


Journal of Southern African Studies >
Volume 34, 2008 - Issue 3

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The Politics of Black Economic Empowerment in South Africa

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Pages 699-716 | Published online: 22 Aug 2008

 Cite this article  <https://doi.org/10.1080/03057070802295856>

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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 corporatization. They have pursued these goals in a number of ways, including through the Black Economic Empowerment (BEE) policies, which have been controversial. However, the BEE policies have been controversial because they have been seen as favouring a small group of individuals, rather than the broader black community. The BEE policies have been controversial because they have been seen as favouring a small group of individuals, rather than the broader black community. The BEE policies have been controversial because they have been seen as favouring a small group of individuals, rather than the broader black community.

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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.

Under nearly half a century of apartheid, the majority black South Africans were either left out or confined to the margins of the country's mainstream economy. When the African National Congress (ANC) was elected to office in 1994, it identified black economic empowerment (BEE) as one key instrument to break through the wall of whiteness around South Africa's economy.¹ In its 1994 Reconstruction and Development Programme (RDP) document, the ANC declared that a 'central objective of the RDP is to de-racialise business ownership completely through focused policies of black economic empowerment'. As the new incoming government recognised, continuing white economic control and racial income inequalities could create 'social and racial tension' in the new South Africa.²

In the fourteen years since the RDP, however, the black majority ANC government has not obliged white companies 'to deracialise business ownership completely'. The Pretoria government has turned out less than decisive in implementing BEE. Indeed, it has tended towards only a gradual transfer of the corporate sector to black South Africans. This has mainly been because the government has pursued several important

goals since 1994. On the one hand, it has sought to stimulate economic growth and employment. For much of the 1990s, the ANC government was preoccupied with the need to generate growth and employment, fearing that economic stagnation would undermine its legitimacy. It pursued a populist policy of 'growth and employment' over 'BEE targets', but when it came to the implementation of BEE targets, the government was more cautious. The government's version of BEE was more focused on the growth and employment of the general population, rather than on the empowerment of black business owners. This approach has been criticised by some as being too slow and not doing enough to address the inequalities of apartheid. On the other hand, it has been praised for its focus on growth and employment, which has helped to reduce poverty and improve living standards. The government's approach to BEE has been a balancing act between the need to address the inequalities of apartheid and the need to stimulate economic growth and employment. It has been a difficult task, but the government has managed to achieve some progress. The remaining challenges are to continue to address the inequalities of apartheid and to stimulate economic growth and employment.

The ANC government has found it difficult to identify clearly a vision of its ultimate goals and aims for BEE. It has wrestled with difficult issues such as: should BEE involve primarily the transfer of business ownership to blacks, and if so how much ownership? Should the ownership targets entail ultimately majority ownership? Also, what should be the time frame for the transfer of existing assets? Should criteria other than ownership be involved in any assessment of BEE? Should factors such as management and procurement be given due consideration, and if so, what weighting should be given to them?

Well after the end of apartheid, the extent of BEE, its precise nature, and the ultimate outcome remains unclear. The South African government has tended towards caution in its pursuit of BEE. Although at times emphasising equity and redistribution of assets, the government has mainly advocated economic growth and business-friendly policies. The result has been a growing controversy around black economic empowerment, partly because of its modest scope in redressing historical inequalities, partly because, although benefiting blacks, these have been high-profile and politically well-connected individuals rather than the majority of the previously disadvantaged, and partly because South Africa's corporate sector continues to be dominated – managed and owned – by the minority whites.

To be sure, since 1994 black South Africans have become more empowered in business. According to an Ernst & Young survey, at least 1,364 empowerment deals with a total value of R285 billion (2005 = \$40 billion) were concluded between 1995 and 2005.

