THE ANC AND BLACK CAPITALISM IN SOUTH AFRICA

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BLACK CAPITALISM IN SOUTH AFRICA

Black Economic Empowerment (BEE) is one of the most highly contested terms in South Africa today. On the one hand, a correspondent to a leading newspaper writes that “affirmative action” points to the ANC wanting to “take over everything whites have built up” (de Lange 2002); on the other, Moeletsi Mbeki, the President’s brother, has recently declared BEE a sham, dreamed up by white capital to seduce the African National Congress (ANC) away from nationalizing the economy and hence productive of a predatory black elite (Msomi 2003). These poles of argument are reflective of widespread confusion about what BEE is, how it is justified, and the extent to which it is necessary.

Much of this confusion is a product of the nature of South Africa’s bargained transition. Given the emphasis laid by the ANC on racial and national reconciliation, early ideas about BEE floated by the government tended to be imprecise and relatively non-threatening to white interests. However, for reasons which range from early setbacks to black empowerment to a more Africanist orientation adopted under the presidency of Thabo Mbeki since 1999, the government’s approach to BEE is becoming increasingly focused and assertive, and hence more readily identifiable as a ‘developmental project’. This analysis will argue that the aim of this more coherent and targeted approach to BEE is the creation of a prosperous and prosperity-making black capitalist class capable of working in close harmony with a ‘developmental state’. Yet even as this project becomes more explicit, so it must also be obscured, not least because of the ambivalence with which it is being greeted by the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP), (the ANC’s partners in the Tripartite Alliance), on the one hand, and domestic and international capital, on the other.

An important starting point for understanding these developments is the ANC’s conception of the ‘national democratic revolution’.

The Ambiguities of the ‘National Democratic Revolution’ (NDR)

It is by now a commonplace that the ANC has embraced capitalism. Interpretations of whether this has been dictated by the ‘realities’ of the post-Cold War, post-apartheid world, or is illustrative of a more pernicious, ‘betrayal’ of the goals of national liberation vary considerably. Even so, given the ANC’s historic identification as a liberation movement and with the SACP as a long-term ally, it remains necessary for it to maintain a certain ideological commitment to the schemas of old. In particular, this requires its formal adherence to the notion that, following political liberation in 1994, South Africa has embarked upon a ‘national democratic revolution’.

In terms of the old ‘two stage’ theory of revolution, the NDR was theorized as the precursor to socialism. However, given the collapse of the state socialist model as embodied in the former Soviet Union, even the SACP and COSATU remain relatively tight-lipped about an historically viable conception of socialism, allowing the ANC to
quietly abandon ‘the second stage’ of the revolution as an historical goal. Nonetheless, despite this apparently mortal blow to revolutionary historiography, the NDR continues to frame the official discourse whereby the ANC and its Alliance partners discuss South Africa’s long term strategy. Although partly a political language of comforting (Marxist-Leninist) familiarity and comradeship, partly a framework for conducting debate in which intra-party rivals can be dismissed as politically incorrect, the continuing formal commitment to the NDR has also the advantage that the conception’s inherent ambiguities allow for the papering over of recurrent differences between the ANC and its partners about economic policy.

The theory of the NDR seeks to explain South Africa’s social formation and to provide strategic direction towards the attainment of “a united, non-racial, non-sexist and democratic society” (ANC 1997: 5). In summary terms, it argues that South Africa was incorporated into world capitalism as a mineral producer, but this was based on institutions whereby a minority of white settlers nationally oppressed the majority of people, who were black. This allowed for the vast accumulation of wealth for the few at the expense of the many, until by the late 1980s growing mass resistance to national oppression necessitated structural change and paved the way for the negotiated political transition (COSATU/SACP undated).

Having conceded democracy in 1994, the objective of the white capitalist class has become to provide for a limited, formal deracialisation by winning over key elements of the national liberation movement (NLM), and by carrying through neo-liberal reforms of the economy to make it more globally competitive. In contrast, the objectives of the NDR are to overcome the legacy of racial oppression of the black majority and thereby to forge a united nation; to achieve the democratization of all spheres of society; and to bring about a fundamental transformation of power relations as a basis for societal equality. Market forces continue to play an important role in the economy, but because the inequalities naturally created by capitalism need to be contained, the state must assume a critical role “of ensuring economic growth and development, of meeting people’s social needs and of providing the requisite environment for political stability and the safety and security of citizens” (ANC 1997:7).

The particular problem for the NLM is that its success in defeating national oppression will lead to the development of a black capitalist class and the major growth of intermediate, black middle strata. This is far from being an unwelcome development for black – notably African – people cannot be denied education, wealth and upward mobility. Simultaneously, however, it may easily lend itself to the counterrevolutionary project of the NLM’s opponents who are prepared to concede relative privilege to a minority of blacks in order to maintain the principle contours of social inequality. How, then, is this to be avoided?

Even under apartheid, capitalism spawned the existence of small, intermediate black classes, as professionals such as teachers and lawyers, as petty business operators confined to racially restricted areas, and of course as subordinate political and administrative officials. Frustrated by the racial restrictions, such elements provided an important source of recruits to the liberation movement. However, because the size of
these intermediate strata was very small, and because it was the African majority and blacks as a whole who suffered national oppression, the struggle against apartheid was a truly national one. Yet because it was the black working class which was the worst off (alongside the poor rural masses), and because it was the most numerous and the best organized, it was “the collective of black workers whose class position and social existence placed it at the head of the struggle for freedom” (ANC 1997: 10).

Democracy has set in motion a rapid mobility whereby propertied and professional sections of the black community gain from advancement. These forces continue to share an interest in social transformation. From this perspective, “the rising black bourgeoisie and middle strata are objectively important motive forces of transformation whose interests coincide with at least the immediate interests of the majority”(ANC 1997: 10). Yet their contribution to transformation is contingent upon “their mobilisation to pursue the interests of reconstruction and development” (ANC 1997: 11). Hence it is critical that these elements, “as well as other owners of capital”, be they white monopolists or foreign investors, come to appreciate that transformation will serve their long term interests as well as those of society as a whole (ANC 1997: 11).

