

## **‘Does black economic empowerment advance socio-economic transformation in South Africa?’**

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### **ZAMIKHAYA MASETI**

Professor Harold Wolpe was a great intellectual and the leading political economist that South Africa has ever produced. He is respected and remembered for his ‘cheap labour thesis’ and as students we enjoyed his seminal and theoretical writings, particularly the cheap labour thesis. Harold Wolpe made a very interesting analysis of how capital collaborated with the apartheid state in exploiting the majority of black people in general and Africans in particular. He captures very clearly the origin of the socio-economic problems and the structural crisis of the South African economy that we are debating today.

As I remember the seminal and theoretical writings of Harold Wolpe I also remember a very close friend of mine; the late Noby Nyova Ngombane who was gunned down in the Free State three weeks ago. Ndlebentle (meaning beautiful ears), as I affectionately called him, used to link Harold Wolpe cheap labour thesis with colonialism of a special type (CST) – a thesis that was developed by the South African Communist Party (SACP) in the late sixties and early seventies.

According to Noby there was no way that one could read Harold Wolpe’s cheap labour thesis without linking it with the CST theory and vice versa. I am mentioning this because I strongly believe that some of the answers that we are looking for today can be found in Harold cheap labour thesis. I will be glad if the Trust were to deposit all the writings of Harold Wolpe, particularly his popular thesis, onto its website.

In this thesis Harold Wolpe is able to explain the symbiotic relationship that existed between the apartheid state and capitalism as they pursued the systematic exclusion of the black people from the mainstream of the economy. For capital to accumulate wealth, it had to rely heavily on the apartheid state to provide the cheap labour which was drawn mainly from the bantustans which were considered as labour reserves by the apartheid government.

Unfortunately, as a student I never had an opportunity to engage Professor Harold Wolpe on some writings. I saw him at a distance when he was working at the University of the Western Cape as a researcher on his return from exile in the early nineties.

In my discussion with Mrs Wolpe we both agreed that we should seriously probe the question whether black economic empowerment (BEE) advances socio-economic transformation or not. The debate about BEE reached the highest point in 2004 immediately after Standard Bank and Liberty Life sold 10% of their equity shares to one of the major BEE consortiums.

The debate in the country has raged ever since and was also joined by the ruling African National Congress through its Secretary-General, Mr Kgalema Motlante. He broke the silence and spoke so eloquently on this matter. The debate on BEE has been heated and has sometimes become very acrimonious. This debate pitted former comrades against one another, those who are the beneficiaries, and those who are calling for the more visible participation of the poorest of the poor.

Unfortunately, the BEE debate was also joined by those who are always doing their best to resist change and fundamental socio-economic transformation. They always argue that BEE is nothing but the reversal of the apartheid system.

As an attempt to reconcile these perspectives maybe we need to ask ourselves these two critical and fundamental questions: why do we have BEE as an economic policy intervention of government? What is it that the BEE seeks to address?

The RDP Base Document (ANC 1990:75) provides detailed answers to these questions:

*The South African Economy is in a deep-seated structural crisis and as such requires fundamental reconstruction. For decades forces within the white minority have used their exclusive access to political and economic power to promote their own sectional interests at the expense of black people.*

*Black people have been systematically exploited and oppressed economically and South Africa now has one of the world's most unequal patterns of distribution of income and wealth...*

So, there is no doubt the deep-seated structural crisis in the South African economy has to be addressed in one way or the other.

Historically disadvantaged communities still feel the pain ten years later after the dawn of the democratic breakthrough of 1994. There are other critical and important questions that we need to ask ourselves as we move forward: How was BEE conceptualised as a strategy? Do we have the same understanding of what it is all about and seeks to achieve?