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Amid the personal enrichment of a small number of BEE beneficiaries, the large majority of black people have been growing poorer since 1994. The Congress of South African Trade Unions (COSATU) has hit out against empowerment deals that ‘will do nothing to help the overwhelming majority of South Africans’.⁴ Resentment has mounted within the ANC and its trade union (COSATU) and communist (the South African Communist Party or SACP) alliance partners regarding empowerment's penchant to create a small black elite while hardly spreading the benefits of BEE more widely. Indeed, by the time of its national congress in 2006, COSATU was complaining that the ‘national democratic revolution’ had been taken over by anti-working class forces and that there was now ‘a life and death struggle’ underway within the ANC ‘between the working class and the comprador, parasitic, aspirant black capitalist class’.⁵ Mounting protests have spurred the government to legislate that BEE become a much more ‘broad-based’ process serving, in particular, the interests of the mass of impoverished

[illegible]

owned private sector after 1994. Big business was quick to acknowledge that white predominance in the ownership of economic assets needed to be reduced and enlarged for blacks. However, initially, it was more concerned about ANC leaders advocating radical economic policies. It was active in influencing the major changes that occurred in the economic thinking of government leaders in the 1990s.⁸ Not only did the ANC abandon its previous advocacy of nationalisation but also government ministers began shedding interventionist and radical economic orientations as contained in the RDP in favour of more investor-friendly, market economy policies as found in the 1996 Growth, Employment, and Redistribution (GEAR) programme. Meanwhile, big business welcomed the new government's stance on black economic empowerment, which appeared to eschew the RDP's transfer of majority business ownership to blacks, and even permitted white business to transform its ownership profile voluntarily. The spirit of voluntary private sector empowerment in the 1990s, however, gave way from the turn of the century to companies having to comply with a host of legislative measures to speed up an empowerment process deemed too slow and limited. White corporate executives worried that government efforts to force the pace on empowerment would lead to greater political intrusion into business affairs. They urged government to relax its regulatory approach towards enforcing BEE and called for greater co-operation between the state and the private sector in determining 'transformation'.

In creating a BEE policy, the government has attempted to satisfy the competing interests of white companies, black entrepreneurs and organised labour. Yet the government itself has been giving conflicting signals on empowerment. For instance, it has sought to propel capital to 'transform' while at other times it has proposed a less stringent approach.

in South Africa. The government has sought to balance the interests of the white-owned private sector, which it has sought to protect, with the interests of the black-owned private sector, which it has sought to promote. The government has sought to balance the interests of the white-owned private sector, which it has sought to protect, with the interests of the black-owned private sector, which it has sought to promote. The government has sought to balance the interests of the white-owned private sector, which it has sought to protect, with the interests of the black-owned private sector, which it has sought to promote.

First, we need to understand the context of the BEE policy. The BEE policy is a key component of the government's economic policy. It is designed to promote the growth of the black-owned private sector and to create jobs for black people. The BEE policy is a key component of the government's economic policy. It is designed to promote the growth of the black-owned private sector and to create jobs for black people.

In this article, we will explore the BEE policy and its impact on the South African economy. We will discuss the challenges faced by the black-owned private sector and the role of the government in promoting its growth. We will also discuss the role of the white-owned private sector in the BEE policy and the challenges it faces.



alienated established white business, particularly in the process surrounding the draft mining charter, which caused havoc on the stock market. Second, we show how both government and white business were obliged to revisit and reinvent empowerment. The government's BEE policies, including the 2003 strategy document, the 2004 Act, and the 2007 Codes, are the outcome of much consultation with the corporate sector. Third, numerous BEE 'deals' have been concluded in recent years, which have involved co-operation between private capital and government departments, on the one hand. Labour and black business, on the other hand, has been on the sidelines in this empowerment process. Finally, BEE deals have led to divisions emerging within black business itself, between a small elite of wealthy BEE beneficiaries and the larger group of black entrepreneurs, with the former joining white corporate chiefs to use their influence not only to push their businesses forward but also to get government to reduce the regulatory nature of its BEE interventions.

As we note in the concluding section, the extent of deracialisation of the economy in terms of such criteria as ownership, management, and procurement has been proceeding only slowly. Once again, black business leaders are warning government of the potential for social unrest if empowerment is not implemented more quickly and more substantially. What remains to be seen is how seriously government views growing frustration among black business groups, whether it will see the need to adjust its empowerment targets and priorities, and whether it will demand that established white business does much more to advance broad-based black economic empowerment, while seeking at the same time to grow South Africa's economy. Reconciling populist goals with those of capitalist-led economic growth remains a problem.