Experience elsewhere has demonstrated that their relative advantage could easily render such elements antithetical to the interests of the poor. Vigilance is therefore needed to prevent this new capitalist class from becoming the tools of monopoly interests, or parasites who thrive on corruption in public office. According to Pallo Jordan (1997: 12), this “implies that the ANC’s engagement with the emergent Black bourgeoisie should involve the elaboration of certain standards of conduct and a business ethic that will speed the realization of the postponed goals of the national liberation movement”. Such an element will constitute a ‘patriotic bourgeoisie’.

The task of conscientising this bourgeoisie will fall ultimately to the ANC, upon whom “history has bequeathed the mission to lead South African society” (ANC 1997: 12). It is charged not only with mobilizing all the classes that objectively stand to gain from social change, but also to win over to its side those which have previously benefited from inequality. It is the vanguard of all the motive forces of the NDR.

What is so valuable to the present ANC leadership about the theory of the NDR is that it (i) legitimates the ‘historic’ role of the party in leading South Africa; (ii) validates the needs for an interventionist state to radically transform society within the context of a ‘mixed economy’; (iii) justifies the existence, expansion, wealth and function of a black bourgeoisie, so long as it plays by the rules laid down by the party; and (iv) endorses the need for close cooperation with white capitalists of the old order, whose objective interests (for instance in political stability) may eventually lead to their incorporation into the ‘patriotic bourgeoisie’. Meanwhile (v) despite obeisance being paid to the working class as the leading force within the NLM, there is a remarkable silence about the fact that, as even the most cursory glance at the contemporary ANC will indicate, its leading ranks are thoroughly dominated by African middle class elements which increasingly overlap with a visibly expanding black bourgeoisie.
Hence it is that the ANC can proclaim the necessity of black capitalism. Nonetheless, despite the historically progressive role mapped out for it, black capitalism in post-apartheid South Africa has only advanced by fits and starts.

**Coming in from the cold: Black Capitalism before and after 1994**

Because the logic of segregation and apartheid was to contain black challenge to white economic and political interests, the development of black capitalism before 1994 was deliberately inhibited and required to conform to the racial contours of South African society. Whilst this did not fully prevent the development of something of an Indian merchant class in Natal, it had crippling effects upon African capitalism more specifically. To be sure, even after white coercion backed by appropriation of the vast majority of land had eliminated the competitive threat posed by African agriculture, there were Africans who survived under immensely difficult conditions by managing their own small businesses in both town and country. However, significant capital accumulation was denied them by a maze of restrictive legislation as well as by a lack of education, and skills training alongside job reservation and access to loans. Hence as late as 1952, only 10% of trade in the Native Reserves was controlled by African dealers, whilst the situation in the townships is illustrated by in 1958 there being only 1,683 accredited African traders operating in Johannesburg (Southall 1980:42-43).

Under National Party rule after 1948, African capitalism was to be structured by separate development. In accordance with the policy that Africans’ political and economic development was to be confined to the eight (later ten) ethnic ‘homelands’, severe restrictions were imposed upon African businessmen in urban areas (which inter alia forbade them from forming partnerships, advancing into financial, industrial or wholesale activity, or owning their own premises) but complemented by the official encouragement of African capitalism in the Bantustans. This was to be achieved via the establishment of Development Corporations, the extrusion of white traders, and limitations imposed upon competition by white capital in those sectors of the economy, (mainly retail, garages and local hotels) where only low levels of technology and finance were required. If in the townships this meant that even the existence of African capitalism hovered at the edge of legality, in the homelands African capitalism increasingly became an adjunct of official policy and closely identified with the dependent petty state machineries and collaborative African political classes that it established. In these circumstances, African petty capital responded with the formation of nascent organizations, notably the National African Federated Chambers of Commerce (NAFCOC), which not only sought to protect the fragile monopolies over trade it enjoyed in the urban areas and homelands, but also began to lobby for the removal of all legal restrictions upon African private enterprise and to give voice to the interests of African business. Inevitably, such developments were to place African capitalists in an ambiguous position: on the one hand, pursuing the interests of African businessmen within the framework of separate development; on the other, opposed to racial discrimination and dedicated to the promotion of incremental change towards a de-racialised, capitalist society (Southall 1980).

In the aftermath of the June 1976 Soweto uprising and the steady gathering of pressures upon apartheid thereafter, the government cautiously enacted measures to
promote African business as part of its strategy to develop a black middle class as a buffer between the white minority and black masses. Alongside its more energetic efforts to expand African capitalism to buttress the dependent regimes in the homelands, it began a steady relaxation of restrictions upon African trade and business in the urban areas. Key developments included: devolution of the right to initiate and allocate trading sites for Africans to local black municipalities, the establishment of a Small Business Development Corporation to assist African business expansion in urban areas, the introduction from 1984 of free trade zones in white business areas which were open to trade by all population groups, and most importantly, the introduction of freehold ownership rights for Africans in urban areas (Hudson and Sarakinsky 1986: 177-182). Even so, despite the improved conditions for black business which such changes implied, its development was to remain severely inhibited by its having to operate within the interstices of apartheid. Just as African capitalists in the homelands became entangled with the latter’s oppressive regimes, so did urban African businessmen become identified with the black urban authorities under which they served and on which they often participated.

Such capitalists scarcely qualified as a ‘patriotic bourgeoisie’. However, Randall (1996: 666) may be premature in suggesting that few of the older generation of apartheid era black capitalists have survived into democratic times. Indeed, whilst it may well be that many had immense difficulty in adjusting to the opening up of protected racial zones or of the South African economy generally to post-apartheid, global competition, it seems intuitively unlikely that they committed class suicide in the 1994. More likely, just as various old order politicians have accommodated to change by finding homes within the ANC or different opposition parties, it seems more likely that some will have survived in business, even if among the less visible parts of the economy such as the former homelands, if only because they had acquired something of a headstart in terms of capital accumulation and business experience. Some, too, have managed to ride the political transition with aplomb, the most notable of whom is Sam Motsuenyane, President of NAFCOC from 1968 until the mid-1990s and by 2001 a Director of Corporate Africa, who in 1993 was appointed by the ANC to head its commission into human rights offences against dissidents which were committed in its camps in exile. A rather different example is Herman Mashaba, who started the hair care and beauty enterprise Black Like Me in Garankuwa in 1985 and sold out to Colgate-Palmolive in 1997 (ST, 29 November 1998). Most certainly, Hart and Padayachee (2000) indicate that the post-apartheid experience of established Indian capitalists has been much more varied than defeat, and that many have adjusted to the new order. Even so, Randall appears to be correct in observing that those who have prospered in big business during the early years of democracy are largely composed of a new generation of black capitalists.