The Black Economic Empowerment Commission that was established a few years back explained BEE in the following manner:

- *It is an integrated and coherent socio-economic process, located in the context of the country's national transformation programme, the RDP.*
- *It is aimed at redressing the imbalances of the past by seeking to substantially and equitably transfer and confer the ownership, management and control of South Africa's financial and economic resources to the majority of its citizens.*
- *It seeks to ensure broader and meaningful participation in the economy by black people to achieve sustainable development and prosperity.*

This definition and approach towards BEE was later adopted by members of the ANC's Economic and Transformation Committee (ETC) at the workshop held on 3 March 2001. In adopting this definition and approach the ANC further said:

*This definition is thus a significant contribution to the contextualisation and the design of a comprehensive BEE Strategy and Programme. It locates BEE in*

*the overall transformation programme, the RDP, and it argues that the broader and meaningful participation of black people in economic activities is central to growth, poverty eradication and the building of a more egalitarian society. A BEE strategy on its own will not solve all the problems facing our economy and our people, similarly an employment strategy and a poverty relief strategy and finally an industrial strategy are key drivers of growth. As a result of their direct relation to each other these strategies must be implemented simultaneously and in an integrated manner.*

The Congress of South African Trade Unions (Cosatu) attended the same workshop and presented its input as follows:

*We therefore do not see BEE narrowly as the enrichment of a few black individuals. Rather, we see it as empowerment of the black majority in the context of dealing with the legacy of apartheid and the NDR [National Democratic Revolution]. We accept that the process of dealing with discrimination may ultimately lead to the development of a new black bourgeoisie. Our approach, however, is that for BEE to make sense for the majority of our people, the emphasis must be on blacks as a whole.*

In article published in *Umsebenzi Online*, the online journal of the South African Communist Party on 6 October 2004, Dr. Blade Nzimande made the following assessment of the BEE over the past ten years:

*The dominant approach is to implement narrow BEE, focusing on the advancement of a black minority through equity acquisitions and individual promotion into the senior management ranks. Apart from the narrowness of this approach, the equity acquisitions and similar financing arrangements in most of these deals amount, in practice, to diverting surplus into debt, instead of investing it productively, let alone developmentally. Our white captains of industry and finance much prefer the short-termism of lending an aspirant upwardly mobile elite the membership fees to the country club and the keys to the Porsche, than taking on the more challenging tasks of labour-intensive investment, or skills development, or ensuring that poor communities enjoy banking facilities.*

*In this way they hope to advertise their rainbow credentials and keep in with the dominant political party, and maybe, who knows, even pick the next president. The arguments for and against narrow BEE have tended to be moralising and individualistic.*

*Arguing for it have been the upwardly mobile aspirants, and the arguments have been about getting their "fair share", with "equity" in the broad sense quickly becoming "equity" in the narrow JSE sense. Empowerment starts to be reduced to quotas. However, the arguments against narrow BEE have also sometimes simply focused on the country club, the Porsche, and all the other perks. The test of BEE, narrow and broad, must be about development and transformation.*

*It is only by doing this that narrow BEE can be assessed for whether it is contributing to broader empowerment or not. It is possible, but not given, that black board-members or senior managers will be more sensitive to the developmental challenges of the great majority of workers and the poor in our country. It is possible, but not given, that new mining magnates operating the*

*marginal mines (that the established corporations were happy to let go) may save jobs and even create more.*

*The SACP believes that the kind of elite BEE we have seen over the last years can be considered if (and only if) it can really be shown to contribute to the development of the forces of production, and to transformation that benefits the great majority. The case for it cannot be made abstractly, arithmetically, or on the simple basis of quotas. Black economic empowerment must principally be about addressing the needs of the overwhelming majority of our people, black workers and the poor - the basic economic empowerment of millions of our people through access to jobs and through the provision of affordable and reliable electricity, housing, transport, telecommunications and so on. It should also be about transforming the current accumulation path in our country.*

*The question of transaction shareholding should be subjected to these objectives, rather than what is happening now: big transaction deals for a few completely disconnected from, and sometimes directly undermining, these objectives. Approached in this way, BEE then becomes what it should be - broad-based.*

Chairperson, I have quoted extensively from the policy and position documents of the Tripartite Alliance deliberately. I did this because I want to understand how the ruling alliance conceptualised the BEE and how it continues to assess it as an economic strategy aimed at advancing socio-economic transformation. The definition of BEE as provided by the Black Economic Empowerment Commission is indeed progressive and can still be pursued as part of the overall strategy to deepen and entrench fundamental socio-economic transformation. For purposes of this discussion it would be very important to reflect on some of the progress that has been made so far to deepen and entrench socio-economic transformation.

