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# The Resilience of Comprador Capitalism: “New” Economic Groups in Southern Africa

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**The Resilience of Comprador Capitalism:  
“New” Economic Groups in Southern Africa**

**Stefan Andreasson**

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*Bourgeois society, freed from political cares, attained a development unexpected even by itself... Financial swindling celebrated cosmopolitan orgies; the misery of the masses was set off by a shameless display of gorgeous, meretricious, and debased luxury. – Karl Marx (in McLellan, 2004:586)*

*By severing their ties to the poor, the rich can allow themselves a good party. – John Rapley (2004:163)*

### **Introduction: Regional and Global Perspectives**

Former liberation movements control dominant party governments in several Southern African countries and are aiming at transforming the region's political and economic landscapes. How to transform the legacy of extremely uneven capitalist development remains a salient and volatile issue following political transitions to majority rule. New capitalist elites have emerged across Southern Africa, promoted by government policy and taking advantage of the removal of laws barring black Africans from the (economic) "commanding heights." Old capital, prospering under colonial and Apartheid rule, has accommodated itself to new realities and in many cases played key roles in moderating, and arguably "subverting," political transitions across the region.<sup>1</sup> However recent changes are interpreted, immense poverty and marginalization remains a fact of life for a majority of Southern Africans; for them, what Marx observed regarding bourgeois excesses in Europe then is confirmed by their own experiences today.

In regions like Southern Africa, where economic restructuring is intensely political and partly a result of shifting societal power (from white minority towards black majority), the "economic groups" of primary importance are (capitalist) elites themselves, not merely the specific corporations and other agglomerations that they control. More specifically, economic groups are those business leaders and other (organized) economic interests that play a significant part in shaping the region's economies. In terms of economic and socio-cultural identity, emerging economic groups in the region may be "new" in a demographic sense (i.e., black capitalists) but not necessarily new in the sense that their motivation, or "intent," differs from that of established economic groups. These "new" economic groups are likely to represent "old" economic interests – i.e., profit and their own empowerment, rather than deep and broad societal transformation that governments in the region wish a national, or "patriotic," bourgeoisie would champion (cf. Friedman and Chipkin, 2001:26; Peet, 2002). In addition, the interests and actions of domestic "power brokers" cannot be detangled from the interests of major multinationals and international financial institutions (IFIs) that, along with key officials shaping government economic policy, also play an important role in the region.

As relations mature, old and new economic groups may see their interests coalesce while at the same time also clash with government attempts to (ostensibly) promote socio-economic transformation and broad-based development. Moreover, relations between economic groups and governments in the region are becoming increasingly complex, the imperative of "profit over people" becoming influential in

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<sup>1</sup> See Haggard and Kaufman (1995) on the "political economy of democratic transitions." On transition in South Africa, see Marais (1998), Bond (2000) and Mhone (2004); in Zimbabwe, see Bond (1998) and Bond and Manyanya (2003).

key government circles as well (cf. Chomsky, 1999). Already in 1996, the same year South Africa's President Thabo Mbeki and Minister of Finance Trevor Manuel introduced as "non-negotiable" the neoliberal Growth, Employment and Redistribution (GEAR) macroeconomic framework, South Africa's then Deputy Trade and Industry Minister and former trade unionist (now Minerals and Energy Minister) Phumzile Mlabo-Ngcuka exhorted the country's newly emergent black bourgeoisie to become "filthy rich" (quoted in Adam et al., 1998:201). Whereas African elites in the 1970s were inspired by Amilcar Cabral's injunction to commit "class suicide," becoming a "petty bourgeois class with proletarian/peasant aspirations," they turned by the 1990s into a "petty bourgeoisie with bourgeois aspirations" (Adesina, 2004:137). While Southern Africans are not passive bystanders in transformations occurring across the region, their fortunes are nevertheless greatly influenced by the directions in which relations between old and new economic groups, and between economic groups and governments, evolve.<sup>2</sup>

Recent studies of the political economy of Southern Africa emphasize both regional and global aspects of the region's push for (economic) integration and (social) transformation in the post-Cold War era. According to Thompson (2000:41), "Southern Africa has been engaged in formulating 'new regionalism' for over a decade." Pallotti (2004) examines the implementation of the Southern African Development Community's (SADC) Trade Protocol and the emergence of a regional inter-state cooperation, based primarily on trade liberalization that has replaced earlier emphases on self-reliance and pan-African solidarity. Bond (2001; 2004) charts South Africa's role as the region's key representative at the seats of global economic power; among the G7 and the IFIs, government's political rhetoric about structural transformation and an "African renaissance," based (in its economic guise) on domestic reforms and international cooperation anchored in the New Partnership for Africa's Development (NEPAD), is often supplanted by "sub-imperial" practices vis-à-vis other states in the region and beyond. Hammar et al. (2003) and Phimister and Raftopolous (2004) analyze the ongoing crisis in Zimbabwe in the context of a wider "anti-imperial" (economic, political and cultural) struggle. It is in this global context that the political economy of Southern Africa, and the old and new economic groups that play an important part shaping it, ought to be understood.<sup>3</sup>