This new generation of black capitalists Randall identifies as composed of five groups. First, there are the ‘Activist Capitalists’, recruited by large corporates and/or appointed to guide parastatals, who are drawn from ex-Robben Islanders and former leaders of internal anti-apartheid groups. Possessing high political standing, they are deemed to be sympathetic to the ANC and close to political decision-makers. Yet few have significant personal capital, financial or technical training, or business experience, so their contribution to companies is largely advisory. Even so, this category constitutes
archetypal ‘Comrades in Business’ (Adam, Van Zyl Slabbert and Moodley 1997), veterans of ‘the struggle’ who have overcome whatever reservations they might have had about capitalism in the past to now making it work for themselves, and in theory at least, for the wider black community.

Second, ‘Educated Exiles’ are blacks from the post-1976 generation who, although not so well politically connected as the ‘Activists’, have acquired education and experience overseas. Yet few of them obtained training in commercial and technical subjects which would have provided a formative basis for their development as entrepreneurs, even if many acquired qualifications in relatively ‘soft’ areas such as industrial relations and marketing.

Third, ‘corporate sophisticates’ have been recruited by corporations, often multinationals, under ‘equal opportunity’ programmes introduced as a response to increasing international pressure, such as the Corporate Codes of Conduct which were introduced from the early 1970s. Again, given lack of financial and commercial training, many of them occupy ‘soft’ positions in marketing, personnel and public relations. Nonetheless, many have become sought after by virtue of their acquisition of knowledge about how business operates as well as for their personal connections.

Fourth, ‘consultants of change’ began to emerge in the 1980s. Aided by their combination of a black skin with silvery tongues, this category promotes themselves as helping white business to adjust to political change. Similar, fifthly are the ‘Conference Circuit Champions’ who have emerged from the black business organizations such as NAFCOC and the Black Management Forum, and who have established strong contacts with the white corporate world in its bid to embrace BEE. Many of both these categories have now been recruited to company boards or linked up with whites in ‘joint ventures’ (Randall 1996: 666-669).

Randall characterizes the early experiences of the new capitalists as constituting, overall a ‘depressing litany’, noting that in general African capitalists’ lack of finance and technical skills has meant that they have no independent base in the economy and that, overall, they are subordinate to white capital, largely employed by corporations in advisory, non-operational positions. Their portfolios are likely to be oriented to promoting the public image of companies as engaging positively with the new South Africa, whilst many are specifically employed to use their political influence with the government (Randall 1996: 669-672). This latter aspect has on occasion caused considerable controversy, as with Thebe Investment Corporation. Founded by Vusi Khanyile, head of finance in the ANC from 1990 until he founded the company in 1992, Thebe was chaired by the ANC-aligned Enos Mabuza, former Chief Minister of the KaNgwane homeland, and included Tokyo Sexwale, fresh from Robben Island, on its board of directors. Anticipating that foreign support for the ANC and NGOs would dry up as the political situation ‘normalised’, Khanyile persuaded prominent individuals, many of them close to the ANC, of the need for an investment trust, officially to provide financial support to community projects, but unofficially to provide an alternative source of funding for the ANC. However, given that the firm was funded without any substantial cash, its efforts to raise capital depended upon promises being made to potential investors of future good access to the incoming
government. Whilst this tactic initially served the company relatively well, it was later to suffer marked setbacks after 1998, when the value of the Rand and equity markets crashed. Two high profile companies in which it had significant investments (health care group Macmed and financial services group FBC Fidelity) hit major problems, and then, in 1999, a consortium led by Thebe’s entertainment arm, Moribo Leisure, failed to secure a lucrative contract to run the national lottery. What the company describes as ‘the lean years’ hastened its shift away from reliance upon political influence towards more conventional investment activities (Randall 1996: 672; Joubert 2002).

Although having characterized South Africa’s black business as having no independent base, Randall (1996: 673-675) goes on to argue that the potential exists for the emergence of a significantly empowered and skilled black capitalist class, particularly via joint ventures with white companies. He cites as examples Kagiso Trust Investments, joint partners in two successful companies, Kagiso Publishers and Kagiso Khulani Supervision Food Services, and Thebe’s subsidiary, Moribo, and its joint venture with the cinema chain Ster-Kinekor in Ster-Moribo. The distinguishing feature of these enterprises, he argues, is the substantial degree of power which the black capitalists deploy, as well as the commitment of the white partners to skills transfer and to creating genuine black companies out of their joint ventures. Hence, he concludes, “South Africa is witnessing the empowerment of African entrepreneurs who can exert a decisive influence in their business interests”, this a product of four major factors, viz: the political insecurity of white capital, the promotion of black business by a competent policy-making regime, the mobilization of opinion against whites using black companies as ‘fronts’ and also against the misuse of black empowerment by black politicians for personal gain, and lastly, because of the existence of a relatively sophisticated economy, notably the existence of an active equity market and a well organized financial sector. In contrast to the rest of Africa, where on the whole such conditions do not exist, South Africa seems set to see “the development of a viable black capitalist class” (Randall 1996:675-686).

Yet how does his prognostication stand up against the experiences of black capitalism during the first ten years of South Africa’s new democracy?

A Scorecard of Black Capitalism after 1994

According to one overview, the most marked feature of corporate South Africa since 1994 “has been the rapid growth of black corporations in depth, breadth and credibility”. A few black owned firms have merged into sizeable players, notably in the financial sector; a few large and prestigious corporations are now black controlled; and black business “has grabbed the headlines and initiative in an unprecedented manner”. Metlife, the largest black empowerment investment in the financial services sector has an asset base of R11 billion, making it the 26th largest company in the country. Within the media sector, Perskor, Times Media and many privatized radio stations, as well as other enterprises in sectors such as forestry and paper, pulp, food and beverages, and fishing, have all attracted large scale black investments (Carter 1999). However, whatever progress has been made has been both uneven and difficult to quantify.
Following “an initial flurry of politically driven deals”, black business reportedly captured about 10% of shares on the Johannesburg Stock Exchange (JSE) in the first four years of democratic government (Jacobs 2002). Yet most inroads were made into those economic sectors which were the most vulnerable to fluctuations in the global market, and in 1997, when the JSE crashed, many of the deals which had been struck came unstuck. Hence by the end of 1999 or early 2000 the black stake in the JSE had dropped to between 1% (Jacobs 2002) and 3.8% (Singh 2001).

