

# The role of emerging black business:

An interview with **Kgalema Motlanthe**

Motlanthe is the deputy-president of South Africa and former deputy-president of the African National Congress



**Ben Turok:** Charles Dickens’ novel *Hard Times* depicts what the new manufacturing business class in England did to the poor in the Industrial Revolution. Wherever capitalism has emerged historically, the new capitalist class had to fight vigorously for their position and often adopted unscrupulous and harsh measures. I wonder whether we could start with your broad view of this, in historical terms. Is the emerging African business class in South Africa different?

## **INTERRUPTED DEVELOPMENT**

**Kgalema Motlanthe:** In South Africa, the process unfolded with the discovery of diamonds and gold. Many, many fortune hunters came to South Africa to pursue those interests. The need for labour meant that they had to impose political power on African

communities that were living off the land at the time, that were organised as primitive communal societies. They imposed certain taxes and set the number of cattle that a young man had to pay as lobola, as dowry. It was aimed at ensuring that they would go out to the mines, to offer their labour to earn the money to buy such cattle. The dog tax and the poll tax were introduced as part of that. The pass system was also imposed very stringently to manage the movement of people from rural to urban areas – influx and outflux control laws. A lot of legislative instruments were introduced to proselytise Africans, to turn them into wage earners on the basis of selling their labour power. It was pioneered for the mining industry. The migrant labour system was introduced for that purpose. Wenela [the Witwatersrand Native



Labour Association (WNLA)] was established as an agency to recruit [labour] – across southern Africa, actually, not just the back roads and villages of South Africa alone.

I'm leaving out the long wars of dispossession and so on, but the Native Land Act of 1913 basically ensured that Africans were dispossessed of the land. Those who had livestock and wagons that they used for transport, commercially, were now forced to perform those activities for the benefit of the new landlords. So, beyond dispossessing Africans of the land, the Act also dispossessed them of other means of earning revenue.

**BT:** That was the nucleus of small business.

**KM:** Yes. So these legislative interventions interrupted the evolution of an African business class. Only small numbers really survived that.

Education also tells us the same story and confirms what I am saying. You would find that the children of those Africans who were already in business, whose parents could afford it, are the ones who ended up getting education. And of course the mission schools assisted a great deal as well. So you get an educated elite among Africans, who had exposure outside of South Africa and tended to be the leading lights of the native congresses. But the congresses still relied on the “landed gentry”: those Africans who were still in possession of land and livestock. Because in the [native] reserves, there were very few who could be regarded as well off.

**BT:** The colonial state institutions actually blocked the path of accumulation. A country like Nigeria or Ghana had colonial rule, too, but somehow the small entrepreneurs managed to continue. There was an emerging business group, even at a low level. Today, if you go to those countries, you can see small business everywhere. And that's because colonial rule didn't stop it in the same way it did in South Africa.

**KM:** Because of this period of economic development that excluded the Africans, the South African economy developed into a world-class economy on the backs of cheap African labour. But I think it's important also to look at the political development. South Africa was a colony, but it became a republic in 1961. In terms of constitutional evolution, 1961 is an important milestone – even though the republic still excluded Africans.

By the time of the democratic dispensation of 1994, Africans by and large had already been removed from the land to such an extent that they were no longer tilling the land on a commercial basis at all. By 1994, it was easier for the ANC to seek a correction of these years of deprivation through the demand for inclusion of Africans in the economic arrangement, as opposed to postcolonial developments in sister countries on

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the continent, where the national economies still had to be established because, in the main, the colonial economies were based on extraction, raw resources, and so on.

In South Africa, the economy was diversified by 1994, even from mining, which was its backbone: manufacturing had evolved to such an extent. That's why the main content of the ANC is the working class, like nowhere else on the African continent, with well-established trade unions and so on. The majority of the African people were now working class people, having to take part in the money economy.

