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The Politics of Black Economic Empowerment in South Africa

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Abstract

Since 1994, the black majority African National Congress (ANC) government has pursued several important goals at the same time, sometimes emphasising equity and redistribution of wealth, and sometimes advocating rapid economic growth and corporate investment. These goals have been difficult to reconcile with each other. They have led the government to fluctuate in its black economic empowerment (BEE) policies, shifting between a moderate and radical redistribution of assets. Generally, however, the government has been cautious in implementing BEE, provoking a controversy around it, partly because it has benefited mainly politically-connected individuals rather than the mass of the previously disadvantaged, and partly because South Africa's corporate sector continues to be dominated – managed and owned – by the minority whites. ANC leaders have feared the consequences on economic growth and investment if white business is obliged to relinquish large ownership levels to black investors. The government has co-operated with corporate capital and set

empowerment targets acceptable to local industry and foreign companies. Labour and black business have been peripheral to the empowerment process. Black business has expressed criticism at the slow pace of reducing white domination of the corporate world, while labour has criticised BEE deals for enriching a small number of senior ANC figures. But reconciling populist goals with capitalist-led economic growth remains problematic for ANC rulers.

Notes

[1] Black is a generic term that refers to Africans, Asians and coloureds (those of mixed race). For previous discussions on BEE, see, in particular, O.C. Iheduru, ‘Black Economic Power and Nation-Building in Post-Apartheid South Africa’, Journal of Modern African Studies, 42, 1(2004), pp. 1–30; W.M. Gumede, ‘Down to Business, but Nothing to Show’, in S. Jacobs and R. Calland (eds), Thabo Mbeki's World (London, Zed Books, 2002), pp. 201–19; R. Southall, ‘The ANC and Black Capitalism in South Africa’, Review of African Political Economy, 31, 100 (2004), pp. 313–28, and ‘Ten Propositions about Black Economic Empowerment in South Africa’, Review of African Political Economy, 34, 111 (2006), pp. 67–84. See also ‘BEE 10 Years On’, Enterprise (Johannesburg), April 2004, pp. 104–8 for a discussion pertinent to the one presented here.

[2] The African National Congress, The Reconstruction and Development Programme: A Policy Framework (Johannesburg, Umanyano, 1994), p. 93.

[3] ‘Empowerment and the JSE’, Financial Mail (Johannesburg), 17 March 2006.

[4] ‘The BEEhive Empowers the Drones not the Workers’, South African Labour Bulletin, 29, 3 (2005).

[5] This seems to reflect the views of the shop floor. For instance, 52 per cent of the respondents to a survey conducted in 2004 favoured the empowerment of workers through skills development, compared with 20 per cent who thought it should be about the promotion of greater black ownership of companies. See R. Southall and R. Tangri, ‘COSATU and Black Economic Empowerment’, in S. Buhlungu (ed.), Trade Unions and Democracy. COSATU Workers' Political Attitudes in South Africa (Cape Town, HSRC Press, 2006), pp. 115–42.

[6] Quoted in ‘Scores Put Muscle on the Bone’, Business Report (Johannesburg), 5 January 2005.

[7] ‘BEE not the Priority for all Business’, Business Day (Johannesburg), 30 June 2006.

[8] P. Waldmeier, Anatomy of a Miracle (London, Arrow Books, 1997), Chapter 14; and A. Handley, ‘Business, Government and Economic Policymaking in the New South Africa, 1990–2000’, Journal of Modern African Studies, 43, 2 (2005), pp. 220–5.

[9] This article focuses on BEE in the corporate sector and excludes consideration of empowerment in the parastatals.

[10] The Economist, ‘Cautionary Tale of Black Business’ (London), 10 January 1998.

[11] Black Economic Empowerment Commission (BEECOM), Black Economic Empowerment Report (Johannesburg, Skotaville, 2001), pp. 1, 35 & 37.

[12] ‘Transformation at “Snail's Pace” in the Business Sector’, East Cape News, 14 August 2001.

[13] ‘Interview’, Mail & Guardian (Johannesburg), December 1997.

[14] A. Hirsch, Season of Hope: Economic Reform under Mandela and Mbeki (University of Kwa-Zulu Natal Press, Scotsville, 2005), p. 202.

[15] The relevant ANC congress resolutions are cited in full in BEECOM, Black Economic Empowerment Report, p. 35.

[16] M. Ashurst, ‘Pace of Change Frustrates’, The Financial Times (London), 3 October 1996.

[17] BEECOM, Black Economic Empowerment Report, pp. 8–9, 34, 35.

[18] BEECOM, Black Economic Empowerment Report, p. 37.

[19] Business Day, 25 September 2002.

[20] There have always been differences within the government cabinet and the ANC's National Executive Committee (NEC) with the moderates usually prevailing over the radicals in decision-making. See also ‘Down to Business’, pp. 212–14 regarding differences in BEECOM's proposals.

[21] Fast Facts (Johannesburg), May 2001.

[22] Quoted in, ‘SA Gov “Astonished” by Market Chaos’, Miningweb (Johannesburg), 15 August 2002.

[23] See editorial entitled ‘Empowerment Tension’, Business Day, 1 April 2004.

[24] ‘Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry’, 11 October 2002.

[25] Department of Trade & Industry (DTI), ‘South Africa's Economic Transformation: A Strategy for Broad-Based Black Economic Empowerment’ (Pretoria, 2003), p. 12.

