varieties while supplying land and irrigation systems to increase production as a means to ensure the success of Malay-owned rice farms. In the palm oil sector, “expansion of the area devoted to palm oil was facilitated by the government allowing private planters to use rubber-replanting grants to grow palm oil trees. Subsequently, the Federal Land Development Authority (Felda), a government agency, launched an aggressive resettlement scheme based on several crops. As a consequence, the area under palm oil expanded rapidly from 54 700ha in 1960 to 258 423ha in 1970” (Rock, 2015). This result was owed to the aggressive policy of “velvet nationalisation” that saw government taking over foreign-owned palm-oil estates, which was “complemented by aggressive use of an export duty on unprocessed palm oil to overcome a market failure in domestic value-added processing of crude palm oil […] The effect of the duty was to reduce the domestic price of [crude palm oil] and increase domestic processing margins. This policy was wildly successful in 1975” (Rock, 2015).

According to Bowie (2011), the constraints on the government to institute a transformative economic strategy decreased as the political and economic environment changed after the 1969 race riots, favoring the upliftment of the majority Malays. The distributive policies advocated by the first NEP under the leadership of Tun Abdul Razak – the then-prime minister – prioritized the Malay majority in a state-centred industrial development strategy as a response to the high inequality and poverty rates that had not decreased since independence, especially within the majority Malay community. Above and beyond the reduction of poverty and inequality along ethnic lines, the NEP also sought to amend the corporate wealth redistribution plan and to create a Malayan commercial and industrial community. “Existing SOEs were strengthened and new ones created to achieve these goals. Intensified rural development efforts continued to be directed mainly at the Malay peasantry. Greatly expanded educational efforts, particularly at the tertiary level, rapidly grew to expand and consolidate the Malay middle class. Malay employment in the modern sector grew rapidly, both in the public and private sectors, though not without some state coercion in the latter case” (Jomo & Syn, 2005).

The NEP was a fundamental shift from the previous fiscal policies in favor of ‘growing deficit financing, primarily from domestic sources, mainly the forced savings of the Employees Provident Fund (EPF)’ The government was able to minimise foreign borrowing by maximising its natural resources, a process that was further emboldened by the “discovery and extraction of newly discovered petroleum reserves, as international oil prices rose from 1973, [which] greatly increased the Malaysian government’s degree of freedom in terms of spending, and hence, SOE expansion, which extended to regional and spatial dispersal objectives as well. Malaysia's newfound status as a net petroleum exporter from the mid-'70s enabled it to continue to increase public spending until the end of the decade without any dramatic increase in foreign borrowing" (Jomo & Syn, 2005). This shift in policy from 1971 heralded the unravelling of the political and economic settlement, which subsequently empowered the government to enact its industrialization strategy without major constraints.

As stated by Bowie (2011), the broad settlement in 1993 needed agreement from all groups in society as to how the national pie would be divided. This arrangement decreased the state's autonomy, thus increasing constraints and resulting in the "state's realm of autonomous action being relatively limited as a result of pressures that societal groups are able to bring to bear on state actors" (Bowie, 1991). The constraints Bowie (2001) alludes to reared their ugly heads after the heady days of the 1994 elections, when the new government's work to transform the country had to commence in earnest.

Similar to Malaysia, the political settlement agreed upon in South Africa would come back to haunt the government, as it allowed the ingratiation of apartheid-era economic dispensation in the new South African economy. It is important to note that "the ANC-led government inherited a deeply distorted economy which had been weakened by anti-apartheid economic sanctions. In global terms, South Africa may be described as a middle level semi-industrialized economy, with contrasting First and Third World living conditions based historically on race" (Christie, 2006). The dual nature of the economy has been described as a 'double-decker economy which essentially meant that the upper deck was inhabited by the wealthy white minority who were enriched by apartheid while the lower deck was comprised by the marginalized poor blacks without skills, education or economic opportunities which widened gap in poverty and inequality.(Scheepers, 2010). Because of such disparities between rich and poor, in 1993 South Africa was ranked hundredth of 174 countries in terms of development levels.

Because of the scope of the negotiated settlement, new economic policies had to deviate from the ANC's previously radical stance of state-led nationalization to a more inclusive economic policy. The first foray into economic transformation was in the form of the Reconstruction and Development Programme (RDP), built on a blueprint provided by Cosatu, a major ANC alliance partner. "As a 'growth through redistribution' policy" (Terreblanche, 2003:89), the

RDP envisioned as a first priority the need to begin "to meet the basic needs of people: jobs, land, housing, water, electricity, telecommunications, transport, a clean and healthy environment, nutrition, health care, and social welfare. The RDP soon became the paradigm within which all development policies were to be discussed – an extended wish list in which the homeless, the landless, workers, and even international bankers could take equal comfort" (Visser, 2009). In its first two years, the RDP was able to provide an extensive social-welfare system and commence a housing policy that aimed at building a million houses in five years. The progress of the RDP was halted by the 1996 currency crisis when the value of the rand fell by 25%, prompting the government to evolve and consider a more stringent policy to manage macroeconomic policies as a means to stabilize the markets. The crisis ushered in GEAR, a plan that instituted austerity measures in government expenditure and mandated that the economy would fall under the auspices of private business which was a windfall for previous state-made white owned enterprises. At this time the ANC had not developed any plan to redress and address any skills shortage nor was there a proper plan of creating a bureaucracy that would drive economic development that favored the poor majority. By handing over the economy to big business any notions of redistribution of land or other negotiated deliverables were simply dropped and the government's capitulation meant it was now focused on societal transformation while big business was running the economic development for their own enrichment. (Visser, 2009).

During the same time, the ANC-led government was still acclimatizing to its leadership position. The industrial policy was yet to be fine-tuned. The Industrial Strategy Project (ISP) "emphasized 'micro' level factors at the expense of issues of broader economic restructuring. Indeed it has come to be dubbed 'supply-side industrial policy'. In this approach, trade policy was set by, and so constrained by, South Africa's ('non-negotiable') [General Agreement on Tariffs and Trade, GATT] obligations, whilst the ISP's report [spoke] of the need for industrial restructuring without defining it. […] The result for South Africa's industrial policy was an ad hoc system of ineffective and scattered supply-side incentives which have failed to alter the pattern of investment and industrial development" (Ashman & Newman, 2013).

The ineffective and scattered approach to industrialization may be attributed to the sudden stark departure from the guiding principles stipulated in the 1955 Freedom Charter that had previously given direction to the alliance. Despite the alliance's attempt to deal with "discourses of equity and redress, part of the liberation movement, [which were] to be woven into (existing) regulatory frameworks" (Christie, 2006), it became clear that the acceptance of neoliberal policies was inevitable. This rendered the prospects of overhauling the economy difficult and untenable, as apartheid's legacy was "left largely unaddressed by industrial policy in the post-apartheid era except in the negative – the persistence of the same patterns of investment, reinforced by corporate restructuring and internationalisation, capital flight and growth of the financial sector" (Ashman & Newman, 2013). The lack of direction and consensus within the alliance and the tricky relationship between itself and private business resulted in the ANC and its alliance partners talking left yet walking right.

The orthodox laissez-faire economic policy that South Africa embraced from GEAR onwards has not delivered on a significant increase in investment levels, nor has it been able to substantially reduce unemployment levels. The fundamental difficulty has been identified as the lack of a formal industrial policy from 1994 until 2007. Instead of identifying additional labor-intensive industrial sectors that the country can use to absorb the excessive levels of unemployment while growing the financial sector, the government has merely entrenched the power of the apartheid-era conglomerates in the country's economy.

If structural transformation of the economy has yet to be realised, this is not due to lack of direction in policy considerations, as these existed in the spirit of the Freedom Charter. The hindrance to economic transformation and to the emancipation of the masses can be traced back to the negotiated settlement that was dominated by an organization that had its own agenda, especially apartheid conglomerate the Brenthurst Group. This group was instrumental in the installation of an apartheid-era business agenda within the new economic organs, which impacted economic decisions. The Brenthurst Group was instrumental in the formation of the National Economic and Development and Labor Council (Nedlac) – established in 1994 – and in the inclusion in this structure of organised business, government, and civil society. Its mandate, as ratified by the National Economic Development and Labor Council Act of 1994, "provide[d] that Nedlac should consider all significant changes to social and economic policy before it is implemented or introduced in Parliament" (Van Wyk, 2009). This structure essentially became the nerve centre for the country's economic policy. The inclusion of the Brenthurst Group within the South Africa Foundation (SAF) – founded in 1959 at the height of apartheid – made it evident that the reason for its inclusion in a structure such as Nedlac was to push its agenda at the expense of the majority, as per the apartheid ethos.

This organization comprised of "60 of the largest South African corporations, representing predominantly white capital. Its main aim was to prove the influence of big business in macroeconomic policies, to promote the interests of big business and secure economic growth" (Van Wyk, 2009). This group's ability to weave itself into one of the most important economic structures of the new government allowed for the entrenchment of its influence and its sole mandate in the economic policy of the country going forward. Its main aim was to ensure the continuation and entrenchment of white capital monopoly in the new dispensation. The acts that guided Nedlac, inadvertently or not, further ensconced the influence of the apartheid-era conglomerates. Needless to say, such legislative ambits usurped the ANC and its alliance partners' ability to drive the economic transformation mandate, forcing the majority's needs to play second fiddle to white monopoly – again.

In light of this, it is unsurprising that the origins of GEAR were first conceptualised by the influential SAF. SAF's economic strategy was called "Growth for All": an economic strategy for South Africa, published in 1996, which formed a considerable portion of the new economic strategy that took over from RDP. The government's preoccupation with accommodating white capital monopoly affected its deliverables to its political constituency. "Numerous explanations have been offered for this rightward shift by the ANC: the petit bourgeois nature of the ANC leadership, the impact of globalization and the fact that the fiscal implication of power sharing have probably not been fully analysed by the ANC" (Van Wyk, 2009). These may have been some of the reasons for the ANC's shift, but the most salient of factors include the role that business and the international financial institutions played in the negotiation of the political settlement. The state's acquiescence to the political settlement's conditions allowed for it to become a "sitting duck" in economic matters. It allowed for big business to continue plundering the country through the economic structures the state agreed to set up. The state's failure to implement a long-term economic strategy for the country further exhibits its lack of economic clout, as policies embarked on over the first 20 years of independence have been beneficial only to white capital, leaving the government to grapple with service delivery on a tight budget.

5.1.3 The role of state bureaucracy

It is often said that a state's success can be attributed to "the efficient bureaucracy [who] has a strong bearing on business growth. It influences attractiveness level of investments and business decisions and plays a key role in the ways in which government distributes the benefits and bears the costs of running a country" (Haryono & Khalil, 2011). This then requires of the state machinery and of private business to nurture a mutually beneficial relationship in that when the state provides opportune policy considerations, it attracts private sector investment partners for the state's goals of achieving economic success in the long term. The United Nations Economic and Social Council Committee of Experts on Public Administration has also noted that the role of bureaucracy is central to any government's policies and programs that are aimed at political and economic reform This notion is further validated by the paper of Raunch and Evans (2000) that investigates the salience of state bureaucratic structures in the promotion of economic growth. This paper concluded that, "without the help of the state bureaucracy, it is difficult if not impossible to implement or maintain a policy environment that is conducive to economic growth" (Raunch & Evans, 2000).

State bureaucracy forms part of the three fundamental functions of a government, namely: the executive, administrative (bureaucratic), and judicial. In simple terms, the bureaucracy is required to play a role in policy formulation and implementation, to play a role in delegated legislation by "making sub-laws, rules and regulations, but within the limits of the parent law enacted by the legislature" (Joshi, 2011), and lastly, administrative adjudication. Aside from the role of bureaucracy, there is a long-standing debate regarding the dichotomy of politics and public administration. This dichotomy rests on the premise that, for an administration to be effective, it has to be staffed by "a public employee who can be said to be impersonal and apolitical in the sense of having no political interests or political affiliations" (Uwizeyimana, 2013). This is ideal but not realistic. As a means to achieve successful economic development and efficient implementation of the ruling party's economic agenda, the state bureaucracy has to play a complementary role to the government's political will. Thus its employees are hardly apolitical as "government by nature is a blatantly political enterprise in the sense that every public employee hired, each one demoted, transferred, or discharged, every efficiency rating, every assignment of responsibility and each change in administrative structure is always politically charged" (Uwizeyimana, 2013). The complementary nature of politics and the state bureaucracy is thus crucial to the success of developing countries, and in the Malaysian case, the requisite balance between the two was struck.

The evolution and maturity of the Malaysian government have permeated all three functions of government, including the state bureaucracy. As the government's political goals have evolved from the first NEP, so have the functions of the state's bureaucratic structures. The economy's success in the last 40 years has been fundamentally linked to the bureaucracy's ability to support the economic agenda through its fundamental roles – formulating and effecting policy, clarifying legislation, and adjudicating when required. It is often said that Malaysia's success is steeped in "the willingness and capacity of the Malaysian public service to accept and implement administrative changes and reforms" (Tjiptoherijanto, 2012). It is important to note that bureaucratic reform dates back to the country's independence in the 1950s. Upon taking over from the colonial powers, the majority-led coalition and settlement accepted the provisions that emanated from the negotiated independence pact, which stated that the majority would preside over the political-bureaucratic structures while the minorities would preside over economic activities. Immediately after independence, the new government realized that the "organizational structure of the colonial government machinery was considered unsuitable for the aspirations of the newly independent state. Therefore immediate action was taken by the Malayan government to reorganize its government machinery. Various measures were introduced, including the Malayanization process, reorganization of the administrative machinery, restructuring of work in central agencies and ministries, and the establishment of the Public Service Commission" (Hussain, 1995). The government's main aim was to reform the old guard's bureaucratic structure to a majority-representative new state machinery that was to support the accomplishment of the various socioeconomic programs that were directed at improving the lives of the majority Malayans. They were also aware that the colonial bureaucracy would be more interested in retaining the status quo instead of seeing a transformed bureaucracy.

Structural reform of the bureaucracy was guided by the Montgomery-Esman Report of 1965, which was funded by the Ford Foundation. This report proposed and supported the establishment of the Development Administration Unit (DAU) in 1966, which was "entrusted with the responsibility for planning and guiding the reform efforts in the public service. It was instrumental in laying the foundation for public sector training policies and programs while providing the focus of overall administrative and personnel development" (Tjiptoherijanto, 2012). This would lead to a state bureaucracy that was capacitated enough to increase efficiency, productivity, and development in line with the rural development agenda that formed the basis of the socioeconomic and political agenda. After the 1969 race riots, the government was again compelled to reform the bureaucracy in line with NEP goals, which demanded further aggressive reforms, not just reforms based on the rural areas but the government machinery as a whole as a means of avoiding any further race-based riots. "The establishment of the National Institute of Public Administration (INTAN) in 1972 and the Malaysian Administrative Modernization and Management Planning Unit (MAMPU) in 1977 were the main cornerstones of administrative reform in the 1970s" (Tjiptoherijanto, 2012). Amongst other things, INTAN and MAMPU introduced a code of ethics and open-plan offices for civil servants as space- and cost-saving measures, and these incremental changes made possible closer supervision of staff and promoted easier communication within the governmental structures, decreasing the response time and delivery to the populace and private sector. These reforms took place under the leadership of then-Prime Minister Tun Hussein Onn, who was supportive of the expansion of bureaucracy, as it contributed to the creation of employment opportunities for the Malayan population in line with the Malayanization process.

When Prime Minister Mahathir came into power in 1981, he ushered in a new era in the reform of the bureaucracy. Mahathir sought to professionalize bureaucracy in order to increase its efficiency and delivery. As part of the Look East policy espoused by Mahathir, Malaysian Inc. was created and launched in 1983. This program sought to conduct and organize the state, including its bureaucratic structures, as a business unit. It required of the private sector to follow the state's growth and expansion agenda, and in turn, the private sector would provide important administrative support to make the "corporation" a success. Mahathir was fully aware that the administrative support promised to the private sector would require an overhaul of the work ethic that was present in the state machinery, hence his Look East policy. This policy became the vehicle to transplant into Malaysian society the work ethic and values exhibited by Japanese and Korean civil society, societies that were exhibiting unparalleled economic growth based on an efficient and highly organized civil society. These characteristics were assimilated by the Malaysian bureaucracy in order to ultimately foster a "mutuality of benefits: the private sector is likely to benefit from higher profits and growth and the government will benefit in terms of higher revenue and increased employment" (Siddiquee, 2006).

By the mid-1980s, the government possessed “large bureaucracies, high operational budgets and huge deficits. The government found itself in a difficult position as the country witnessed sharp decline in its revenue caused by falling exports and demands” (Siddiquee, 2006). The government had no choice but to administer austerity measures to bolster itself against the economic downturn. Mahathir instituted a moratorium on the creation of new posts as current structures and posts were reviewed and merged from ‘state administrative services into federal civil services’ The privatization process of SOEs commenced and was able to contribute to the downsizing programs. Privatization achieved tangible and measurable results as “evidence shows that it has been effective in trimming Malaysia’s bloated bureaucracy significantly. It has had a major impact on the public payroll as a total of 105 000 public-sector employees have been transferred to the private sector. It has also succeeded in alleviating the financial burden through savings in huge operating costs and capital expenditure of RM130 billion” (Siddiquee, 2006).

