

**XIV International Economic History Congress, Helsinki 2006
Session 86**

**STATE, CAPITAL AND THE EMERGENCE OF A NEW POWER
ELITE IN SOUTH AFRICA: 'BLACK ECONOMIC
EMPOWERMENT' AT NATIONAL AND LOCAL LEVELS**

Bill Freund
University of KwaZulu-Natal (South Africa)
freund@storm.co.za

The premise of this paper is that, while classic models of capitalist development were predicated on the assumption of the rise of a class of native entrepreneurs, particularly industrialists, completely distinct from the state although obviously functioning in an at least partially enabling environment created by the state through omission or commission, in what we could term *later industrialisation* capitalism has often (not always) proceeded through and with the creation of close ties between state officialdoms and business elites. This picture of intertwined elites, educated together, interacting socially, can be drawn for developed, industrialised economies as witness the classic sociological work of C. Wright Mills for the USA or Pierre Bourdieu for France. (Mills, 1956; Swartz, 1997, Hall, 1986 on France) for various purposes. In less developed countries, we can add the ingredient of a nationalist-minded development ideology unifying bureaucrats, politicians, businessmen and perhaps parastatal directors and military officers. At the same time, one has to add in the role of foreign firms and their representatives, sometimes powerful to the point of dominance in particular economic sectors or areas of policy. The interpenetration of the state and capital has been observed classically for students of the industrialisation of Germany and particularly Japan, as well as in more recent studies of the Asian Tigers and the Newly Industrialising Countries. It can certainly be argued that the evolution of large-scale business organisations and the multi-national firm lend themselves to this development very forcefully although there may well continue to be tensions and difficulties in shaping a uniform policy outlook within this elite.

Peter Evans, best-known for his studies of development in Brazil, believes that the question to ask about state intervention in economic and specifically industrial evolution today is not "how much" state involvement but "what kind"?' The predatory state for Evans is one where there is plenty of involvement of the wrong kind, where private interests systematically loot the state which has systematic ability to extract wealth from natural resources. The opposite would be one, such as Korea, where there is a smooth

integrated path being followed in private and public sectors.¹ The model developmental state is one where 'bureaucratic apparatuses...are embedded in a series of social ties that bind the state to society and provides institutionalised channels for the negotiation and renegotiation of goals and policies.'(Evans, 1995, 12) Obviously this implies an interpenetration and/or functional division of relatively like-minded elites.²

In the following analysis, I hope to interrogate the South African case along these lines. It is interesting that just as Evans is prepared to look at Western models (Austria) as well as non-Western ones, he is also considers sub-national units (Kerala State, India). In contemporary analyses, the concept of the developmental state has changed to include (and for some to be superseded by) sub-national units of study, notably provinces and cities. (Piore & Sabel, 1984) While the larger part of what follows will consider South Africa as a nation, I will also consider the case of the city of Durban although the conclusion will tentatively be that the national unit is overwhelmingly the more important one in this case, regardless of some contemporary globalisation theory. The original intention of this paper was in fact to put more emphasis on Durban but local elections in 2006, the period intended for research, made fresh enquiries difficult and thus most of the Durban material is an extension of previous shared research.

The historical study of the political economy of South Africa is a richly developed field of enquiry although the point has been made that the actual study of economic mechanisms, the economic history of the country, has been somewhat less well-served. (Fine & Rustomjee, 1996) The most powerfully developed aspect has been the study of controls over the development of a wage labour force in the modern era, hemmed in so that it has lacked many conventional aspects of free labour associated with capitalism.³ This has meant a study of fractions of capital, for instance mining, agricultural and industrial, and the role of the state in negotiated arrangements that could suit all parties. However, there were also other important issues that had to be worked out in order to allow for the industrialisation of South Africa to proceed, particularly after the seeds had been sown in the World War I era. One challenge was to turn an economy dominated by mining into one that offered more diversity and a far broader range of autonomous activities. Tariff and fiscal policies were initiated to this end. Another related one was to enable the state to intervene where the market had refused to go. During the 1920s, the state initiated a national electric company and created an iron and steel complex, ISCOR, the latter despite a long period of objection from mining interests. Nancy Clark has demonstrated very well how the central figure in ISCOR's formation, H. J. van der Bijl, skilfully came to marry the concerns of mining capital with the development of a state

¹ Classic studies set in Asia are Amsden, 1989 and Wade, 1990.

² In considering one of the most economically developed African countries, Colin Leys applies this sort of approach to Kenya. In practice, the state has largely behaved in a predatory manner but Leys believes that this is not something that is structurally inherent or unalterable. Kenya can be evaluated in this sense in the same light as Brazil.. Leys, 1996.

³ Classic studies include Wolpe, 1972, Legassick, 1974, and Johnstone, 1976.

metal industry that would not actually challenge the dominance of the mines in the economy at large.⁴ (Clark, 1994) There were substantial attempts at forming an 'embedded' context that would retain the primacy of gold mining interests. (Yudelman, 1984)

Much attention has been paid in this regard to the Pact government established between the National and Labour Parties in 1924. However, it can be argued that it was under the premiership of Jan Smuts in wartime (1939-48) that the foundations of an industrial society were laid in terms of social security, education, urbanisation as well as through the foundation of the Council for Scientific and Industrial Research, the Industrial Development Corporation and other bodies. Influenced by Keynes and the New Deal, Smuts was able to take the role of the state forward at a time when this was a completely conventional practice internationally. South Africa came to fit very well into the rubric of developing countries which sold valuable natural resource or agricultural goods to the world and threw a wall of protection around home industries. This encouraged foreign companies, notably major automobile manufacturers, to produce in South Africa for a local market. Later other parastatals were established with more and more emphasis in the *apartheid* era on security concerns such as SASOL (coal into oil) and ARMSCOR (armaments, including aircraft). A remarkable feature of this development, given the modest scale of the economy, was the relative power and importance of South African based corporations. Legislation made it difficult for the biggest of such companies, moreover, to take wing and either move or expand elsewhere. Thus the biggest corporation, Anglo American, the mining giant, was virtually obliged to become the initiator of textile mills, paper mills and chemical plants and become a major investor in urban property in South Africa by the regulatory regime.

During the pre-*apartheid* Union era (1910-48), moreover, there was intense rivalry between two ethnic groups amongst the dominant white minority who legislated virtually exclusive political power to themselves following the hegemonically established concept that a bounded white minority alone was fit to administer and develop a modern civilisation in South Africa. (Freund, forthcoming) This rivalry followed through from the violence and bitterness of the Anglo-Boer War which had established the basis for a Union of South Africa by force, strongly tilted towards British power. Despite the early hopes of the victors in that war, the electorate in the Union showed the Afrikaans speaking population to be slightly in the majority amongst the whites, a majority that gradually increased with the years and was the more influential for the overweighting of rural constituencies in the Union constitution. Here already however was a disparity between political power—which Afrikaners could and eventually did grasp constitutionally—and economic power, which remained largely in the hands of the *uitlanders* and focussed on financial control of the gold mines. In 1910, Afrikaner capital was largely focussed on pockets of modern agriculture and real estate with little purchase over finance; the civil service was dominated by Englishmen. Afrikaner nationalism was determined to right this balance as best it could, more timidly in the Hertzog years of the Pact and Fusion governments (1924-39) and then more forcefully when the Purified Nationalist dominated governments associated with *apartheid* were in charge. (1948-90). To improve the lot of

⁴ For the electricity monopoly ESKOM see Christie, 1984.