According to BusinessMap, the value of BEE acquisitions and joint ventures that increased black ownership dropped sharply in 1999 to R3.4 billion involving 45 empowerment firms compared to R21 billion involving 110 firms in 1998 (Segal 2000). Furthermore, in 1999, the single firm of Johnnic accounted for fully 78% of market capitalization of black controlled companies on the JSE. Furthermore, BusinessMap’s empowerment index, which monitors ‘empowerment’ from the perspective of corporate influence rather than control, found that all black companies on the JSE, with the exception of Kagiso and Metlife, had recorded share price declines (presumably over the last year) of more than 50%, this despite a near 50% recovery in the overall JSE in 1999. The number of BEE deals had dropped significantly, too, with the deal flow in 2000 having been the worst since 1996, with reported new investments in established black controlled companies amounting to R2.5 billion compared with R3.4 billion in 1999 (Singh 2001).

In 2001, according to Ernst and Young, some 101 BEE deals were valued at R25.1 billion, but 104 deals in 2002 were valued at only R12.4 billion (Sowetan, 9 April 2003). However, by late 2002 it was reported by research house Empowerdex that nearly 10% of the total share value (R143.5 billion) of the top 115 firms listed on the JSE was owned by blacks, “five times as much as had been previously thought” (BBC 2002), although BusinessMap (which was tracking the JSE’s 20 top black controlled companies) argued that a truer figure was 2%, and that black owned stakes in pension funds and investments which were not “actively managed for the benefit of black shareholders” could not be counted as “real empowerment” (BD, 10 December 2002). With the number of black companies on the JSE dropping from 26 to 21, “real black ownership was becoming a mirage” (BusinessMap cited in City Press, 11 May 2003).

Other data indicates that the private sector remains overwhelmingly in white hands: 98% of executive director positions of companies listed in the JSE in 2002 were white (and mostly male), and only 64 such individual directors were black (City Press, 11 May 2003), and only eight of 387 companies surveyed by Empowerdex was headed by a black chief executive (BBC 2003).

Let us try, very briefly, to unwrap what this sort of data means.

First of all, an obvious point is that we need to differentiate the bases of the different statistics. Simply put, the various indices produced by bodies attempting to quantify ‘black empowerment’ are measuring different things. For instance, there is no firm agreement about what constitutes ‘ownership’. For its purposes, Empowerdex includes...
government, municipal and parastatal pension funds, as well as government agencies such as the Industrial Development Corporation. Hence it could conclude that in 2001 black equity ownership of the top 115 firms on the JSE was just under 10%. In contrast, BusinessMap, which adopts a much narrower definition, tracking the JSE’s top 20 black-controlled companies, settles for only 2% of equity being in black hands. McGregor, meanwhile, proclaims a figure of 3.9%. (BD, 10 December 2002). Whilst we may therefore glean a sense of overall direction by comparing figures emanating from different indices, great care must be taken with the specifics. There is also the further issue that political correctness presently forbids disentangling ‘African’ from ‘Indian’ capitalisms, yet as Hart and Padayachee (2000) suggest, these may have considerably different trajectories.

Second, by far the most important point is quite simply that blacks have made extremely limited inroads into the ownership, control and senior management of the private corporate sector. Early initial progress made in the first half of the 1990s was rebuffed by, inter alia, the crash of 1997, and the advances made by black capitalists since then have been relatively modest. Yet this does not mean that corporate ownership patterns are unchanging: McGregor reports that as Afrikaner control of the JSE is increasing sharply in the face of the departure of certain corporations, and individual English-speakers, from South Africa, climbing from 24% in 1996 to 32% in 1998 (English control diving to 54% from 63% during the same period)(Bennett 2000).

This means, third, that whilst blacks may now control the state, whites continue to dominate the economy. In other words, “1994 did not augur the demise of racial capitalism” (ANC 1998). Hence the importance to the ANC of appointing blacks to head parastatals like Transnet, SpoorNet and Telkom, and of structuring their privatization in such a way for blacks to pick up a lot of the pieces.

Fourth, it would appear that if black capitalists are going to make more rapid inroads into the private sector, then new and innovative ways are going to have to be employed to spur their advance. The basic dilemma, of course, remains the quandary of how black aspirant capitalists without capital can be capitalized. The answer is that they either have to be given it or they have to borrow it. Until 1998, special purpose vehicles (SPVs) were the most widely used mechanism to propel black investors into the ranks of corporate South Africa. These basically operated as follows:

Corporate South Africa sought to facilitate black empowerment by selling businesses to black investors, who in turn were assisted by financial institutions through SPVs. Empowerment groups financed purchase of shares in firms offered to them by, in part, offering preference shares to institutional investors. However, whilst black investors retained voting control of the SPV through ordinary shares, the preference shares held by the institutions were paid a dividend linked to the prime lending rate. Any difference between the dividend income received by the SPV and the dividends payable to the preference shares was rolled over and paid when the preference shares were redeemed. To redeem the preference shares and any accumulated dividends, the SPV would then have to sell off the shares in the underlying business (to which, in theory, it should have added value)(TIPS 1999).
This originally appeared to work well, but fell foul of the plunge in share prices which resulted from the Asian crisis of 1997 and the contagion effect on South Africa. Yet in any case, black investor groups typically took up less than 20 percent in the companies offered to them, which meant that they did not acquire executive control. So in effect, black groups simply became investment trusts, and because most were not operationally involved in the underlying investments, they could not add much value to them. Indeed, because the principal financial risk lay with the institutional investors rather than the BEE group, the latter were not really motivated to add value because they had little to lose in the deal. For their part, institutional investors failed to appreciate that, unlike their other investments, BEE groups often needed their specialized support.

A related mechanism was the sale of ‘N’ shares, the principal case in point being New African Investments (Nail), one of the biggest empowerment groups. In pursuit of growth and control, Nail offered two types of shares: ordinary shares, with superior voting rights, were issued to black investors; and N shares with limited voting rights were issued to the general public. Not surprisingly, as more and more of the N shares were issued, the discount between them and ordinary shares widened, as investors became uneasy (TIPS 1999).