There is no doubt that the government has done what it could do, given the limited resources at its disposal, and it has delivered many resources to the people. As President Thabo Mbeki reflected during his State of the Nation address:

- *About 1,9 million housing subsidies have been provided and 1,6 million houses built for the poor of our country;*
- *More than 70% households have been electrified;*
- *9 million additional people now have access to clean water;*
- *63% of households now have access to sanitation;*
- *There has been a successful formation of an integrated education system, even though there is a clear need for more resource allocation and capacity building in poor areas;*
- *Nutrition and early childhood interventions have been established to improve better results for children from poor backgrounds;*
- *By 2002 secondary school enrolment had reached 85%.*

On the economic strides that the government has made in an attempt to deepen socio-economic transformation the President had this to say:

- *Inflation is down to four percent if you use the CPIX or less than one percent if you use the CPI index;*
- *The country is experiencing the longest period of consistent positive growth since the GDP was properly recorded in the 1940s;*

- *The net open forward position of the South African Reserve Bank rose to \$4,7 billion in surplus by the end of last year;*
- *Public sector debt has come down to less than 50% of GDP.*

The government's record of service delivery as presented by the President is indeed uncontested. We all know that some basic services (for example, water, electricity and sanitation) have been delivered to the people by government. However the rising number of unemployment continues to haunt all of us as we are directly or indirectly affected by its wave. The Human Development Report that was released by the UNDP towards the end of 2004 shocked many analysts and commentators as it revealed the sad state of socio-economic transformation in our country. According to this report:

*Unemployment continues to rise unabated. While important strides have been made in overcoming the past inequalities in the labour market, employment opportunities remain inadequately low and are, therefore unable to reverse or even slow the dominant trend of massive unemployment. Thus the economy provided only 11.56 million jobs for 16.81 million economically active South Africans in March 2003, resulting in 5.25 million unemployed, or an unemployment rate of 31.2 per cent. Between 1996 and 2002, the unemployment rate increased from 19.3 per cent to 30.5 per cent (strict definition) or from 33 per cent to 41 per cent (expanded definition).*

I think we all know by now how government responded to the findings of this report. It is not my intention to comment on the accuracy of the statistics that the researchers used to produce the report. What is important for me is to engage very constructively with the picture of unemployment that the report has painted. This picture to me means that the majority of our people are living under distressing socio-economic conditions and we cannot simply ignore that reality or bury our heads in the sand when such issues are raised.

The figure of 5.25 million unemployed is likely to increase if we take into consideration the pending retrenchments in the textile and mining industries. There are school leavers who could not make it to any of the South African universities due to financial difficulties and are now roaming the streets. There are also university graduates who are unable to get employment for a number of reasons. So the number of the unemployed might be slightly higher if we take the all these factors into account. So now the critical question is: What did black economic empowerment do to reverse this huge tide of unemployment? What has been its specific contribution?

I would be lying to this audience if I claim to have all answers to these critical and important questions. My view is that we should continue raising these questions as we try to find answers to the problems and challenges facing BEE. BEE in its present form and with its present content has not been broadened enough, so it has tended to benefit the few. Another problem is that the black economic empowerment project has been dominated by big business which has determined its speed and pace. Big business, especially in the financial sector, decided to sell only 10% of its equity shares to the BEE consortiums. The charters that are being developed are mainly driven by big business and there is nothing that government can do but nod its head in appreciation of these voluntaristic and spontaneous efforts aimed at transforming the economy.

By the way of conclusion, I would like to state that BEE in its present form and with its present content has done very little to deepen and advance socio-economic transformation over the past ten years. We have seen market forces championing

and dominating black economic empowerment and also in the process determining its speed, pace and outcome. My observation is that the few that have been empowered were much more concerned about wealth accumulation instead of job creation.

South Africa needs a black economic empowerment programme that will seriously contribute to the real development of the poor and starving people in the squatter camps of Kwa-Langa in the Cape Flats and Imizamo Yethu in Hout Bay. The BEE that South Africa needs is the one that is transformational and developmental in nature.

I am glad that the government started to talk about broad-based black economic empowerment. Hopefully, this broad-based empowerment will be people-driven in the true and real sense of that word. I am personally in favour of people-driven BEE which in the end should touch and change the lives of street vendors in Athlone and Hanover Park.