The transformation of the public sector under Mahathir’s leadership focused on the creation of an efficient bureaucracy underscored by quality leadership. The changes that were effected allowed for the streamlining of the services on offer, leading to increased turnaround times. “It has led to the introduction of new application forms, merger of several forms into a composite application form, reduction of time taken for processing applications, extensions of validity of licenses, and the establishment of licensing centers especially at the local level. Some of the prevailing systems have been abolished and the correspondence procedure has been streamlined” (Siddiquee, 2006). Generally, the Malaysian government was successful in turning around the bureaucracy while achieving its long-term goals. Reforms observed within the Malaysian bureaucracy can be attributed to technocrats that played a crucial role in the formulation of policies that aligned the long-term political and economic goals with the creation of a supportive administrative structure.

These Malaysian technocrats were an elite group of experts who were instrumental in the formulation of economic policies and their implementation linked to specific set of targets.Technocrats wee highly trained civil servants or professionals in either economics, business or fields related to important sectors to economic development. (Khalid & Abidin, 2014). More often than not, they had a close relationship with those in power as they may have studied together and were viewed as valued partners and their views and advice were taken seriously (Khalid & Abidin, 2014). They belonged to the Malaysian middle class and were leaders in their own right in either in business or academia. They were often placed in key ministries and government agencies, and their influence was often observed in government departments such as the Treasury, Central Bank, the Economic Planning Unit (EPU), and the Implementation Coordination Unit (ICU). Since Mahathir's vision for Malaysia involved the employment of the most skilled and knowledgeable workers, technocrats were best placed to do his bidding. It is thus not surprising that, in his pursuit of higher levels of development, one of the most instrumental technocrats who were roped into government was Daim Zainuddin, a businessman-lawyer-politician and a close ally. Daim was installed as the chosen finance minister tasked with implementing the new economic approach of liberalization and privatization. Daim supervised the creation of many companies and nurtured a cadre of young Bumiputera entrepreneurs to ensure that the private sector became the main engine of growth while owned by the majority (Khalid & Abidin, 2014). Be that as it may, Mahathir was wary of the politicization of technocrats; thus, his tenure saw a decrease in their role in governmental structures. It is however important to mention that the tenure of the first three prime ministers formed the foundation of the policy formulation and implementation that expedited Malaysia's economic success from the 1960s onwards.

The importance of the state bureaucracy cannot be over emphasized as it becomes the ruling party's 'hands' to carry out its mandate and goals. It is fare that some scholars view it as an extention of political agenda of the ruling party. In Africa, there often exists a fractured understanding of the state, politics, and economy, which has inhibited fundamental economic growth and structural change. Economist Roger Myerson "has expressed a keen interest in 'the problematic nature of governments in Africa.' 'The great central question', he suggests, 'is what can anyone do to try to improve the quality of governance.' 'What is needed', he continues, is 'some conceptual framework for thinking more clearly about the fundamental political problems that impede economic development in so many countries'" (Joseph, 2013). Economist Ha-Joong Chang notes that all advanced economies went through the same problems in the past; thus, African countries need to go through the same in order to set up the correct foundation as the springboard for long-term economic growth. One component of that springboard lies in the construction of an active and productive bureaucracy that is able to achieve its goals which directly permits the ruling party to stamp its legitimacy in society (Joseph, 2013). Thus the bureaucracy becomes a unit of state machinery that is able to deliver answers to achieving economic growth.

Joseph also notes that, true to political scientist Francis Fukuyama, all states must respond to three of the most salient challenges, which are: "building an effective state authority, achieving law-based governance, and enhancing public accountability. Wherever African countries begin the process based on their colonial and postcolonial experiences, they cannot advance as a modern state without fashioning institutional responses to these imperatives (Joseph, 2013). The creation of a well functioning and productive bureaucracy is imperative in assembling policies that will be condusive to transforming the country in line with the party's political manifesto, South Africa has let itself down in this regard. South Africa has failed to transform the public service "in line with the spirit of democracy and nation building, it had to be inclusive and responsive to the needs of all citizens, irrespective of their racial, ethnic, gender, and sexual persuasion and/or orientation. Put succinctly, the public service had to hit the proverbial ground running if it was to deliver on the state's agenda of being developmental" (South Africa, 2014).

Historically in National Party achieved the system it created because when it came into power in 1948, it deployed its loyal members to different senior positions in the public service, who had to enact the party's policies of discrimination on the basis of race, ethnicity, language, and sex. It was difficult to separate the NP (as the government of the day) and the public service" (Mafunisa, 2003). Where it failed was the management of the tricameral parliament that consisted of "three houses of parliament (one for whites, another for coloureds and yet another for Indians), a President's Council and a myriad of white and black municipalities – the homelands (Lebowa, QwaQwa, Bophuthatswana, KwaZulu, KaNgwane, Transkei and Ciskei, Gazankulu, Venda, and KwaNdebele), collectively consisted of 14 legislatures and 151 departments" (Chipkin & Lipietz, 2012). Due to the duplicitous nature of this structure and its administration was bloated and lacked transparency and accountability, which enabled corruptive behavior to take root and become the order of the day. "In 1990 there were 197 455 public servants in self-governing territories and another 438 599 personnel in the nominally independent states. By 1992, the civil service in the homeland areas had swollen to 638 599 people or 16% of their economically active populations and an even higher proportion of their middle classes" (Chipkin & Meny-Gilbert, 2012).

The post-apartheid state embarked on two types of transformation: political reform and administrative reform. While the new state was aware of the highly fragmented, unaccounted, and racially divided bureaucratic structure it inherited, it planned to transform the system in an organized manner. The first phase dealt with rationalization and policy development for the public service, guided by the ambits of the Public Service Commission of 1994, which entailed the abolishment of all previous departments and the creation of new structures with new mandates. “There was a complete overhaul of occupational classification whereby 284 occupational classes were reclassified into broad bands and occupational specific dispensations (OSD) for scarce skills and highly qualified professional classes were introduced. The discriminatory grading and remuneration system was abolished and overhauled. Not to mention the complex devolution of authority and laws of staffing into nine new provincial governments” (Muthien, 2014). The finalization of the country’s constitution in 1996 included provision to underpin the principles that the bureaucracy had to abide by. As part of the public service reform strategy, the introduction of the White Paper on Transforming Public Sector Delivery became the long-term blueprint for the evolution of the public service, to be completed by 2019. “The constitution provides for the promotion and maintenance of a high standard of professional ethics in the public service” (Kanyane, 2010), while the White Paper enshrined the Batho Pele (people first) principles, “which were devised to guide the implementation of public service delivery, and these are: consultation, setting service standards, increasing access, ensuring courtesy, providing information, openness and transparency, redress, and value for money” (Kanyane, 2010).

The second period consisted of the rapid formation of local governments as per the three envisaged spheres of government. In 1999, the White Paper on Local Government “was used to spell out a vision for a local government system that would move beyond the transitional phase to focus on transformation for effective public service delivery” (Kanyane, 2010). Twenty years after the introduction of democracy, the South African government has been successful in achieving what it initially set out to do – that is, “the creation of a truly representative public service – a public service reflective of the nation’s racial, ethnic, and generational diversity […] and the expansion of basic service to all South African.” (South Africa, 2014). All achievements have been a process and have not gone without experiencing challenges. Human resource development, uneven performance and provision of services, and the spike in corruption levels have been the main challenges. It is only fair to note that some of these challenges emanate from the previous apartheid regime. In terms of human resource development, the challenges presented by the inherited bureaucrats from the homeland system were numerous and often disruptive to the post-apartheid government’s goals. Black officials inherited from the homeland system were largely poorly educated and lacking in technical and managerial capacity, while their white counterparts showed distrust for the new government and were more inclined to sabotage the new government's efforts in transformation and service delivery. "The blend of old guard and new-age sets of skills and experiences into a single public service produced uneven outcomes in service delivery" (Muthien, 2014).

The state's ambitious transformation agenda has been somewhat hindered by issues of skills shortage within the bureaucracy. Early on in the transformation process, some old-guard technocrats with the crucial skills and experience to run the public service resolved to leave the service. The mass exodus of skilled and experienced agency specialists meant that "policies are made in a hurry, often under intense external pressure, new legislatures are inexperienced and inundated with massive amounts of new legislation; the executive bureaucracy are hamstrung by weak staff, poor information and logistical support; and inadequate procedures and lack of clarity concerning clear relations between governmental departments" (South Africa, 2014). Such skills and experiential shortages are further compromised by the politicisation of the public service. As previously mentioned, the bureaucracy is often highly politicized as it is an extension of the government in power. Those in the public service are compelled to deal with the dual mandate of their roles in the public service – that is, to deliver services to the public as enshrined in the constitution and also the execution of the political mandate as per their deployment by the political party. A lack of understanding of the twin mandates may lead to conflicts and tensions in the public service structures. As a means to resolve these tensions, "political office bearers are under tremendous pressure to deploy appropriate and adequate resources (including human) in pursuit of their political programs. In relation to human resources, this means that they will demonstrate a keen interest in the quality and calibre (and political inclination) of individuals appointed to what they consider key strategic areas. With incessant and unrelenting pressure from the electorate to accelerate service delivery, the temptation by elected office bearers to personally assert control over the public service becomes even more irresistible" (Mafunisa, 2003). Issues with political appointees and deployments have also played a role in the hindrance of service delivery, as some deployees are ill-equipped and lack the necessary skills to carry out the electorate's mandate, which is to provide services to the populace.

The amalgamation and subsequent restructuring of the public service have seen a burgeoning bureaucracy. “In March 2005, the public service workforce stood at 1 073 033 employees […] The number of managers in the public service increased from 24 000 to 70 000 between 1993 to 2001, this did not translate into effective leadership and accountability for service delivery” (Muthien, 2014). One of the reasons cited is ‘sabotage by disloyal public servants’; however, in most areas corruption has been the culprit. “Within the public sector, corruption can be described as any conduct or behaviour in relation to individuals entrusted with responsibilities in public office which violates their duties as public officials and which is aimed at obtaining undue gratification of any kind for themselves or for others […] Corruption impacts on a country since it deters foreign investment, increases the cost of public service delivery, undermines the fight against poverty, and unnecessarily burdens the criminal justice system” (Dorasamy & Pillay, 2011). It is salient to mention that the scourge of corruption was not birthed by the post-apartheid government, but was unfortunately one of the activities inherited from the apartheid and homeland public services when they were amalgamated into the new public service system. Government has promulgated a myriad of legislation and strategies geared at dealing with corruption. There also exists agencies such as the Public Protector’s Office, Public Service Commission, Independent Complaints Directorate, and so on, that are mandated to tackle corruption. The government has clearly sent a message of zero tolerance towards corruption, a statement that was previously corroborated by the late Minister of Public Service and Administration Collins Chabane in 2014: “South Africa has a sound anti-corruption and ethics infrastructure, inclusive of collectively strong legislative and policy frameworks, which encourages public sector corruption to be widely reported due to our highly transparent structural mechanism like the National Anti-Corruption Hotline as well as the Presidential Hotline” (Chabane, 2014). The legislative and structural framework that South Africa has fine-tuned in the last 15 years is starting to yield recorded successes, thanks to the government agencies dedicated to fighting corruption. “Since 2014 to date we have been able to obtain 871 freezing orders totaling R7,65 billion as well as 1 089 forfeiture/confiscation orders to the value of R2,86 billion. From 2014 to the current period, President [Jacob] Zuma has signed 27 proclamations empowering the Special Investigative Unit (SIU) to investigate serious malpractices, maladministration and corruption in connection with the administration of state institutions and to take appropriate and effective civil action. In this connection, some of the results obtained by the SIU include the recovery of cash of assets to the tune of R204 million, the setting aside or invalidation of contracts and or administrative decisions/actions to the value of R756 million, and the referral of 3 855 matters for disciplinary, executive, and or administrative action" (Webmail, 2016).

The fight to rid both private and government departments of corrupt behavior should not only deal with the sources of corruption but should also seek to partner these efforts with competition oversight and enforcement aspects with a special focus on public procurement departments. "Different types of anti-competitive and corrupt behavior have been identified in the public procurement processes. Corruption refers to agreements between a particular bidder and a particular corrupt official under which the official agrees to manipulate the procurement process in order to ensure that the corrupt bidder wins" (Competition Committee, 2014). Because of the toxic nature of corruption, it is important for the government to foster a close relationship between anti-corruption agencies and the Competition Commission as a means to ensure the eradication of corrupt behaviors in the public and private sectors. The government's efforts in this regard have also recorded successes in the past 15 years. These successes include high-profile cases such as the construction cartel case, which brought the Competition Commission to prominence. "The process yielded the uncovering of more than 300 private and public sector rigged projects. The projects included major infrastructure development in South Africa, such as the 2010 FIFA World Cup stadiums, dams, business/residential buildings, the Gauteng Freeway Improvement Project and other national roads. In July 2013, the commission settled with 15 of 18 construction firms that participated in the [construction settlement project, CSP]. These included the top six largest construction firms in South Africa. The total combined administrative penalty imposed by the tribunal for the 15 firms amounted to R1,4 billion" (Bonakele, 2014). This agency has tackled numerous cases, including those perpetuated by SOEs, such as SAA and Telkom, as part of their bid to be "a significant player in the achievement of [South Africa's] economic goals as espoused in the National Development Plan" (Bonakele, 2014).

As a means to maintain the positive achievements of the anti-corruption agencies, the government may choose to heed the call for the creation of islands of excellence within the departments that are already performing exceptionally well. "There are pockets of excellence and good governance in the public sector. Our financial system for example ranks first in the world. Models that have been hailed are [the South African Revenue Service, SARS], Treasury, the Reserve Bank, etc" (Muthien, 2014). These departments have shown heavy reliance on technocratic leadership that filters down throughout bureaucratic structures, resulting in their operations having been re-engineered to become more business-like. Such re-engineering simplifies the tasks, decisions, and discretion that are performed by these departments, leading to effective performance culture, transparency, and seamless execution of delivery.

Amidst all the shortcomings prevalent in the South African public service, it is fundamentally a better place to live in compared to 1994. A limping public service has been able to deliver electricity to countless households, to build an excess of three million houses, and to provide social grants for over 14 million dependents. "We need to keep building and working at public sector reform until excellence becomes a habit. The stability and future of South Africa depend on it" (Muthien, 2014).

5.1.4 The role of states' reserve banks in the economic development agenda

Reserve banks play a crucial role in the workings of a country, as any government's expansionary visions are often financed and monetized by these institutions. The traditional thinking on the role of a reserve bank is often narrow and minimized to the role of "issuer of currency and manager of foreign reserves, banker to the government, regulator of domestic financial institutions and operator of monetary and credit policy" (Todaro & Smith, 2012). The same narrow view often requires the independence of the reserve bank from any political influence. Another role of the bank is to 'proactively seek to promote sustainable economic development' Herein lies the paradox pertaining to the role of the bank: the maintenance of its independence from political interference versus the role in partaking and driving an economic development agenda that is, for all intents and purposes, often set by the country's political leadership. This becomes the tug-and-pull scenario the bank has to traverse as it attempts to drive economic development for the betterment of the country while maintaining its perceived political independence. The question then arises, if the bank succeeds to remain outside the political realm, whose agenda is it promoting if it is not that of the nation it serves? This distinction has become contentious for developing countries as they seek to develop amidst myriad capitalist forces that are driven by profit.

In an era when democratization equates to economic growth and development, developing countries have "jumped on the bandwagon, opening their capital accounts in the hope of borrowing to finance domestic investment and encouraging foreigners to invest directly in their emerging markets" (Todaro, 2012) The ability of these countries to set and drive transformational development agendas is then curtailed by the lure of foreign investment. To keep investors happy, political leaders are forced to tread lightly in terms of how aggressive their transformational development agenda can be. In the case of an "independent" reserve bank, the country's development agenda does not have to be aggressive and should be more favourable to foreigner investors – if not, the bank may in some instances elect to withhold credit finance from the government's expansionary agenda, bringing to a halt the government's economic growth ideals. It is thus clear that the reserve bank has grown to become an important influencing tool and cannot remain neutral in this regard, prompting one to consider the lesser-known political role of the reserve bank.

A professor of economics succinctly described this role when he wrote:

> Central banks can play an important role in helping to establish national sovereignty and unity. More recently, central banks, which are relatively independent from government, often represent and promote particular interests, constituencies and ideologies in the public and private spheres and thereby affect the colour and tenor of overall political debate over economic policy. In recent times, these have often been aligned with those financial circles including external actors like the IMF, in promoting financial liberalisation, inflation targeting and the elimination of capital controls. By contrast, central banks that are more integrated into government are more likely to promote policies and procedures that are framed more closely by government priorities and reigning ideologies. (Epstein, 2005)

In the case of developing countries, the political role of the reserve bank is usually pronounced due to the dissenting forces. Surprisingly, this also holds true for the Malaysian development experience, as it was strongly underpinned and promoted by the Central Bank of Malaysia (Bank Negara Malaysia).

5.1.5 Malaysia's development and Bank Negara Malaysia

Bank Negara Malaysia (BNM) was established in 1959, very early in Malaysia's independence, following the recommendation from the International Bank for Reconstruction and Development (IBRD). "It was thought that the Malayan economy had matured sufficiently to make independent control of the money supply possible, though in practice the bank's functions were initially constrained by the existing strong integration with the British monetary system through British banks operating in Malaya, and the need to maintain a fixed exchange rate with sterling" (Drabble, 2000). Much like the political arrangement, the establishment of the bank was a symbolic gesture 'rather than an instrument to wield real economic independence'. The existence of the bank emanated from an orthodox view of central banks, which was that they existed mainly to regulate commercial banks. These banks were predominantly Chinese-owned and tasked with actively promoting loans, creating a collateral base of domestic borrowers. "This it did so successfully that total loans and advances grew by nearly 84% from 1960 to 1963" (Drabble, 2000).