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proved unable, because of rising interest rates and falling stocks, to service their debt out of dividend flows. For instance, when Mzi Khumalo, a former political prisoner-turned-entrepreneur bought control of Johannesburg Consolidated Investments (JCI), a mining company, from the giant corporation Anglo American in November 1996, the deal was hailed as a post-apartheid model for black economic empowerment. But just over a year later, the model lay in tatters. JCI's share price had collapsed and the company had sold some of its best assets back to Anglo.^{[10](#)} A degree of empowerment disillusionment set in among black business entrepreneurs.

Black business organisations such as the Black Management Forum and the newly established umbrella body, the Black Business Council, were critical of a process 'conceptualised and controlled' by white companies. There was 'extreme frustration' and an urgent desire for 'black people to take charge of a new vision for BEE'.^{[11](#)} Black business criticised the 'snail's pace' at which empowerment was occurring.^{[12](#)} It also contended that equity acquisitions were based on loans that left real power with established corporations. ANC politicians, such as the outgoing premier of Gauteng province, Tokyo Sexwale, were also critical of white corporate South Africa, saying that business had by and large 'not transformed in line with the dictates of political emancipation'. He also criticised white corporations for unloading shares and marginally productive assets on black investors.^{[13](#)}

For the ANC government, it was becoming evident by the late 1990s that its economic pragmatism as incorporated in the 1996 GEAR programme as well as its emphasis on small business development for 'its initial BEE focus',^{[14](#)} had failed to advance the pace of black

exclusively. The new business power.^{[15](#)} South Africa suddenly and forward oriented must be economic



BEECOM included several black businessmen in its membership. Its chairperson was Cyril Ramaphosa, a senior ANC leader and former General-Secretary of the ANC, who just prior to leaving politics for business in 1996, predicted optimistically that within 15 years about 40 per cent of the JSE would be in black hands.¹⁶ The 2001 BEECOM report confirmed, however, that white capital had 'set the agenda' for empowerment, that there was a 'lack of commitment from the private sector to implementing change', and that as a result 'all sectors of the economy remain dominated by white companies and black penetration in most sectors is still miniscule'.¹⁷ The Commission called for greater government intervention to give impetus to economic empowerment. It proposed the promulgation of a BEE Act, which would set guidelines, 'targets and mechanisms aimed at deracialisation of business ownership'.¹⁸



The government's empowerment proposal for the mining sector provoked a major fall in the JSE. Billions of Rand were wiped off the value of South Africa's mining stocks. The mining charter was quickly withdrawn. By the end of 2002, the government was wary of imposing large equity targets which, although pleasing its black business supporters, were alienating white business and scaring foreign investors. The havoc wreaked by the draft mining charter on the financial markets propelled the government to revisit empowerment. It accepted that it should lead the development of a BEE strategy but would have to work with the big companies to achieve mutually acceptable solutions. As the minister of minerals and energy affairs, Phumzile Mlambo-Ngcuka, put it with regard to one of the mining giants:

Government and Anglo-American are like Siamese twins. We always have to look at each other's interests... Government would not like to take an intimidating position on empowerment.[22](#)

The government's revised approach was reflected in two major agreements it reached with key industries, and which contained more modest equity targets. In late 2002, a government-driven mining charter was concluded, which required the mines to be 15 per cent black-owned in five years and 26 per cent owned in ten years. Subsequently, the financial services charter of October 2003, which had been drawn up in rapid response to the mining sector debacle in order to pre-empt government intervention, even made black equity ownership levels lower than in the mining charter. The industry committed itself to have black people owning 25 per cent of assets by 2014 of which 10 per cent would be direct ownership and 15 per cent indirect ownership (via savings schemes). The financial services industry also committed itself to have black ownership targets within five years. The mining industry's targets were more ambitious, requiring 15 per cent direct ownership and 26 per cent indirect ownership by 2014. The financial services industry's targets were more modest, requiring 10 per cent direct ownership and 15 per cent indirect ownership by 2014. The government's approach was to pursue a strategy of empowerment through ownership, but to ensure that the process was not too abrupt. Big business was expected to play a key role in the process, and other industries were also expected to follow suit. Lengthy negotiations followed, leading to the conclusion of the mining charter in late 2002, and the financial services charter in October 2003. The government was calling for 'an increase in black ownership' and the mining industry was expected to increase its ownership to 25 per cent by 2014.