[26] ‘Fuel Giants Warned to Pump up BEE Efforts’, Business Day, 17 August 2006.

[27] Quoted in ‘State Slams Mining Firms Over “Dirty Tricks”’, Business Report, 19 April 2006. See also, ‘State Warns on Miners' “Daylight Robbery” BEE’, Business Day, 19 April 2006.

[28] Quoted in ‘Behind the Smoke and Mirrors of the Business of Empowerment’, Business Day, 6 May 2004.

[29] Quoted in ‘Black Managers Seek New BEE Points System’, Business Day, 29 March 2005.

[30] Their worst fears were to be confirmed by the experience of construction group Basil Read. In September 2005, BEE magnate, Mzi Khumalo, and former national director of prosecutions boss, Bulelani Ngcuka, bought 51 per cent of the construction company. However, the rise in the company's share price saw Khumalo selling his entire stake, netting himself a profit of more than R70 million ($9 million) by May 2006, and which left the firm with a diminished black ownership. See ‘Mzi Khumalo in New BEE Share-Sale Controversy’, Business Day, 15 May 2006.

[31] ‘BEE Target of 25% “Not High Enough”’, Business Report, 4 November 2005.

[32] Southall, ‘Ten Propositions’, pp. 74–5. The 27th edition of Robin McGregor's Who Owns Whom in South Africa (Florida Hills, FL, Carla Soares Publisher, 2007) lists Motsepe as having a fortune of R7.94 billion ($1 billion), Macozoma worth R519 million ($74 million), Sexwale worth R979 million ($130 million) and Ramaphosa owning R491

million ($70 million), and among the wealthiest directors by value of their shareholdings on the JSE.

[33] Some of the new names, both men and women, included Dr Popo Molefe, Manne Dipico, Valli Moosa, Dolly Mokgatle, Andile Ngcaba, and Cheryl Carolus. For details, see ‘Rich Pickings of the waBEEnzi’, Mail & Guardian, 11 November 2005, and ‘Anatomy of Fast Money’, Mail & Guardian, 11 August 2006.

[34] McGregor, Who Owns Whom in South Africa, lists Marcel Golding, chairperson of the trade-union majority-owned Hosken Consolidated Investments (HCI), as owning a R361-million ($50 million) shareholding on the JSE.

[35] See ‘Teetering on the Tightrope: Union Investment Companies’, South African Labour Bulletin, 29, 3 (2005), pp. 14–19.

[36] ‘It is About Who You Know’, Mail & Guardian, 23 July 2004.

[37] On the mining and financial services charters, see R. Hamman, S. Khagram & R. Shannon, ‘South Africa's Charter Approach to Post-Apartheid Economic Transformation: Collaborative Governance or Hardball Bargaining?’, Journal of Southern African Studies, 34, 1 (March 2008), pp. 21–37.

[38] Quoted in ‘Debate on Codes Continues’, Financial Mail, 17 November 2006.

[39] ‘The Codes did reflect a trade-off between the DTI, which oversees BEE, and the finance ministry which lobbied against some proposals fearing they would inhibit business activity’. ‘Anxious to Shed a “Jobs for the Boys” Perception’, Financial Times, Special Report on South Africa, 5 June 2007.

[40] Quoted in Q. Wray et al., ‘Cabinet-Approved BEE Codes are Already Drawing Criticism’, Business Report, 8 December 2006.

[41] ‘BEE CODES: Rules are Rewritten (Again)’, Financial Mail, 3 November 2006.

[42] See ‘Black South Africans Frustrated by Paltry Progress’, Financial Times, 6 January 2007.

[43] ‘Black Business in Disarray’, The Sowetan (Johannesburg), 9 March 1999.

[44] Leaders of South Africa's top business organisation, Business Leadership SA (BLSA), are the cream of business and include Ramaphosa and Macozoma as well as top white

executives. The Big Business Working Group is co-ordinated from the BLSA offices in Parktown, Johannesburg. In early 2007, the two bodies co-operated to influence the First National Bank's decision to cancel a R10 million ($1.4 million) media campaign, which would have urged President Mbeki to do more to combat crime. The two bodies believed the campaign would be detrimental to the close relations between big business and the government.

[45] For a discussion of these and related points, see M. MacDonald, Why Race Matters in South Africa (Cambridge, MA, Harvard University Press, 2006), Chapters 7–8.

[46] Quoted in 'BEE 10 Years On', Enterprise, April 2004, p. 105.

[47] Quoted in Mail & Guardian, 9 March 2007.

[48] 'Concern on SA Law to Empower Blacks', Financial Times, 9 April 2007. In late 2007, sharp differences between the DTI and the treasury were evident as regards the direct black ownership target in the financial services charter.

[49] See 'Poisonous Whispers at the Dawn', Business Day, 6 February 2007.

[50] Quoted in 'CEOs have their say on BEE', Moneyweb, 5 March 2007.

[51] Business Report, 4 December 2006.

[52] In addition, the Public Investment Corporation has launched a strong campaign to have more black executive directors appointed to JSE-listed companies. The PIC, which manages the Government Employees Pension Fund, is the largest single shareholder in many top JSE companies.

[53] Quoted in, 'Business Still Waiting for BEE Code Clarity', Business Report, 14 November 2006.

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