Because of the UMNO leadership's focus on the development of the rural regions of Malaysia, there was a need for developmental loans and thus the establishment of the Malayan Industrial Development Finance Ltd (MIDFL), which would offer loans with longer gestation periods needed for development efforts. Coupled with governmental policies on rural development and high levels of FDI, MIDFL slowly transformed Malaysia's agricultural sector, which registered modest successes in 'increasing agricultural output and creating basic industries focused on the extractive sector'. During the same period, the "number of local banks in the Peninsula doubled, all substantially controlled by Chinese with the exception of Bank Bumiputera" (Drabble, 2000), a state of affairs that would continue until 1971. The most notable development concerning the relatively new central bank took place in 1966 when it "seized opportunity and took control of MBB [Malayan Banking Bhd – a multi-ethnic bank]" (Whah, 2015) when it was faced with management problems and in danger of collapse. MBB was eventually put under government protection; the central bank had used its discretionary powers to take control of a bank. MBB was the largest bank in Malaysia, and the Malaysian Chinese had not only lost control of the largest local bank but also the bank's link to the Chinese community.

The introduction of the NEP from 1971 to 1991 had a considerable effect on the banking sector and increased the central bank's influence through the regulatory system. The NEP's goal of increasing participation by the majority Malay also meant that the "state's bank consolidation policies and strategies were aimed at facilitating the formation of a Malay entrepreneurial class or a Bumiputera Commercial and Industrial Community (BCIC) […] The state bank's consolidation policies and strategies were to create large Malaysian banking groups to compete with foreign banks in the context of greater liberalisation in the domestic financial sector and beyond" (Whah, 2015). The consolidation of the banking sector dealt a blow to Chinese monopoly of this sector. Within 10 years, the pro-Malayan trust agencies owned 60% of the overall equity share in the domestic banking and finance sector, an integral goal of the NEP. As a means to support the export-led NEP, the central bank also "moved away from a fixed exchange rate regime to a managed float, which allowed the government to influence the value of the ringgit, often with the implicit aim of promoting export competitiveness" (Silva et al., 2008). Malaysia's economic competitiveness and redistributive efforts would not have been possible if it were not for the regulatory and discretionary powers of the central bank, which were in line with the UMNO government. It is also important to note that in as much as the government welcomed external investments, there also existed a level of scepticism towards international financial institutions and markets, which would become handy in times of crisis.

The central bank's most notable impact was the management of the crises that Malaysia experienced. The debt crisis of the 1980s slowed Malaysia's economic growth considerably, forcing the central bank to again restructure its policies as the government focused on economic liberalization in order to stimulate investment and growth. "The central bank's view was that the small Malaysian banks would not be able to survive once the financial market was liberalised following the commitment under the General Agreement on Trade in Services (GATS) at the [World Trade Organization, WTO]. This period marks the beginning of the disappearance of some Chinese dialect banks" (Whah, 2015). The relative calm after the debt crisis led to strong loan growth, which in turn led to the high loan exposure of the banking system in Asia, which ultimately led to the Asian financial crisis that began in 1997. "As a result of the property market crash and substantial capital outflows, non-performing loans in the banking system began to escalate, resulting in the deteriorating quality of the asset portfolio of the banking institution" (Whah, 2015). The crisis caused a massive shock in the banking system of the Southeast Asian region, prompting financial institutions such as the IMF to call for fundamental financial policy changes in exchange for bailouts. Out of the five countries affected (the others were Thailand, Indonesia, Korea, and the Philippines), Malaysia is the only one to forgo the IMF intervention – an unprecedented move.

Malaysia's economy was negatively impacted by this crisis as it induced the collapse of its exchange rate "from 2,5 ringgit to the dollar in June 1997 to a low of 4,5 ringgit to the dollar in January 1998, triggering a vicious cycle of capital outflow and asset price deflation which then put pressure on the banking system […] The inter-bank overnight interest rate rose from around 7% in June 1997 to 12% in July" (Abdelal & Alfaro, 2003). The initial response by then-Finance Minister Anwar Ibrahim was the orthodox response espoused by international financial institutions, which included tightening of the monetary and fiscal policies, raising interest rates, and cutting public expenditure – a move that would have heavily impacted Malaysia's development agenda. The prime minister and other policymakers did not have confidence in Anwar's policies and were of the view that an unorthodox set of policies were required to adequately deal with the crisis.

From the onset, Prime Minister Mahathir doubted the wisdom and intentions of the international financial markets in dealing with the crisis. He was of the view that "the idea that the market will discipline government is sheer nonsense" (Abdela & Alfaro, 2003) – that is, the markets could not impose their "solutions" on Malaysia, solutions that stood to derail the economic development agenda of the country and which would be tantamount to losing autonomy. With the support of policymakers, Mahathir elected to appoint himself finance minister and promulgated a series of unorthodox policies to stave off the effects of the crisis. This "culminated in the Malaysian government's decision, on September 1, 1998, to impose capital controls – restrictions on international purchases and sales of financial assets […] The Malaysian government resorted to capital controls primarily to achieve the greater flexibility to lower interest rates and increase government spending, both in the service of promoting a more rapid economic recovery from the crisis" (Abdelal & Alfaro, 2003). As Mahathir was both finance minister and prime minister, it is obvious that these decisions were echoed by the central bank. BNM ensured the adherence to the capital controls imposed as they were a crucial component of the government's strategy to remain autonomous from the international market forces.

At first, the Malaysian central bank and government's response to the Asian financial crisis was orthodox under Anwar, but that changed drastically after Mahathir took over the ropes and instituted risky, unorthodox policies that were not assured success. The unorthodox policies on capital outflows included the following restrictions: "Non-residents were required to wait for one year to convert ringgit proceeds from the sale of Malaysian securities [… and later implemented a] sliding scale of exit taxes on capital gains, ranging from 10% to 30%. […] Bank Negara replaced the two-tier tax with a flat 10% exit tax […] Additionally, Malaysians themselves were prohibited from investing abroad without prior approval from Bank Negara. […] The offshore ringgit market [was eliminated], which was viewed as a source of speculative funds and upward pressure on domestic interest rates […] Furthermore the exchange rate was fixed at 3,8 ringgit per US dollar and the closure of the Central Limit Order Book, over-the-counter-market shares on the KLSE based in Singapore, which was seen as a loophole to the regulation of foreigners' repatriating the proceeds of their securities sales" (Abdelal & Alfaro, 2003).

In essence, the government closed off its economy from external forces, and whoever had funds invested within the country had no choice but to abide by these policies. *Business Week* termed this arrangement a "financial Roach Motel: Money can get in but it can't get out" . As unorthodox as these policies were, they were successful enough to stave off the effects of the financial meltdown that swallowed up its neighbours. "Malaysia did recover soon after the imposition of the controls. Malaysian GDP which had grown by 7,3% in 1997, declined by 7,4% in 1998, only to rebound 6,1% in 1999 and grow another 8,2% in 2000" (Abdelal & Alfaro, 2003).

Lastly, it is important to note that the events leading up to Mahathir installing himself as the de facto Finance Minister and the actions after were carefully orchestrated to ensure not only the balance of power in the country but also the response by markets to these changes during the crisis. It is also important to contextualize these changes with political events. Anwar Ibrahim was a member of the UMNO and held two important positions in government as Deputy Prime Minister and Finance Minister under Mahathir from 1991 to 1998. He was responsible for the initial response to the financial crisis in 1997; however, his response was seen as inadequate and detracting from Mahathir's agenda, prompting the Prime Minister to assemble his own economic council without including Anwar. It has been suggested that Anwar's response to the crisis was playing too much to the tune of the international financial markets instead of supporting the Prime Minister's vision. This view of Anwar was further supported by the fact that he was "immensely popular on Wall Street and in Washington. Things came to a head between the two when Anwar made a power play to challenge Mahathir's authority and position at the UMNO general assembly in June 1998, a move that was not welcomed by Mahathir. The *Wall Street Journal*, for example, had called him Malaysia's calm voice of economic reason during the Asian crisis" (Abdelal & Alfaro, 2003). The strained relationship between Mahathir and Anwar came to a head when the Finance Minister attempted to topple Mahathir from authority during the UMNO's general assembly in June 2008. This would prove to be an error in judgment as what followed was a swift and savage response by Mahathir. Anwar was dismissed as Finance Minister, followed by expulsion from the UMNO. “Shortly thereafter the Malaysian High Court released detailed affidavits alleging sodomy by Anwar, affidavits that were later recanted. In August 2000, Anwar was convicted of the sodomy charges in addition to an April 1999 conviction for obstruction of justice brought against him over the course of the sodomy investigation, and sentenced to six years in jail” (Abdelal & Alfaro, 2003).

Interestingly, the capital controls were announced a day after the dismissal of Anwar Ibrahim, a clever ruse to ensure that no further capital flight would take place after the announcement of the dismissal of the popular Finance Minister. Be that as it may, the most important factor in the success of the central bank’s capital control policies was the low levels of external debt owed by the Malaysian government, a fact attributed to the central bank’s prudential regulations on foreign borrowing. Because of the privatization bid, the government had amassed a significant level of foreign exchange reserves to allow the government to continue paying for imports during this strenuous period. “In July 1997 Bank Negara had a little more than 70 billion ringgit worth of foreign exchange reserves” (Abdelal & Alfaro, 2003). Finally, the central bank’s dogged monitoring of activities of all commercial banks and the enforcement of the regulations enabled the success of these unorthodox policies. In conclusion, the central bank and government’s symbiotic relationship was fundamentally the anchor for the management of the crisis, setting an example for developing countries and showing that, for any developmental agenda to be successful, the central bank cannot be independent of that vision but must be a vessel for the achievement of that agenda.

5.1.6 South African development agenda and the Reserve Bank

As previously mentioned, a reserve bank is crucial to any country’s developmental agenda as well as the day-to-day running of a country. Under the apartheid government, the entrenchment of that monstrous system was also evident in the policies of the South African Reserve Bank (SARB), which helped ensure the protracted lifespan of apartheid. Before one delves into such matters, one must also understand the establishment of this institution.

South Africa, like Malaysia, was a British colony and thus had to adhere to economic policies as stipulated by its colonial masters. Before the establishment of the SARB, “commercial banks printed their own banknotes for issue. These notes were backed fully by the gold standard – that is, the notes could be exchanged for gold […] Commercial banks were obliged to redeem their notes for gold in terms of an arrangement where the domestic currency was pegged to the British currency (pound sterling) which, in turn, was pegged to the US dollar and therefore, the gold price, in each instance at a fixed exchange rate" (South African Reserve Bank [SARB], 2011). After much prompting by the Afrikaner population and based on the recommendations made at the Gold Conference of 1919, the SARB was established in 1921 "in terms of a special Act of Parliament, the Currency and Banking Act of 1920"

"The SARB's approach to monetary policy after its inception in 1921 was therefore to apply credit and interest rate policies aimed, in orthodox gold-standard fashion, at bringing about the necessary conditions for an eventual return to such a standard" (SARB, 2011). The gold standard was eventually abolished in 1932, and the Republic elected to use the British pound sterling as its official currency, thereby becoming part of the sterling area, which would have meant accepting sterling countries' monetary policies. South Africa then became independent from British rule by leaving the Commonwealth in 1961 following a domestic referendum. The referendum was instigated by intense pressure from the international community due to the country's increasingly segregatory policies, which resulted in the Sharpeville massacre – the most atrocious event to happen up until that time. The government was cognisant of the economic implications upon leaving the Commonwealth. Thus as a means to mitigate the economic impact, the government introduced a dual exchange rate system and "administrative controls on currency conversion were substantially tightened" (Havemann & Fani, 2013). The dual currency system was comprised of the 'blocked rand' – used by foreigners for business transactions – and the 'commercial rand', used by residents. Such an arrangement was commonly used "to deal with balance of payments volatility: typically, current account transactions take place at the official exchange rate, and capital account transaction at a market-determined exchange rate. […] Thus international reserves are unaffected by capital outflows (which led instead to a depreciation of the parallel rate)" (Havemann & Fani, 2013).

For South Africa, this arrangement meant that the system would "penalize non-residents for selling South African assets; partly to support a relatively stable commercial rand, and in a related objective, guard against the inflationary impact of a rapidly depreciating currency" (Havemann & Fani, 2013). By 1978, the sanctions had caused the rand to fare terribly; thus, the government abolished the transference of proceeds from the sale of government bonds to be transferred offshore, locking all funds within the Republic. Local and foreign companies were mandated to reinvest within the country only to become the "Roach Motel" mentioned in the Malaysian case. The year 1985 proved to be the lowest point of the country's economic woes as the balance of payments rapidly deteriorated, leaving the government to take drastic measures:

> The government announced a debt standstill. The standstill stipulated that capital payments of foreign debt would be suspended […] proceeds of non-residents who owned South African assets were not allowed to be converted into foreign currency at the commercial rand but had to be retained in South Africa with authorized dealers in the form of financial rand balances. […] Capital controls restricted non-residents and in turn affected inward investments into South Africa. […] Residents must not buy, borrow or sell foreign currency except through authorized dealers with permission granted by the Treasury. Private individuals were allowed to invest in foreign assets but the allowance for outward investment was set at R200 000. Capital flight became increasingly desperate, and the nature of the exchange control rules of the time highlighted how South African exchange control residents were restricted from almost any attempt to exit cash or assets, including strict rules on travelling with cash, and things such as rules on yachts and amount of gold jewelery that a person could travel with. (Havemann & Fani, 2013)

The extent of capital flight is estimated at US$12,3 billion between 1970 and 1988. Thus it is clear that the SARB was not necessarily independent in its workings, as its mandate fostered the entrenchment of the apartheid system at any cost.

After 1994, the SARB continued to follow the orthodox approach to fulfil this mandate – that is, inflation management and financial stability of the country and in doing so overlooking the important role it could play in issues of economic growth and poverty eradication. Remnants of the old-order policies are still in effect at the SARB and cannot be altered by the government, as the SARB's independence is protected by the South African Constitution under Section 223. "Its independence is constitutionally guaranteed and the government of the day is prohibited from interfering with the day-to-day running of the bank or any of its decisions. At the same time, the bank is required to interact with the government to ensure that the broad policy objectives of the bank and the government are aligned" (De Vos, 2010). The increasingly contradictory policies of the SARB have come under fire from the government and other political structures. More so currently, in the face of increasing abject poverty and inequality, with the government expressing its concerns that "liberal interest adjustments over successive years could prove to be a one-way, upward stream demanding more creative ways to address the problem of inflation" Numerous economists have found that policies by the SARB counter the government's goal of inclusive growth, which requires increased demand. The SARB inflation-targeting policies discourage demand, which is crucial for growth. "The SARB has steadily increased its repo rate over the last years to 7%. Why? Because unlike the US Federal Reserve Bank (which balances several mandates) the SARB is not mandated to stimulate economic growth or reduce unemployment. Instead the SARB has only one mandate: inflation targeting" (Wells, 2017). By steadily increasing the repo rate, the SARB effectively removes several billion of Rands from circulation to pay creditors of the country, instead of lowering the repo rates to enable people to access funds that can be spent within the economy thus activating economic growth. Instead, the SARB seems to be more interested in "ensuring foreign speculators can profit handsomely from a good spread between US and SA repo rates, [and so] confiscating around R200 billion per year from South Africans. The irony of this situation is that in guaranteeing foreign speculators a high return, wealth flows out of SA in the long term affecting our current account negatively, which in turn devalues the rand. In fact, South Africa's current account deficit is now largely due to interest and dividend payments to foreign investors in its debt and equity markets" (Wells, 2017).

In light of the protracted hardships experienced by the majority poor, "Cosatu in turn has demanded a complete overhaul of the current inflation-targeting policy in favor of a monetary policy focusing on the strength of the rand, because this will lead to greater competitiveness" (Kleynhans & Meintjies, 2013). Julius Malema (quoted in Boye, 2015), leader of the newly established Economic Freedom Fighters (EFF), also waded in on the contradictory policies of the SARB, proclaiming that "the continued inflation targeting and high interest rates incentivise and push money into speculative financial sectors and as a result companies and corporations are not investing in productive sectors which have the potential to create millions of jobs […] The Reserve Bank therefore carries an uncontested obligation and is in a unique position to fast track the process and industrialisation and job creation through coherent and sound monetary policy to undo the injustice of the past that it continues to perpetuate even to this day." As discussed earlier, the appointment of the first Governor of the Reserve Bank, Chris Stals, a long-serving member of the bank under the apartheid regime, was fundamentally problematic as his views would not be pro-development of the masses. The liberal policies that he entrenched continue to marginalize the masses of the country even today.

Interestingly, the most significant development under Stals' governorship is only now coming to light through the unveiling of the secret report known as the CIEX report. This report was commissioned by the government to investigate how public monies were misappropriated during the apartheid era. "A great deal of the money had, it transpires, disappeared with the active but secret assistance of the South African Reserve Bank" (Noseweek, 2010). According to the report, the monies were gifted to three prominent corporations, namely Absa, Sanlam, and Rembrandt and Aerospatiale, via the SARB. The post-independent governors, "[Gill] Marcus and her predecessor, [Tito] Mboweni, knew that the illegal gifts which the SARB chose to disguise as 'lifeboats' in fact amounted to plain fraud – and that they had cost the general population many billions, while contributing hugely to the personal wealth of just a few members of the Afrikaner elite of the apartheid era" (Noseweek, 2010). These secret schemes are said to have amounted to at least R200 billion that the post-apartheid government and its Reserve Bank have declined to recover as per the suggestion of the CIEX investigators and the SARB shareholders.