The strategy document also advocated 'broad-based BEE', not just ownership quotas and the transfer of corporate assets to 'a small wealthy black elite'. This was in line with criticisms by COSATU that the empowerment process had been concerned with equity transfer and had enriched a tiny politically-connected black elite. Moreover, at its national conference in 2002, the ANC had resolved that BEE be given a broader definition so that the benefits flow to society as a whole and not just to a rising black elite. The government proposed using a 'scorecard approach' to measure a company's empowerment performance against seven objectives, only one of which was ownership. Other elements related to human resource development, employment equity, public procurement, and enterprise development.



contained in the 2004 Codes was in line with the 2003 policy document. Companies would be evaluated on a range of seven criteria weighted for significance. The generic scorecard proposed that companies achieve 25.1 per cent BEE equity levels, 60 per cent of black people in senior management positions, 50 per cent procurement from black-owned firms, and 50 per cent equality in employment. To the chagrin of black business, there was the possibility of trade-offs of one objective for another and, moreover, BEE was not made a legal requirement.

The first draft of the Codes, which dealt only with management control and ownership provisions, elicited 350 written submissions, many of them highly critical, both from white as well as black business. A revised draft released in June 2005 prompted further responses from corporates. Phase two of the Codes, which dealt with other elements of the scorecard, also received nearly 200 submissions from business and labour. The give-and-take of extensive consultations led not only to critiques of empowerment as well as to new complexities and challenges being introduced but also to long delays in finalising the Codes.

Critiques of BEE

Scores of empowerment deals have been made, especially since the promulgation of the BEE Act in 2004 and the adoption of empowerment charters in the mining and financial sectors. Both the financial and resources sectors have seen significant levels of activity. However, the delay in finalising the Codes affected the number of deals concluded. Many companies have concluded deals with stipulations to review their agreements, believing that equity sharing of other companies will have a negative impact on their own. Many deals have been made but the government does not have all of which are owned by black people. The Act of 2004 gives rights to

include commitments by the companies to meet certain targets as contained in the mining empowerment charter. Black empowerment deals in the mining sector increased in 2006 following signs that companies complying with empowerment laws were being granted new-order mining licences.

Certainly, companies wishing to tender for government business or applying for licences have to attain empowerment status. But there are many companies such as those in the retail and tourism sectors, which do not rely on government contracts and would not embrace empowerment without some pressure. In fact, transformation in tourism has been occurring slowly, while retailers not only failed to come up with an empowerment charter but also were slow to conclude empowerment deals. This was evidently because they were not beholden to the government for business. The government has warned companies that contracts and licensing may be used to achieve BEE compliance. For example, the liquid fuels industry was singled out by the department of minerals and energy (DME) as having made scant progress towards achieving its charter goals. Ownership targets were far from being met and industry performance on the procurement of goods and services from black companies was poor. Some oil-refining companies had not commenced empowerment deals or even had plans for them.²⁶ However, the government was criticised by black business for not making black empowerment a legal requirement. Too many companies, particularly those not reliant on government contracts or licences, were failing to meet their BEE requirements; and the government was doing little beyond political posturing to deal with the situation. In June 2003, the Black Business Council had argued for tougher enforcement mechanisms to be incorporated in the proposed BEE Bill. It was concerned that DTI had not been sufficiently forthcoming in its efforts to enforce the law. The DTI had referred a more stringent approach to the cabinet, but this had not been adopted by the government. However, the DTI had issued stern warnings to companies. The DTI had warned that 'micro-enterprises' that failed to comply with the practices would be hired to generalise the problem. The DTI had given to the eye'.²⁷ Many BEE



shareholder rights at some future date, usually five to ten years later. Yet white companies were counting such transactions for full direct ownership points on the scorecard needed to qualify for licences and state contracts. In 2004, Peter Vundla, president of Black Business Executives, described as 'smoke-and-mirrors deals' those 'that promise future ownership down the line without any true economic interest changing hands'.[28](#)