People-driven BEE should open up real and meaningful economic opportunities for those shebeen queens and kings in Gugulethu, Khayelitsha and Ezinyoka near Philippi. (I stayed in these places when I first came to Cape Town.) People-driven BEE should create and foster an entrepreneurial culture amongst the poorest of the poor and deliver real economic freedom and emancipation to the five million South Africans who go to bed at night without anything in their stomachs.

For this kind of BEE to take off, an interventionist state is needed. Over the past ten years we have seen market forces determining the pace. This time around, the state must reclaim lost ground and begin to influence the direction and pace of fundamental socio-economic transformation.

The state cannot just leave this project in the most unreliable hands of market forces. My view is that market forces have served with distinction their two-year terms of governing and directing the South African economy. Now is the time to say goodbye. Market forces should do the most honourable thing and allow government to drive socio-economic transformation. They had their share for at more than ten years. It is only after the state has taken its rightful place in the economy that BEE will play a significant role in advancing fundamental socio-economic transformation.

## **ROGER SOUTHALL**

What I will say is largely based (but not exclusively) on my chapter in the HSRC's forthcoming *State of the nation* report 'Black empowerment and the limits to a more democratic capitalism in South Africa'.

Can BEE drive us towards a more humane, more democratic capitalism? This links in with the ANC's notion of a patriotic bourgeoisie, one which invests at home, eschews conspicuous consumption, promotes investment in townships and rural areas, and promotes black skills and managerial capacity.

The question fits in with the recent debate about whether BEE is elite empowerment or broad-based – a matter which was fuelled by the recent bank deals. This debate was joined by leading ANC and Cosatu spokespeople, referred to by the previous speaker. There is a certain amount of frustration in the ANC about how BEE is taking place. After one deal from which a number of prominent ANC politicians stood to

gain, the headline in *Sowetan* was 'Fatcats take loot'. The ANC is worried about the effect of this kind of perception on its constituency.

There has been frustration in government circles about BEE since 1994. From about 2000 after the BEE Commission submitted its report, government started to become more assertive and has taken a more hands-on approach, although the impact has been limited – in 2004, black ownership on the JSE Securities Exchange was only 4%.

This reflects a wider concern – corporations are beginning to pick up the sensitivity around the slow pace of transformation and voices of capital such as AngloGold Ashanti's Bobby Godsell are talking about using such devices as employee share ownership for a more co-operative capitalism (which they hope will bury Marx's theory of value).

The notion of 'stakeholder capitalism' is increasingly being touted – the idea that managers and corporations have to balance interests of 'stakeholders' such as workers, consumers, governments and local communities against those of shareholders, rendering managers accountable. Stakeholder capitalism is promoted both by capitalist advocates and social democrats in the post-Soviet world: Advocates say Anglo-American market capitalism is more exploitative and therefore leads to greater inequality in a society, while stakeholder capitalism is a more European-style social market capitalism. This idea is undeveloped in South Africa, but even Cosatu's September Commission in 1997 started using the language of 'stakeholders' and workers investing in businesses. This is a nice cosy idea, but there are problems.

South African industry remains heavily concentrated – 40% of the market capitalisation of the JSE is owned by just five firms, another 31.3% by eight banks and institutional investors, plus 18.5% by foreign groups. This is a highly concentrated economy. Recent bank deals likely to reinforce these trends.

This echoes experience elsewhere, as has been argued by authors such as Anthony Sampson in *Anatomy of Britain*. There has been a growth in the influence of finance capital and institutional investors, which are increasingly dominated by managers, who are less and less accountable. In South Africa we have seen an increasing level of corporate unbundling and internationalisation (moving abroad). Many of our large companies are now owned by institutional investors as significant minority shareholders. Because so few of these investors own controlling shares, the destiny of large corporations is overwhelmingly in hands of managers. This phenomenon is assisted by shareholder apathy – there is less disruption of annual general meetings than was the case in apartheid days. There is also a culture of impunity from the law. This may be a world trend, but is possibly worse in South Africa. It is difficult to do an Enron-style prosecution. Corporate crime is sophisticated, it may require taking on the powerful, it is very expensive, and the accused will be defended by the best lawyers. Only 5% of corporate crimes are successfully prosecuted. (For example, *Noseweek* reported that Brett Kebble did not file tax returns between 1993 and 2002.)