In an address in 2010, Advisor to the Governor and Chief Economist of the SARB Monde Mnyande said that the SARB's role in South Africa's development agenda is for its "monetary policy to create an enabling environment and [to play] a supportive role to underpin the long-term growth path" (Mnyande, 2010). Six years later, this statement is still echoed by current SARB Governor Lesetja Kganyago, who is maintaining the status quo on the mandate of the bank. "The governor of the SA Reserve Bank has refused to be drawn into the debate about whether the bank's mandate should be extended to include targeting economic growth […] Our view is that long-term trends in growth or potential output are determined by real factors in the economy. Monetary policy can only influence cyclical variations of growth around the growth trend" (Mutizwa, 2016). True to its detractors' laments, the SARB's hesitance to canvass for the inclusion of economic growth as part of its mandate is worrying, especially because this inclusion would not be a first for any reserve bank. The USA's Federal Reserve Bank is a prime example of this – for example, "even though the US has one-sixth of SA's unemployment and faster real GDP growth, the Federal Reserve Bank in the USA held its repo rate at 0,25% for eight years until last December's hike to 0,5% because unlike the SARB, it is mandated to stimulate economic growth when that is needed. The Fed only raised its rate once unemployment declined to its mandated employment target of 5%, which is what it considers 'full employment'" (Wells, 2017).

As previously mentioned, the SARB has a unique opportunity to play an integral role in the full realization of the NDP by firstly assisting in the alleviation of the high unemployment rate and inequality. By so doing it would be achieving what reserve banks were created to do – that is, finance the state. This view is echoed by Epstein (2005) who further says, “How ironic it is, then, that the current fashion in central banking is to severely limit the ability of central banks to carry out this function, especially when state capacity in developing countries have been eviscerated by years of structural adjustments.”In the case of South Africa, apartheid and its subsequent plunder left the state in need of such assistance. The failure of the SARB to support the state’s development efforts, choosing to retain the status quo that benefits international creditors, continues to raise questions. One such question is as follows: “Central banks are extremely influential institutions with the power to make or break nations. The question we should be asking is: Are we being systematically broken?” (Wells, 2017).

CHAPTER 6

The role of stakeholders in the economic development agenda

During the negotiations of a political solution in each country, the important stakeholders emerged as each had a set of non-negotiables they had to put forward. Any agreed economic development efforts had to represent t and all sectors of the country's society – civil organizations, trade unions, citizens and business. In the case of recent successes recorded by Asian countries, the respective governments predominantly played a crucial role in the direction and management of economic development. In Malaysia the state's role became facilitative in the creation of condusive conditions which were necessary for the attraction of foreign investment for economic development (Kuruvilla & Venkataratnam, 1996). Its industrial strategies was inward-looking and import-substitutive as means of guiding the amount of investments the country needed in order to realize its industrialization. Malaysia opted to employ the expression of interest (EOI) strategy which was "characterized by its focus on low-cost production of light manufacturing goods for exports, largely financed by foreign investment. […] The aims of this strategy have been to create employment and the earning of foreign exchange to repay debts to the international financing system in the case of both Malaysia and the Philippines, and in the case of Singapore and Taiwan, this strategy was the only answer to growth given that their relatively smaller markets and lack of local capital could not sustain an ISI (import substitution industrialisation) strategy" (Kuruvilla & Venkataratnam, 1996).

Thus, over and above the government's directorship, they had to engage and facilitate the involvement of two critical actors in a country's industrialization bid, the private sector and trade unions. The trade unions ability rested the mobilization of workers and civil society thus the government needed their support in creating the workforce for their constituency. The government also needed to create a working relationship with existing business which was, dominated by minorities , since they needed existing business that could be used as the foundation to attract foreign direct investment required for infrastructural development and repayment of foreign exchange needed to be competitive in the global system.

6.1 Private sector involvement in Malaysia's developmental agenda

Governments rely on the involvement of developmental partners in industrialization strategies for various reasons, with the most salient reason being that it is a way to harness and "transmit its qualities of financial strength, technical expertise and management skills" (Kuga, et al., 2006)in development-related programs. Governments are notoriously underfunded and under-skilled in areas of expertise and funds; thus, there is a growing body of evidence that supports the increased integration of the private sector in order to bolster these specific areas that governments are lacking in. It has been noted that "until the 1980s, official funds from developed country governments or international institutions constituted a large share of capital flows. However in the early '90s, the absolute amount of private funds increased dramatically so that in 2004, official funds accounted for only 11,8% of all capital inflows and private ones accounted for almost 90% […] Private funds are largely attributable to increased FDI […] FDI especially has a role in the development of target countries for job creation, export expansion, and acquisition of foreign currency" (Kuga, Aoyagi, & Akiyama, 2006). Thus for any developing country, the integration of the private sector in development is undeniably of utmost importance, especially through their public-private partnership (PPP) programs. It is therefore clear that the involvement of the private sector in the development of developing countries is the main ingredient for successful industrialisation, as it has been observed that "the growth of Asian countries, including India, and the stagnation of sub-Saharan African countries indicate that private enterprise plays an essential role in economic growth necessary for development" (Kuga et al., 2006).

Since the 1980s, Malaysia has capitalized on the usage of PPP programs to further their industrialization efforts. "The evolution of PPP in Malaysia started with the Malaysian Inc. program (EPU 1981), and was followed by the privatization program (EPU 1985). Under the EPU, the government's goal to encourage greater participation of the private sector in government projects was accomplished when the Finance Initiative program was officially unveiled" (Ismail, 2013). These program increased in line with the influx of FDI into Malaysia, especially in the manufacturing sector, which has led to Malaysia becoming the world's major exporter of electronics. "Malaysia has absorbed manufacturing FDI for many decades, especially in E&E (electric and electronic sector). […] Export growth, the share of manufacturing in GDP, and the growth of value added products in manufacturing all exceeded plan targets" (Ismail, 2013). Such program have turned previously small car manufacturers into big players in the manufacturing sector, as observed in the case of Proton:

> Proton, established in 1983 and started operation in 1985, is Malaysia's national car company. It has served as a key instrument for implementing heavy industrialization and [industrial master plans, IMPs]. Starting from the CKD production of Mitsubishi Lancer, it subsequently internalized capability in styling and design, platforms, engines, logistics, marketing, etc. It also acquired cooperation with Lotus, a British carmaker. Proton is expanding from its original three factories to Proton City in Tanjung Malim with more automation. It employs 10 000 people directly and has created an estimated 100 000 jobs through the value chain. […] In the passenger car segment, Proton holds the top share of 41,5% (Jan-Oct 2005), followed by another local company, Perodua10, with the share of 33,1%. The rest is supplied by foreign-brand manufacturers. Proton procures about 5 000 parts locally from 286 suppliers, of which [small to medium enterprises, SMEs] account for 55%. [Twenty] vendors have the capability to design parts. (Anon., 2005)

Malaysia's successful bid to consume and properly focus FDI into their industrialization effort is commendable and should serve as a lesson for other developing countries. It would be fruitful to note that the success of Malaysia is closely tied with the relationships that prevailed between the three most important stakeholders of development, namely: government, business, and trade union movements.

6.2 Trade union involvement in Malaysia's developmental agenda

"Industrial relations practices (including employment practices) in Malaysia have changed and continue to evolve since the general unionism from the 1920s to the defeat of the Communist trade union movement in 1947-48, and industrial unionism from 1948 until the 1980s – when it now faces the prospect of being replaced by enterprise unionism" (Rose, et al., 2011). The evolution of the Malaysian economy has been in line with the evolution of the trade unions that exist in that country. Early in the developmental journey of the country, trade unions were regarded as the vanguards of worker protection, but this became less pronounced, especially in the 1980s, when then-Prime Minister Mahathir instituted the aggressive industrialization of the country. Industrialisation saw the government's stance on worker interests come second to the accommodation of multi-national corporations, which were being coerced into providing much-needed FDI to the country. These companies were inherently opposed to the unionisation of the workforce, resulting in the state's reluctance to challenge their stance. The role of trade unions was undermined, causing Mahathir to declare them “superfluous” and thus they were left out of the discussions around national development. Because of the permeating influence of government in all things social and business, unions have little scope to change the status quo. “The legal and institutional environment is not favorable to the development of a strong trade union movement. The government has the absolute right to grant union registration or withhold it” (Ramasamy, 2008). The right of the individual is paramount, causing the redundancy of unionism.

“Various amendments to the legislation linked to employment and industrial relations, and industrialization strategies since the post-independence years (1957 and beyond) have had a marked effect upon the activities of the employers and the trade unions” (Rose et al., 2011). The ostracization of the trade unions from national development has been widely criticized and has had evident ramifications for the unions, as “trade union density in Malaysia is low, at 9,35% in 1990, dropping to 9,24% in 1995 and 7,87% in 2000” (Ramasamy, 2008). This decrease has prompted unions to review their organizing strategies in line with the national development agenda as they too are impacted by economic factors that are beyond their control. There is a need for changing their relationship with other stakeholders, specifically with government and business, from one that is perceived as adversarial to one that is more complementary to the developmental agenda. The change in stance is evident in seminar papers from 1992, when trade unions proclaimed the following:

> One doesn’t slaughter the cow that gives milk. This is a basic understanding among trade unionists, because only if higher profits are made, will the company be able to pay higher wages and to give better benefits to the employees. If we continue along the line of this picture, then one could say that, a cow can only grow healthy on green meadows. Only if the national economy is in a viable state and in a balanced path of development, will companies be able to prosper. Consequently that means trade unions can expect better conditions in a successfully organised national economy. (Hock, 1992)

The state’s ability to decrease levels of unemployment and inequality has ensured trade union redundancy. The role they must now embrace is that of checks and balances, with specific relevance to the redistribution of profits by the private sector. The other stakeholders should also review the environment they provide for trade unions – that is, it should be conducive to the fulfilment of their roles.

6.3 South African perspective

South Africa is often referred to as the gateway to Africa, not by accident, but because the country embodies distinct economic, political, and natural leverages that have been accrued for more than 20 years. “South Africa is one of the wealthiest countries in terms of natural resources. It is a leading mining country and is renowned for having one of the most valuable mineral reserves in the world, which are estimated to be worth about US$2,5 trillion. South Africa’s platinum and manganese reserves are the largest in the world. The country is also one of the leading producers of chromite ore, vanadium, gold, and diamonds. South Africa produces more than 10% of the world’s gold and has 50% of the global gold reserves. It is among the top ferrochrome producers in the world and has 72% of the globe’s chromite reserves and more than 80% of the globe’s platinum reserves” (Mao, 2017). Be that as it may, one is inclined to question how such an endowed country has managed to be known predominantly for corruption and poverty, inequality, volatile interest rates, and so forth. Why has South Africa found itself in a position where it finds it difficult to attract investments and much-needed expertise for development? One may posit that part of the answer lies in its history, but it also lies in the economic and political dispensation it currently finds itself.

South Africa, like most African countries, is endowed with abundant natural resources that are in demand throughout the world; however, the country has been unable to fully use these to its advantage. The 21st century has witnessed a concerted rallying cry and effort by most African countries, including South Africa, to come up with plans to modernise and industrialize their economies, albeit not without help from outside the continent.

Since 1994, South Africa’s FDI levels have increased moderately; however, FDIs have failed to reach levels that support rapid industrialization of the kind that is evident in Malaysia’s economic history. It has been estimated that South Africa’s FDI inflows averaged less than 1,5% of the GDP in the first 10 years after independence. Reasons for such a shortfall are attributed to the lack of “infrastructure development, trade liberalization, skills availability, and potential market size, [which] are among the important factors for determining FDI” (Arvanitis, 2006). Be that as it may, for the first time since 1994 the government has finally produced a comprehensive long-term plan, the NDP, which seeks to address the abovementioned shortfall in order to jump-start the country’s economy. “The NDP sets out ambitious goals for poverty reduction, economic growth, economic transformation, and job creation. The private sector has a major role to play in achieving these objectives" (South African Government News Agency, 2013). The government is cognisant of the challenges ahead; however, it continues to be optimistic about the future of the NDP as the first hurdle has been surpassed – the approval and endorsement of the plan by broader society. The plan shall be promulgated in phases over a period of 17 years, and the conception stage was implemented in 2014. With the endorsement of the broader society and especially the private sector, the next years will require action by the private sector as a partner to make the NDP a success.

Private sector involvement

The relationship between South Africa's post-1994 government and the private sector has from its inception been fractious, as both parties view economic development from very different perspectives emanating from the political changeover of 1994. Before and during the apartheid years, the private sector and the then-government had a symbiotic relationship whereby business benefited from the repressive laws that ensured a steady supply of cheap labour. Leading up to 1994, when it was evident that apartheid was no longer a viable option, the private sector took some steps to mitigate the inevitable. In the 1990s, business invested time and resources in scenario-planning exercises to prepare themselves for the inevitable – interacting with the previously discriminated and segregated majority as equal partners in economic development. "A plethora of corporate scenario exercises was unleashed after 1990 and had a telling impact in staking out the terms of the debate. The first was Nedcor/Old Mutual's Prospects for a Successful Transition, launched in 1990 and completed in 1993. Next came the insurance conglomerate Sanlam's Platform for Investment Scenario, followed by the Mont Fleur Scenarios. Other counsel, such as the South African Chamber of Business (SACOB) Economic Options for South Africa, was also thrust into the fray, followed by the South Africa Foundation's 1996 Growth for All document" (Marais, 2011). Judging by the copious resources directed at such exercises, it is clear that the private sector's main concern was not necessarily reconciliation nor redistribution, but was instead focused on preempting the outcomes of the inevitable political showdown in their favour.

While the private sector – and the apartheid government, to some extent – agonised over the outcomes of the negotiated settlement, the ANC's inexperience and lack of economic knowledge left them at a disadvantage as the private sector led this area of negotiations from the front. This was especially evident in the change from the ANC's rhetoric pre-1990, which espoused economic redistribution for all, to a more neoliberal approach post-1992. The "growth through redistribution route was chosen largely because it served the political purpose of uniting various constituencies within the ANC. […] By mid-1992 ANC leaders had awareness that the policy was expendable. Indeed by mid-1992, ANC leaders had already been weaned off such Keynesian delinquency. Its May 1992 economic policy guidelines made no reference to growth through redistribution and activists were discouraged from referring to it. Over the next two years, the party's economic thinking would increasingly take aboard central precepts of neoliberal dogma. Macroeconomic stability became the watchword, and the virtues of liberalisation and privatisation were soon being sung to party members (Marais, 2011).

The neoliberal approach went on to support the separation of the state from all economic activities, a move that would further exclude the majority from the economy. The same dogma was supported by the World Bank – that is, that the private sector be allowed to run the economy as it saw fit, which would foster growth for the economy and in turn reduce poverty. This view discounted the fact that the private sector would not be compelled to direct any resources to poverty- and inequality-alleviating activities as it was only interested in amassing resources for itself. The naiveté of the ANC held the highest price, as "the compromise carried a steep price: trade and financial liberalisation, a privatisation programme, a regressive tax system, ultra-low inflation targets and a battery of other business-friendly adjustments. The ANC had endorsed fiscal and monetary stringency, chosen a restricted role for the state in redistribution, and supported the restructuring of trade and industrial policies in line with an export-led strategy. […] The adjustments inordinately benefited domestic conglomerates and international financial corporations, their impact in the lives of ordinary South Africans would be punishing" (Marais, 2011).

In essence, this laissez-faire attitude towards development and redistributive activities cannot only be blamed on the private sector, as the ANC government was complicit in the arrangement. Upon receiving the acceptance of neoliberal terms, the private sector did not hesitate to action their well-researched plan. "South Africa's largest corporations dismantled their bulky pyramid structures, reorganised their portfolios, offloaded cross-holdings and globalised their operations and holdings. Unbundling deals ran to about R80 million

(US$10 billion) in 1999 alone […] This was accompanied by a mergers-and-acquisitions frenzy that topped R300 billion (US$38 billion) in value in 1998 (most of them local) and exceeded R500 billion (US$63 billion) in 2001 (almost all of them offshore)" (Marais, 2011). The outflow of capital only meant that the traditional source of long-term investment such as pension funds was no longer mandated to be "locked in" for development within the country. Any inflows of capital to the country were welcomed; however, they were not the type needed for the reduction of employment. "In the early 2000s, capital inflows increased. Overall they surged in 2002-05 rising to 5% of GDP compared with an average of 1% in the previous decade. But in character and consequence those inflows gave less cause for cheer […] They took the form of equity holdings in mining and finance. Foreign direct investment languished" (Marais, 2011).

The private sector's attitude towards reinvestment back into the country has scarcely changed. Policies by government have not registered much success in their enforcement as the private sector is not adverse to paying fines while retaining the status quo of disinvestment. Such behaviour has propelled the government to relook their economic development policies that may increase the involvement of the private sector in the country's industrialisation efforts.

In the past 20 years, the South African economy has registered a mixed bag of fortunes that have also translated to the performance of the private sector. The liberalisation of the economy since 1994 meant that the country's economy became more integrated with the global economy – opening it up to the fluctuations that are periodically observed globally. It is thus unsurprising that due to the global economic downturn, the South African private sector has suffered from the commodities price slump, as it saw "confidence in the construction sector at a four-year low as a result of weakened construction activity. […] The energy sector in South Africa has been under strain for the past eight years and this above all other factors has worked to decrease levels of industry output, damage the economy and dissuade foreign investment" (magaz, 2015) It is with this dependence and volatility of the global markets in mind that the NDP seeks to actively plug the structural inadequacies in order to lessen its dependence and instead become a global economic player. The government admits that this can only be achieved by leveraging its most important partner, the private sector. In light of the country's shortfalls that discourage the attraction of the much-needed growth-inducing investments, one is compelled to briefly examine the two perspectives through which the private sector engages with the government – through PPP and FDI.