Afrikaners involved a wide range of activities which included preferred hiring for the so-called poor whites, wide-ranging developments in education including higher education, an Afrikanerisation of the civil service including the parastatal sector. A remarkable feature of this process was its inclusive nature vis-à-vis Afrikaners. Over the decades, the improvements in living standard for the large majority were very dramatic. Afrikaner nationalists themselves conceptualised their vision as *volkskapitalisme*. (O'Meara, 1983)

From the 1920s however, the promotion of the interests of an Afrikaner business class of industrialists, agro-businessmen and financiers was a prime aim of Afrikaner nationalism and notably of the key social institution of the *Broederbond*.⁵ (Adam & Giliomee, 1979) After the crisis caused by a first wave of black insurgency in 1960, it was Anglo-American which was prepared to carve out a section of mining interests to Afrikaner interests in creating Federale Mynbou or GENCOR as it became. By the time this crisis was past, in the words of Daryl Glaser 'the interlinking of Afrikaner and Anglophone capital was part of a larger "interpenetration" of private, state and foreign capital, as well of cross-sectoral diversification, that produced a new constellation of concentrated economic power'. (Glaser, 2001, 104) This fulfils very well the Evans model where the bureaucracy ... 'are embedded in a concrete set of social ties that binds the state to society and provides institutionalised channels for the continual negotiation and renegotiation of goals and policies'. (Evans, 1995, 12) The national scene was dotted with weighty characters whose rise to wealth had certainly been at the least blessed by the Afrikaner National politicians. Some of the most eminent were Albert Wessels who ran the autonomous South African operations of Toyota, which became the most successful automobile manufacturing venture, Bill Venter, the most important figure in the development of information technology in the country, the colourful Louis Luyt, fertiliser king and the richest of all, Anton Rupert, whose Rembrandt Corporation arose from cigarette manufacture. The web that linked bureaucrat, businessman and politician was an intricate one. In this sense, South Africa really did qualify as a developmental, late industrialising state with a particular sort of power elite that reflected the particularities of Afrikaner nationalism.

It does need to be pointed out, however, that this coherent Afrikaner elite at first sight was far less so on closer examination. Luyt made his fortune competing with the fertilizer parastatal. Wessels was contemptuous of many aspects of *apartheid* while Rupert took his distance more discreetly from it with time; by the end of his life in 2006, the most notable obituary tribute came from Nelson Mandela.. The *Afrikaans Handelsinstituut* or AHI which distinctly represented Afrikaner business interests under the old regime was from 1948 on uncomfortable with many state policies that seemed to go against general business needs, if more loyal than its English language equivalents in the expression and openness of its criticism. (Posel, 1991) Much of the time, Afrikaner businessmen said much the same thing as English businessmen. The interests of 'capital in general' were generally more important than those that had led to the emergence of an ethnic elite although Afrikaner businessmen continued to function as loyal National Party members. The relation between the state was not seamless and became ever less so. Negotiations in the later *apartheid* period (the Carlton conference, Good Hope conference and the like) to

⁵ This subject has been very well developed from different perspectives by Adam & Giliomee, 1979 and O'Meara, 1996.

forge common policies (so-called inward industrialisation) did not come easy and did not lead to lasting results. (O'Meara, 1996, 301) In the 1970s, a successful Afrikaner businessman, Andries Wassenaar, in line with the rising world of neo-liberal thinking, wrote a book that swept the consciousness of much of the Afrikaner bourgeoisie on the need to reduce the role of the state drastically; it was as though this kind of elite bonding was no longer needed in a maturing capitalist environment. (Glaser, 2001, 105-06) Wassenaar type thinking influenced the state in the P.W. Botha era on the one hand, making the old *Broederbond* ideas very much less coherent; on the other, smaller and locally based Afrikaner businessmen often deserted the National Party for the much less flexible Conservative Party which became the main parliamentary opposition in the final days of the regime. The participation of Afrikaner capitalists in illegal talks with the exiled ANC from the middle of the 1980s showed that they had big problems with the recalcitrance of the P.W. Botha government to negotiate an end to *apartheid*. In this sense, the Evans model is predictive: he sees the embedded autonomy of state-business co-operation tending towards restructuring and intensifying contradictions requiring, at the least, the establishment of new alliances when nationally-based industrialisation is no longer in question as the central issue. (Evans, 1995)

This then brings us to the post-*apartheid* problematique: Up to a point, the Evans model is again predictive. The relationship between state and capital, the *alliances* that underlined the dominant policy trends, needed to be altered in significant ways to bring South African business in line with the changing patterns that we generally refer to as globalisation. The state was required to come into play in new ways as a regulator, there were pressures to privatise, to invite more foreign capital in and to allow South African capital out. However, in the South African case, these pressures went together with a mounting political crisis. The failure of the state to cope with the needs evoked by the proletarianisation of large number of black people and the sheer force of black nationalism combined to make modernisation and further development of the economy difficult to undertake. The regime lacked legitimacy, attracted little new investment and suffered from a collapse of the currency value. A militant trade union movement challenged corporate control of the workplace while civic organisations made black urban communities (townships) 'ungovernable' except by constant exertion of force. This situation was characterised by John Saul and Stephen Gelb as an 'organic crisis' of South African capital. (Saul & Gelb, 1981, see also Gelb, 1991).

When the ANC came to power in 1994, it had very little direct business representation at all, no Establishment voice within its direct ranks. The Reconstruction and Development document which served as a kind of election manifesto had little to offer business except for very small-scale entrepreneurs. (Hirsch, 2005) The party was 'allied' with the South African Communist Party and Communist Party members were prominent amongst new cabinet members and other prominent new government appointees. The discourse of the ANC largely derived from an international left normally very remote from the corridors of power in the age of globalisation.

From the perspective of 2006, while the marginalisation of the mass of poor black South Africans remains as marked as before, this situation is no longer obviously an 'organic

crisis' or perhaps a crisis at all from the perspective of capital. I would argue that the social crisis, which remains acute but is in large part depoliticised, has been severed from the crisis of capital which has largely gotten what it desired and is relatively contented with the current situation within limits to be discussed very shortly. Generally speaking, the African National Congress in power since 1994 has taken measures to make business profitable and stabilised through the regularisation of a labour regime, through agreeing to various strictures of the World Trade Organisation and through accepting the advice of the Washington Consensus institutions by encouraging privatisation and lowering tariff barriers, through the fiscal regime which made transfers of capital in and out of South Africa much easier and through the vigorous promotion of international trade agreements. The rapprochement with business began when the ANC was still in exile through the visit of various leading business figures and strongly promoted by the future president Thabo Mbeki. (Adams et al, 1997; Gumede, 2005) With some justification, the ANC considers that it has created a national economic system that is highly business-friendly although rewards for this in terms of growth have been slow in coming. The nature and timing of this transition is highly debatable. In this article, that question is best left aside beyond asserting that this change certainly and definitively has taken place.

Instead its focus is on the creation of a new national elite intended to be the bearers of the new regulatory system that is being put into place. For a major factor that belongs outside the Evans characterisation has been the requirement in South Africa of this sort of change. This requirement can be looked at in two ways. Firstly, the old elite has been far too disconnected from the political changes that have taken place. Its habits have been shaped by well-established practice and by the powerful influence of business custom in the United Kingdom in particular. This is a mature capitalist class, inclined to invest in speculative and leisure activity, new technology and property, very unlike Evans' type of potential industrial investors. There is a mistrust of black politicians and what might politely be called Afro-pessimism. Disinvestment and emigration (particularly of the families of top figures in business) are very typical; only a small proportion of the established capitalists in South Africa vigorously engage in the new business environment. (Interview, McCarthy and Gumede, 2005, 215). On the contrary, the new regime has permitted (and perhaps encouraged) the shifting of headquarters of some of the big corporate empires in South Africa—Old Mutual, South African Breweries, Rembrandt and—above all—Anglo-American to stock exchanges in the North, especially London. (Southall, 2005, 182) The negative perceptions about South African prospects obviously suffuse this class and are occasionally aired openly, to the anger of the government whose relationship to Anglo-American, for instance, has not been very warm.

