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Black Economic Empowerment

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My standpoint is going to be that the BEE debate in South Africa is generally poor at the moment. So, my first point is that the BEE debate coming from the left is incoherent, inconsistent and unsustainable. The debate coming from the right is predictably racist or just misses the point altogether. In general I think there is underlying ideological debate, which unfortunately is never articulated and it should be not an unarticulated premise in my view, then we could debate the issues, and I'll demonstrate why I say that. I think the right starts from the standpoint that BEE is a form of government intervention, an unnecessary meddling with the market forces and the trickle down effect and all those nice things, while the left sees it as a poor substitute for nationalisation and all those good things we used to espouse in the 80's and before. I think underneath the issues you see in the paper, are those two unarticulated premises.

The basic economic problem of any system, whether you are a socialist, capitalist, communist or something in between, the basic issue is to answer issues of growth and redistribution. Any economic system that can answer and balance those two fundamentals, a growing economy and one that redistributes its products evenly, or as evenly as humanly possible among the population, will go a long way in creating stability which is another economic objective.

Now around this issue of distribution and growth, is the fundamental issue that everybody has to ask, as to the ownership of productive assets or what we used to call the means of production. So, those are the premises, whichever "ism" you happen to believe in. It does not matter which country – those are just the neutral issues about economics.

What is specific to South Africa and brings those two issues into focus as relevant to this country, is the fact that the relations of the productive assets and the means of production in this country are obviously as a result of the 350 years of colonialism and apartheid. In my time as an activist, we used to call this colonialism of a special type or racial capitalism, both which were explaining the kind of unique situation we find in South Africa.

The result of that system, whichever way you categorize is, as Stephen said, that the productive resources lie very largely in white hands. There is consensus that this must change, obviously, once you've had 1994, this has to change. The issue is how do we do it and what is the best way to do it. The Black Business Council commissioned a report on BEE and we came up there with the broadest possible definition of black economic empowerment. It included ten elements, which are the following:

- Job creation
- Rural development
- Urban renewal
- Poverty alleviation
- Specific measures to empower black women
- Skills development and management
- Education
- Meaningful ownership
- Access to finance for households
- A people-centred strategy

All these are defined broadly within the report. This definition is probably the broadest definition yet for BEE and it can hardly be referred to as a recipe for all those things you see in the paper of black elitism or enrichment of a few and so on. The preamble to the report also said that the challenge facing black business is to become a dynamic force for change and it said "this class has a responsibility to play an activist part, to champion transformation efforts in the economy as a whole and within their professions and places of work. Black business organizations must enter into strategic alliances with other sectors of civil society, trade unions, community groups etc, to advance the countries transformation agenda."

My view is that this unfortunately has not happened and some of it is because of the incoherence in the debate. There has been unfortunately a polarization among the victims of the so-called racial capitalism and black business is sometimes pitched as the enemy and the elite tag takes a sort of pejorative connotations. I think COSATU in particular, although there are others, has been spear-heading this polarizing stance of what I should think would be potential allies in the general transformation struggle whether you are talking about black business, the ANC or the government who all espouse this policy. Why I say it's incoherent is because the attack seems to be adhoc in two specifics deals which I will deal with later or specific people or specific groups of people., whereas at the national debate level, COSATU and other members of the left have fully supported BEE for obvious reasons, as I've mentioned. That support is well articulated in the Growth and Development Summit report which I was part of, as a negotiator in the GDS representing business. Chapter 4 of the GDS report deals specifically with BEE.

The RDP document, which once again everyone claims to support, spells out clearly the transformation imperatives around the economic issues. COSATU's position, in my view, the mistaken view was articulated in their submission to the BEE Act discussion in 2003/2004, where they claim that there should be trade-off between empowerment for the majority and the advantages for black business, as if the two cannot co-exist.

The COSATU submission to parliament said, and I quote "an emphasis on ownership and control may take place by insisting on increased representivity within existing market structures. Given the concentration of ownership within South Africa, this approach will effectively only enrich a small black elite." They went on to say that " strategy to support black enterprise by increasing the representivity of business is a necessary element of BEE" and they underlined this part " it is not however as high a priority as measures that will improve the conditions of the majority of the black population." So you can discern in that discussion, this one or the other – a trade-off kind of theme, which I think is uncalled for.

The ANC president said in ANC today (volume 3 No 37) about discussing this kind of stance, "the task of liberating the masses of our people from a racial-based socio economic situation that brought the ANC and the progressive trade union movement together over many decades has not disappeared".

In my view there's room to align progressive forces around the issue of the obvious need for broad-based economic empowerment and I think that the debate between black business and COSATU for example should deal with specific issues such as the role of retirement funds in providing capital which is the biggest problem facing BEE today; Aesops and other employee trusts – how they can be put into place in appropriate circumstances and how we can prevent their abuse because they can be quite open to abuse; co-operatives and employee buy-outs where applicable; and the issue of poverty alleviation or empowerment of the poorest of the poor. In my book, the poorest of the poor is a much broader category than workers. I daresay that if there was to be a stratification of the economically disadvantaged people of South Africa, in the current South Africa, people who have jobs and are working would probably be, in that categorization, the lucky ones, or some kind of elite.