And you've correctly pointed out that in other Africa countries the process of dispossession of the land had not been as thorough as here in South Africa. Even today, one of the things that make it possible for Africans to take part in the global economy is that they have property. In countries like Nigeria, the people in the urban areas have relatives who own land in the rural areas.

If you'd had the production of millionaires from among those who were previously oppressed soon after independence or liberation in other countries, it would have raised very serious class questions. In South Africa it didn't. Because South Africa already had the Oppenheimers, the Ruperts, and so on. There was logic in saying that the main aim of liberation is that the dividends would take the form of inclusion, that Africans should be included. That is why, when some people become millionaires, it really doesn't raise any eyebrows.

## ELITE FORMATIONS

**BT:** Can we explore this inclusion? I think it's the heart of the whole thing. When I was in parliament's trade and industry portfolio committee, we began to talk about providing shares from state enterprises. That was the first BEE [black economic empowerment] legislation. It was actually a gift system; the state would allocate certain shares to African business. By the way, I think we should talk about “African



EE”, not BEE. Indian and coloured people are not really beneficiaries. And also President [Thabo] Mbeki wanted to create a black business class. It was a deliberate policy. You are saying that inclusion on the basis of historical exclusion was a legitimate idea. But the consequence of it was to create a new class.

**KM:** Not to “create a new class”, but to expand an already existing class. Class stratification in South Africa happened without political inclusion of the Africans, but it was there. When we say inclusion, it means that liberation must flow to those who were previously excluded.

**BT:** But it’s not an even flow. And because it’s uneven, it enriches the few.

**KM:** In fact, the formula was such that it could only benefit a few Africans.

**BT:** Thereby creating an African business or capitalist class.

**KM:** Yes, to join in. The reason I am saying that, anywhere else, people would have been shocked – you know, “Only yesterday, we were here together in the struggle and now you people are millionaires” – but that kind of shock never happened because the acceptance of social stratification had been there for years. And so it came as no shock. If you don’t get this inclusion, then you will be sustaining the exclusion. At a political level, everyone has the right to vote now, but, economically, if you say this inclusion is wrong, then you would be easily dismissed as someone arguing for continued exclusion.

**BT:** That’s fair.

**KM:** But it was all muddled up politically, because there was no clarity on the formula to ensure that this dividend would flow to the broadest cross-section of those who had been previously excluded.

**BT:** In the name of justice, Africans had to be included at all levels in the economy. I think that’s understood. But there’s another side to creating a new class of African business, some of whom are very wealthy. Harking back to my original question, the emerging capitalist class is often quite consumptionist, exploitative and greedy. You said that creating this inclusion at the higher level of the economy was a bit muddled up – was that because it created this kind of grouping? Or what did you mean?

**KM:** The creation of this elite in itself, as you correctly point out, could pass as part of the correction of exclusion. The point I am making is that the absence of a formula for how this dividend would flow to the benefit of a broader section of those who had been previously excluded was in itself elitist and ensured

that only a few would benefit from that.

Remember that affirmative action – affirming those who had been excluded for no reason other than skin colour, people who had skills – also meant there was a dividend from this now non-racialist system. People could now, particularly in the public service, move into positions of responsibility, and therefore into better conditions and earn more. That also served to buttress the feeling of a correction taking place, when in fact, in the areas where it matters most, in terms of ownership and operation of economic enterprises, it wasn’t happening.

In fact BEE, as I understand it, was the brainchild of the mining industry, which deliberately went out to select blacks who could serve as insurance against possible nationalisation. They basically went out in search of blacks who were “connected” and therefore could guarantee some kind of protection. And that is why they had a small pool of people that they could rope into the first BEE deals. And they were debt-funded – the deals were structured such that payment for those shares would have to come off the profits.

For instance, the price of platinum at that time was about \$400/oz. So anybody who was given a stake on the understanding that, as profits improved, they would have to pay for that stake, actually got a good deal, because the price went above \$1 000/oz. With that upside, it was possible to pay the debt off. But the people who were given those shares didn’t even have an interest, didn’t know the operations, didn’t have the patience, and so they would have sold that much earlier. They would take the money and leave.