The movement of foreign companies into South Africa by contrast has been slow. At first it was characterised largely by paper investment on the Johannesburg Stock Exchange or residential property purchases taking advantage of South African discount prices. Much of the former as well vanished quickly with the so-called emerging markets crisis of 1998-9, ending short-term growth prospects for a while. It is, however, becoming more significant with the renewal and advance of prosperous times since 2002. New automobile sellers such as Tata have arrived and Tata now plans steel manufacture and export in Richards Bay on the east coast. Tata's big Indian steel rival, Mittal, has bought ISCOR. British

interests are important in cellphones and Finns are beginning to make a play for the timber industry giant Mondi. One of the three chemical industry giants is in foreign hands. The big German car manufacturers, Daimler-Benz, BMW and Volkswagen are developing a level of integration with South African plants that permit an important export component, by far South Africa's most significant industrial export element (although equally with a very high import component) dependent on relations with support from the South African government. Barclays Bank of Britain is currently negotiating its return to South Africa through the purchase of ABSA, the private bank once associated with Afrikaner capital and the closest perhaps to government interests today. At this rate, South African capital will have a far larger—and very diverse—international component than in the past in coming years while the traditional dominance of a handful of oligopolies is being diffused, if not coming towards an end..

A second point, however: The ANC has a strong nationalist component and strong roots in black nationalism in particular. Indeed its focus on black solidarity and black uplift is crucial to its remarkable continued electoral success. There is a discomfort and a sense of political unsustainability at the strange marriage of white business and black politics, especially given the limits of trickle-down style redistribution. (Marais, 1998) However, the ANC also does not want South Africa simply to become a clearing-house for foreign capitalist interests although it may prefer foreign partners to local white capitalists as partners much of the time. If there is an 'elite pact' which determined the form of the new South Africa in 1994, a critical component was needed—capitalists from the ranks of what in local discourse are called 'the previously disadvantaged'. William Gumede argues that a key meeting, held in 1993 at Mopane Lodge, Kruger National Park not long before the first democratic election, was the real turning point here. (Gumede, 2005, 222) If such a class can be firmly established and integrated into an embedded *modus operandi*, it can be an anchor for stabilisation and further growth of a 'developmental state'. (MacDonald, 2005) But can the 'developmental state' dance be performed with a new cast a second time around on a different and far more up-to-date stage?⁶

Before looking at what I see as the main feature of this performance so far, it might be useful to turn one's eyes overseas. The main model for a developmental state at the start of the twenty-first century has to be Asia. A serious study of the factors behind the rapid present economic growth of China and India and the trajectories of the more successful industrialising economies of South-East Asia shows a variety of factors and much less unity than one might hope for intellectual clarity. In our case, one model has stood out as the most influential precisely because of the example it sets in terms of social engineering to change the personnel and ethnic background of the elite—Malaysia.

British Malaya had been a very wealthy and economically successful colony. Its chief exports were plantation grown rubber and tin mines owned by British and, sometimes, ethnic Chinese, business, in a location that stood astride the main sea-route between South and East Asia. A lightly peopled territory, it attracted few British settlers but large numbers of Indian, Indonesian and, particularly, Chinese immigrants. Indeed, at the time of

⁶ This continues an argument that I have begun to develop in Freund, 2004 and Freund, 2005.

independence if one included the Straits Settlements, notably Singapore with Malaya, the Chinese formed the largest element in the population, an unacceptable political fact for Malays. Thus Malaysia had been structured after independence through the extrusion of Singapore and the inclusion of the British territories on the northern and western coast of the island of Borneo, where the Chinese minority was smaller and the Indian minority very small, so as to have a Muslim Malay majority population. But the large Chinese minority remained dominant in business and seemingly in control of the urban environment. 'Both Malaysia and South Africa share a potential for racial violence and strife that is Bosnian in complexity and ugliness' to use the words of a Eurasian Malaysian businessman very familiar with South Africa and a family beneficiary of Malaysian state policies.⁷ Urban riots aimed at the Chinese in Malaysian cities on the part of 'indigenous' Malays in 1969 revealed the depth of tensions in this former British colony.

In response, the state adopted the New Economic Policy deliberately aimed at uplifting Malays and disrupting the ethnic-economic order that had characterised colonial development. Malays were favoured to various degrees in terms of state procurement, tendering processes and the licensing of businesses and targets were set in terms of the Malay share of ownership on the Stock Exchange. There were many aspects of policy-making that favoured Malays, some of them not really traceable in hard figures. Thus the state-influenced and controlled financial sector was able to favour and direct loans to Malay-run businesses. (Fay & Jomo, 2000) While Malays had become established in the state bureaucracy, the result of NEP was the creation of a very wealthy ethnic Malay business elite. Jomo K.S. has called this 'crony rentierism', most strikingly manifest in the way the Malaysian state made life easy for close friends in the private sector during the 1998 crisis. (Jomo, 1998) This key aspect of NEP has been attacked as nepotistic and the arrival of Washington Consensus anti-statism as international ideology meant that state intervention of this type was easy to caricature and denounce. While the main Chinese and Indian political parties were part of the government alliance and accepted NEP, it is also noticeable that the majority of Chinese voters gradually shifted to the opposition largely in response to the feelings of being disfavoured. In this sense, the closeness of the model to the aspirations of the ANC and the policies it has pursued is remarkable.

The adoption of NEP in Malaysia went together with a shift in overall economic strategy: the typical Import Substitution Industrialisation model buttressed by large traditional exports, notably tin and rubber now shifted to the courting of new foreign investment with an emphasis on export-orientated industrialisation. This policy has been marked by dramatic success (punctuated with downturns in the late 1980s and 1990s) especially with regard to investment from East Asia. The dramatic stock exchange expansion has included massive foreign investment as well. This feature has been a major part of overall investment figures far higher than in South Africa⁸ and also amounted to consistently high economic growth, rapid urbanisation, an expansion of wage employment and a remarkable decline in poverty. There remain some striking structural problems in Malaysia's dependence on impetus from beyond its borders, indebtedness, lack of investment in

⁷ From the introduction to Emsley, 1996, 1.

⁸ Emsley, 1996, 73, refers to more than a 27% investment rate over 'the NEP period' where post-apartheid South Africa's figure has barely crept up to 17% at peak so far.

productive activities and low research & development capacity. More than 60% of industry, an increasing proportion, is foreign-owned. (Emsley, 2005, 81) Nonetheless, despite the favouring of Malays, this has created an environment which has offered enough opportunity for ethnic Indians (at least those who are not part of the traditional plantation workforce) and especially Chinese to prosper. Despite initial disinvestment, ethnic Chinese have retained their commitment to Malaysia and most of the army of their youth studying abroad have returned to practice professions and careers in Malaysia. Here again the parallel is close in South Africa by aspiration although growth has only recently and briefly started to even approach Malaysian levels.