I did a very unscientific snap survey. You all know about the Mzansi account, which is one of the products of the financial services charter, which emphasizes banking to the so-called unbankable – that's the part that targeted to the poorest of the poor. I did a very unscientific survey at my work place to find out of the people who are working at all levels to see if there was anyone who didn't have a bank account and I found that they all did. This means that the million or so beneficiaries of that brand of BEE, banking the unbankable, are not people who can be categorized as workers. I think it is important to make this distinction.

The RDP, once again something that the labour movement claims to support, calls on a national partnership on these issues, Nedlac and so on, and says the following “this partnership and national consensus does not mean that different constituencies and organizations of civil society cannot and should not have their own aims and goals. It does however mean that they should attempt to make those aims and goals consistent with the aims of the RDP and the renewal of our society, in a conscious and honest process.” It goes on to say, “it is essential that organizations of civil society do have clear goals which reflect the real interest of their members but they should leave their members in attempting to align their goals with the RDP. In this way the energy of the nation can be harnessed for the good of all.” I think it is important when we debate these issues that we bring what the real issues are.

I next go to the next thing, which is a very troubling thing, the unholy alliance between the forces of the left and the forces of the right. You find some of the attacks that come onto BEE or to the specifics as I mentioned earlier. It is quite disturbing when you find that you cannot distinguish if the attack comes from Tony Leon, Peter Bruce or COSATU and this happens very often.

I’ll give you an example, the example I’m using deliberately because I have a self interest in it. The Telkom deal which got the most scathing attack from COSATU and the other two gentlemen I mentioned, that deal really symbolizes, in my view, everything I’ve just said. The scathing attack is not really about that deal. It’s about that fact that ideologically, COSATU, and maybe correctly, have taken particular stands against privatisation. That is the only logical explanation one can have. If you look at it at face-value, in that deal the same people that COSATU was going to do a deal with in Old Mutual which is Whiphold, claiming to represent 300 000 people, are the leading partners of that deal. There is a R2 billion stake set up specifically for broad-based BEE and I think if you look at those facts and various other facts then the statement most-quoted and which supposedly came from COSATU, is that this was “BEE of the worst kind.” Now if this is BEE of the worst kind then I don’t want to know what BEE of the best kind probably is. That is just one specific example which shows that the issues are much deeper than just one deal or another.

Now in conclusion, I would just like to say that there are obviously some valid criticisms and unanswered questions around BEE. One for example, is something I raised in a meeting that we had in the Black Business Working Group, a couple of weeks ago with the president, about this issue of broad based BEE vs. broad based ownership. I’m firmly of the view that there is a subtle expectation that black capitalists, within the capitalist paradigm we are operating in, that there should be two types of capitalism – one black and collectivist kind of ownership where there should be no individual entrepreneurs and these are the people that are supposed to buy a 50% stake in terms of our charter while the people who own the other 70% can do whatever they like, there can be one person, two people. I think that issue is actually fundamental. I can challenge COSATU, for example, on the issue of the Telkom deal to say that stake was held by foreigners –

a national asset which was held by foreigners and there was no noise about it. As soon as that stake was bought by black shareholders, there was this hullabaloo. I can put money, but I'll never be able to prove it, that if this stake was bought by Johan Rupert or someone like that, it would have been on page 2 of the newspaper for one day, and that would have been the end of it. So there's a subtle expectation, and maybe it's reasonable, that black capitalists should behave in a particular way.

Those unanswered questions and criticism are not to be unexpected because we are after all ten years into our democracy, only ten years. The interesting thing is that the political spectrum, if there is such a thing, is obviously a round thing because you find that some of the arguments coming from the left and some of those coming from the right somehow converge somewhere. I think that's the problem with taking extreme positions on everything, you find yourself ending up on the wrong side of the debate.

I think the final word I want to say is that black economic empowerment, with small letters not BEE as we've come to know it, is after all what the struggle was all about. If you say that colonialism and apartheid were systems of economically disempowering black people, which they were, they were nothing else – I do not believe apartheid was about you can swim here or you can swim there, I believe that at the heart of the Bantu education, job reservation act and even things like the group areas act, was an economic strategy to exclude black people. Whether you are talking about the land acts of the so-called union period, whether you are talking about the wars of dispossession of the earlier centuries, taking away livestock and land and so on - all these were manifestations of an economic kind of strategy. And therefore come 1994, you had to have, whatever you call it, something that was black economic empowerment in its nature and we cannot run away from that. My own view is that we should separate the fundamental issue of ownership which is where all this contention really comes from, from what I call all the elements of the scorecard which I regard as affirmative action for lack of a better word, and I think that the debate especially around ownership should be approached consistently and with some degree of intellectual honesty.