Overall, from 1990, the promotion of black capitalism rested heavily upon blacks obtaining stakes at the apex of corporate pyramids, these being purchased at high share prices against high debt levels, or on special deals crafted for a minority with privileged access. Such strategies proved unable to cope well with a turbulent period of dramatic currency volatility, interest rate increases, share price fluctuations, declining per capita GDP growth and the external shocks of 1996-98.

Meanwhile, the state was also to come under considerable criticism for failing to back its commitment to black empowerment with effective strategies. For instance, Telkom was partially privatized in 1997. Ten per cent of the shares sold were set aside for black investors, but when the deal was complete, 30% of what had previously been a wholly South African owned enterprise was now owned by Malaysians and Americans. Again, when the state sold the Airports Company, the empowerment stake was set at 10% of the shares, but due to the high prices that foreign bidders offered and a shortage of finance, only 4.2% of the shares were transferred to black owners. In other words, even small share options require expensive borrowing by black investors who in the past have had limited opportunity to accumulate capital. Again, the attempted sale of the state-owned Aventura resorts to a union investment company also collapsed due to difficulties in raising finance, and eventually a management contract with a major hotel company was negotiated instead. Other investment strategies launched between 1994 and 1999, such as loan guarantee and credit enhancement schemes established by the Department of Trade and Industry, have also been disappointing (Promoting Empowerment).

In these circumstances, black business could have done with a body competent of expressing its collective interests and aims to both government and the wider public. However, by this time, NAFCOC was in total disarray, divided by leadership struggles
(which appear to reflect tensions between ‘new big’ and ‘older small’ capitalists) and allegations of corruption.

Finally, the most worrying aspect for the proponents of black capitalism was the widespread perception that black empowerment had worked mainly for the enrichment of a tiny black elite. Inevitably, there was some moral ambivalence with, for instance, former Deputy Minister of Trade and Industry, Ms. Phumizile Mlambo-Ngcuka, glorying in the chance for some blacks to become, like whites, “filthy rich”. However, when the mass of ordinary blacks continued to live in dire poverty, pride in the achievements of the few easily translated into outrage, especially given various highly publicized instances of greed, as when two of Nail’s black executive directors were exposed as having awarded themselves massive incentive packages. In these circumstances, a ‘minimalist’ approach which defined BEE as centred around the promotion of black business came by the late 1990s to be rivaled by a ‘maximalist’ position, which emphasized “a comprehensive restructuring of institutions and society…rather than the replacement of white individuals with black ones”. Entailing the redistribution of resources to the vast majority of people and the democratization and transformation of the economy, this aimed at the “simultaneous empowerment of the black people as a collective and the individual as an entity” (Edigheji 1999).

Because the maximalist position had all the merits and the ambiguities of the NDR, it was clearly politically correct, and the only defensible position on the promotion of black capitalism in general that the government could employ. But after the considerable setbacks of the early years, the question was how such an approach could be implemented.

**The Activist State and the Blackening of South African Capitalism**

By the early 2000s, BEE was widely deemed to be in crisis (Helen Suzman Foundation 2000). This was probably an exaggeration. As pointed out by Professor Wiseman Nkuhlu (who held as many as 13 directorships), black ownership on the JSE may have slumped, “but if one digs deeper, you see there are a lot of smaller groups listing. They are less complex but show meaningful empowerment, and there are many more which won’t list for the next five years” (BT, 13 February 2000). Yet whatever the assessment, the severe problems which nascent black capitalism was encountering had already began to prompt serious thinking about the way forward. There were some calls for the constitution of a ‘black broederbond’ which would ape Afrikanerdom in single-mindedly planning black advance in technical training and the economy generally (BT 13 February 2000). But more influential, were demands that the state begin to assume a more activist role in promoting black empowerment.

**The Black Economic Empowerment Commission (BEEC)**

The interventionist perspective took shape most significantly in the Report of the BEEC which was presented to President Mbeki in April 2001. Chaired by Cyril Ramaphosa, formerly secretary-general of both the National Union of Mineworkers and the ANC but by now Chairman of media giant Johnnic, this had had its origins in a resolution passed at the national conference of the Black Management Forum in November 1997 that blacks should develop a new vision of BEE, a process which was
viewed as hitherto having been driven by the private sector. The BEEC was formally established in May 1998 under the Black Business Council, an umbrella body of 11 black business organizations, and thereafter engaged in extensive research and consultation. When it finally reported, it was to recommend to government adoption of a wide-ranging, state-driven programme which would create a “coordinated, simplified and streamlined set of guidelines and regulations that (would) provide targets and demarcate roles and obligations of the private sector, the public sector and civil society over a period of ten years” (BEEC 2001).

Based upon the maximalist assumption that the deliberate disempowerment of blacks by colonialism and apartheid justified adoption of BEE, the Report noted that neither the numerous initiatives by the post-1994 government to democratize society nor efforts by the private sector to promote empowerment had translated into a “meaningful transfer of ownership to the black majority”. Indeed, South Africa still displayed one of the most unequal distributions of income in the world, whilst racism remained a “structural impediment that continues to distort the efficient functioning of markets (and) reinforce the marginalisation of the black majority from viable economic participation” (BEEC 2000). Exclusion of blacks from production was a major barrier to economic growth. Only concerted activity by the state, alongside recognition of its “collective responsibility to invest in the country” by the private sector, would allow for the realization of development goals (BEEC 2001). The key components of the national strategy which were recommended were therefore:

• An Investment for Growth Accord should be forged between business, labour and government. Government should commit to: investing 10% of the assets of its Employees Pension Fund in areas of national priority over three years; investing a portion of privatization proceeds in a proposed Rural Development Agency; implement its Restructuring of State Assets programme to increase levels of Foreign Direct Investment and divert an increased proportion of its budget to capital expenditure. The private sector should: invest a specified percentage of its total assets in productive investments of national priority, commit to participation in rural development initiatives; adopt targets for black participation in the economy, including human resource development, and the promotion of small and medium businesses. The trade union movement should: design investment guidelines for union trustees on the boards of life assurance companies in which its members have savings; empower those trustees to make responsible decisions to achieve job creation; and design projects to which union pensions can be directed.