However, before returning to the South African narrative, it is important to point out that there are also certain features of the Malaysian experience which are quite unlike that in South Africa. In fact, these are precisely the features which are the most important in binding Malaysia to an Asian developmental state story. This involves the role of the Malaysian state in promoting agrarian reform, urbanisation and institutional educational reform. Outside the plantation sector, there remains in Malaysia a significant small farmer sector which remains viable. The state has poured money into credit and input facilities to support this sector. At the same time, urbanisation has been far easier a process than in South Africa; Malaysian cities are not characterised by massive shantytowns lacking in basic amenities despite rapid growth. Finally, not only does Malaysia support education generously but it promotes technical education strongly. It also imposes Malay as a national language, compulsory in the university system. In striking contrast to South Africa, state education policies in Malaysia are considered to have produced very high material returns. (Emsley, 2005, 45) While South African educational budgets are substantial, much of the money remains spent on the salaries of teachers of very dubious quality, particularly deficient in capacity to impart any scientific or technical skills. English has been adopted as the national language: the African languages have certainly not advanced since 1994 and Afrikaans, promoted by the National government and the only possibility for a coherent uniquely South African language, was associated with the previous racist state project of the past and has been pushed back as a medium of expression and governance very substantially. In this last regard, moreover, there is another difference with South Africa that can be noted. The Malaysian project is in the end not about eliminating or marginalising the Asian minorities but about *incorporating* them. In more recent years, emphasis on for instance creating a national youth service project embracing the whole population to counter the involuted ethnic character of the country has been placed. The Chinese youth must become good Malaysians, not permanently subordinated ethnic Chinese.

With the successes of the Malaysian model, the tendency has been to relax the demands for pursuing Malay predominance somewhat and promoting a more aggressively national model during the era of Prime Minister Mohamad Mahathir (himself of mixed Indian and Malay origin but Muslim). It remains questionable how dynamic and effective are the community of state-endowed Malay tycoons. The targets for corporate control have, however, never been met and perhaps never will be met. The fronting of Chinese owned firms by Malays remains common. (Emsley, 1996, 54, who calls these Ali-Baba firms) Clearly the government supports big Malay business and the links have resulted in scandal

(i.e. Remong) at times but if the relationship between different sectors of capital and the state has far from entirely stabilised, it has also been effective in a developmental sense in important respects. (Jomo & Gomez, 2000) Figures show that there is now a very large community of post-1969 Malay trained professionals and managers. Indeed national policy has shifted towards promoting this tendency rather than being so concerned with ownership. (*The Economist*, internet selections, 2005/06)

The South African equivalent of the New Economic Policy is known as BEE—Black Economic Empowerment. It is the subject of daily attention in the South African press and virtually dominates the financial pages but thus far it has only begun to receive scholarly attention. (but see Hirsch, 2005; Southall, 2004, 2005a). The beginnings of this story come from the initiatives not of the ANC but from established corporate business where the once Afrikaner insurance giant SANLAM and Anglo-American hived off space specifically designed to cater to a new class of black business class.⁹ It is an interesting and cautionary tale that these early projects, NAIL and JOHNNIC, ultimately proved to be failures. NAIL faltered as the executive directors appropriated its assets for their personal fortunes. By 2004, NAIL was ‘limping along the path to dissolution’ (Hirsch, 2005, 218) while JOHNNIC, which had largely shifted into the media business, came under the dominant control of white ex-trade unionist John Copelyn in early 2006. Model BEE ex-politico and tycoon Cyril Ramaphosa was effectively forced to abandon his leading interest in the company. Copelyn, however, leads a firm, HCI, built on union pension funds and thus with empowerment credentials of its own, if independent from the new state-generated elite.

Reports of the continued small percentage of JSE shares held by firms owned by blacks, especially after the mini-crash of 1998-99 which ruined NAIL, clothed early BEE in the cloak of imputed failure. The early form of black corporate empowerment was considered to be unsuccessful. In 1998, a body known as the Black Business Council was appointed to formulate BEE legislation and the state instituted a Black Economic Empowerment Commission to get policies on track. The commission reported in 2001 and in 2003 BEE legislation was promulgated in the form of the Broad-Based Black Economic Empowerment law. (Hirsch, 2005, 221) This is now the legislative basis of BEE.

Well before this, emphasis has been laid first and foremost on targets for particular sectors of the economy. The first such set of targets was established for the liquid fuels industry in 2000. (Hirsch, 2005, 223) The Mining Charter, watered down from initially quite extravagant demands for change, eventually required that companies be under black ownership to the extent of 26% in ten years, to be financed by the industry.¹⁰ (Gumede, 2005, 226; Southall, 2004, 323-24) Non-compliant sectors cannot be criminalised but the pressure to BEE oneself is clearly intense and the targets are very likely to be filled at least nominally. A myriad of ‘empowerment’ companies have emerged in order to attract the

⁹ Although the parastatal Industrial Development Corporation was involved with the Sanlam deal, Hirsch, 2005, 213.

¹⁰ The commercial property sector is the latest to enter the lists as of early 2006.

kind of business that will fulfil targets and please the state; at the same time, the state has effectively itself been prepared to make the introductions and initiate company formation to this end. Moreover, it has to some extent turned the very important parastatals (at first considered scheduled for privatisation but in fact always with a strong element of state financial ownership and now defended as economically essential in present form) have been turned into BEE state corporations (often with 'strategic partners' involved). Tendering is a major part of the process and large-scale projects involving mineral extraction and construction particularly. 'The annual R120b.state procurement budget is an important tool in the quest to establish a black bourgeoisie.' (Gumede, 227) By the late 1990s, apparently black companies were receiving the majority of national and provincial tendering contracts although the genuineness of their blackness was not easy to ascertain.

In fact, here the new set of alliances is particularly evident. Here is a current example: a huge contract currently going forward will serve the Gautrain, a new express train service to be created between Johannesburg and Pretoria at the behest of the Gauteng provincial government at very high cost. The contract has gone to a company with the fetchingly African name of Bombela but which consists of a major established South African multinational, a British branch of a Canadian company and a completely inexperienced black empowerment company called Loliwe created for the purpose. A French company will manage the service. (*Sunday Independent*, 30 October 2005). It seems very likely that the state has played a role in these partners meeting one another; it has become ever more involved in informal midwifing of such partnerships.

The pressure to change the face of South African capitalism is in fact not easy to squeeze into juridically defined categories. In practice, the state has done everything to make it clear that it prefers to do business with firms that fall in line with empowerment. In my view, Seekings & Natrass are correct in seeing state legislation rather as constantly mounting pressure on substantial existing business entities to conform rather than in enacting definitive punitive measures. On the one hand, there continue to be questions about how successfully BEE is actually transforming ownership of wealth in South Africa. The more optimistic figures are those that count pension funds and the like within the BEE camp. On the other hand, there can be no doubt that the state is doing much to create a class of closely aligned capitalists. This includes share-holding members of government, former politicians who have become wealthy and successful as members of corporate boards and those closely related to top figures in government.

Increasingly the emphasis has shifted from the role of financial vehicles that involved indebting new entrepreneurs to existing sources of finance from the banks, insurance companies and mining/industrial firms to outright state creation of black capitalists. Probably the three wealthiest figures in Johannesburg financial circles of this type are 'Tokyo' Sexwale, the former premier of Gauteng Province (which includes Pretoria and Johannesburg), Cyril Ramaphosa and once Thabo Mbeki's principal rival for the succession to Nelson Mandela, and Patrice Motsepe, brother-in-law both to Ramaphosa and to more than one Mbeki cabinet minister. Sexwale arrived in business via the Thebe Investment Corporation, founded in the transition years to provide a funding source for the

newly legal African National Congress, which still survives as a business. (Southall, 2004a, 317) Motsepe has perhaps had the most of this trio to do with the building of his own fortune through successful financial manoeuvres. (Southall, 2004a, 324) It can be taken for granted that resignations from top civil service or cabinet positions are followed by individuals being taken up in the BEE world but today the deed is done before and without resignation.