This is reflected in the growing rewards to non-executive directors and CEOs. The 'greed' of top black executives is matched by a wider and whiter high-level managerial rapacity. During 2003–04, South Africa's top executives received pay increases well in excess of 15%, more than double the rate of inflation, further widening the gap between themselves and skilled and semi-skilled workers. The overall differential between executive pay and minimum wages rose from 37 in 1994

to 48 in 2004. The pressure for public companies to disclose the remuneration of top executives has set off a race for the top in which executives are competing with one another for the biggest package. However, we are still doing a lot better than the US where the differential between employees at the top and bottom is in the order of 600.

Since 2000 government has adopted a more assertive strategy to promote black ownership of the commanding heights of the economy. Through empowerment charters it has pressed capital to set medium- and long-term goals for black ownership, skills empowerment, capacity building and so on. This resulted in the Department of Trade and Industry (DTI) launching the Draft Broad-Based Black Economic Empowerment Code of Good Practice in December 2004. This focused on targets for black equity and ownership, employment equity, skills development, equity procurement, enterprise development and other areas measured by a points system. It had a broad target of 25% black ownership by 2014.

This relatively comprehensive approach suggests potential to change the face of South African capital over the medium to longer term, but what will be the nature of that transformation? In this context, it is instructive to examine BEE's impact upon the composition of the corporate elite and the extent to which BEE is developing a black business class more generally.

There has been penetration of the corporate elite by some. A few individuals have accumulated spectacular wealth since 1994, and the focus tends to fall on a few well-known names like Tokyo Sexwale and Patrice Motsepe.. The attitude towards these figures is ambivalent – praise poems and admiration from some quarters and criticism from others. But there is no doubt that there have been changes in South Africa's power elite.

Under the ANC government, state-owned enterprises with massive procurement budgets have increasingly come under black control, and some black people have assumed leading positions in the corporate world. There are various measures of black empowerment. Empowerdex 2003 saw Cyril Ramaphosa wielding a market influence of R137 billion, and the top 25 black directors market having a market influence of R1.2 billion. The top ten black CEOs presided over companies with market capitalization of R42 million. This sort of data inevitably problematic, but even such fuzzy details indicates that blacks are penetrating corporate corridors of power.

*Financial Mail (FM)* agrees in 2003 it rated nine blacks among the 20 most influential people in South African business. No blacks made that list in 1993. Nine out of ten people were tipped to make the list within next five years also black. FM sees a convergence between political and business elites, although this likely to lessen as black business class expands: 'These people have decisive influence beyond their sphere of business, on the way business is done ....have the ear of policy makers and can move markets'. In short, they can deploy money and resources influencing lives of millions of South Africans.

BEE analysis is elite analysis. But what about the wider black business class? BEE heavyweight companies continue to dominate. DTI says 72% of total deal value in 2003 involved at least one of the top six black companies, but 40% of the deal value of BEE transactions in 2004 involved broad-based entities.

BEE is difficult to assess, but BusinessMap has recorded many deals since 2000. We see that BEE deals, large and small, are being concluded over a wide array of sectors, by a wide range of BEE entities (owned variously by individuals, managers,

employees, investment trusts and unions) through a variety of devices (outright purchase, loan purchase, joint ventures with established firms, buy-outs and partnerships). Even though these deals often involve debt financing (most blacks do not have capital, so they have to borrow it), control is steadily moving into black hands in the mining, manufacturing and services sectors. Underneath the big deals, a wider black business class is forming.

However, if BEE is propelling South Africa towards a deracialisation of capital, the transformation so far is of limited benefit to the mass of the population. Share ownership schemes remain limited and complicated by tax laws. Broad-based trusts involved in investments often seem to 'tail end' the big players and offer little prospect of involvement by 'stakeholders'. Big deals may see a big name taking 40% of a company, with the workers having to share 10%. Government strategies with regard to small business have had limited impact. BEE deals seem to involve mostly buying into existing businesses, and critics say few are job-creating. According to Charles Simkins, the overall black share in South Africa's aggregate household income declined from 54.5% in 1995 to 53% in 2000.