The Black Management Forum (BMF) called for empowerment points to be credited to companies when there was actual transfer of economic benefits and voting rights to black partners. It wanted the points awarded to reflect the actual rather than the promised empowerment position of a company. 'Companies that seek to enjoy immediate benefits of empowerment without any visible commitment to empowerment as a corrective measure should not be allowed to get away with murder', declared the BMF's Jerry Vilakazi.[29](#) Major black empowerment investors, such as Cyril Ramaphosa, also wanted to shorten the period in which they were locked into deals. They were concerned about not being permitted to sell their shares for periods of many years. They wanted to take their profits and repay debt when the market was favourable. White-owned companies responded by arguing that empowerment investors lacked capital to acquire corporate shareholding, and that business firms were unwilling to alienate existing shareholders by giving away their shares for nothing. They also contended that in order to lower the risks for new black empowerment partners, BEE transactions contained such measures as price discounts, loan guarantees, vendor financing at low interest rates, and payment of management fees, which, in effect, amounted to a subsidy being provided to black investors. Foremost among their fears, however, was the possibility that the new black empowerment partners would lose their status of black-owned companies.

Organisations such as the Black Business Forum (BBF) set targets. For instance, the BBF set a target of 50% Black ownership for its members. The Securities and Exchange Commission (SEC) set a target for 25% Black ownership for its members. The business community in South Africa's townships and rural areas, however, was not a country club. It was a country club for the black majority. It was a country club for the black majority. It was a country club for the black majority.

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its insurance offshoot – South Africa's third largest insurer – would each sell 10 per cent of their businesses for a combined total of R5.6 billion (\$750 million). The deal reserved 40 per cent of the shares for black management and staff and another 20 per cent for community groups. However, Ramaphosa and Macozoma would benefit from the remaining 40 per cent. They did not put down any cash upfront. Each man netted around R200 million (\$25 million).

Government ministers have claimed that BEE deals are becoming more broad-based. But how broad-based these black consortia actually are, is difficult to ascertain. There is little detailed public information available on either trade union investment companies or community groupings. The former are shrouded in controversy with critics complaining about a handful of former trade union leaders who run them having become immensely rich,[34](#) while bringing only limited financial gains to the large number of trade unionists and their families.[35](#) Even less is known about community investment trusts. 'In the Absa and Standard Bank deals, the leading partners ... are the ones entrusted with the task of finding these broad-based community beneficiaries', noted one financial analyst. 'They will most likely approach the organisations that they have relationships with already', he continued.[36](#) In addition, many broad-based deals have become elite-based deals. For example, shortly after the sale of 7 per cent of Harmony Gold mine to the Simane consortium involving Mzi Khumalo, he bought out the other consortium members to become the sole shareowner. Similarly, the licence awarded to e.tv and the consortium leader, HCI, was because it was broad-based. Shortly afterwards, HCI bought out the smaller groups in the consortium.

Moreover, there have been evident signs of elite capture. For example, the two further deals, involving the sale of a 25 per cent stake in the South Africa's largest petrol and diesel company, directed to the minister, Dr Penuke, and about 30 per cent to a group of 100 black groups including the ANC, and 70 per cent to the minister (R100 million) while the rest to the Peers



cent of its South African business to a group, Ponahalo, including thousands of its employees as well as ANC 'heavyweights' for R3.8 billion (\$530 million). But Manne Dipico, a former provincial premier and a one-time electrician at a De Beers mine, would hold 9 per cent. A further 8 per cent would be held by a group of four women including Cheryl Carolus, once South Africa's High Commissioner to the United Kingdom, who received a 4 per cent stake. Dipico's stake was 4,600 times that of an ordinary employee.