A striking feature of the ANC political constellation, particularly in the Mbeki administration, has been the prominence of women in plum political jobs. The husbands and wives of ANC cabinet members and top bureaucrats are frequently important figures in the business world. Light on this was shed recently when Deputy President Phumzile Mlambo-Ngcuka was caught having used an official plane to make a supposed holiday trip to Dubai. Her husband Bulelani Ngcuka, was a prominent former exile and then State Prosecutor who is now a major business figure was present. Mlambo-Ngcuka was also accompanied by Thuthukile Mazibuko-Skweyiya, a member of a number of corporate boards and involved in deals with Brett Kebble to be mentioned below. Her husband is the Minister of Social Development. Mazibuko-Skweyiya and Ngcuka 'both were part of separate consortiums included in the same empowerment deals'. (*Business Day*, 19 January 2006) The seams are hardly visible.

One can perhaps categorise the new world of top black business figures into four categories with varying degrees of relationship to the BEE legal framework.

First, there are firms established by blacks, frequently recently created ones that are aimed at attracting the attention of anyone wishing to meet the wishes of the state. Often, however, the state and/or existing business has generated their existence. Sometimes however they do represent independent and genuinely entrepreneurial activities.

Second are firms which represent partnerships between whites and blacks but are sufficiently black in ownership to qualify as BEE. Firms such as these are certainly desired by the government as partners but they have not been so easy to structure as pure empowerment firms. Still, there have been remarkable instances where white entrepreneurs, typically new entrepreneurs such as John Copelyn, formerly a trade unionist, have been able to insert themselves very successfully into this world. This of course can shade into a world of fronting which is goes against the wishes of the state but is difficult to control. The violent death of Brett Kebble in 2005, a youthful mining finance magnate who had his hands in many pies, unveiled this world to some extent.¹¹ Kebble had learnt to cultivate many ambitious and greedy figures in the ANC and in particular had become a partner and mentor figure to members of the ANC Youth League, helping them to set up BEE vehicles from which he of course benefited very largely. Two young and ambitious Youth League political activists, Lunga Lcwana and Andile Nkhulu were for instance made the heads of Itsuseng, one of his many companies accused today of

¹¹ For Kebble's amazing empire, see for instance Sam Sole in the *Weekly Mail & Guardian*, 3-9 March 2006. This empire included many dummy companies and patronage relationships were central to their activities.

fraudulent operations.¹² A South African emigrant businessmen, Julian Treger, with not dissimilar ambitions, was reported to wish to start setting up ‘foreign entities’ prepared to work in line with BEE partners perhaps along similar lines in the *Weekly Mail & Guardian*. When the broad indebtedness of the black executives are toted up, perhaps it will eventually seem correct, as black nationalist lawyer and journalist Christine Qunta has suggested, that ‘the major beneficiaries of BEE deals are likely to be white’. (cited in Southall, 2005, 178)¹³

However, some of the existence of partnerships is due to the limited capacity and experience of companies in the first category. Corporations also remain important as generators of black empowerment companies. As its CEO, Gloria Serobe, recently informed the public, Wiphold is ‘the BEE partner to Old Mutual, Nedbank and Mutual & Federal’, a set of major powers in the world of finance and insurance. (*Weekly Mail & Guardian*, 17-23 March 2006). And the big corporate players serve as the models for smaller and more variegated forms of business. Thus a major law firm announced in March 2006 that ‘our target is to have 25% of the economic benefit and control of the firm in black hands by late 2007. We are well on our way to achieving that.’ (in an article by Sanchia Temkin, *Business Day*, 20 March 2006). In my Durban research, I noted that the historically leading city law firm, Shepstone & Wiley, is pursuing the same path. A poll of 300 owners of medium sized businesses showed an increase from 51% to 70% between 2003 and 2005 in those who felt empowerment status would be a powerful factor in their finding new clients. (*Idem.*)

Third are the BEE-related world of the parastatals, almost all led by black ANC appointees on very large salaries.¹⁴ Parastatals have been partially turned into ‘partnerships’. Thus the telecommunications monopoly TELKOM has been partially sold both to foreign investors and to black empowerment owners. The monopoly was breached in 2005 but again the chief beneficiaries will certainly have a big black empowerment stake and this is true very significantly for the owners of the three cell phone companies, an immensely profitable undertaking (which also involves interlocking TELKOM!)

A fourth category would be black managers and executives in the big industrial, commercial and financial companies, some of them nurtured since well before 1990. It is obviously particularly difficult to identify whether or not they are becoming effective generators of policy in economically important activities; some do not have strong ANC backgrounds. They would in any event be to some extent intermediaries between white businessmen and the state/BEE world rather than directly of it.¹⁵

¹² Rob Rose in *Business Day*,

¹³ Thus the Department of Minerals and Energy deputy director-general “said the department had seen an increase in fronting by some mining houses and a systematic dilution of BEE shareholdings once mineral rights had been granted.” (Mzwandile Jacks in *Business Day*, 7 May 2006).

¹⁴ Thus electricity giant ESKOM has a black CEO trained as a town planner; from a list of published names, nine out of ten major division executives are now African.

¹⁵ Southall, 2005, provides a table where the *Financial Mail* claims to assess the twenty most important individuals in 2003 in South African business. Of these no less than nine were black: apart from Sexwale, Ramaphosa and Motsepe, three came from the parastatal sector, one from Anglo American and one from one of the cell phone giants. The remaining individual, Saki Macozoma, became notorious in the struggle over

Looking at this new array of figures, a few observations can be made. There are certainly some successful black business figures who emerged before 1990 in interstices allowed by the reforming *apartheid* state. The corporate sector began to head-hunt and identify future black executives in this era often via the medium of creating management positions in the personnel and later sales sections of their organisations. Dr. Nthatho Motlana, a Soweto physician strongly identified with promoting black capitalism, was originally the chief figure in NAIL (Hirsch, 2005, 214ff) while the National African Federated Chambers of Commerce (NAFCOC) became a prominent organising favouring these interests. However, NAFCOC has not survived too successfully, bedevilled by splits and weaknesses and those associated with these circles have been overshadowed by those with party, if not state, linkages. NAFCOC and successor organisations overshadowed and rendered unneeded by the multifold ties generated by state intervention. [cf the influential Presidential Black Business Working Group, forever impatient with the pace of “empowerment”] Second, while prominent BEE beneficiaries do include individuals such as the former ambassador to Britain Cheryl Carolus or the Minister of Environmental Affairs Valli Moosa, respectively considered to be Coloured and Indian, the real BEE world is overwhelmingly a black African one despite what one might expect from the higher educational qualifications and stronger business traditions amongst Coloured and especially Indian South Africans. Third, the signs are that the private sector in South Africa, if it wishes to have a serious engagement with the state, must show a black face, ideally from top to bottom but especially at the top. This is not the case with regard to foreign capital. Foreign investment is in part being excused from BEE rules.¹⁶ The desire rather would be to bring international capital in as a distinct, autonomous partner. In this sense, Evans’ notion of a changing set of alliances in response to globalisation are in large part beginning to be carried out in South Africa. However, the other factor at play is the opposite of globalisation as it is generally understood: locally-based nationalism.

Assessing BEE requires more than detailing the clearly extensive intermeshing of a private-state based elite of common origins and common political affiliation. First of all, it remains true that actual black influence as directors and as owners of South African companies remains very modest. For instance, black “tycoons” and company directors are often dependent on large loans from the existing sources of finance which will not be repaid quickly or easily, as we have seen. Most of the black directors of listed companies are in fact non-executive. The disjuncture between public power and private weakness that so troubles the ANC and its supporters has been bridged to some extent but remains very substantial. In 2003, only 1,6% of JSE ownership was held by definably black companies according to one estimate.¹⁷ (Hirsch, 2005; Balshaw & Goldberg, 2005) The proportion in

the succession to Mbeki when it came out that state intelligence was illegally monitoring his telephone in the interests, most likely, of one faction. Thebe Mabanga’s list of 100 most important South Africans of the future—the ‘hot 100’-- at the start of 2006 included 28 business figures of whom no less than 22 had names suggesting black African backgrounds, *Mail & Guardian*, 23 December 2005 -5 January 2006, 15

¹⁶ See *Business Day*, 21 December 2005. To some extent this is also true of small companies with limited staff that can function independent of government linkages.