Development efforts are often considered to be predominantly government's responsibility; however, realistically this perspective is not viable. Government needs other developmental stakeholders to play an active role in ensuring that certain projects are delivered, as they are key to the delivery of other developmental projects. For instance, the usage of PPPs is crucial in the delivery of important infrastructure for economic growth. "PPPs are not new to South Africa. Their usefulness in accelerating GDP growth can be traced back as far as 1997, when the government appointed a task team to develop a package of policy, legislative, and institutional reforms that would create an environment in which PPPs would function. […] PPPs have emerged as a credible tool in meeting infrastructural challenges. They harness the strengths of what the private sector and government have to offer. Neither side should take the other for granted. Each has strengths the other can rely on. The private sector provides technical know-how, skills, management, and the means of financing projects be they in electricity, transport, water, and sanitation, or any other key infrastructure scheme" (Garrow, 2017). Such projects have yielded some valuable projects, such as the R23 billion Gautrain Rapid Rail Link, South African National Roads Agency Limited toll roads, and maximum-security prisons, to mention just a few.

In as much as these projects bridge a gap of infrastructural shortage, it is however important to note that levels of PPP have been disappointingly low over the past 20 years. "A host of factors feeds the reluctance of South African corporations to politically support and invest massively in a renewed industrialisation drive capable of creating large numbers of viable jobs. For one, it would mean vesting strong interventionist authority and power in a state that the incumbent elite still regards with distrust and anxiety, fearful that such authority might be put to radical use. That lack of trust, combined with the state's weakened leverage over South African corporations, makes it difficult to build a consensus for a genuinely new industrial strategy. Key imperatives of most of the largest conglomerates have been met already – they were allowed to move abroad and relaxed capital controls mean that they can circulate their profits virtually anywhere on the planet. Their domestic operations are now aspects of global corporate strategies and do not enjoy privileged considerations. The state therefore probably will have to 'buy' support for such a strategy by underwriting and half-financing very large parts of it (through subsidies, tax breaks, and other incentives)" (Marais, 2011). The lack of private-sector participation has prompted the government to look outside for the much-needed FDI crucial for the renewed industrialisation focus through the NDP.

At the launch of the NDP, the government maintained that the "long-term planning and investment in the future is just as important for the private as the public sector. Government is clearly stating its commitment to the NDP, and it is important that the private sector does the same" (South African Government News Agency, 2013). The private sector has conceded that the NDP is a good and viable plan, which will require the skills, technology, and funds that are unfortunately still in short supply within the government structures 20 years after the democratic installation. The private sector's support of the NDP, in theory, does not translate into business keeping its end of the bargain. With the entrenched distrust between the two development partners, it is expected of the government to seek assistance from external developmental partners for the much-needed skills and capital to realise the NDP goals. This is evident in that the gap in the inflow of the financial and skills expertise required has recently been bridged by the FDI inflows from the government's BRICS partners. BRICS is an abbreviation of a trade association of five emerging economies, namely Brazil, Russia, India, China, and South Africa. "Over the past decade, FDI inflows to BRICS more than tripled to an estimated US$263 billion in 2012. As a result, their share in the world FDI flows kept rising even during the crisis, reaching 20% in 2012, up from 6% in 2000. […] BRICS countries are significant investors in Africa. The BRICS share in the continent's FDI stock and flow reached 14% and 25% respectively in 2010. This trend is likely to be reinforced in the future. The rapid economic growth and industrial upgrading currently taking place in BRICS countries provide ample opportunities for their firms to seek opportunities to invest in Africa, including in manufacturing and services sectors. Indeed, the rise of FDI in manufacturing, which has positive consequences for job creation and industrial growth, is becoming an important facet of south-south cooperation" (United Nations Conference on Trade and Development [UNCTAD], 2013).

South Africa's induction within the BRICS structure has already started to yield some positive results. "Prior to South Africa's entry into the BRICS grouping, the country's export trade with BRICS countries stood at just 6,2% of total exports, a tiny percentage of our overall export activity. When South Africa took up its seat as the fifth member of BRICS in 2011, exports grew to 16,8%, experiencing a growth of 29% by the end of the same year" (Mokhobo, n.d.). The BRICS membership has also made it easier for South African companies to conduct business in BRICS countries, allowing for these businesses to globalise and access markets that were previously difficult to access. This sentiment is shared by Old Mutual SA CEO Kuseni Dlamini: “Those of us who have been in this market, been in China for a number of years, been in India, we believe that now it will be much easier than was the case before to be able to grow our business and maybe [deal with] some of the regulatory concerns and challenges that we have been facing” (Hogg, 2011). Other companies involved in businesses in China include Naspers, who are invested in Tencent – the largest Chinese internet company. The positive impact is not only observed in outward FDI but also in inward FDI focused on infrastructural projects that will in the long term support economic growth for the country. One such project involves Wesizwe Platinum, a mining house that is making strides in becoming a big player in the mining sector. Their latest development is “the flagship Bakubung Platinum Mine development project, located in the western limb of the Bushveld Complex near Rustenburg, [which] is scheduled for commissioning in 2018 going into full production in 2023. [Wesizwe] recently announced the securing of two short-term loan facilities with the China Development Bank of US$100 million each to be refunded” (Mokhobo, n.d.). The much-needed financial input has been provided by China, a trade partner that is increasingly becoming a preferred partner in infrastructural projects in South Africa.

Membership of the BRICS group has enabled South Africa to access the much-needed financial help to back the NDP’s industrialisation goals. The New Development Bank (NDB) started operating in 2016 and South Africa’s Telkom was one of the first recipients of a loan. “That [loan] will be used to improve South Africa’s transmission grid and to aid the country’s renewable energy-independent power producers programme” (Donnelly, 2016). Some of the investments backed by the NDB have made the KPMG’s most inspiring and innovative projects list, which include the BRICS cable project. “This project will link the BRICS economies Brazil, Russia, India, China, and South Africa via a 34 000km fibre-optic cable system to the United States. The cable is expected to boost the trade links and competitiveness of the five BRICS countries” (3SMedia, 2012). The second project is the US$100 million Durban waste-to-energy project, which “involves the conversion of methane gas into electricity. The energy generated is supplied to up to 6 000 low-income households in the municipality everyday” (3SMedia, 2012). There are countless other projects that are still in their infancy; however, from the above-mentioned examples, it is clear that the BRICS trading partners may well be the answer to the infrastructure conundrum in South Africa.

As previously mentioned, the deeply entrenched distrust between the government and the private sector is the ultimate stumbling block for the NDP. Be that as it may, this stand-off does not solve the poverty trap millions of South Africans find themselves in. Sooner or later, it will have to be resolved for the sake of moving the country forward.

Trade union involvement

The history of the labour movement in South Africa is inextricably linked to the political evolution of the country itself, quite similar to that of Malaysia. “The brief history of South Africa’s trade union movement highlights the extent to which the trade union movement has been inextricably liked to the anti-apartheid movement, and clearly positions it as a central agent in the struggle for democracy” (Bhorat, Naidoo, & Yu, 2014). This arrangement is due to the inherent nature of colonialism that existed in both countries. Historically, the organised labour movement in South Africa can be traced back to the late 1800s, specifically to 1897 “when white miners at Randfontein went on strike when the manager attempted to drop their wages in line with a decrease in the wages of black workers. The craft unions, the engineering union and the Transvaal miners union easily won the strike” (Finnemore, 2006). The recurring strike action by the semi-skilled white workers resulted in the decrease in their requirement by the employers. The state resolved to pass laws that ultimately forced the black population to become cheap labour for these companies. The first black labour movement was established in 1919, called the Industrial and Commercial Workers’ Union (ICU) and was led by Clements Kadalie. “By 1927, the ICU, which organised black workers in the cities and rural areas, had grown rapidly to 100 000 members. .[…] Issues of dissatisfaction were broad, relating for example to eviction from land, low wages, and raids on beer-brewing establishments. […] A major focus of the ICU was to demand dignity and respect for black persons” (Finnemore, 2006). Needless to say, these unions were not formally recognised by employers or the government as black labourers were not considered employees.

The 1950s became a defining period as political and labour movements merged to form a means to pressurise the apartheid government. “The Defiance Campaign was mounted by the ANC, South African Indian Congress, and the Franchise Action Committee. In 1952 an ultimatum was sent to the Prime Minister. It called for the repeal of the pass laws, Group

Areas Act, the Suppression of Communism Act, and the Separate Representation of Voters Act" (Finnemore, 2006). The government responded with further suppression measures; for example, prison sentences were introduced for civil disobedience. These measures, however, did not discourage the concerted efforts of political and labour movements. With the banning of political parties, the labour unions became the sole representation of the majority labourers and all the politically marginalised blacks. "Formed in 1955, [the South African Congress of Trade Unions, SACTU] represented the trade-union wing of the ANC. With 19 affiliate unions, its membership would more than double by 1961, reaching some 55 000. It was tasked with furthering 'political unionism', a concept that linked workers' struggles for better wages and working conditions to the broader struggle for national liberalisation" (Marais, 2011). In the history of labour movements, the most impressive development was the formation of Cosatu in 1985.

"At its inception, Cosatu had a total membership of 450 000. It identified itself with the political problems which affected its members' lives from the onset" (Finnemore, 2006). It became the embodiment of a mouthpiece for political issues within the country, leading the clarion call for sanctions against the government, organising stayaways, and pressuring the government for the release of political prisoners such as Nelson Mandela and Walter Sisulu, to name a few. The apartheid government was unphased by the onslaught of heightened political unionism, and externally through guerrilla warfare by Umkhonto weSizwe. By the late 1980s, many lives were lost 'and countless bore physical and psychological scars of conflict' within the resistance and the unions as the struggle became increasingly violent.

By 1990, it was apparent that the defeat of the apartheid system was imminent, prompting the official formation of the tripartite alliance which comprised of the ANC, SACP, and Cosatu, as the labour movement understood the political temperament of the working class. That period of time was unique as the merger of the three important political players would have far-reaching implications for all parties going forward. Upon the taking over of the ANC-led GNU in 1994, it ensured the enhanced position of the labour unions in decision-making activities highlighted by their inclusion within structures such as Nedlac, reflecting their elevated position as equal partners in socioeconomic policymaking. The tripartite alliance, moreso the ANC, would be faced with hard decisions pertaining to the agreement on a compromise that would ideologically detract from the glue that bound the alliance together. The agreement to make business-friendly adjustments, and fiscal and monetary stringency, barred them from achieving the envisaged social and economic transformation for the betterment of the majority. The ANC accepted some of the conditions because they were cognisant of the fact that within its alliance there was significant "confusion [that] popular organisations had about their new roles and, particularly, their relationship to the democratic government and state. The opposition idiom of organising that had prevailed during the anti-apartheid era was obviously inappropriate in the context of the new democracy. But organisations that had cut their teeth in the anti-apartheid struggle were poorly equipped for activities based on their principle of critical support" (Marais, 2011).

The liberalisation of South African markets presented labour movements with new challenges, brought on by globalisation. This translated to fundamental "changes in the organisation of production" that was new territory for the labour movement. "The heyday of enormous manufacturing enterprises staffed by battalions of workers is gone. […] The services sector has become the largest employer. South Africa's trade unions are yet to find their feet on this new terrain" (Marais, 2011). The result has been a steady decrease in membership as labour movements such as Cosatu have failed to harness other civil organisations to strengthen their cause. The ANC's intimate alliance with the private sector has become a contested point. Coincidentally, Cosatu itself – a major critic of capitalism – has "become increasingly locked into financial markets through their investment companies. Using the workers' own pension/provident funds as capital, and bank loans, virtually every Cosatu affiliate has its own investment company. […] Many ex-union officials now heading up these investment companies, termed the new millionaires, are criticised for enriching themselves personally through various deals that have been made" (Finnemore, 2006).

Be that as it may, the labour movement's inability to articulate a "new" role for itself in the mutable economic conditions observed in South Africa is steadily becoming an issue that the movement will, sooner or later, need to address. Cosatu and its affiliates' failures have progressively become "tempting to channel worker and union militancy that previously would have been directed mainly at private capital. This risks further destabilising the workplace in state institutions, feeding enmity and rendering the smoother, more effective functioning of the state less likely" (Marais, 2011). It is without a doubt that the relationship that exists between the tripartite partners is at a crossroads. It is clear that the independence they fought so hard for has become the antithesis of their union. The alliance's inability to be dynamic and its inability to respond to the challenges that were presented by the negotiated settlement were its undoing. One may further this argument by mentioning that the ANC was moderately pragmatic in their approach, while labour movements were stuck in a rut due to their myopic view. This has created an unstable environment with reference to the workforce and the labour unions' pressures have been directed at the government, further hindering their efforts to attract investment.

6.6 Affirmative action as a vehicle for inclusive economic development

Race-based affirmative action is understood and defined by different authors in different ways; however, there is one common thread in all definitions: 'the application of preference to members of a designated group' What sets that particular group apart is the historical underrepresentation or discrimination of that particular group in specific spheres of society. Affirmative action policies are thus required to reconfigure opportunities for or redistribute wealth to the previously disadvantaged. For purposes of this study, affirmative action is defined as a "measure to raise the participation of members of an economically disadvantaged group in the areas of education, employment, and business where they had been historically excluded or underrepresented" (Lee, 2010). The specificity of the three spheres, namely education, employment, and business, is not a coincidence – these are areas that are crucial to the reduction of inequality and poverty. It is also extremely important to note that affirmative action policies are inherently discriminatory in their nature as they deny or withdraw opportunities from other historically advantaged groups within society, resulting in these policies being labelled "reverse discrimination". "Affirmative action is contentious and polarising" (Lee, 2010). Be that as it may, there has not been any other policy package that can achieve redistribution, as seen in cases such as Malaysia. Third World countries that find themselves grappling with inherent and systemic inequality based on race cannot depend on the global capitalist system to answer their challenges, as it is in capitalism's nature to favour the rich, and as a system, it is inherently disinterested in ideals of equal opportunity.

It is noteworthy that, historically, all redistributive processes in a previously racially segregated society have been ad hoc and have fallen short of dealing with social and economic challenges that are presented by inequality and poverty. The success of affirmative action policies depends on their inclusion within the ambits of a country's federal system or constitution, and on their being enforceable by law. The failure of such policies also lies in their application and the willingness of all members of society to participate. This view is the summation of the fate of such policies in the Malaysian and South African contexts.

In the similarities between Malaysia and South Africa, there exists "two distinctive features: the designated group comprises a majority race group that is economically disadvantaged but politically dominant, and each country's constitution lays the foundations for affirmative action along with guarantees of equal rights to citizens" (Lee, 2010). The juxtaposition of affirmative action and the guarantee of equal rights is fundamentally problematic as both conditions do not and cannot exist within one society – one ultimately has to become the key feature to ensure the success of the redistributive process through affirmative action. Therein lies the success, or lack thereof, of affirmative action for the two countries.

6.7Malaysia's affirmative action policies

Malaysia's success in the reduction and eradication of poverty and inequality, and the creation of an educated, informed, and upwardly mobile workforce in the past 49 years, is due to what is "widely regarded [as] one of the most comprehensive packages of affirmative action" (Marais, 2011). In its essence, "affirmative action refers to the preferential measures to redress systematic disadvantages faced by a population group in socially esteemed and economically influential positions where they are underrepresented" (Lee, 2010). Malaysia's affirmative action policies have fallen within the exact ambits of this definition. In as much as these policies sought to rectify past injustices, they have garnered negative commentary and controversy within Malaysian society. For example, in the higher education sector, "Chinese and Indians resent the policies for college admission because the quota system favours Bumiputeras, even when applicants from their ethnic groups document more merit for admission. When it comes to labour practices within the private sector, Malays resent the fact that the private sector (dominated by Chinese and upper-class Indians) seems to discriminate against them" (Montesino, 2007). Amidst all the differing views held by both majority Malays and the different minority groups, Malaysia has not ceased its prolonged implementation of affirmative action policies.

It is a common mistake for most analysts to use "NEP" and "affirmative action" interchangeably, and it is important to distinguish the two terms. Lee (2010) shows that the biggest difference between the two policies is their enactment in Malaysia. He points out that affirmative action policies were officially instituted in 1957 and he makes it clear that the two may not be used interchangeably. Lee (2010) expresses this disparity by noting that "affirmative action and the NEP substantially overlap but cannot be equated. […] Affirmative action preceded the NEP [… as] constitutional provisions for affirmative action were set out in a 1948 Federation of Malaya Agreement under British colonial rule and, in limited scope and scale, preferential measures and racial quotas were in place since Malaya's independence in 1957. Undoubtedly, affirmative action intensified and expanded massively from 1971 under the NEP" (Lee, 2012). Lee's argument is indeed correct, as the predecessor policies were considered tame compared to the aggressive stance assumed by the NEP in 1971. The race riots were the wake-up call for the pro-Malay government to earnestly prioritise the elimination of poverty and inequality, thus the promulgation of the NEP. Undoubtedly one must highlight the fact that none of the policies would have registered any success were it not for the legislative consideration afforded to the majority Malays – that is, the affording of special rights for the previously disadvantaged Malays within the Malaysian Constitution under Article 153.