Established white business has always feared greater political intrusion to advance the BEE process. To exercise political influence within ruling circles, it has wanted to attract prominent black former politicians turned businessmen/women with good political connections. Many white companies have sold their stakes to black businessmen/women who serve in the highest decision-making structures of the ANC, and who can push for policies to the benefit of capital. They have not wanted to risk their value by taking on unknown black partners. As one interviewee said to us, 'In 2004, companies wanted empowerment partners who could open doors and had the networking capability to deliver more orders for the business. In 2007, connections remained important although companies were now also searching for black partners with experience in the industry'. White-led companies have also bought equity stakes in the larger black-owned empowerment consortia. Two examples are Investec's stake in Ramaphosa's Shanduka Holdings and Standard Bank's 20 per cent holding in Macozoma's Safika Holdings. Such partnerships build close co-operation and lend business political influence within the ruling party. As the Standard Bank CEO, Jacko Maree, was reported saying at the time of its major 2004 deal, 'Both Saki and Cyril are serious p



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process. Moreover, although BEECOM recommended that the Black Economic Advisory Council be made statutory and have powers to oversee and act on those that failed to comply with empowerment legislation, the government has made BEAC a non-statutory body. The government has been insistent for many years that empowerment is not a legal requirement.

The government has been concerned to assure the white-dominated corporate sector not only that BEE would not be imposed on it, but also that empowerment would be implemented in co-operation and consultation with private capital. The private sector has been seen as vital in generating economic growth and investment in the country, and the cabinet has wanted to ensure that capital is not hemmed in with various BEE restrictions. As is evident in its recent Accelerated & Shared Growth Initiative for South Africa (AsgiSA) economic plan, the government has renewed its determination to boost economic growth above the 6 per cent level by 2010. 'There are concerns in cabinet that an obsession with BEE regulation may scupper this plan', Alec Erwin the minister of public enterprises in 2006, was quoted as saying. 'It is pointless having a BEE economy that is growing at one per cent. We have to hit the growth rate'.³⁸ Consequently, the BEE Codes, which were enacted by the government in early 2007, included a string of concessions favourable to the interests of white business and the big, black BEE beneficiaries, which signified not only the narrower focus that empowerment was assuming but also that government was placing more premium on economic growth than on other regime goals.³⁹

Small and medium-sized businesses as well as foreign companies welcomed government's decision to exempt them from BEE ownership and management requirements. BEE owners considered compliance. Small companies to comply with any turnover of between 10 million and 50 million Rands. Several companies wish to comply. Companies and only per cent





For much of the past decade, black business has maintained that it is a passenger in an empowerment process driven by the government and the corporate sector. In the late 1990s, it appeared politically impotent to influence the government's economic policies. This was attributed to the divisions and the lack of organisation in its ranks. Black business was ‘disorganised’ and did not speak with one voice.^{[43](#)} More recently, however, it is also because President Thabo Mbeki has favoured the creation of a high profile group of wealthy black businessmen – referred to in ANC documents as a patriotic bourgeoisie – who could strengthen the relationship between the government and big business. In the mid-1990s, the ANC gave its blessing to a small number of its leading activists, such as Ramaphosa and Sexwale, to move to the heights of the corporat

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Relations between South Africa's political and economic elites have at times been less than harmonious. Suspicion of the role big white business played in appeasing the apartheid regime still influences ANC leaders in their attitudes towards capital. But the partnership between government and industry has evolved as have the government's economic and empowerment policies, which are, in practice, premised on promoting greater black economic participation while permitting whites to retain control of the running of corporate South Africa. Government and big business have worked together to ensure that the white owners of capital co-operate in implementing a limited vision of BEE while the corporate sector grows the economy. As Cyril Ramaphosa said a decade ago, in 1996, when speaking to the South African Chamber of Business, 'The struggle that lies ahead is not merely the purchase of white interests by black interests. It is to ensure that the economy of South Africa grows and in doing so benefits all of the nation's people'.