¹⁷ However, this figure rises to over 15% when various types of institutional investors with predominant black clientele are added. Moreover, there are obviously many shares held by individual blacks in companies

listed firms of black executive directors was well under 10%.¹⁸ (Hirsch, 2005, 230) The state has by contrast proposed a 2014 target of 25% ownership.

Second, while one can certainly find energetic and intelligent black capitalists in South Africa, and firms that are very independent of state links, the extent of corruption, the speed of class creation makes it imperative to ask what extent is this a class that is essentially parasitic, equivalent to what Jomo has called crony rentiers with reference to Malaysia? Taking this further, it remains much less clear that the new class of black businessmen and women have any kind of broader project relating to South African economic development. Southall has argued that they preside over firm structures dominated by managers with essentially narrow financial ambitions only, whatever their colour. (Southall, 2005, 183-84) Thus far some kind of nationalist patriotism remains more a feature of Thabo Mbeki's wish-list than any kind of reality and according to the best-informed of writers on the subject, William Gumede, is a deep source of frustration to the president. Gumede believes that the kind of alliance Mbeki stands for is a model for African development continent-wide; South Africa stands or falls on the premise of BEE. (Gumede, 2005, 224-25, 230) Mbeki's commitment to regulated governance and clean hands, moreover, goes directly against the strong pressure to empower and enrich black people quickly which he equally demands; the tension between these two tendencies are a regular manifestation of South African life as witnessed in the media.

Coming back to the Malaysian example, it is important to recall that NEP in Malaysia was intended to bring about deep institutional and social intervention that could turn around Malaysian society from the furrows that had been ploughed in the colonial era. In South Africa, BEE largely lacks any such pretensions. However, the radical and populist roots of the liberation movement that brought the ANC to power have lain behind a repeated critique difficult for the government to thrust aside. Again and again, the problem with BEE is defined as its narrow base and its tendency to reward (if extremely generously) only a tiny number of select beneficiaries. As Seekings & Natrass point out, there is no reason to think that the emergence of a small class of rich businesspeople either increases the number of small business opportunities or has any effect on unemployment. (Seekings & Natrass, 2005, 344-45) As William Gumede frankly opines, "Very few of the new rich put their money into bricks and mortar; they much prefer to simply acquire more money".¹⁹ (Gumede, 2004, 215)

This criticism has struck home and is seen to have potentially an effect on the party's core constituency. Therefore, policy has shifted officially towards the institution of what is called Broad-Based BEE. Broad-Based BEE has recently achieved official status through scorecards of indicative targets devised by the Ministry of Trade and Industry (Codes of Good Practice) which are intended (with reference for instance to the issuance of tenders)

which are not predominantly owned by blacks. For a short guide to controversial figures, see Southall, 2004a, 318-19.

¹⁸ By contrast the directors on state-owned enterprise boards were more than 60% black.

¹⁹ In an interview taken from research on the local scene in Durban, a prominent independent black businessman who exhibited a real interest in 'bricks and mortar', expressed disappointment that it was so difficult to make money from manufacturing compared to financial speculation.

to supersede simply the question of black ownership. This system was released to the public in November, 2005. Instead a whole host of categories are evaluated on scorecards: the presence of black management, skills and training, the status of companies used by the applicant company as offering services and products, benefits to micro and small enterprises and to the social wage of black employees are all worth points. (Balshaw & Goldberg, 2005) This system envisions a phalanx of independent BEE evaluators emerging to gauge the honesty of replies and certify compliance; these will grant Verification Certificates of appropriate conduct. It is certainly questionable at this stage whether the massive costs involved in such an evaluation process will be undertaken or whether this process cannot itself be corrupted. Certainly the temptation to evade the whole process by fronting, more or less legally, all black firms intended to catch business, is likely to be great. However, the pressure for compliance is also important and some argue leads to change in advance of any formal pressure. (Vuyo Jack, *Business Day*, 12 March 2006)

At present, the spectacular benefits accruing to a few hundred black families at the top largely linked to the ruling party but unconnected to the broader issues of equality and opportunity in South African society leave BEE as a policy with limited enthusiasm from the bulk of the ANC's supporters. 'Features of deals announced this week include a growing list of government officials who are major beneficiaries, continuing generous share allocations to members of the African National Congress's national executive committee and highly unequal allocations between leading and ordinary members of BEE consortia'. (Kevin Davie in *Weekly Mail & Guardian*, 11-17 November 2005) The moral element here frequently tends to be quite dominant in the available literature. (Hirsch, 2005; Southall, 2004)

This essay tries rather to pose not whether the ANC is hanging on to its ideals but whether South Africa can re-invent itself as a genuine developmental state, which might make such an evolution worth the growth of inequality within the black population.²⁰ Here one has to raise the question of the relationships of the new black empowered to the established business elites even as they unbundle the oligopolies of the past and restructure their interests. Is this potentially a stable or effective set of partners? How will the growing impact of foreign investors impinge? At a journalistic level for instance, a short report included the view of the executive director of the Japanese External Trade Organisation in South Africa that BEE codes are an 'African cost', a 'hurdle' which is part of what is involved in doing business in South Africa; the implications of these terms are not exactly positive. However, the article suggests that opinion amongst foreign investors on this varies considerably. (*Weekly Mail & Guardian*, 20-26 January 2006) And what about white corporate and managerial representation? There is a lack of clear positive signals as to where its place is in Mbeki's real vision and the message is often one of grudging exploitation of superior skills and resources filled with resentment about the past rather than a genuine partnership. Whites speaking frankly generally have a pessimistic outlook (Interview, Jeffery McCarthy) However, at the same time, BEE is a cornerstone and to

²⁰ Not enough attention is paid to the rapid emergence of a black employed petty bourgeoisie, but see Crankshaw and Seekings & Nattrass. For a very interesting but different take on South Africa as a developmental state, see Southall, 2005b.

some extent a token for the rapid emergence of a new power elite whose position in society may be very firmly lodged and who are very closely linked to the new political order.

Much current development literature places great emphasis on the declining capacity of the national state and national planning in the context of globalisation. In a sense this represents a more conservative version of the historically very well-developed pessimism within Marxist and dependency theory writers about the potential for national development along any kind of capitalist path. However, it has also been accompanied by renewed and more optimistic research into the potential for growth on locally-based focal areas, whether provincial, regional or urban. This research project originally intended to place more emphasis on this dimension in consequence, using the large port city of Durban as a model. Unfortunately the local elections of 2006 created an environment that made new research difficult. Some relevant information was acquired in interviews, however, and what follows builds from slightly earlier research which specifically queried whether it was possible to see growth coalitions functioning as elite alliances to reconstitute economic growth in Durban.²¹ (Moffett & Freund, 2004)

There are a number of distinct aspects of Durban that make it interesting in this regard. It is a city with a substantial African majority, like Johannesburg. However, in Durban the large majority of Africans speak one home language, isiZulu, and have their roots within the province of KwaZulu-Natal. In the province, the African vote, uniquely in the country, has been divided between two parties, the ANC and the Inkatha Freedom Party. The IFP, long weak in the city, has tended gradually to loosen its grip in most rural areas as well in recent years. There is a large Indian minority constituting more than 20% of the city population; this is the one component of the non-white population of South Africa which has historically always included an entrepreneurial class. Consisting of traders primarily, it branched into industry after 1960 particularly with state encouragement while large numbers of young Indians acquired professional educations. Durban has a distinctive white middle class, overwhelmingly English speaking although of more diverse origins, some of it with business links either into provincial agriculture or into servicing the port and the trades dependent on it. Given this mix, it is only in 2006 that the ANC has acquired an absolute majority of seats in the Metro council. Going against this, however, is the extent to which Durban over the past thirty to forty years has become a branch plant economy. Most of its leading managers today are essentially representatives of national business. In particular, there are very limited distinctive sources of finance which can be seen as Durban-centric. (Padayachee, 2002) However, Durban has from the past a long history of close alliance between city bureaucrats, businessmen and politicians.