Two overlapping historical trajectories shape state – market relations in contemporary Southern Africa. The first trajectory is the attempt by governments in the region to manage as smoothly as possible further integration into an essentially neoliberal global economy. This entails balancing global market pressures for liberalization on one hand with domestic (populist) pressures for economic redistribution and mitigation of dire living conditions on the other: "the challenge of simultaneous democratization and economic adjustment or recovery, amid high expectations" (Bradshaw and Ndegwa, 2000:4). While the balancing of pressures for

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<sup>2</sup> On how contemporary civil society engages with the challenges of transformation in South Africa and Zimbabwe, see Mhone and Edigheji (2004) and Hammar et al. (2003) respectively.

<sup>3</sup> Following Sklair and Robbins (2002:83), the most useful way of understanding the emergence of new economic groups in Southern Africa would be to go beyond state-centric perspectives that emphasize the important role of the state in creating new economic elites by also focusing on "the global capitalist system and the transnational capitalist class, both locally and globally." This transnational capitalist class is a major factor in shaping the political economy in Southern Africa and other regions of the world as it seeks to "exert economic control in the workplace, political control in domestic and international politics, and culture-ideology control in everyday life" (Sklair and Robbins, 2002:84).

reform and demands for redistribution does not inevitably constitute a zero-sum game, it is nevertheless appropriate to assume that such a balancing of policy priorities will necessarily entail some trade-offs and conflict in societies characterized by high socioeconomic inequalities. The second trajectory is the pursuit by governments of a structural transformation of the region's post-colonial, post-Apartheid economies that are characterized foremost by generations of uneven development that has created dual economies, making conversion of aggregate growth into broad-based development very difficult to achieve.<sup>4</sup> Such transformation aims at a more fundamental reordering of the region's economic and political realities than does the task of integration. In order to understand the nature of state – market relations and the emergence of new economic groups in contemporary Southern Africa, we must examine in detail how the political and economic processes associated with each of these historical trajectories interact with each other.

This article examines the emergence of new economic groups in South Africa and Zimbabwe in the context of “paternalistic trusteeship” by governments themselves or by old economic groups managing to retain economic and political influence and aiming to forge stable and mutually profitable relations with new economic elites. New economic actors emerge when political and economic liberalization increases “points of entry” to economic (and political) activity for those previously marginalized or barred from entry (cf. Habib and Padayachee, 2000:245-46). A key point of contention in the debate on the aims and roles of these groups is whether old, entrenched economic groups are simply in the business of “grooming” a new comprador class to serve (or at least not actively oppose) their interests, or if they are indeed making an effort to facilitate empowerment by engaging with and supporting the new economic groups emerging as a result of political and economic liberalization.

#### *What Sort of Capitalism for Southern Africa?*

Liberal theories expect that neoliberal economic reforms will result in increasing competitiveness and, somewhere along the line, enhanced possibilities for development via a “trickle down” process (e.g., World Bank, 2000, cf. Broad and Cavanagh, 1999:79-88; Chan, 2002:16-17); this is generally ANC policy at the leadership level in South Africa and has been, for at least part of the 1990s, Zanu-PF policy in Zimbabwe as well. Neo-Marxists and other market-critics see neoliberal re-orientation of countries in transition as a recipe for new and old elites to collude with each other and hijack new economic opportunities resulting from the privatization of state owned assets, deregulation of finance and trade and so on (e.g., Gray, 2002; Rapley, 2004). The case for privatization is often shrouded in the “progressive” language of indigenization, suggesting that privatization promotes the emergence of a broader, local entrepreneurial class, whereas it usually entails a limited transfer of assets from public elites to private elites, delimiting the state's future ability to guide development-related economic policy (Bracking, 2004:893-94). From this perspective, benefits and opportunities will not “trickle down” – increasing profit generation will largely benefit domestic luxury consumption or be routed abroad for the benefit of domestic elites and their international compatriots (Bond, 1998:390-93; Moore, 2001:915; Bracking, 2004:892).

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<sup>4</sup> See Mhone (2000) on “enclave” (dual) economies in Southern Africa.