• A Black Economic Empowerment Act should be passed which would: provide an unambiguous definition of BEE; set uniform indicators against which the private and public sectors can measure their performance in achieving BEE; set procurement targets for all public sector departments at national, provincial and local levels; and require all government departments to submit an annual BEE report. In addition, a National Procurement Agency should: revamp the national tendering and licensing system to ensure the centrality of empowerment; and set up an Accreditation Unit to rate companies tendering for government contracts, and other companies, regarding their BEE performance. 50% of public sector procurement and 30% of private sector procurement (with the emphasis on SMMEs), 30% of public sector contracts and
concessions, and a minimum of 40% of business incentives should go to black companies.

- A National Empowerment Funding Agency (NEF) should improve policy and coordinate government efforts providing funding for black economic initiatives including community ownership, retail schemes, broad based share schemes and cooperatives through the creation of four specialized agencies designed to provide “appropriate packages” to different types of entrepreneurs. Blacks should own 25% of the shares of companies listed on the JSE, with at least 40% of executive and non-executive directors being black within ten years. At least 50% of loans from development finance institutions should go to black owned enterprises.

- An Integrated National Human Resource Development Strategy should be adopted to increase production of blacks with requisite skills and to enhance black participation in the professions.

- A Rural Development Agency (RDA) should be created to gear up present activities aimed at ensuring the availability of funds for land acquisitions, land use and infrastructural development. 30% of land should be in black hands within ten years.

- An Empowerment Framework for Public Sector Restructuring (PSR) should restructure the public sector to improve service delivery, protect workers’ rights and achieve BEE. Sales of state assets should help finance the RDA and the NEF should facilitate the sale of shares in privatized assets to black companies which would otherwise have acquired smaller shareholdings. PSR should also promote the development of small and medium sized enterprises and worker and community-owned businesses. At least 30% of the equity of restructured state-owned enterprises should be owned by black companies within ten years.

- The banking and financial services sector should be transformed to provide for Community Re-investment to counteract biased allocation of resources disadvantaging the black majority, particularly women. Equality legislation should end discrimination against blacks in this sector and provide for the monitoring of banks’ activities (BEEC 2000; New Page 1).

When questioned about whether such measures were necessary to avoid ‘another Zimbabwe’, Cyril Ramaphosa answered in the affirmative: “If we don’t move quickly now….yes, it could happen. For this reason we want the white private sector…to heed that warning” (business.iafrica 8 August 2001).

The Response to the Report
Avowed liberals decried the report as articulating a race-based preference policy which negated individual freedoms, and was likely to encourage an intrusive, over-extended state, as well as introducing distortions to the market which would endanger employment creation and economic growth. Any BEE measures should therefore be of limited duration and not limited to a small elite. BEE tended to favour corporate empowerment deals, rather than targeting the small entrepreneurs whose myriad activities had historically wrought a “silent revolution” which had eroded apartheid and
lifted many blacks out of poverty. The challenge was thus to create an enabling environment by minimizing the costs of compliance with misguided and burdensome regulations, with small business development in particular being assisted with education, skills development and carefully targeted support measures. BEE, “as conceptualized by interests clustered around the...ANC”, requires a highly regulated state (Christianson 2003). In contrast, an enabling state should restrict itself to providing freedom and security, combating inflation, providing education and basic health care, and outlawing anti-competitive practices that stop people joining the job market (Kane-Berman 2002/3).

Government response was cautious, even though Mbeki, addressing NAFCOC, was to admit that black empowerment had moved at a “snail’s pace” (BD, 25 September 2002). On the one hand, despite suggestions that it has adopted free market economic policies, the ANC leadership remains entranced by Malaysia, where since 1970 high economic growth has been combined with a significant redistribution of assets by an interventionist yet investment-friendly state from the minority Chinese to the indigenous Malays (Sikhakane 1997; Southall 1997). On the other, although the government has sought to promote the new black bourgeoisie, it is acutely aware of its failings and disasters, and at times, Mbeki himself has roundly criticized black businessmen for having become nothing more than rentier capitalists. Meanwhile, committed to encouraging both domestic and foreign investment, the governing elite remains divided about the wisdom of a heavy hand and wary of too roughly offending corporate sensitivities: “if we think the state is going to drive this process we are making a mistake”, Reserve Bank Chairman Tito Mboweni (Fast Facts, 5, 2001). Even so, the government has moved steadily swiftly towards a considerably more interventionist posture. Speaking at the ANC’s 51st national conference, Mbeki committed the government to drawing up a ‘Transformation Charter’ that would set BEE benchmarks, timeframes and procedures, and eliminate uncertainty amongst investors (Sowetan 18 December 2002). This statement of intent was soon to have significant consequences.

**Mining**

The first major initiative to see the light of day, albeit via a leak, was a proposed mining charter introduced by the Department of Mines and Energy in July 2002 which proposed that all mining operations in South Africa would have to be 51% owned by blacks in ten years, whilst to secure a new mining licence a company would have to have an empowerment partner with at least 30% equity stake in existing operations. This brought a dramatically negative response from the mining industry, and mining shares in South African companies immediately slumped, not least because the government had only just emerged from a bruising battle over a Mineral and Resources Development Bill.

The intention behind this bill was basically to vest sovereignty over South Africa’s natural resources in the hands of the state, and to impose a ‘use it or lose it’ principle upon mining companies, whilst at the same time making provision for the assistance of historically disadvantaged persons to conduct prospecting or mining activities. Whilst the corporates had fought a vigorous campaign against what they decried as an erosion
of property rights, organized labour had criticised the government for doing nothing to challenge the monopoly structure of the industry. Genuine black empowerment would require the state to take a directly productive role and to facilitate union and cooperative ownership (BD, 25 June 2002; COSATU/NUM 2001). Although the bill in final form had made certain concessions to the industry, the latter’s reaction to the proposed charter was that it expressed a conviction that the great mining houses were intent on cheating blacks of their rightful stake in the industry (BD, 29 June 2002). Consequently, following intense negotiations, when the final Charter emerged, it did so in a much milder form. Government had reduced its empowerment targets considerably, requiring all mines to be 15% black owned in five years and 26% in ten years, with the industry agreeing to raise R100 billion to fund the transfer. The Charter also laid down that companies should “aspire” to achieving a target of 40% of blacks in management within five years, although it promised flexibility in that a scorecard approach to such goals as ownership, employment equity, improved community and rural development, worker housing and living conditions, procurement, and beneficiation could be offset against each other (BD, 11 and 12 June 2002).