During the difficult political transition years (1990-94), impromptu coalitions between local councils, capital and the ANC were established in the leading cities of South Africa. In Durban, Operation Jumpstart was particularly successful in establishing an understanding between parties. One early fruit of this was the corporate success in getting city money to back the International Conference Centre which became the biggest and

²¹ Much of the material below is cited and explored more fully in Moffett and Freund, 2004.

most important venue of its kind in the country. In 1996, belated local elections were held on the basis of a provisional voting system that fell short of one person, one vote in terms of previous so-called sunset clause agreements. This system contained a two-tier form of local government with quite powerful sub-metropolitan governments. One of these which served northern Durban was very amenable to the interests of Tongaat-Hulett, the arm of Anglo-American that owned massive property in sugar that it was beginning to convert into suburban estates through the device of Moreland Estates. In general, the picture after 1996 was of a business-friendly city government presided over by Obed Mlaba, a member of an old elite family prominent in one corner of the metropole and still mayor²², in which Tongaat-Hulett and established white capital, now beginning to hire and promote some black executives, were quite successful in establishing the foundation of an elite coalition.

An interesting feature was the diversity of the new players. Some were white. Blacks included pioneer entrepreneurs from the pre-1990 era, ANC supporters and IFP supporters with uncertain relationships to one another. We were interested to learn that the pioneers who had made it without obvious political connections were much admired by others, white and black. (Moffett & Freund, 2004) It was surprising to see the relatively limited success of Indian entrepreneurs, especially in forms of accumulation that relied on state links; indeed some well-known Indian businessmen were clearly in eclipse. An exception was Vivian Reddy, who had successfully made the transition from links to the old regime to the new one with important connections in both IFP and ANC as well as with foreign interests but this kind of straddling was not easy. (Moffett & Freund, 2004, 144, 147) This contrasted with the rising tide of skilled, successful and sometimes very affluent Indian professional men and women qualified in law, accountancy, engineering and medicine, owning medium sized industrial firms or speculating in real estate. Some local BEE entrepreneurs benefited hugely from the establishment of the two licensed gambling casinos in the Durban municipality and elsewhere but this was an exceptionally lucrative new opportunity created by state licensing and tendering structures. In our research, we found that tendering was not generally successful in leading to substantial accumulation by black-owned firms. Instead we found evidence of fronting and incompetence and the major part of tenders continued to be awarded to established firms. (Moffett & Freund, 2004) In this context the 'old' elite was in a strong position and the relative weakness of the ANC meant that new elements did not congeal as at the national level. Little informal socialising took place across racial lines. It was concluded that 'there was no cohesive elite grouping in the city' (Moffett & Freund, 2004, 147). As one interviewee pointed out, while there were alliances of some significance built around particular projects, there was no solidly formed growth coalition in place. In particular, there was no embedded regime of the type that Stone has so memorably captured for the American city of Atlanta. (Stone, 1989; Moffett, 2005) Nonetheless it seemed possible to envision the makings of a growth coalition leading to such a regime.

These original post-apartheid local government trends worked fairly successfully in Durban in a period of generally slow growth. The city continued to be in a very strong financial position based on previous management policies while 'delivering' new housing and other services, particularly to established townships relatively efficiently.

²² Mlaba and his deputy, Logie Naidoo, could be described as businessmen.

Simultaneously equivalent two-tier systems in other large cities, notably Johannesburg and Cape Town, plunged into financial crisis while adjusting poorly to the demands of an inclusive non-racial population. As a result, a new local government dispensation for the nation was created which went into effect in 2001. This dispensation has eliminated the sub-councils and contains a strong central authority in a CEO. The first CEO, a veteran ANC member Michael Sutcliffe, had been the chairman of the Boundaries Commission which delimited the much larger municipalities. Ethekewini, which included Durban, embraced rural areas and chiefly jurisdictions. Sutcliffe presided over reorganisation and considerable affirmative action initiatives that have affected the city bureaucracy which has not yet acquired the coherent vision it has held at periods in the past, notably when its top figures meshed closely with the managerial elite of the city in terms of educational background, leisure activities, etc.

As the position of the ANC improved (an absolute majority in the 2006 Council), it downplayed or closed down the agencies that represented the initial growth coalition scene but where the power of the old white businesses tended to be fairly manifest. Thus the Durban Investment Promotion Agency has been dissolved; it was considered to have lacked sufficient 'legitimacy'. (Moffett, 2005) According to an influential actor, 'the Durban growth coalition essentially got tired and the initiative has in a sense been taken over completely by the municipal manager and his team. The private sector is not driving it anymore. The scales have completely tipped.' (Interview, Neels Brink)

Improvements and extensions to the ICC and work connected with the gentrification and reconstruction of the old Durban Point harbour neighbourhood is probably the key source of new city-powered wealth in Durban. It is interesting that Neels Brink, author of the last quote and previously one of the principal figures in Tongaat-Hulett, now works for Metallon, a corporation where the dominant figure is Mzi Khumalo, one of the big national players in early black empowerment and now the chair of the Durban Point Development Corporation. Metallon will likely benefit hugely from the sale of real estate here. There has been a weakening in the position of the established companies, certainly as initiators of projects, and a fragmentation in the elite formation process. However, generally for participation in serious deals, local players look to Pretoria and Johannesburg for support and knowledge. 'Johannesburg has the real entrepreneurs if you are looking at the BEE categories.'²³ (Interview with Neels Brink)

In another sense too, the centralised power of the ANC has become more potent. Mike Sutcliffe has considerable sway in defining and determining the tender process in Durban. (Interviews with Glen Robbins, Mike Sutcliffe) This process is much harder for the public to access than previously. It is probably widening the possibilities for black business more than before, however; it is equally true that there increasingly are BEE firms who get the tenders but then outsource to white owned firms that continue to possess the necessary skills to carry out particular jobs. (Interview with Neels Brink) The ANC favours black accumulation but clearly is opposed to city councillors having too much autonomy in the process; national legislation has now tightened the forms in which municipal finance can

²³ Brink specifically made the point that there was no equivalent in the country to Tokyo Sexwale in Johannesburg in the field of property which would be Brink's specialty.

be regulated. On the one hand, cohesive elite construction is now far less manifest than in the heyday of white rule (say from the 1950s to 1970s). On the other, South Africa largely defies the literature on globalisation that focuses on the decline of the national state; to the extent that there is elite formation in Durban too, it reflects the will, follows the patterns and operates within the penumbra of what the ANC does nationally.

At this point we are ready to come to some overall tentative conclusions. There is no question that a tightly-knit elite of black businessmen, ex-politicians and public servants, bureaucrats and ANC leaders has formed over the past decade. However, it remains fragile and very dependent on the ANC remaining in power. A split in the ruling party, for instance, might have quite serious consequences. The Mbeki project may come unstuck; the business elite are not easily accepted or liked in the ANC more generally. At the moment, the ANC generally is increasingly paralysed by the emergence of a succession question on the horizon (2008) and strong populist elements manifest themselves so these questions are increasingly salient.

In order to accumulate, the businessmen need as well to establish key links to the old white business elite, English and Afrikaner, and to foreign interests prepared to invest in South Africa. These links are still too superficial and distanced to be considered as embedded in the sense intended by Peter Evans. White capital remains in large measure the horse that bears the BEE riders and it is at the moment more a burden for them to be endured than a wholehearted and internalised alliance.

