KEEPING TRACK OF BUSINESS

By **Ben Turok**

The row over corporate state capture raises a larger question about ownership in South Africa. Who are the critical owners of assets and wealth? For the moment, let's put aside income: wealth inequalities are far greater than income inequalities, and wealth is the basis of power.

Who Owns Whom is the best source of information on ownership in South Africa, but it takes a lot of research to find a way through the forest of cross-ownership and multiple roles.

According to Business Day's Hilary Joffe, of 397 listed companies, 72 are foreign. Of the top 15 by market value, two-thirds are domiciled and have their primary listings elsewhere, reflecting a drive to internationalise ("JSE's foreign flavour gives investors currency", 8 June 2016). In April 2016, there was $5.5 billion in outward foreign direct investment (FDI) flows, while the inward flow was $1.7 billion. We have a stock of $146 billion of FDI abroad but $138 billion inward stock.

What is the reason for the shift offshore? Obviously the findings of the ratings agencies on instability and ANC turbulence is a major factor. But it is also true that the top listed companies now derive more than 50 percent of their revenue from outside South Africa.

Offshore expansion by JSE listed companies has seen 165 acquisitions in 55 countries by 70 companies since 1994. Africa accounts for 8 percent of the revenue of companies listed on the JSE, with Europe at 16 percent. Businessman like Shoprite's Christo Wiese have repeatedly said that Africa is not an easy destination for expansion, but it is essential to go there for the long haul. It takes time, huge effort and patience. Still, they have succeeded and their returns from other African countries are now surpassing returns at home.

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The Public Investment Corporation (PIC) owns almost 13 percent of the JSE market capitalisation and 24 percent of bond market capitalisation (Daniel Matjila, "PIC to drive transformation with Vision 2030", Business Report, 8 June 2016). The Industrial Development Corporation (IDC) also has huge assets, as does the Development Bank of Southern Africa. If these assets were managed within a single policy paradigm, they could make a significant contribution to transforming the economy. The lists provided by Matjila show a huge diversity.

But all the institutions have had to prove their financial returns on the basis of different investments. The IDC shifted focus from industrial development to small business creation, which was never its mandate, and their policy choices are also constantly bedevilled by BEE compliance codes. The ratings agencies know all about this and their concerns about structural measures include "cohesion of the executive branch" and "periodic disputes between key government institutions and within the ruling ANC".

Mapping the ownership of South African assets is becoming more difficult as more companies invest abroad. There is also a complex dilution of assets through BEE, with unclear outcomes. These are complex enough issues – but put in combination with confusion within government and conflict within the ANC, there is no sign of clear economic direction. Much as we value the conversation taking place among business, labour and government at the highest level, there is no substitute for clear, directed government action.

In such a miasma of shifting sand, machinations of state capture can easily penetrate and grab hold. NA