Even if the government had made major concessions to the industry in its empowerment targets, the problem of how to finance a partial transfer of ownership remained. It soon became apparent that one source would be a loan made to the Industrial Development Corporation that would be sourced from the International Monetary Fund (IMF) and World Bank, with other potential participants being the African Development Bank, local commercial institutions and the mining companies themselves (M&G, 18-24 October 2002). A resultant New African Mining Fund (which would be separate to the R100 billion pledged by the mining companies) would grow from R500 million to R2 billion over ten years would be aimed at ‘green field’ projects to be undertaken by black entrants to the industry (SI, 24 November 2002). Meanwhile, however, a rapidly forming queue of black aspirant participants in the industry began to be matched by established mining houses positioning themselves to find black partners who would boost their empowerment credentials. Vuka Alliance, a black consortium led by former Mpumalanga premier Mathews Phosa, acquired a 50% stake in a R100 million a year contract mining company, Ruslyn Mining and Plant Hire (Sowetan, 7 February 2003). On the other hand, De Beers was reported to be gearing up to sell a quarter of its local operations to one or more of the more established empowerment companies (SI, 9 March 2003).

However, the major move was made by Harmony Gold, which announced a surprise R4.9 billion merger with African Rainbow Minerals Gold (ARMgold), less than a year after the latter had become the first black owned gold company to list on the JSE. This new company then announced that it would buy Anglo American’s stake in Anglovaal Mining for R1.77 billion. In effect, ARMgold chairman Patrice Motsepe converted his personal control of a small gold company (built up through acquisition of mining operations major companies had come to consider as marginal) into a significant stake (14%) in major industrial player, for under the deal, the new company not only became the fifth largest gold producer in the world, but immediately achieved the level of black ownership it needed to comply with the charter, as well as teaming up with a small group of black shareholders who were extremely well politically connected. (One of Motsepe’s sisters is married to Public Enterprises Minister Jeff Radebe, another to
Cyril Ramaphosa), whilst Motsepe himself is now chairman of NAFCOC (BD, 5 and 6 May 2003; interviews, Gule and Simelane).

Gold Fields South Africa rapidly followed suit with the sale of 15% of its shares to Mvelaphanda Resources, a company chaired by former Guateng premier Tokyo Sexwale. This purchase was funded by Mvelaphanda incurring a debt of R2.8 billion, some R300 coming from Gold Fields with the further inflow intended to come from a R1 billion plus share issue (M&G, 13-19 June 2003). This was followed by the further announcement that mining magnate Roger Kebble’s Randgold & Exploration was to link up Phikoloso Mining, a broad-based empowerment group, made up of some ten black companies including Leswikeng (headed by Black Like Me’s Herman Mashaba), Dyambu (headed by former ANC underground operative and Western Cape provincial representative Hilda Ndude), New Line Investments (led by Chris Nissen, a former Western Cape ANC chairperson), Ituseng Mining (led by Lunga Ncwana, a former ANC Youth League leader), and Ikamva (headed by Sharif Pandor, husband of National Council of Provinces Chairperson Naledi Pandor). In return for R.8 million shares in Randgold, valued at about R268 million, Phikoloso agreed to exchange its mining assets (which included 7.3 million shares in gold mining company Afrikander Lease, interests in platinum and other mineral rights). This deal was proclaimed by Randgold as in line with its desire to create a ‘pan-African’ resource base “aligned with the principles of the New Partnership for African Development” (BD, Sowetan, 29 June 2003).

Financial Services
Alarmed by the prospect of direct state intervention, the financial services’ sector’s eleven associations (which include the Banking Council and various asset managers’ bodies) had in early 2003 come together to preempt the government by drawing up their own Charter, the draft of which they proceeded to present to the Department of Trade and Industry in July. Like the Mining Charter, this was set to adopt a ‘scorecard’ approach to empowerment with regard to categories such as access to financial services, empowerment in management and procurement, employment equity and so on, yet ownership targets, – in contrast to the DTI’s recommended 25% in ten years – were rumoured as being pegged at 10% by 2008 and 20% by 2014 (M&G, 4-10 July 2003). Resistance to higher ownership targets probably reflected the huge amounts of finance involved. For instance, there was much noise was made about the completion, by Investec, South Africa’s fifth largest bank, of a R810 million deal whereby black empowerment partners acquired 25% of its equity (6.8% by Tiso and Peu Investments, 6.8% by an entrepreneurship trust and 4.7% by a trust for Investec black staff), this being financed through an 8 year loan from the Public Investment Commission. However, it had only been made possible by Investec’s local share price having plummeted from R160 at the time when it had chosen to list on the UK stock market (as well as remaining on the JSE) in July 2002 to R90 at the time of the deal. However, the purchase of 25% in any of the four larger banks (Absa, FirstRand, Nedcor and Standard) would cost up to R10 billion, well beyond the reach of black companies (BD, Sowetan 16 May 2003). Standard had earlier announced that it was selling business valued at R60 million to establish a new venture, Andisa Capital, which would be 49% owned by the Bank and 51% owned by a consortium led by Saki
Macozoma (the Chair of media group Nail), Safika Holdings, Nduna Trust, Simeka and an empowerment trust (Sowetan, 4 April 2003).

A survey released by Empowerdex indicated that the asset managers (unit trusts etc) – responsible for investing R1.24 trillion (three times SA’s GDP) annually – were well ahead of their counterparts in banking, more than half of the top 28 companies having black ownership of more than 25%. This presumably reflected black inroads having been made into purchase of shares at the apex of financial pyramids, as well as the significant assets owned by companies managing union pension funds. Yet it was also a response to expectations that the government was about to put out a significant amount of its R400-500 billion pension funds to the private sector to manage. This was deemed to be instrumental in Stanlib (a 2002 merger of Liberty’s and Standards’s asset management arms) taking on a consortium led by Safika Holdings on as a 25% empowerment shareholder, this financed by a loan to be repaid to Liberty and Standard over five to seven years (BD, 6 March, 19 June 2003).

Other Sectors

Major companies on other industries re also beginning to respond to the challenge being laid down by government.