So, is South Africa's capitalism becoming more democratic? Is it making a difference? White-dominated corporate culture is often uncomfortable territory for blacks, yet blacks are making some progress in scaling the walls of corporate power. We are also seeing the growth of a larger black business class backed by the potential of the charter movement. The ANC is keen to see blacks sharing ownership and management of the corporate sector. New black moguls and white magnates are eager to legitimate a 'kinder' capitalism. Organised labour is keen to harness capitalism into providing improved benefits for workers and the wider poor. This has promoted the espousal of stakeholder capitalism and corporate social responsibility.

However there are a number of problems for advocates of stakeholder capitalism. Since 1994, South African capitalism is more like the contemporary capitalism of the Western world. It is no longer contained and protected by state-imposed barriers, domestic conglomerates have unbundled and internationalised; international and domestic finance capital is increasingly dominant in manufacturing; shareholding is concentrated in hands of institutional investors, whose fates determined by managers who are less and less accountable to even shareholders and even the law; and the gap between top executives and workforces is widening alarmingly in a country where patterns of inequality deeply entrenched. BEE may promote a black bourgeoisie, but seems more likely at present time to blur boundaries of race and class than to propel South African capitalism in a more inclusive, accountable and equalising direction.

## **COMMENTS AND QUESTIONS**

### **What should the Left be saying about BEE?**

- Harold Wolpe was a Marxist and a radical, we are here in his memory. Harold might have identified empowerment as the key aspect of BEE, and then to have asked whether it is possible for capitalism anywhere to empower the black working class. From a Marxist perspective we should criticise BEE for promoting black bourgeois interests. The Left has confused the debate by engaging with BEE. This almost implies that workers can be empowered. We should offer the

radical critique, and not years after the concept has been implemented. We cannot talk about humanising capital and capitalism.

- The discussion about BEE has left out what happened in 1994. Government could have taken a decision when it came into power to intervene and act as the governments did in Europe after the Second World War. It could have gone for state housing (the housing programme is a failure). It could have chosen not to go with the International Monetary Fund's ideas, but instead it has reduced welfare and education to balance the budget. You don't have to balance the budget. This may be the view of certain economists but they are generally wrong. There could have been massive state intervention. Capitalism works for the capitalists, not for ordinary people. Even in the US and in Sweden (which is supposed to be a model capitalist country), the welfare of ordinary people is declining. I lived in the Soviet Union for five years. It was excruciating. But the need for socialism is stronger than it has ever been. The government claims to be improving the lives of people, but it is well to the right of Margaret Thatcher. Who cares if gross domestic product has risen by 4%, the standard of living of ordinary people has hardly risen. We do not have a government going towards socialism or even a better kind of capitalism. BEE is empowering individuals, not the society, not the community. Profits have gone up. This is not an accident, we have a capitalist-friendly government.

**Zamikhaya Maseti:** I am not a socialist or a communist. Those on the Left need to ask themselves critical questions. In 1994 the Left said it had managed to attain political power for the oppressed under capitalism. The SACP says 'socialism is the future, build it now'. What does it mean? Its members operate in a capitalist environment and in a democratic state. They say they can put building blocks in place for socialism. The critical question is how to use political power to improve the lives of the historically disadvantaged. In 1990 Joe Slovo wrote the paper 'Has socialism failed?' Pallo Jordan and Blade Nzimande debated these issues and asked how we as South Africans could deliver a better life for all. There has been socialism in southern Africa in Angola, Mozambique and, to some extent Zimbabwe. Did Agostinho Neto, Samora Machel or Robert Mugabe manage to deliver? The South African Left understands the limitations of the socialist agenda. I agree there is no way capitalism will empower the working class, but the working class will have to find ways of registering advances within a broad capitalist framework, whether it is stakeholder capitalism or some other kind.

**Roger Southall:** I don't understand the suggestion that the engagement of the Left with BEE is confusing the debate. BEE is one of the most significant things going on at the moment but there is very little serious debate about it. Serious attention has been much more on state policy, for example, the switch in 1996 from the RDP to the Growth, Employment and Redistribution strategy (Gear). BEE is happening, whether you like it or not. It is important to analyse it. You can't escape it. I see the state increasingly seeing itself as a developmental state, trying to harness capital and transform it at the same time.