Article 153 of the constitution necessitates that the King of Malaysia "safeguard the special position of the Malays (as defined in Article 160) and natives of any of the states of Sabah and Sarawak and the legitimate interests of other communities" (Lee, 2010). There is also a requirement for the king to reserve specific quotas for the Bumiputera in the following areas: "position in the public service, scholarships, exhibitions, and other similar educational or training privileges or special facilities given or accorded by the federal government, any permit or licence for the operation of any trade or business as required by federal law, subject to the provisions of that law" (Lee, 2010)

As previously mentioned, the priority in admission to the Malayan civil service, the grant of educational scholarships, business permits, and Malay reservation land were already part of the colonial legal system before independence, and have been understood as "traditional elements of the Malayan Constitution" (Equal Rights Trust, 2012). Article 153 further indelibly entrenched the rights of the Bumiputera within the policies to be promulgated in the future Malaysia. Any change would require a two-thirds majority vote in parliament. The likelihood that the Bumiputera would assist in the removal of their special position and rights within the constitution through that mechanism was low, as the parliament itself was predominately constituted by the majority and favoured Bumiputera, who would undoubtedly decline to disadvantage themselves. In line with the majority party's intentions from the onset, Article 153 successfully embedded the notion of paving the way for the upward mobility of the previously disadvantaged majority, economically and socially, through the enactment of the quota system mainly in the public sector, with specific focus on education, business, licensing, and the civil-service sectors.

As expected, the previously privileged minorities saw the special position of the Bumiputera as a threat to their existence and thus believed that Article 153 sought to disenfranchise them. The majority government disputed such a belief that the essence of Article 153 "has not intended redistribution of wealth and rights but has rather been based on the assumption of an expanding economic cake" (Equal Rights Trust, 2012). Indeed, affirmative action policies have limited upward mobility for some; however, it has indeed delivered what it promised to for the majority Malays – that is, eradication of poverty and inequality by levelling the playing field for the majority, especially in the public and education sectors. "The absorption of Bumiputera, especially Malays, into the public sector in high-level positions is evidenced in the employment data. In June 2005, Malays comprised 83,9% of top management, and 81,6% of managers and professionals in government departments and professionals in government departments and agencies" In business, there have also been some successes, as "between 1970 and 2002, the Bumiputera increased their share of total capital to 19%, they increased their share of employment in modern, high-productivity industries, and their average household incomes rose relative to Chinese and Indian households" (Inter-Regional Inequality Facility, 2006). It is thus a foregone conclusion that such successes would not have been possible were it not for the government's intervention and the aggressive installation of affirmative action policies, especially in the public and education sectors.

6.7.1Affirmative action in education

"The Malaysian education system is de facto segregated. […] Three of the main types of schools in Malaysia are national schools, vernacular schools (specialised schools geared to the Chinese and Indian communities), and mission schools (managed by Christian churches). Although the government funds all three, Malays attend mostly national schools, Chinese and Indians attend mostly vernacular schools, and all three ethnic groups tend to attend mission schools" (Montesino, 2007). Affirmative action policies or quotas do not have a direct impact on the ethnic enrolment at primary or secondary levels; however, there exists a perception that national schools – mostly attended by Malays – offer a lower quality of education compared to the vernacular schools attended by minorities. The reason given for this perception is that vernacular schools have more ‘regimented teaching and demanding workloads’, thus giving the perception of better quality.

As per Article 153, affirmative action quotas were directly applicable to tertiary education through “preferential admissions, scholarships and exclusive Bumiputera programmes and institutions, [thus] played a vital role in expanding access at the post-secondary and tertiary levels to Malays and other Bumiputera groups” (Lee, 2010. The government’s decision to initiate affirmative action at tertiary level was due to the fact that in 1970, only 40% of Malays had the opportunity to enrol and be admitted to tertiary institutions. This was due to low levels of education as well as financial constraints, as most Bumiputera were confined to work in the agricultural and informal sectors. By 1985, the quotas launched by the government were starting to yield positive results as Bumiputera enrolment in tertiary education had increased by 63% and stabilised at that level until 2003 (Lee, 2010. The Ministry of Education also allocated vast amounts of money to the establishment of exclusively Bumiputera science colleges. These colleges enjoyed great support from the Majlis Amanah Rakyat (MARA) Foundation, which allocated 67% of the organisation’s budget towards their funding. They “set up junior residential colleges primarily for pupils in rural and underprivileged areas. These colleges enjoyed higher standards of teaching and facilities, especially in science classes” (Lee, 2010).

The quota system that existed at public universities in favour of the Bumiputera community negatively impacted the minority groups and ultimately created a situation whereby minorities had to find other means to access tertiary education. The government provided some funding towards the development of private tertiary institutions that provided minorities with tertiary education. “The expansion of private higher education is a crucial parallel development to Malaysia’s continuing affirmative action programme, compensating for the shortage in public universities, especially for non-Bumiputera students. By 2000, private institutions accounted for 45% of the national tertiary student population. […] The share of private institutions in total enrollment rose considerably from 24% to 31%” (Lee, 2010. In some cases, others left the country to study overseas, which indirectly gave them an advantage over their locally educated peers since upon their return they were viewed favourably by the private sector. It must be noted that minorities such as Chinese and Indians could afford to send their children to study overseas, as they still formed a considerable part of the private sector.

Affirmative action policies have been deep and instrumental within Malaysia's tertiary education sector. It is undeniable that they have been prominent in expanding the numbers of the Bumiputera middle class, who have found it easier to ascend the rungs of public service and, for some, the rungs of business. These policies have also further entrenched the ethnic divisions within the educational sector and inadvertently created a situation where the minorities are still seen as superior to Malays due to the quality of education they received in private schools and at overseas tertiary institutions.

6.7.1.1 Employment, ownership, and affirmative action

"Quotas were also used in the area of employment. Employers in modern sectors with large establishments were required to reflect the ethnic composition of the country's population structure at all levels of employment. The composition of the board of directors of companies also had to reflect this composition, although there was greater flexibility in this case" (Inter-Regional Inequality Facility, 2006). Like most sectors in Malaysia, employment and ownership patterns are governed by the constitutional mandates – specifically under Article 153.

Affirmative action in employment has been more successful in the public sector as the government could and can directly influence any department. "The general objective was a racially representative workforce; there was no specified timeline for incrementally achieving that target, nor a systematic approach to increase Malay penetration at the upper occupational levels where underrepresentation was most acute. Indeed, employment practices in government and requirements imposed on the private sector operated mostly on a discretionary basis, without legal codes or consistent set of regulations" (Lee, 2010). Be that as it may, within the public sector the enactment of the NEP plans saw "Bumiputera occupational mobility as the public sector's share of total employment rose from 11,9% in 1970 to 15% in 1981, before dipping slightly to 14,2% in 1987. […] A survey of graduating scholars in the early-1980s found 86,2% of Malays working for government and statutory bodies compared to 61,9% of Chinese and Indians" (Lee, 2010). In the public sector, there were no uniform or specific policies to guide these preferential employment activities, as this sector relied on the quotas stipulated in the constitution. Even without policies, there has been utmost adherence to the affirmative action quotas, so much so that in 2005 it was estimated that “Malays comprised 83,9% of top management, and 81,6% of managers and professionals in government departments and agencies. In contrast, non-Malay Bumiputeras occupied only 1,4% of top management positions and 3,2% of managers and professionals” (Lee, 2010.

In the manufacturing sector, affirmative action policies commenced in earnest upon the passing of the Industrial Coordination Act of 1975. The Act “required large-scale manufacturing establishments to align their workforce with the racial proportions of the population. Production workers’ ranks, it turns out, were easily filled especially with the young Malay women from villages who flocked to electronic, textile, and clothing factories operated by multinational corporations. Compliance at managerial levels was harder to effect, and no substantive research has been conducted on the outcomes, although it is likely that the impact of the Act in terms of increasing Malay representation was limited and concentrated in non-technical responsibilities, such as personnel management” (Lee, 2010). Interestingly, long-standing Chinese businesses managed to not partake in putting affirmative action policies in place by not growing their businesses beyond 75 employees, which was the minimum number of employees for implementing quota requirements. This action ensured the lack of transformation in the small-business and private sector space, so entrenching Bumiputeras in the public sector and other minorities within the private sector. Foreign firms also took advantage of this size-threshold practice. “Foreign firms that were below the size threshold in the first period were also 20% less likely to report that they were operating below the optimal level of employment” (Tran, 2013). Such discrepancies in reporting further watered down the intended impact of affirmative action policies, leading to the continued disgruntlement of the Bumiputeras in Malaysia.

“Bumiputeras often complain about Chinese economic hegemony in the country. […] In the initial stages of the NEP, Bumiputera (read Malay) participation [in private sector equity ownership] was minimal. Among the leading companies, prominent Malays were appointed to boards of directors, essentially to secure access to the government and to bypass bureaucratic red tape. These directors had equity ownership but were not active in the management of the enterprise. At the small and medium enterprise (SMEs) level, ‘Ali-Baba’ relationships were forged, wherein Malays provided the contracts while the Chinese would implement them. Accordingly, Chinese economic hegemony was not broken or even challenged” (Montesino, 2007). Such practices did not support the goals of the NEP nor consequent policies that sought to increase Bumiputera ownership in the private sector. Initially, the NEP aimed to achieve over 30% ownership for Malays, but 25 years after the fact it is clear that the goals went unmet. “Even the most conservative government estimates put the share of business equity owned by Bumiputera in 2004 at 18,7%” (Tran, 2013). Part of this failure emanated from the Asian financial crisis. In the 1980s, widespread privatisation of state entities by the preferred Bumiputera capitalist class resulted in the mismanagement of these companies, which were greatly impacted by the financial crisis in the 1990s. “The massive collapse of the privatised entities controlled by the selected Bumiputera capitalists in the aftermath of the Asian financial crisis of the late 1990s resulted in their rescue by the government and reconstitution as government-linked investment companies (GLCs). GLC also came to play a more pivotal role in the post-Asian financial-crisis era” (Lee, 2010).

In as much as exclusionary practices in both the public and private sectors were directly and indirectly the by-products of the affirmative action policies, the perceptions linked to affirmative action also contributed to the disparities in employment and ownership patterns. Be that as it may, one must not downplay what the affirmative action policies in Malaysia achieved in the 1970s. By the 2000s, these policies had altered the social and economic fabric of Malaysian society and there emerged “an independent Bumiputera middle class, confident in their ability to hold their own in business, possessing skills acquired through government support under the NEP. […] A more educated, better informed, more discerning or choosy, mobile and demanding workforce has already emerged and will be the key challenge to economic and social growth. […] The management-labour equation will be altered, most likely towards a more equitable, just, and harmonious relationship from the traditional owner-worker mindset” (Montesino, 2007).

6.8. Affirmative action: The South African experience

Affirmative action policies in South Africa, much like in Malaysia, were derived from experiential learning, and lessons learnt from the United States’ affirmative action endeavours formed the bulk of the theoretical intentions of redress that the creation of these policies sought to enact. The power of redress that these policies afford is firmly entrenched in each country’s constitution. In South Africa, the “The Labour Relations Act [LRA, of 1995] explicitly sets out what constitutes discrimination and the Employment Equity Act [EEA, of 1998] contains provisions that are intended to promote and ensure non-discrimination. The current legislation recognises that discrimination can occur on the basis of race, gender, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, political opinion, culture, language and birth" (Thompson & Woolard, 2002). It is important to note that despite the noble intentions behind affirmative action policies, their inherent qualities elicit disdain and criticism from the country's previously privileged minority groups. For example, "the implementation of affirmative action in post-apartheid South Africa has been criticised for not being able to achieve its purported goals of redressing the historical injustices done towards the previously disadvantaged groups. These policies, it is argued, are instead creating a small group of the black elite and the black middle class, while white people and the majority black people are increasingly being marginalised" (Modisha, 2008). Another criticism directed at affirmative action policies cites the perceived slow pace of transformation, which leaves numerous people disillusioned and frustrated. Be that as it may, one must logically and coherently review the success of affirmative action, or lack thereof, to truly ascertain its achievements.

The well-known sordid past of the South African society is at the centre of the economic misfortunes that have befallen the country during its democratic dispensation. The disenfranchised, majority-black worker population is a result of "the evolution of the labour regimes, work practices and the racial structures of power [and it is] underpinned by the educational and labour market policies of apartheid" (Modisha, 2008). It is thus a foregone conclusion that the new GNU, amid numerous negotiations, haggling, and concessions, had to piece together affirmative action policies that would begin to redress the horrors of the apartheid workplace regime. What the newly elected government chose to produce was a policy with the main aim of "facilitat[ing] the representation of black people (Africans, coloureds and Indians), women and disabled persons in all levels of occupation (EEA). It also aims to facilitate equal opportunity and fair treatment in employment by eliminating unfair discrimination and redressing the labour market disadvantages experienced by historically disadvantaged groups in employment" (Modisha, 2008). The reporting model of this policy would prove to be instrumental in the assessment of how effective these policies were. For instance, all employers are duty-bound to submit employment equity reports to the Department of Labour, which collates the data to plot trends of employment. These reports also assist in determining the composition of all employers – that is, if the previously disenfranchised were also represented in management structures, that would confirm whether "black people were in charge of and driving the implementation of operational and strategic decisions of their enterprises" (Modisha, n.d.). Since the government was and is the biggest employer in South Africa, it is important to find out how these policies have fared in the public sector.

6.8.1Affirmative action policies and the public sector

Since the setting in motion of affirmative action policies by way of the White Paper on the Transformation of the Public Sector (1995), these policies have stepped up to the expectations of 'catalysing and encouraging the progress of employment equity'. The white paper stipulated clear goals for all government departments, which included "to have at least 50% black representation at management level by 1999. Furthermore, to ensure that 30% of all new recruits to middle and senior management were female by 1999 and to ensure that 2% of the public sector workforce comprised of people with disabilities by 2005" (Thompson & Woolard, 2002). Not only were these aims achievable, but they were also seen as the minimum required outcomes.

The data collected shows that, between 1995 and 2001, there was a sharp increase in the total number of managers, and specifically black managers. Part of the spike can be credited to the mandated targets, but also to the fact that such managers were systematically discriminated against by the apartheid regime and therefore there was low representation, to begin with. "All groups have experienced an absolute increase in total numbers of managers between 1995 and 2001. Africans have shown the greatest absolute increase of 29 322, followed by whites with an increase of 11 534 managers. Both Indian and coloured groups lag far behind, with increases in managerial personnel of 3 276 and 3 131 respectively. […] Despite increases in absolute numbers, white participation in public service management has dropped by over 20% between 1995 and 2001. The group that has gained the most from this drop is undoubtedly Africans, as their level of representation has increased by 21,1% in the same period" (Thompson & Woolard, 2002). The number of white senior-level managers has dropped consistently over the years, making the public sector the most representative of the country's demographics among employers. This trend has continued well into the mid- and late-2000s. The same cannot be said of the demographic representations observed in the private sector.

6.8.2.Affirmative action policies and the private sector

As previously mentioned, much of the consternation around affirmative action policies has been derived from slow transformation in the private sector. With blacks comprising the bulk of the workforce at 61,1%, followed by whites at 21,2%, coloureds at 13,1%, and Indians at 4,5%, the EEA data on "the distribution of different racial groups across occupational categories in the workplace using the [Employment Equity Committee, EEC] [shows that] the majority of black people are concentrated at the lower levels of occupational categories and that black representation decreases as one goes up the occupational categories. Indeed, while the proportion of Africans is 78% at the unskilled and defined decision-making level, it is only 11% at the top management level. Conversely, while the proportion of white employees is highest (74%) at the top management level, it is very low (1,4%) at the unskilled and defined decision-making level" (Modisha, 2008). It is thus unsurprising that data drawn from the South African Social Attitudes Survey shows that "black respondents were more supportive of race-based affirmative action than other population groups, particularly white respondents" (Roberts, et al., 2010). In principle, 60% to 70% of workers agreed with affirmative action; however, in reality this has not been implemented. Various reasons can be given for this trend; however, the salient one that comes to mind is a lack of interest in the transformation agenda, or even a fear of change within the private sector.

Generally, the majority of the white populace who are against affirmative action policies approach them with much trepidation because of the fear of losing what is commonly referred to as "white privilege". "Academics who research white privilege point out that the advantage that whites enjoy might take the form of having access to community resources, whites receiving the benefit of the doubt in many areas of their lives, whites receiving strong recommendations for jobs, and being part of the socioeconomic network that provides one with valuable 'inside' information on how to take tests and present oneself for the job" (Majavu, 2014). It is clear that affirmative action policies are the antitheses of the job-preservation policies that elevated white people during apartheid. The fear of being surpassed by blacks through these policies compels them – that is, those who are in senior positions – to try to continue elevating their kind and to scupper the goals of affirmative action policies. This is clear from the data that the government collates annually, as it shows that "South Africa's economy remains highly skewed. Some 73% of top management and 62% of senior management positions are held by white South Africans, white unemployment is much lower than black unemployment, white incomes are much higher than black incomes, and white students are more likely to graduate university than black students" (Duncan, 2013).

In light of these statistics, the Commission for Employment Equity Report 2013-2014 supports these findings and states that "more than 53,8% of the white group was exposed to skills development as opposed to other racial groups. According to the report, white females are over-represented in non-profit organisations and in education institutions, while white males are over-represented in the private sector as well as in non-profit organisations and in educational institutions" (Majavu, 2014). Twenty-odd years after apartheid, it is rather disappointing to note the private sector's lack of empathy when it comes to transformation of the sector. Private-sector practices have actively negated the specific aims of affirmative action policies in order to protect the white minority group.