The ANC aspires to rule a developmental state with the capacity to pull much of Africa forwards. This however requires understanding 'transformation' as something other a cover word for removing whites and replacing them with blacks. In reality, thus far the dominant political forces do not have a developmental project that conceives of transformation beyond the question of racial identity by contrast to the effective developmental states of Asia. In this sense cronyism is so far still the dominant theme. The black bourgeoisie's hold on the economy is very fragile and dependent on an ANC government. It does not have a visible project beyond enriching itself.

A turn to the local scene using the example of Durban shows that while the ANC successfully reins in any locally based effort at autonomous development that might create independent political bases or offer alternatives, it is well able to maintain a centralised authority that sucks the life out of the local state. Growth coalitions which might threaten its hegemony are effectively broken up. The developmental state cannot be found effectively at the provincial or local levels despite apparently significant levels of wealth and formal autonomy. The nation-state remains the key stage on which the drama is being played out.

Bibliography

Heribert Adam et al, Comrades in Business: Post-Liberation Politics in South Africa (Cape Town: Tafelberg, 1997)

----- & Hermann Giliomee, Ethnic Power Mobilised; Can South Africa Change?, (New Haven & London: Yale University Press, 1979).

Alice Amsden, Africa's Next Giant; South Korea and Late Industrialisation, (New York: Oxford University Press, 1989).

Tony Balshaw & Jonathan Goldberg, Cracking Broad-based Black Economic Empowerment; Codes and Scorecard Unpacked (Cape Town & Pretoria: Human & Rousseau, 2005).

Renfrew Christie, Electricity, Industry and Class in South Africa (London: Macmillan, 1984)

Nancy Clark, Manufacturing Apartheid; State Corporations in South Africa, (New Haven: Yale University Press, 1994)

Owen Crankshaw, Race, Class and the Changing Division of Labour under Apartheid, (London: Routledge, 1997).

Ian Emsley, The Malaysian Experience of Affirmative Action; Lessons from South Africa, Cape Town: Human & Rousseau and Tafelberg, 1996).

Peter Evans, Embedded Autonomy; States and Industrial Transformation (Princeton: Princeton University Press, 1995).

Chin Kok Fay & Jomo K.S. 'Financial Sector Rents in Malaysia' in Mushtaq Khan & Jomo K.S., Rents, Rent-Seeking and Economic Development; Theory and Evidence in Asia, (Cambridge: Cambridge University Press, 2000).

Ben Fine & Zavareh Rustomjee, The Political Economy of South Africa: From Minerals-Energy Complex to Complex Industrialisation (Boulder: Westview Press, 1996)

Bill Freund, 'Mbeki's Dritte-Welt-Vision', *Das Argument* (2005a) 262, 552-56.

Bill Freund, 'South Africa: A New Nation-State in a Globalising Era?', *Transformation* 56, 2004, 41-52. and in the *Journal of the Humanities*, III, Melbourne, Australia. (2005b)

Bill Freund, 'The Union Years 1910-48' in Cambridge History of South Africa, (forthcoming).

Stephen Gelb, South Africa's Economic Crisis, (London & Cape Town: Zed Books and David Philip, 1991).

Daryl Glaser, Politics and Society in South Africa (London, Thousand Oaks & New Delhi: 2001).

William Mervin Gumede, Thabo Mbeki and the Battle for the Soul of the ANC (Cape Town: Zebra Books, 2005).

Peter Hall, Governing the Economy; The Politics of State Intervention in Britain and France, (Cambridge. Polity Press, 1986).

Alan Hirsch, Season of Hope; Economic Reform under Mandela and Mbeki (Pietermaritzburg: University of KwaZulu-Natal Press, 2006).

Duncan Innes, Anglo; Anglo-American and the Rise of Modern South Africa (Johannesburg: Ravan Press, 1984).

Frederick Johnstone, , Class, Race and Gold (London: Routledge Kegan Paul, 1976).

- Jomo K.S., 'Malaysia: From Miracle to Debacle' in Jomo K.S., ed., Tigers in Trouble: Financial Governance, Liberalisation and Crises in East Asia, (London: Zed Press, 1998)
- Jomo K.S. & E.T. Gomez, "The Malaysian Development Dilemma" in Khan & Jomo, *op.cit*
- C. Wright Mills, The Power Elite (New York: Oxford University Press, 1956).
- Martin Legassick, 'Capital Accumulation and Violence', *Economy and Society*, III, 1974.
- Colin Leys, The Rise and Fall of Development Theory, (Oxford et al James Currey et al, 1996).
- Hein Marais, South Africa: The Limits to Change. The Political Economy of Transition (London: Zed Press, 1998).
- Michael Macdonald, Why Race Matters, (Cambridge: Harvard University Press, 2005)
- Shannon Moffett, 'Durban's Growth Coalition; A Path to Local Economic Development through Partnerships', unpublished consultancy report for eThekweni Department of Economic Development, 2005.
- & Bill Freund, 'Elite Formation and Elite Bonding: Social Structure and Development in Durban', *Urban Forum*, XV(2), 2004, 134-61.
- Dan O'Meara, Forty Lost Years; The Apartheid State and the Politics of the National Party, 1948-94 (Randburg and Athens, O: Ravan Press & Ohio University Press, 1996).
- , Volkskapitalisme: Class, Capital and Ideology in the Development of Afrikaner Nationalism 1934-48, (Johannesburg: Ravan Press, 1983)
- Vishnu Padayachee, 'Financing Durban's Development' in B. Freund & V. Padayachee, eds., The 'D'urban Vortex, (Pietermaritzburg: University of Natal Press, 2002).
- Michael Piore & Charles Sabel, The Second Industrial Divide, (New York: Basic Books, 1984)
- Deborah Posel, The Making of Apartheid 1948-61, (Oxford: Clarendon Press, 1991).
- John Saul & Stephen Gelb, The Crisis in South Africa: Class Defense, Class Revolution, (New York: Monthly Review Press, 1981).
- Jeremy Seekings & Nicoli Nattrass, Class, Race and Inequality in South Africa, (New Haven: Yale University Press, 2005).
- Roger Southall, 'The ANC and Black Capitalism in South Africa', *Review of African Political Economy*, (2004) 100, 313-28.
- , 'Black Empowerment and Present Limits to a More Democratic Capitalism in South Africa' in Sakhela Buhlungu et al, State of the Nation: South Africa 2005-06 (Pretoria and East Lansing: HSRC Press & Michigan State University Press, 2005a).
- , 'Introduction; Can South Africa Be a Developmental State?' in Buhlungu et al (2005b)
- David Swartz, Culture and Power; The Sociology of Pierre Bourdieu, (Chicago: University of Chicago Press, 1997).
- C. Stone, Regime Politics; Governing Atlanta, (Lawrence: University Press of Kansas, 1989).
- Robert Wade, Governing the Market, (Princeton University Press, 1990).
- Harold Wolpe, 'Capitalism and Cheap Labour in South Africa; From Segregation to Apartheid' in Harold Wolpe, ed., (London: Routledge Kegan Paul, 1972)
- David Yudelman, The Emergence of Modern South Africa; State, Capital and the Incorporation of Organized Labor on the South African Goldfields 1902-39 (Cape Town & Johannesburg: David Philip, 1984).

Interviews (apart from those cited in Moffett & Freund [which see])

Neels Brink, property developer, 30 January 2006 (SM)

Jeffery McCarthy, academic and business planner, 30 November 2005 (BF)

Glen Robbins, academic and former Durban Economic Development Department chief, 30 September 2005 (SM)

Mike Sutcliffe, CEO Durban, 30 November 2005 (BF)