In a speech to the Black Management Forum in November 1999, Mbeki called for the emergence of a 'black bourgeoisie whose presence within our economy ... will be part of the process of the deracialisation of the economy'. He justified the creation of 'a black capitalist class' by arguing that it would promote the interests of the disadvantaged black majority through job creation and skills development. The new black business elite has, as we have seen, served as intermediaries between government and white capital. But it has also mediated the huge inequalities between capital and the mass of the poor. It has worked to 'legitimate the capitalist order' in South Africa as well as prevent the polarisation of society between rich whites and the majority of poor blacks.⁴⁵ As Saki Macozoma put it: 'Without BEE in its present form we

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this amount, the National Union of Metalworkers of South Africa (Numsa) proclaimed: 'black economic empowerment is indeed simply about enriching the affluent, well-connected and only privileged people'. Empowerment is also seen as having done little to nurture entrepreneurs, create jobs, and alleviate poverty among the marginalised. BEE has not been accompanied by the transformation of the black poor. COSATU is seeking to change the ANC's leadership and overall policy direction. It has been on the periphery in policy making under President Mbeki and is pushing to obtain greater influence within NEC. 'The current ANC NEC', said COSATU's Secretary-General, 'is dominated by people with business interests', and the government's economic policy has been far too business friendly.⁴⁷ In addition, COSATU successfully backed Jacob Zuma in the campaign for the leadership of the ANC in December 2007. Zuma's views focused on the needs of the poor and economic inequality, although he did not go as far as calling for major changes in the government's macro-economic strategy. On the other hand, prominent BEE businessman, Tokyo Sexwale, drew support from big business by declaring that South Africa needs to attract more foreign investment to address poverty and unemployment. 'Development is about one key word: capital', declared Sexwale in September 2007 during the ANC's presidential succession race.

The political battles accompanying the BEE process during the past 14 years are far from over. Despite the enactment of the Codes in early 2007, moves are afoot to have them revised. The inability of the government to reconcile goals of increasing growth and investment through capital and more populist demands for redistribution of assets, including major transfers in ownership and management, will mean continuing pressures for changes in its BEE policies. Even within the cabinet, differences over empowerment

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Regardless of this, we have already begun to encounter questions from several quarters about when the sunset date for this empowerment is. How do we even begin to fathom a sunset date when we are only getting a faint glimpse of the sunrise?

There is also considerable bitterness among black business leaders at the continued concentration of corporate power in white hands. As Peter Vundla said in a recent talk:

There are only 90 black executives in the 200 top listed JSE companies (4.3%); black ownership of the JSE listed companies by market capitalisation is at 4.7%; and the private sector procurement from black business is at 7%.[50](#)

White business has regarded empowerment as a political necessity while arguing that major changes in the ownership and management of business assets would be detrimental to investment and economic growth. Yet any moves to either ease or end the BEE process will meet with much black opposition.

Black businesspeople in the agricultural and tourism sectors are arguing that the R5 million turnover threshold is too high and that it should be lowered to around R2 million a year, thus exempting fewer white farmers and businesses from the BEE Codes. Moreover, proposals have been put forward for the black equity share in the agricultural charter to be raised from 25 per cent to 30 per cent.[51](#) Similar demands are being made in other sectors.[52](#) Also, many calls are being voiced for the Codes to be made binding. 'There is a danger' said David Moshapalo, a former Black Business Council chairperson, 'that we are running out of time and by 2014 we might realise that not much has been achieved'. In January 2013, the government announced in forceable rather than advisory form, which had little impact on the government's empowerment task force. The task force had little teeth.

It is evident that the government emphasises only the private sector, that has been the focus of the BEE, and that

well, in order to maintain the support of its black constituencies, will continue adjusting its policies, and applying pressure on companies to implement BEE. But the government will also need to reassure ‘businesspeople, who argue that the BEE regulations are tying them down in red tape and restricting South Africa's economic growth’. Criticism of BEE continues unabated yet it will remain difficult for the ruling ANC to balance its economic and political goals to the satisfaction of all.

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.

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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, Scottsville, 2005), p. 202.

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

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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

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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 waBEEenzi’, 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’, Financial Times, 14 November 2006. “What South Africa Did” Daily Financial Times, Special Report, 14 November 2006.

⁴⁰ Quote from the same source. See also ‘BEE Codes: A Criticism’, Business Day, 14 November 2006.

⁴¹ ‘BEE Codes: A Criticism’, Business Day, 14 November 2006.

⁴² See ‘BEE Codes: A Criticism’, Business Day, 14 November 2006. 6 January 2007.

⁴³ ‘Black Business Leaders’ Business Day, 14 November 2006.

⁴⁴ Leader, Business Day, 14 November 2006. SA (BLSA),

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 to

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