6.8.3.Unions and affirmative action

In South Africa, labour unions have traditionally played a crucial role in politics and labour issues. The successful transition from the apartheid regime to the democratic dispensation would not have taken place without their fundamental input and support. It is thus not surprising that affirmative action policies were greatly influenced by labour unions, and continue to enjoy their support. Much to these unions' consternation, the process of transformation in the private sector has been slow. Cosatu, an important partner of the ruling party in the tripartite alliance, has started to exhibit some displeasure around transformation tardiness. "The federation agrees […] that the government's approach of persuasion was not having the desired effect, that black and coloured people were bearing the brunt of it and that the present law is very forgiving" (Mail & Guardian, 2009). This statement came after the Commission for Employment Equity Report, which showed that within the private sector white people hold more than 74% of managerial positions while the black majority languishes at 13%. Cosatu has found this categorically 'disgusting' Cosatu is lobbying government to implement harsher laws in the case of companies that are stalling affirmative action and transformation. Their biggest motivation is to appease their members, who "regularly report examples of racism in the workplace, with white workers getting better wages and faster promotions" (Quintal, 2007). It is apparent that the status quo cannot continue as the workforce cannot be expected to continue being understanding of the private sector's practices.

On the other hand, the trade union Solidarity has suggested amending or even ending the policies of affirmative action. “According to Solidarity, [affirmative action] as it is currently being implemented in South Africa isn’t working. Describing the current system as ‘legally and morally bankrupt’, Solidarity has taken aim at the output-based numerical response that current legislation takes. According to Solidarity, the philosophy underlying South Africa’s system of [affirmative action] is racial representation and this is deeply problematic” (Duncan, 2013). Their case hinges on the supposed brain drain that is causing the country’s economic-growth malaise. Unfortunately, this argument has not been supported by most commentators as it is seeking to advance and further entrench the superiority of the white minority group in the private sector. If the government conceded to this argument, the private sector would no longer be mandated to implement affirmative action policies, leaving them to continue with exclusionary working conditions and practices that have been lamented by Cosatu and government itself. “Without affirmative action, whites will not have to fight for or defend white privilege to enjoy its benefits. The trade union Solidarity understands this truism perfectly well. At the beginning of 2017, the union announced that it was starting a legal campaign to fight 34 more affirmative action court cases against the government and state-owned companies. What the union’s legal campaign also reveals is that whites have enough social resources to challenge, interrupt and even reverse policies like affirmative action” (Majavu, 2014).

In essence, the argument against affirmative action is a ruse to interrupt transformation, seeing as the private sector is the last “bastion” of white privilege. This argument also flies in the face of transformation of the private sector in order to foster the acceleration of advanced professional-skills development and the creation of a workforce that can catapult the South African economy to the next level. By mere virtue of the data that is in the public domain, it is evident that the South African private sector is far from achieving the required level of transformation. Luckily the government is also “sticking to its guns, arguing that transformation in the workforce has been too slow and that after nearly 20 years of democracy, it is time for South Africa to get serious about getting black South Africans into decent jobs. It wants to amend the [EEA] to make punishments for failure to pursue [affirmative action] policies harsher, to speed up complaints processes, and to clarify and amend the considerations that affect whether or not companies must achieve particular targets – in other words, to pursue representation more aggressively” (Duncan, 2013).

CHAPTER 7

Crucial lessons for South Africa from the Malaysian experience

The similarities and differences between Malaysia and South Africa have been discussed at length, and it is thus important to take stock of the pertinent junctures that made it possible for Malaysia to achieve a successful transition. By doing so, South Africa may choose to learn from past decisions with the hopes of informing future decisions that may propel the country to new, successful economic heights.

7.1.The role of the state as a change agent

The initial transition of both countries from colonies to independent territories meant acceding to certain concessions. These concessions needed to be carefully considered so as not to give up too much, too early. This was the lesson of the first 10 years of independence for both countries, as the new governments faced hindrances to their transformational aspirations and their promises before transition. During this time, these countries were fraught with tensions caused by the catch-22 situations in which the governments found themselves – they were faced with the inability to transform their countries and were bound by their concessions, while their constituencies were rearing for meaningful change. The rampant poverty connected to an economically untransformed demographical makeup was the most urgent issue – that is, the minorities and foreign masters still owned the economies. This was the point of diversion in the histories of these countries, as the decisions made by each country beyond this point were to determine their fortunes.

For Malaysians, the race riots presented a moment of denouement as it served to solidify the plan and intention to transform their society. The subsequent years saw the earnest enactment of economic plans and pieces of legislation that unequivocally changed the economic and social terrain of Malaysia. The reason for this is without a doubt the foresight afforded by the economic planning of the leadership of the UMNO government. These leaders clearly understood the responsibility that came with their ascension to power and the need to deliver change to their supporters. The ability to be pragmatic when faced with challenges is a characteristic more leaders should emulate. There is also something to be said for the seamless transition of leadership across different eras, as this did not interfere with the long-term plans for the country. Such is evident in the changing of guard from Prime Ministers

Rahman to Onn to Mahathir (the longest-serving prime minister), and so on. Seamless transitions enabled Malaysia to achieve its social and economic objectives.

For South Africa, this has not been the case. Ten years after the transition to democracy, it seemed that the ANC government was still grappling with the magnitude of the promises that they needed to deliver on, and they seemed to be bumbling along in their quest. The government hardly had a concise, long-term plan for dealing with poverty and transformation. Instead, the government was more interested in dealing with the economy through inflation-targeting policies while the majority black population continued to languish in poverty. This was evident in the government's hurriedly concocted GEAR plan, a plan with dubious origins. This was confirmed by then-President Nelson Mandela when he said, "I confess even the ANC learnt of GEAR far too late – when it was almost complete" (Marais, 2011). This plan, due to its components and 'lack of rigour' favoured big business and foreign capital to the detriment of the majority and it lacked any redistributive components, thus further entrenching inequality and poverty. The Accelerated and Shared Growth Initiative for South Africa (ASGISA) that succeeded GEAR did nothing to change the status quo.

For the most part, the South African government failed to transform most sectors of society as it was constrained by sunset clauses and, after a while, the ANC government became its own worst enemy. Besides the fact that the party did not have a concise plan to transform the society and the economy, it also failed to install leaders who could set their differences aside. Instead, these differences started to impact on the party's ability to deliver to its constituency. As the years passed, and as different leaders came to power, each leader embarked on reinventing the wheel in terms of their focus and deliverables. Thus, their track record is littered with failed economic plans and poor service-delivery records that have unfortunately made the black majority, whose betterment was the aim, the victim. Twenty-three years after democracy, the South African society is just beginning to grapple with structural challenges to economic development and the alleviation of inequality. The NDP 2030 introduced by President Jacob Zuma carries the hope of millions of impoverished majority blacks, as it is the first concise roadmap for the transformation of the country, and for alleviation of poverty and inequality. It remains to be seen whether the next president will retain and consolidate the plan and see it to its fruition, as was the case in Malaysia.

7.2. Affirmative action

At independence, the defining feature of both countries' social and economic makeup was the 'disparity in access and quality of employment' between the different races. The need for redress, transform, and alleviate poverty and inequality became a rallying cry in both countries. Those in power were thus mandated to ensure that redress through affirmative action was enacted accordingly; however, Malaysia and South Africa adopted different strategies with vastly differing outcomes. Malaysia's success in this regard can only serve as a beacon of hope for South Africa.

Malaysia's successful affirmative action strategy can be directly linked to the UMNO government's policy considerations after the race riots, that is, the promulgation of affirmative action policies at a time when they held a true majority within Malaysia, therefore entrenching the notion of Bumiputera "specialness". These policies have ensured the Bumiputera's lifelong elevation in Malaysian society. The first of the policies was the famous NEP, conceptualised once it had become clear to the UMNO that "unity was unattainable without greater equity and balance among Malaysia's social and ethnic groups in their participation in the development of the country and in the sharing of the benefits from modernisation and economic growth" (Bowie, 1991). It was clear that the measure of economic growth had to include advancement of the economic well-being of the have-nots in Malaysian society. The NEP's fundamental goal of improving the economic position of the Bumiputera permeated all spheres of government, with some pushback from the private sector – as expected. The public service became the biggest employer, supporting budding Malayan entrepreneurs and increasing Malay ownership percentages in existing businesses. When it became evident that the private sector was resisting the government's affirmative action efforts, the state targeted the non-Malay private sector to enforce the elevated economic status of the Bumiputeras. Upon the private sector's challenge to the government's actions, numerous laws were passed to ensure their acquiescence. One example of the government's legislation is the ICA: its adoption meant that "the right of non-Malays to do business [was] conditional upon their acceptance of UMNO priorities in the area of Malay economic advancement" (Bowie, 1991). These priorities were not negotiable. The Petroleum Development Act (PDA) was another piece of legislation that created a tenuous business environment for non-Malay and foreign businesses. It threatened the livelihood of foreign businesses in one of the most lucrative sectors in Malaysia as the UMNO government looked to nationalize this sector. “The PDA, which was adopted in 1975 with almost no prior consultation with the affected foreign oil companies, extended the control of state-owned oil company Petronas over all marketing and distribution of Malaysian oil, and mandated Petronas’ majority-ownership shares in all petroleum projects” (Bowie, 1991). The UMNO government’s concise goals and their uncompromising stance on transforming and alleviating the plight of the impoverished majority, without fear of repercussions from the private sector, may very well have been the winning formula for their affirmative action strategy.

For South Africa, this was hardly the case. South Africa’s affirmative action strategy has left a lot to be desired. It may be too easy to attribute the policy failures to implementation; however, one has to consider the process leading up to independence. For the most part, the ANC’s view of taking over the country was too broad and mostly centered around “winning state power and then using it to pursue far-reaching social and economic transformation” (Marais, 2011). Their naiveté was evident when faced with pressures from the all-influential private sector. Instead of keeping true to the developmental strategy they were bullied to concede far too much. Making Democracy Work, a report that was compiled by the ANC’s Macro-Economic Research Group (MERG), “saw a need for the state to provide leadership and coordination for widely-based economic development and to intervene directly in key areas” (Marais, 2011). It is widely noted that this strategy was the most coherent and progressive option for the South African government, as it considered both social and physical infrastructural investment as the backbone for growing the economy while ensuring that the black majority’s poverty and inequality levels were gradually eradicated. This was not to be. Instead, the rushed and dubious GEAR policy was enacted in its place, making it obvious that the ANC government had yielded to the ‘injunctions of corporate capital’ It is thus not surprising that, from that point on, affirmative action policies would never be taken seriously by the private sector.

There is also something to be said about the opportunity that was lost when the government failed to amend the South African Constitution in such a way as to entrench the black majority’s preferred position in society while the ANC was still in possession of an outright majority. In as much as the constitution ‘provided for measures that promote equality’ the ANC government did not anticipate the complex bag of challenges that the South African society presented. The constitution’s provisions did not provide enough “specialness” for the black majority to enable the ANC government to enact aggressive affirmative action policies, as had been seen in Malaysia. Because of this omission, the ANC government could not put in place any punitive measures for businesses that failed to embrace affirmative action policies. As a result, the private sector continues to engage in job reservation of senior management positions for white people – as seen in the untransformed private sector and validated by the EEA reports to date. Nonetheless, the ANC government continues to vehemently believe in these policies and has made it categorically clear that “there would be no scrapping of Affirmative Action or Employment Equity policies [as] the trouble seems to lie with the low levels of compliance and has absolutely nothing to do with its construct and design” (Sesant, 2017).

CHAPTER 8

Recommendations and conclusion

Twenty-three years after South Africa transitioned into a democratic dispensation, the country finds itself still untransformed and facing bigger challenges than those seen in 1994. The majority black population still lives in abject poverty, with the exception of the upwardly mobile black middle class. Inequality has steadily risen over time, and so has the gap between the rich and poor. The government faces a situation whereby the black majority is no longer patient with the state's inability to transform the economy and to meaningfully change people's lives. This view was echoed by President Zuma when he said, "The South African government is growing impatient with the slow pace of economic transformation, a tragic phenomenon that has left the majority of black people trapped in a mud of poverty and economically disempowered. […] Political freedom alone is incomplete without economic emancipation" (Shelembe, 2017). To effect any changes, the government has to stop paying lip service to transformation and earnestly seek to implement a viable economic development agenda, specifically the NDP, and place emphasis on radical economic transformation (RET). For far too long, "South Africans had been fed reformation disguised as transformation" (Mthunzi quoted in UCT Graduate School of Business, 2017) yet millions of blacks are still living in abject poverty. There is no better time than the present to structurally transform the economic space; thus, RET is fundamentally the correct route to achieve this.

Secondly, the government has to address the land issue as 'it is a ticking time bomb and it needs to be addressed urgently' It is clear that the current land reform policy is failing and needs to be relooked, as 'large areas of land in both commercial farming and communal areas remain underused', land that could be used to improve the livelihoods of many poor households in South Africa.

8.1 The National Development Plan

As the country continues to face socioeconomic pressures, which are coinciding with the imminent changing of the guard within the structures of the ANC, one term has become the rallying cry that seeks to answer the ills that are manifesting within the South African society. That term is radical economic transformation (RET). It is a term that has polarized society along the lines of the haves and the have-nots. Needless to say, this is what the majority blacks want to transpire as they desire meaningful economic transformation that will provide an answer to the poverty and inequality they experience daily. This concept has drawn ire from minority whites and private-sector owners, and it is seen as an ANC gimmick or electioneering concept used to garner interest from constituents and to divide the "rainbow" nation. RET detractors often disingenuously label it reverse racism. Chairman of the FW de Klerk Foundation David Steward (2017) perfidiously claims that, "RET would inevitably have a catastrophic impact on the economy, on the vast majority of citizens, and on national unity. It implicitly requires severe dilution of property rights, massive intervention by a corrupt and incompetent government, and a concerted assault on the legitimate rights of millions of South Africans solely on the basis of their race." From such statements, it is clear that, more often than not, RET opponents cast aspersions on it without fully grasping its intention; thus, it is imperative to understand the roots of the term and whether indeed it may be the answer to South Africa's socioeconomic challenges.

RET as a concept was crystalised at the ANC's 53rd National Conference in 2012 at Mangaung, where it was resolved that upon "entering the second phase of the transition from apartheid colonialism to a national democratic society, this phase will be characterised by decisive action to effect economic transformation and democratic consolidation, both critical to improve the quality of life of all South Africans" (ANC, 2017). The decisive action called on by the party would be activated through RET, and the term was further defined as being "about fundamentally changing the structure of South Africa's economy from an exploitative exporter of raw materials to one which is based on beneficiation and manufacturing, in which our people's full potential can be realised. In addition to ensuring increased economic participation by black people in the commanding heights of the economy, radical economic transformation must have a mass character. A clear objective of radical transformation must be to reduce racial, gender and class inequalities in South Africa through ensuring more equity with regards to incomes, ownership of assets and access to economic opportunities" (ANC, 2017). Contrary to its detractors' beliefs, this term is not new as it is more of a continuation of the Freedom Charter, upon which the ANC was founded. Furthermore, RET is not a new economic policy but rather one of the expected outcomes of the already implemented NDP 2030. The only radical parts of this concept are the outcomes emanating from the NDP's effectiveness. For RET to be realised, two crucial components need to be actioned and embraced, namely: the dismantling of monopoly practices and structures, and the stimulation of inclusive growth without fear of favor.

One must not be naïve and think that the dismantling of monopoly structures will be an easy task. These monopolies are long-standing structures and are entrenched within the South African economy, if in fact they are not the backbone thereof. These monopolies were formed more than 60 years ago at the height of the apartheid era, when the "hulking core of South Africa's economy was a network of corporations active in the mining and energy sectors, with branches extending into manufacturing and other industrial activities. The emphasis was on industries that supported or linked into core sectors" (Marais, 2011). Coincidentally, this economic arrangement has hardly changed as the same monopolies – such as Anglo American and Sanlam, to mention a few – continue to exert their rule on the country's economic terrain. These monopolies were further allowed to increase their power base by being allowed to reorganize and globalize their structures under the watch of Trevor Manuel when he was Minister of Finance. Such restructuring allowed these conglomerates to partake in mergers and acquisitions that increased their value 50-fold while FDI suffered. It is with this in mind that one must insist that any attempt to dismantle such giants will not and cannot be done overnight, nor without a fight.

Be that as it may, the ANC-led government is intent on radically transforming such an environment to become more inclusive, one monopoly or cartel at a time. An NDP that seeks "strict enforcement of competition legislation aimed at stamping out monopolistic practices is required. [As is the] de-concentration of the high levels of ownership and control we see in many sectors. In this way, we seek to open up the economy to new players, give black South Africans opportunities in the economy and indeed help to make the economy more dynamic, competitive and inclusive" (ANC, 2017). As the ANC continues to achieve through the work of the Competition Commission, a structure that has been in existence since 1999 and set up after the introduction of the Competition Act of 1998. "Since it opened its doors in 1999, the Competition Commission [CC] has been learning and working tirelessly to enforce the Competition Act against transgressions related to cartels and abuses of dominance by large corporations" (Sekgobela, 2016). Cartel behavior is not a surprising phenomenon, as this was entrenched during the apartheid era. This is further corroborated by Judge President of the Competition Appeal Court Dennis Davis (n.d.), who states that "a problem confronted the competition authorities concerned with an economy that, owing to a range of historical factors inherited from the long apartheid period, was unusually concentrated, relied on high levels of state ownership, a marked degree of political intervention and an extremely weak competitive culture". Such corrupt and illicit behavior cannot be tolerated in an economy that should be dynamic and inclusive. The CC has registered a tremendous number of successes and it has been noted that, by 2013, it "had levied administrative penalties of approximately R4,2 billion against various firms. These administrative penalties represent a measure of the illicit gains by these firms, which usually manifest in high prices for consumers" (Sekgobela, 2016). There have also been notable interventions by the CC in important consumer markets, specifically in the maize, poultry, wheat, and pharmaceuticals sectors, concluding in price decreases that have had a positive impact on consumers. At the World Bank and African Competition Forum, it transpired that due to the CC's work, "potentially 202 000 individuals were made better off and lifted above the poverty line through lower prices, putting approximately 1,6% back into the pockets of the poorest 10%" (Sekgobela, 2016).