Fundamentally this debate concerns what sort of capitalism may be expected to develop in peripheral regions of the world economy.<sup>5</sup> Marxist theories of imperialism, originating in the works of Lenin and Hilferding, see few prospects for the emergence of genuine, independent capitalists in Third World countries transitioning to formal independence. Rather than seeking to promote national development, emerging “comprador capitalists” serve the interests of an international capitalist class (Sklair and Robbins, 2002:81-82).<sup>6</sup> The notion of comprador capitalism underpins the powerful metaphor about South Africa’s present leaders “shining,” rather than breaking, the “chains of 21st-century global Apartheid” (Bond, 2001:xi).<sup>7</sup>

Crucially, the comprador capitalist (class) is one that cannot function *on its own* (hence “servitors”), but is dependent on the resources of established capitalists. Southall’s characterization of the new “black bourgeoisie” in South Africa resembles earlier understandings of the concept of a comprador capitalist class: their “basic dilemma ... remains the quandary of how black aspirant *capitalists without capital* can be capitalised. The answer is that *they either have to be given it or they have to borrow it*” (Southall, 2004:319; cf. Randall, 1996). Hence they are dependent on the old, established capitalists in the region and beyond. This dependency makes new economic groups vulnerable both economically and politically, and therefore less likely to drive any independent, transformative, agenda.

Similarly, Dansereau and Zamponi (2005) understand the emergence of new, “indigenous” capitalist interests in post-independence Zimbabwe as first emerging slowly under the oversight of an elite consensus between government and the old (white) industrial and financial interests. With the fracturing of this consensus, indigenous capitalism becomes promoted as a more explicitly crony project via the patronage of the ruling Zanu-PF party, as in the notorious case of forced transfer of land ownership from white commercial farmers to black Zimbabweans in which many of the beneficiaries are politically-connected elites rather than the landless peasants that land resettlement policy is intended to benefit (Moore, 2003; Sachikonye, 2003).

Comparing new (and old) economic groups in South Africa and Zimbabwe uncovers both similar and distinct trajectories. Both countries liberalized their economies in the 1990s, albeit the process was a steady one in South Africa and characterized by sharp reversals in Zimbabwe; both countries attempted to apply market-driven solutions to the societal pressures created by their historically very

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<sup>5</sup> On South Africa as a semi-peripheral anchor in the overall peripheral Southern African political economy, see Andreasson (2001).

<sup>6</sup> The Sixth Congress of the Communist International defined comprador capitalists as “servitors of foreign imperialism concerned mainly with trade operations connected with the export of indigenous raw materials and the import of manufactured goods from imperialist countries” (quoted in Karat, 2000) and Mao Zedong used the term comprador capitalism to characterize capitalist activity in pre-revolution China. Karat (2000) disagrees with those who wish to extend the concept “comprador” to capitalist activity in the post-colonial, post-imperial era. However, given current debates about the prevalence of neo-colonial, neo-imperial relations between North and South, Karat’s suggestion for a very limited use of the term “comprador” is unjustifiably narrow.

<sup>7</sup> This metaphor originates with South African Archbishop Desmond Tutu accusing the American Reverend Leon Sullivan in 1986 of “shining the chains of Apartheid” when arguing that multinationals should invest “responsibly” in Apartheid South Africa, rather than divest from the country completely as the global anti-Apartheid movement was calling for (Bond, 2001:x-xi).

uneven development. Clearly processes of transition (democratization) and transformation (liberalization) have in recent years been more volatile in Zimbabwe than in South Africa. The crisis in Zimbabwe is interpreted by international and local commentators alike as an indicator of what “irresponsible” economic and political decisions (defying the logic of the global capitalist economy) by South African policymakers would produce. Taken together, experiences in these two countries provide a nuanced picture of the opportunities and difficulties governments face when attempting to manage oftentimes cross-cutting pressures from businesses and civil society. The two “case studies” examine interactions between key economic and political actors in each country and their preferences with regard to policies governing economic and sociopolitical transformation. Both economic groups and governments have inevitably become transformed (in terms of policy preferences and strategies) by the many changes sweeping across the region in recent decades.

### **South Africa: Continuity Rather Than Transformation**

A recent report published by South Africa’s leading corporate lobby organization, the South Africa Foundation (SAF), notes that

South Africa is not a society in which business corporations can define their roles in purely economic terms and play a backstage role in public affairs. Throughout its modern history, but particularly over the last four decades, large corporations have found it impossible not to become enmeshed in the major political and developmental challenges facing our society (Schlemmer, 2004:3).

According to Schlemmer and the SAF, this involvement is one of a constructive engagement with developmental goals of the country as a whole. Good relations with government have, according to the SAF’s Executive Director Neil van Heerden, been possible given the emergence of a new “legitimacy of government” stemming from its willingness to break away from “old thinking” and attracting “clever people in departments dealing with the economy” (interview with author, Johannesburg, October 19, 2001).