The major beneficiaries were the financial institutions. Those were the people who made a killing out of that first generation of economic empowerment. There were companies that were huge success stories – NAIL [New Africa Investments Limited], for instance – and it was based on a pyramid structure. They actually owned 3 percent or something like that, because of this A share/B share structure. At the end, those who possessed the B shares, the institutions, said “Well, now B shares have the same value as A shares, and we want to vote.” It collapsed. NAIL disappeared from the face of the earth because it was not operational.

And that’s why the BEE formula actually didn’t work that well, when you look at it from the point of view of getting people who firstly have an interest in the sector or enterprise and who will become operational. So that there’s skills transfer and so on.

**BT:** You believe that BEE failed because it wasn’t broad?

**KM:** There’s a whole hierarchy of competing needs of Africans who had been excluded. To me, the





biggest crime of apartheid is in education. Given that hierarchy of competing needs, if we are to spread the dividend of liberation evenly, we then have to invest in education. We then have to ensure that we get a fundamental correction of the effects of Bantu education by investing in training colleges. They have to produce a new cohort of African teachers, capable of dealing with IT [information technology] and natural sciences. The government will not have the money to do that and, at the same time, create the basic infrastructure that is needed in the townships and the rural areas.

So, if empowerment deals were aimed at financing and ensuring the correction in education, if this whole thing was done and channelled in a way that was aimed at correcting the skills deprivation – I think we would be a different country.

**BT:** I agree entirely.

### RENT-SEEKERS

**BT:** This group that emerged through this BEE process – they’re a bit problematic. On the one hand, they seem to be patriotic, some of them are members of the ANC, and the ANC includes them in the motive forces in the Strategy and Tactics [discussion document prepared for national general conferences of the ANC]. Yet, on the other hand, they are actually – as you indicated – beneficiaries of a special type. So can we really regard them as part of the motive forces [of the national democratic revolution (NDR)]?

**KM:** My view is that they are really not a factor. What I mean is that they don’t have an impact among the blacks, as it were. Their impact is minimal. It’s why they channel their support, to curry favour directly from the ANC. In a sense, if we were brutally frank, they’re rent-seekers who extend that role to the ANC as an organisation and therefore are very central in corrupting the ANC, as it were. And so, for them to be described as part of the motive forces can only mean that they will vote for the ANC. That’s all. But they are not a factor, as I said. You can’t rely on them to play a meaningful role, for example, in discussions on transformation of the economy. They have no ideas. They’ve no brainpower, are not engaged in research. They are not a factor, as I see them. Instead, I think, they’ve been included in an already existing business class, which determines the voice of that business class and the views and ideas of that business class are determined by a different set of people.

**BT:** But Strategy and Tactics says that because these people are still going to benefit from transformation, they are part of the motive forces. That’s the argument. You don’t agree with that.

**KM:** To mention them as a category, I think, is just being too generous.



**BT:** Then there is the question of the value system of conspicuous consumption. It seems to me that these people do have trend-setting importance. The lavish, expensive weddings and all that. Even if they aren’t a [motive] factor, there is a political effect of that lifestyle. For example, they import everything. They drink foreign whisky, not South African brandy. It actually has a quite substantial impact. What about the commitment to transforming South African business at the higher level? What is your experience? How do they see the ANC and the “second stage” [of the NDR]?

**KM:** The business community established BUSA [Business Unity South Africa] as its umbrella group. Some of the black people there, like Sandile Zungu, pulled out to establish the BBC, Black Business Council. They say BEE and BBBEE are not working the way they ought to work. The main thrust of their policy proposal is for “set asides” [e.g. for a portion of government tenders to be set aside for black companies]. And the first project that they targeted is the acquisition of rolling stock at Transnet.