Over and above these successes, the most notable and commendable case the CC presided over is that of Hazel and Others vs Glaxo Group Limited – two antiretroviral-producing pharmaceutical companies accused of excessive pricing of medicine. With the Southern African Development Community (SADC) holding the unenviable crown for being home to the highest HIV/AIDS infected population, this case allowed for more people to access much-needed medicine. "Following investigation but prior to a public hearing, the two pharmaceutical companies entered into a settlement agreement with the [CC], which included granting licences to generic manufacturers, permitting licensees to export [antiretroviral, ARV] medicines to sub-Saharan African countries and capping royalties at no more than 5% of the net sales of ARVs. The net effect of this intervention was to bring down the cost of ARVs, which consequently increased access to ARVs to those who needed it most. With the significant drop in prices of ARVs, there were cost savings on treatments of at least R12 billion between 2004 and 2015" (Sekgobela, 2016). Another outstanding case was that of what is known as the "construction cartels", which colluded to increase pricing during the construction of stadiums before the 2010 FIFA world cup. In total, these companies were fined R2,9 billion, and were also forced to "either introduce an equity model whereby at least 40% of the shares will be sold to black South Africans, or a partner model whereby each company will work with up to three black-owned construction partner companies to help them generate turnover equal to 25% of its own turnover" (Peyper, 2016). It is beyond doubt that the CC will continue with its commendable work, although it will certainly be faced with difficulties. Some of the CC's detractors often point out that the penalties are too lenient, especially when dealing with industry giants, since these punitive measures are more of a slap on the hand. Davis (n.d.) acknowledges that indeed leniency agreements seem to be an easy way out; however, he foresees more challenges with the "legislation that seeks to criminalize cartel behavior".

Davis (n.d.) has surmised that, once "authorities move against a cartel, interlocutory challenges are brought before the Tribunal and to the court and, with some luck and imagination, to the Supreme Court of Appeal and possibly the Constitutional Court. This strategy, known within the South African context as 'Stalingrad jurisprudence', can ensure that cartel cases are never brought to fruition and hence exhaust the resource of the authorities. Once a criminal charge becomes a possibility, the difficulty is exacerbated." Currently, the CC's hands seem tied in terms of how they can affect punitive measures beyond calling on the fine system. To change the current status quo will require the ANC-led government to acquire a two-thirds majority in order to amend the South African Constitution accordingly as a means to criminalize cartel behavior without a protracted legal fight. As a means to effect such a change, the Ministerial Advisory Panel has been commissioned to "propose ways of strengthening the Competition Act to deal with persistently high levels of economic concentration in the South African economy [and] says the draft legislation should be released for public comment during November" (Creamer, 2017). The government is steadily tightening the noose on cartel behavior, and judging by previous successes and given time, the incremental changes will pay off.

8.2 The land reform policy as an instrument for the reduction of inequality

In the eternally relevant words of Frantz Fanon, "For a colonized people, the most essential value, because the most concrete, is first and foremost the land; the land which will bring them bread and above all dignity" (Ntsholo, 2017). This statement indeed holds true for most developing countries, South Africa included. This sentiment is even more salient as the country finds itself in a place where, 23 years after independence, there is increased pressure from the majority black populace for land ownership. Much has been delivered by government to transform the living conditions and standards of the majority; however, the spatial inequality that still exists has become even more entrenched and has only worsened the majority’s despair. As part of the ANC’s “second phase of the transition from apartheid” (ANC, 2017) the land issue has risen to prominence as an aspect of socioeconomic patterns that requires radical transformation.

Historically, the South African Constitution focused on two aspects of land reform – redistribution and restitution. The intention of the current policy was always to “clear the way for disadvantaged, previously marginalized individuals to exercise their capacity to act autonomously, to be full economic and social participants in the South African project” (ANC, 2012). This outcome has yet to be achieved, to the chagrin of the black population, as they continue to be disenfranchised and treated like strangers in their own land. The recent rise in the call of a land reform policy is due to the state’s inability to address the plight of the majority as promised by the South African Constitution.

It is an accepted fact that “land dispossession in South Africa produced negative consequences such as consignment of the majority to the most productive land, inequitable distribution of land ownership largely in the favour of a minority racial group, dislocation of social and economic systems of the indigenous people in relation to land use, and tenantisation through labour tenancy, sharecropper and other slave-like forms of erstwhile owners” (ANC, 2012). Since the ANC’s inception, the land reform issue has been a priority as it was installed within the South African Constitution under Section 25. Therein lay the government’s ambitious goals, which included the redistribution of at least 30% of commercial agricultural land by 2014, settlement of all land claims by 2005, and so on. These goals have yet to be fulfilled, as land reform has been painfully slow and dismal. Less than 10% of land redistribution has taken place and not all land claims have been settled. In the 2017 State of the Nation report delivered by Minister Gugile Nkwinti (2017), it was stated that “for the period 1994 to date, 4 850 100 hectares have been acquired through the land redistribution program. 1 743 farms have benefitted from the Recapitalization and Development Programme (RECAP) since 2009 to date in respect of the restitution program, 3 389 727 hectares were restored, 1994 to end-January 2017. Financial compensation amounting to R11,6 billion was paid out to land claimants who opted for this alternative for the same period”. This may seem like a substantial outcome; however, when compared to ownership patterns that still exist, the government has barely scratched the surface considering that commercial agricultural land is estimated at 86 186 026 hectares and the majority of that land still belongs to minority white farmers. It is thus no surprise that “commercial agriculture […] is made up of about 37 000 commercial farmers, producing about 90% of the food. These are then complemented by subsistence farmers, found mostly in the former reserves. They contribute 10% of our food. Of the commercial farmers, only 20% are considered productive and 5% are producing about 70% of our food. Of course the majority of these farmers are white” (Ntsholo, 2017). Needless to say, such statistics are concerning and only go to show that the current land policy is a failure. Another concerning occurrence in land claims is the cost of settlements that the Treasury must carry. It is disturbing that claimants are opting for “financial compensation, which does not help the process at all. It perpetuates dispossession. It also undermines economic empowerment” (South African Government News Agency, 2017). It is because of such disappointing outcomes that one must consider the amendment of the land reform policy, specifically Section 25.

Within the land reform policy, the principle of willing-seller willing-buyer is fundamentally erroneous, as it has also impacted government’s coffers negatively and needs to be urgently relooked. The quality of land being sold and the land prices being demanded by sellers is highly questionable, and has also not yielded any notable successes. The ANC itself supports the notion that the “willing-buyer willing-seller” principle constrained the pace and efficacy of land reform and that the market is unable to effectively alter the patterns of land ownership in favor of equitable and efficient distribution of land. In addition to creating conditions that manage the negative consequences of the imperfections in the land market, a distinct policy option is the use of expropriation where necessary in accordance with the constitution” (ANC, 2012). With the dismal showing of the land reform principle employed by the government it is thus imperative to seek other means to ensure redistribution is effected at reasonable costs, which will thus require the Department of Rural Development and Land Reform to capacitate the office of the Valuer-General to administer the sale of land and oversee the standardisation of prices.

In 2017, the ANC is inadvertently accepting the failure of soft land reform as it was previously based on a principle that capitalized on attempting to deliver “a land reform program which represents a break from the past without significantly disrupting agricultural production and food security” (ANC, 2012). The time is ripe for a change towards a more radical principle to ensure transformation in this sector. The ANC’s hard line was introduced by President Zuma when he stated that government’s intention is to use “the Expropriation

Act to pursue land reform and land distribution, in line with the constitution" (South African Government News Agency, 2017). This is a promising change in direction for those who are avid supporters of radical land reform, including the EFF's Lubabalo Ntsholo (2017), who is of the view that "the land question is in this sense about restorative justice not merely redistributive justice. Land was taken, and it must now be returned. The manner of reform therefore must consider this fact of historical justice." The amendment is highly contested legally and in parliament, and is yet to be enacted, but one should hope a time may come, preferably sooner rather than later, when black people may become economic players within the agricultural sector as this will also work towards the reduction of unemployment in the country.

Be that as it may, it is paramount that the government approaches such a policy change in a cautious fashion, as one can refer to a not-so-successful land reform policy in Zimbabwe (known as the Campbell vs the Zimbabwean government case) as an example that serves as a reminder of how *not* to proceed with land reform. "From the outset of the Campbell case, the Applicants in their submissions acknowledged the government's legitimate aim of redressing the imbalances created during the colonial period insofar as land was concerned. The legitimacy of the aim being unquestionable […] what cannot be forgotten is the unsatisfactory manner in which the land redistribution program was carried out by the government of Zimbabwe. The truly unfortunate aspect being how a legitimate policy goal was irrevocably marred by intimidation and violence which resulted in human rights abuses and the displacement of thousands of Zimbabweans, the likes of whom were intended to be the beneficiaries of the program" (Mchunu, 2015). It is however crucial to be aware that there is no evidence that suggests that the South African government would follow the Zimbabwean route; however, it is with good reason that it not forget the turmoil such amendments can cause to a country and its people.

Besides the challenging principle of willing-buyer willing-seller, another challenging aspect of land reform is the contradiction that is Section 25. For all intents and purposes, this section prioritizes the protection of property rights by means of the property clause while also espousing the redistribution and restitution of land to the poverty-stricken masses. The two concepts cannot be mutually inclusive as they are obviously contradictory in their nature. This contradiction asks the question, how can Section 25 seek to redress the spatial inequalities of the past while it also extends protection to "illegal" owners of the land that was appropriated unfairly? Ntsholo (2017) succinctly surmises that “radical land reform therefore is and can only be found outside of the current constitutional framework. Private property rights and the requirement that the state pay for land reform, are anathemas to comprehensive land reforms. This is what makes a constitutional amendment to Section 25 of the constitution critical. Without that amendment, we basically have no land reform program, but a massive land purchase program” (Ntsholo, 2017). The amendment of Section 25 will “enable government to purchase land at a value determined by the state adjudicator and then expropriated provided that the Minister of Public Works is satisfied that the land purchase is in the public interest” (South African Government News Agency, 2017). The seller would have to accept the amount offered by the Valuer-General, willingly or not, and would receive compensation deemed fair by the state. Once the dispossessed poor are allowed an opportunity to engage in arable farming or livestock husbandry, they will be able to better their livelihood while also contributing to the wider economy by fostering entrepreneurs and increasing employment prospects for the unemployed. The first forays in capacitating upcoming black farmers yielded lessons for the government and prompted the creation of the RECAP program aimed at offering support structures for new farmers. This program supports farmers with seeds, irrigation infrastructure, and other materials farmers need on a year-on-year basis. As a result there has been “many small-scale success stories in rural development in South Africa to demonstrate that rural areas do have the potential to generate additional livelihoods at the local level […] examples include wool and vegetable production in the Eastern Cape and wild-resource harvesting and processing in Mpumalanga” (Kepe & Cousins, 2002). Only once the land reform amendment is enacted will the country be able to replicate more of these successes, which may one day provide a substantial percentage of food consumed within and outside the country, which will have a positive impact on economic growth.

Land reform policies should not only be applicable to issues pertaining to sustainable rural development exclusively, as the land issue permeates most spheres of the private sector. True to the principles of the NDP, land reform must translate to the inclusion of all sectors that use the land, including the mining and minerals sector, as a means to increase the number of entrants into this sector and in turn transform the economy. As a country that trades predominantly in raw materials, the mining sector forms the backbone of our trade, yet is also a sector that remains untransformed. This contradicts the founding principles of our democracy, which state that “the country’s mineral and petroleum resources belong to all South Africans and that the state is the custodian of these resources” (Toxopeüs, 2017). This principle does not correspond to the racial ownership patterns that exist in this sector, as hardly any change has been registered in this regard. In 2009, black ownership sat at 8,9% while over 90% was still in the hands of minority whites, a far cry from the agreed-upon 26% by the Mining Charters I and II. The untransformed mining space and the unapologetic airs of the Chamber of Mines (which represents 90% of the mining houses) have prompted the government to introduce a new Mining Charter in 2017 that intends to radically transform the sector. This charter introduced fundamental transformative aspects, which differ from its two predecessors. The most notable aspects according to Zonke (2017) are:

i. Minimum black economic empowerment (BEE) ownership of 30% (up from 26% in Charter II) for all mining rights, to be divided amongst employees (8%), mining communities (8%), and black entrepreneurs (14%).
ii. Rights holders currently at 26% will have to top up their current holdings to comply (going up to 30%.) This is to be done within 12 months of the charter’s signing.
iii. All new prospecting rights will need to have a BEE share of 50% plus one share inclusive of voting rights.
iv. Requirement for the rights owner to pay an annual turnover of 1% to the BEE partners prior to any distribution to its other shareholders.
v. Requirement that the procurement is allocated to BEE entities with 70% of mining goods and 80% of mining services.
vi. On employment equity, the charter has also placed high requirements for companies with a minimum 50% black representation requirement at board level and executive management level with 25% of this being women at both levels.

It is evident that the Chamber of Mines previously did not take the mining charters seriously. However, due to the radical nature of the new proposed charter, the Chamber is not happy about these amendments, which will negatively impact its bottom line. It is with this in mind that it has chosen to strongly oppose the 2017 Mining Charter by seeking to interdict it on the basis that Minister Mosebenzi Zwane has not consulted with it adequately, amongst other issues. Zwane is, rightly, not backing down from this challenge as he has made it categorically clear that “it is our firm belief that the 2017 Mining Charter gives practical expression to the meaning of radical transformation. […] The targets and the timelines are clear and we believe they are realistic and achievable. […] We believe the time has arrived to ensure that we stop talking and engage ourselves in an action of transforming this industry to ensure the people of South Africa – all of them – play a meaningful role in the country’s economy” (Zwane quoted in Odendaal, 2017).

The government is correctly maintaining its stance on the radical transformation of the sector, especially when considering the fact that ownership patterns in the mining sector have previously not been responsive to lenient transformative efforts by government. Their legal challenge towards this charter further exhibits that this sector is not keen to seek inclusive economic program that would allow for new black entrants. After more than 20 years, the “richest 10% [still] own over 60% of the country’s wealth. The top three richest South Africans together own as much wealth as the bottom 50%” (Zonke, 2017). This confirms the initial notion that over time the market forces would willingly welcome new entrants in all sectors of the economy has failed, so the time is now to become serious about transformation. It is undoubtedly clear that the government is getting progressively serious about the enforcement of punitive measures against those companies that refuse to transform accordingly. “Under the new charter companies found not complying could face penalties, which could include the revoking of a mining company’s license” (Brand South Africa, 2010). It would be prudent for the government to “stick to their guns” about transforming ownership aspects, as this will in the long term capacitate the majority to becoming participants within the wider economy. The change cannot be expected to be short term nor will it be without its challenges; however, it has to be done. In Minister Zwane’s words, “we’re not prepared to move away because that is the mandate given to us by the people of South Africa. Everybody is inclusive, black and white […] radical economic transformation might be painful to some but it is a must. We will take the pain, and our people will take the pain in building the economy” (Zwane quoted in Lindeque, 2017).

Conclusion

It is clear that ethnic diversity presents another dimension to consider in issues pertaining to economic development, especially in developing countries as evidence shows they are the most diverse countries. With ethnicity playing a role in development, it is expected that it would do the same in politics and economics. Malaysia is a notable economic development success story as it has been successful in keeping ethnic relations well-managed while ensuring that the previously disadvantaged are capacitated enough to be active players in the economy. The fortunes of that country were driven by goal-focused political leaders who managed to remain pragmatic through all challenges. The wisdom in their long-term plan was positioning land reform as the foundation of their NEP, as this quickly allowed the majority Bumiputera to be absorbed into the economy within the scope of the extended affirmative action policies. Unfortunately, such decisive and pragmatic planning eluded South Africa from the start. South Africa is only now coming to terms with the need for a long-term economic development plan that requires a level of radical transformation of old racial and spatial compositions that have kept the economy untransformed.

The enactment of the NDP has prompted the need to dismantle the inhibitors of transformation in a radical manner. The state has thus seen an unprecedented reaction from the wealthy minority against the government through numerous legal challenges as a means to maintain the status quo, which sees the majority black languishing in poverty. The legal challenges to the government must not sound the death knell for the socioeconomic transformation agenda. Instead, this must embolden them, knowing that they are going in the right direction. The government must also think creatively in dealing with such challenges. The steadily growing number of technocrats should be coerced to become the critical mass of knowledge and expertise needed to carry the country through the transformative process. Their impact is now starting to be felt in both government and business sectors as there are more blacks qualified to compete at executive levels of the economy, and government must harness this. One may not have a crystal ball to foresee how and what the "second phase of the transition" will achieve, but one thing is for sure: "Beyond Zuma and beyond the rhetoric from either politicians or business, South Africa will have to find a way of including a larger proportion of its people in the economy to avoid a sociopolitical disaster in the next decade" (Zonke, 2017). The NDP may just be the anathema to such an impending disaster.

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