A key deal was that announced by SABmiller (formerly South African Breweries) which in December 2002 announced a R1.9 billion deal with Tsogo Investments, whereby both companies would transfer their interests within the hotel and gaming sectors into a new company, Tsogo Sun Holdings, which would be controlled by Tsogo Investments. This was hailed as “a milestone” for BEE in the tourism industry by Valli Moosa, the Minister for Environmental Affairs and Tourism. Meanwhile, Sol Kerzner, the man who had founded Sun (before offloading his interest and moving to London amidst much controversy in the late 1980s), announced his forthcoming return to South Africa, where he would team up with Moss Mashishi’s Matemeku Investments to develop hotels and game lodges. Matemeku is itself a partner of RAI Amsterdam, the global communications groups which holds the contract for the new Cape Town International Convention Centre, whilst Mashishi himself shares a 20% holding with Graça Machel and Wendy Luhabe in O&M Rightford, an advertising agency which will conduct public relations for the ANC during the forthcoming general election campaign (ST, 25 March 2003; RAI and Matemeku Press Release, 5 February 2003).

The Board of Health Care Funders, linking private medical schemes, has announced its intent to spearhead the development of a Charter. This has been spurred by the government’s announcement that it intends to introduce a single, mandatory medical scheme for its employees – who can presently choose their medical scheme – from early 2004. As the existing medical schemes will thereupon lose a significant percentage of their present members, they are having to scramble to boost their empowerment credentials in order to improve prospects of securing contracts to administer the new scheme (BD, 19 May 2003). Similarly, ABSA Real Estate Management has announced it will outsource its residential valuations to eight regionally based companies in which overall empowerment shareholding will stand at 40% (BD, 26 June 2003). Bidvest, a diversified industrial group, has announced sale of
a 15% stake in an ‘innovative’ deal whereby Dinatla Investments (a black consortium) will pay between R42 and R6 a share in three years’ time, depending on performance (BD, 10 July 2003). These, and numerous other similar ventures, indicate that the corporate sector is beginning to have to take black empowerment seriously.

The ANC, the State and the Prospects for Black Capitalism

The argument of this paper has been that, having acquired political power, the ANC has now embarked up a more active and coherent approach to BEE with the deliberate objective of promoting a ‘patriotic’ capitalist bourgeoisie which will work hand in hand with a developmentally oriented state. Three issues immediately present themselves.

The first relates to the precise nature of the class project that is involved. It was noted above how the theory of the NDR validates the creations of a black bourgeoisie, whose historic function will be to not merely challenge white economic domination but to raise the productive forces of the economy, thereby providing for redistribution of wealth to the black working class, and the urban and rural poor. Stripped of its Marxist jargon, this is in essence a blatantly, neo-classical argument which elevates the importance of private entrepreneurs, in this case black ones, in the creation of wealth. On the other hand, the marked ambiguity of the theory of the NDR towards the development of black capitalism, as – indeed – reflected in the tensions between the ANC and its partners within the Tripartite Alliance, stresses the necessity of the black bourgeoisie being socially responsible at the same time as they become ‘filthy rich’.

The ANC, black capitalists and the unions alike have come to straddle this contradiction by adopting an increasingly ‘maximalist’ stance towards BEE. Emphasis upon companies and institutions achieving targets concerning equity employment, skills training, procurement and community development as well as black ownership not only deepens the scope of empowerment, but extends the benefits to the ANC’s wider political constituency. Meanwhile, to fend off the allegations that they are merely constructing a self-serving black elite, many empowerment consortia (themselves often trusts to benefit women, rural communities, or former political prisoners and so on) are very deliberately attempting to construct their deals in such a manner that they can demonstrate benefits to the wider, black community in terms of partial share ownership, rural development projects, or whatever. Indeed, it would seem that their very political exposure requires of the relatively small number of significant black capitalists that they can demonstrate that they are being ‘patriotic’.

The second issue concerns the role of the state. Since 1996, the ANC has been widely criticised for having uncritically embraced a neo-liberal, capitalist strategy. Yet in so far as ‘neo-liberalism’ is depicted as entailing a minimal economic role for the state, this is clearly wrong, for the ANC is rather leaning towards construction of a pro-capitalist, Malaysian-type, interventionist state prepared to use its power, influence and divestment of assets to create a black bourgeoisie, expand the black middle class, and to generally produce a seismic transfer of wealth from white to black over a ten to twenty year period. Inevitably, with the state being so centrally involved in the deliberate task of class creation, the political connections enjoyed by individual
capitalists become crucial in pulling down official loans, decisions and favours, with outright corruption a not uncommon outcome. None the less, although there are most certainly some evidences of Asian style, ‘crony capitalism’, the number and magnitude of the major empowerment deals presently being enacted in major sectors of the economy suggests that Randall (1996) is correct in arguing that, unlike the rest of Africa, the complexity and size of the South Africans economy foreshadows non-state opportunities which will make for the development of a relatively independent black capitalist class in South Africa, although his more recent argument is that this can only be achieved via espousal of a maximalist strategy which focuses upon small and medium enterprises, so that “hundreds and thousands of blacks own their own businesses that in turn employ other blacks” (Randall 2002).

Finally, and thirdly, white capital can be characterized as beginning to wake up to black empowerment as a political and economic imperative. The growing fear of a Zimbabwe-style expropriation of assets is combining with a more strategic awareness of how black empowerment is being re-shaped to provide advantages to, as well as incurring costs for, large corporations. To be sure, the choices are easiest for the transnationals and corporate giants, for their ambitions are commonly global and continental, so that, in effect, loans extended to black partners can, ironically, provide them with the opportunity of moving their assets outside South Africa. Meanwhile, changes in ownership patterns on the JSE appear to foreshadow potential partnership between expanding Afrikaner and black capitals.

Yet even as these changes take place, macroeconomic data demonstrates that demographic growth is overtaking the rate of economic expansion, and that informal employment and unemployment are growing rapidly apace. At least one of the ANC’s major motives for the rapid expansion of black capitalism is the presumed political stability to be attained through realization of a ‘national democratic revolution’ in which class conflict is contained by a dramatic economic redistribution. However, continued slow growth of the economy is likely to test the patriotism of any bourgeoisie, and is likely to place class conflict at the center of the political arena.

1 Post 1994 the ANC is a member of the (social democratic) Socialist International, yet not infrequently its spokespersons insist that the ANC has always been a nationalist movement, and that it was never formally committed to socialism.

2 As when, notably, radical critics of the government are labelled as ‘ultra-left’.

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