**BT:** Even though they don’t have the capital, the machinery or the track.

Let me tell you a story. When I was in jail, there was a guy who had been working with the Broederbond who was in the cell with me. He told me that under the National Party, the brother of the minister would get a letter from the minister to say, “I want so much set aside”. This man would go to the bank with the letter. That letter was enough, as a letter of credit, for him to build a factory and get all the capital needed. Are we doing the same?

**KM:** Well, close to that.

**BT:** So when you say “set aside”, these BBC people actually want letters of agreement from government – that is, tenders – even though they don’t have the capabilities to make it work.



**KM:** Basically they say, “we can’t go and submit proposals for the project because the white corporate world will always out-bid us there.” So, say a certain percentage is set aside for black players.

**BT:** Even if they don’t have the capital or the capability.

**KM:** Well, they’ll go to the same white corporates.

**BT:** Then it’s as a subordinate partner.

**KM:** No, they’ll have the contract.

**BT:** They’ll share.

**KM:** “We have the contract. You have the capability.”

**BT:** So it’s fronting.

**KM:** No, they don’t call it fronting! [laughter] Of course they get offended if you ask those questions.

**BT:** So their commitment to transformation is only limited to set-asides.

**KM:** Yes. Remember, they have to couch their pursuit of their own interests as being consonant with the interests of blacks in general.

**BT:** It has to have a “progressive” character.

**KM:** That’s right.

## ANC STRUCTURES, ANC GOVERNMENT

**BT:** In broad terms, would you say that ANC’s current policies are taking account of these developments in any way?

**KM:** No. I think the ANC is disadvantaged because there is no ANC brainpower outside of government. The ANC is incapable of monitoring what government is doing. When the ANC has policy conferences, the government leaders come and become the ANC leadership, to then debate and fashion policy. All the NEC [national executive committee] sub-committees are chaired by ministers, and therefore policy is determined by the same people.

If you look at, say, the Communist Party of China, the prime minister will be in charge of the economy, and he would therefore be a member of the politburo and central committee. But the brainpower would reside in research institutes outside of the central committee. And so, there’s a way in which the central committee benefits from the inputs of this brainpower.

**BT:** The SDP [Social Democratic Party] does the same in Germany. It has independent research outfits that submit documents and papers. You would recommend that the ANC should develop independent separate capacity?

**KM:** Yes. Some ministers individually link up with universities, researchers and so forth. By and large it’s the bureaucrats. If there’s a good relationship

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or the DG [director-general] has been around for a long time. Like Phil Mjwara in [the department of] science and technology, for example. He’ll already have a relationship with researchers in universities and so the minister would benefit from that. But the ANC would rely on the minister. In the [NEC] subcommittee, it would be the minister; and the minister would be fed all that information through the departmental structures. But the ANC would have no such researchers who link up with universities.

**BT:** A final question about the ANC, the poor and the working class. The ANC claims to be the leader or vanguard of the poor, the poorest of the poor, and so on. From what you’ve been saying – because of the way inclusion has happened – there are very strong influences that are not pro-poor and pro-working class. Would you like to say anything more?

**KM:** The structures of the ANC have been bureaucratized to such an extent that I think there’s a confusion of roles in communities, at local level. You have the ANC branch, the Youth League branch, the Women’s League branch, SANCO branch, SACP branch, SACP youth branch. And then on government’s side, there are community development workers and constituency offices.

So you have eight structures that are strategically located within communities – and communities are going without water. For weeks on end, with no response. Of course, these structures’ leaders were otherwise in council. The role of these structures is to demobilise communities. It’s not to convey the feelings of the community, not to convey the problems that are faced by the community. And so a matter like that is not elevated by any of these structures until the community burns down a library. It says to me that these structures have a different purpose. There’s a confusion there.

**BT:** It’s a control system.

**KM:** Yes, and renewal would mean confronting this kind of insensitivity, the numbness, and revitalise. When there is a cry, the ear should be able to hear that. ☹