- The Left has seriously engaged with the issues because the choice was to boycott or to engage. We chose to engage. The direction that capitalist states have taken has always been the result of struggle. It is the same with deciding whether BEE should be allowed to concentrate wealth in elite hands or be part of a broader developmental strategy such as the RDP; whether BEE is the logic of white minority capital being able to retain most of its features, or whether it should be transformed. The Left has seriously engaged with BEE inside the ANC,

Cosatu and the SACP, in Parliament, and in Nedlac [the National Economic Development and Labour Council].

### **The Malaysian experience**

- I don't know why South Africans always refer to the Malaysian experience with approval. Fifteen years after independence, the Malays came down and lopped off Chinese heads because of the lack of change. Now 30% of board members are Malay and any company which lags behind employment targets gets some kind of extra tax. But nothing happened until the government bought 51% of British companies in Malaysia and formed a huge national fund from which every ethnic Malay could buy 50 000 shares at only 1 ringgit per share. That created wealth of some sort for all Malay people. It impacted on education and rural development and rural land holding. This was broad-based empowerment, but it did not last long. What emerged soon afterwards was a Malay royalty with part British ownership. Finance is really still in the hands of the Chinese. South Africa and Malaysia are similar to many developing countries because they have a small ethnic group which owns almost everything.

**Roger Southall:** The attraction of Malaysia in the early 1990s (apart from donations to the ANC), was the long-term redistribution which took place from one racial group to another. Malaysia has had economic growth for a considerable time, but its situation is hugely problematic.

### **BEE cannot be both a redistribution and a development strategy**

- Whether you think BEE is good or bad, the government has made a big mistake because it became too apologetic about BEE too fast. Broad-based BEE is too broad – it cannot be a strategy which is both aimed at redistribution and at development. In Malaysia empowerment for ethnic Malays was focused on redistributing wealth, and the state had a separate development strategy.

**Roger Southall:** Only when you narrow down the definition of the main focus of BEE to the transfer and ownership of South African industry can you assess whether government has been too apologetic and whether it is being too accommodating to black capitalists. The Brenthurst Initiative wanted tax breaks to promote BEE. Government said no, but look at the last two Budgets!

### **The Co-operatives Bill**

- The government is wanting to amend the Co-operatives Bill currently before Parliament to allow companies to be members, even though the distribution of surplus has always been decided democratically by individuals in a co-operative.

**Zamikhaya Maseti:** I had hoped the Co-operatives Bill would target the rural poor and the processes in Agri-BEE [the draft BEE charter for agriculture]. My mother and father have land and cattle, but they will not be included because they are illiterate. My appeal is that we to make sure the poorest of the poor in the rural areas benefit from the Co-operatives Bill process.

## Measuring BEE

- There are more progressive indicators than the value of deals to see whether government has succeeded in promoting broad-based BEE or not.
- Some BEE deals claim to be broad-based – for example, the 10% of the Absa empowerment deal. But the criteria are critical. I once asked a consortium of beneficiaries which receives shares on behalf of ordinary South Africans how they reach the target group. They told me ‘we pick and choose as we wish’. That is not broad-based BEE.
- I grew up in Soweto and I know people in the public sector and the arts who have been given opportunities. That is also empowerment. We tend to evaluate empowerment in terms of big deals because that is where the media’s attention falls, but the government has brought a lot of empowerment in terms of employment opportunities. But to what extent do the big names share the benefit with hundreds of people?

**Roger Southall:** Everybody was ‘empowered’ after 1994, but the equality and social justice that came in then is not BEE. BEE is black engagement in the control and ownership of business.

- When the government introduced its transformation policies, we knew there would be loopholes. Speakers have been saying BEE is coercion, that it is not corrective action but reverse apartheid. Those of use who have not benefited from BEE yet are likely to be critical.

**Zamikhaya Maseti:** We should not be apologetic about deracialising the economy. Jan van Riebeeck stole from us, now is the time to say it belongs to us. The ANC’s first election manifesto was to deliver better life for all and it has never shifted from that.

## BEE basic service provision deals are pushing up costs for the poor

- In some cases, authorities entering into public-private partnerships with ‘broad-based’ BEE companies to provide municipal services but this is pushing up the costs of basic services for the poor.

## Skills development is too slow

- The spokesperson for the Minister of Labour said employers had only claimed 14% of the R2 billion paid into the Skills Development Fund.