The historical trajectory of state – capital relations in post-apartheid South Africa is complex and fraught with contradictions. The legacy of racial oppression cannot be disentangled from contemporary debates, and a wish to transform society coexists, perhaps somewhat uncomfortably, with a desire to “buy into” existing economic structures that offer potentially great rewards for those relatively few able to take advantage thereof. Lewis et al. (2004) suggest a significant transformation of state – business relations during the South African transition: in the early 1990s, when the ANC began engaging with white business interests,

there was no business lobby capable of restraining the ANC’s desire to discipline White capital. At the end of the 20<sup>th</sup> Century, the only permissible discipline was that of the market.

According to Szeftel (2004:194-95), the ANC could choose between three broad options when coming to power in 1994:1) it could embark on a “revolutionary path,” expropriating the commanding heights of the economy and engage in comprehensive and compulsive redistribution by directly confronting domestic and

capital interests, thus forcing the ANC to “become what it had never been, a revolutionary party”; 2) it could embark on a “radical reforming path,” combining liberal political institutions with high taxation and spending, along with some nationalisation as envisaged by the 1955 Freedom Charter and (to a lesser extent) the 1994 Reconstruction and Development Programme (RDP); or 3) it could choose the “neoliberal option” symbolised by the 1996 GEAR macroeconomic framework and a reliance on improving competitiveness to integrate with the global economy and thus fund development with growth that ought to eventually trickle down. The government has since the 1994 elections “moved progressively away from the second option towards the third” (Szeftel, 2004:195).

Consequently, the South African government has since the early 1990s political transition worked closely and consistently with business leaders like the Brenthurst group and IFIs to ensure international and domestic approval of its market credentials (cf. Peet, 2002:73).<sup>8</sup> In December 1993, the Transitional Executive Committee (a “government-in-waiting” comprising both ANC and National Party leaders) signed a \$850 million balance of payments loan with the International Monetary Fund (IMF), ostensibly for drought relief but arguably to be able to repay the accumulated multi-billion dollar Apartheid-era debt. Conditions of the loan were leaked to *Business Day* in March 1994, perhaps to convince international markets, one month before South Africa’s first democratic elections, that with IMF conditionalities imposed from the outset on an incoming ANC government it would be forced to conduct “responsible” (i.e., neo-liberal) economic policymaking (Bond, 2001:68; Ashley, 2003). The ANC leadership has been able to work closely with established economic groups and IFIs as the party

enjoys the comfort of being removed from its constituencies in ways of which European party-élites could only dream and can afford to strike bargains with the industrial elites in ways inconceivable in other democratic settings (Koelble, 2004:66).

According to Habib and Padayachee (2000:246), the ANC “gave priority and prominence to the international financial and investor community” as a result of its “perception and interpretation of the balance of economic and political power,” both locally and globally; i.e., appeasing financial and business interests had to come first, with attention to the plight of impoverished South Africans hopefully following. President Mbeki has a long-standing practice of hosting *indabas* [gatherings] with business “working groups,” representing key domestic and international corporate interests as part of a larger lobbying network. A Big Business Working Group, consisting of senior government representatives including the President, key ministers and executives of the major multinationals and local corporations, meets bi-annually. The Business Trust, established in 1999 to “create jobs and build capacity while enhancing trust and building co-operative relationships between business and government,” argues that while it addresses issues “from a business perspective, [it] aims to present those views in what it believes to be the national interest.”<sup>9</sup>

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<sup>8</sup> Some leading capitalists, such as the Oppenheimer family and other mining and industrial magnates, felt already by the early 1980s that South Africa’s Apartheid policies were becoming an impediment for the continued prospering, and even survival, of the South African economy (Lipton, 1986:231).

<sup>9</sup> Business Trust website, at <http://www.btrust.org.za/about/bbwg/>.



Thus several powerful interest groups vie for influence with government policymakers. Prominent corporate lobbies, representing primarily the interests of South Africa's export-oriented businesses, are the Center for Development and Enterprise (CDE) and the SAF. They actively promote interests of their members via policy advocacy in research, conference and media settings, as well as via their connections with government officials. These organizations represent leading banks and insurance houses (e.g., Standard Bank, ABSA, Nedcor, Old Mutual, SANLAM), mining companies (e.g., Anglo American, de Beers, African Rainbow Minerals, ISCOR), oil companies (e.g., Shell, BP, Sasol) and export-oriented firms (e.g., South African Breweries, Sappi, African Harvest, Unilever, BMW) (Koelble, 2004:63). Notably, all the companies represented by the SAF and the CDE are "either large multinational[s] ... or have significant interests in establishing and maintaining international market opportunities"; these companies promoted the 1996 SAF document *Growth for All* that became the "ideological and rhetorical foundation" for GEAR (Koelble, 2004:64).

#### *A Pro-Business Government?*

GEAR is usually identified as the key manifestation of government's decision to pursue a neo-liberal economic path, relying on fiscal stringency and private sector growth to resolve the historical legacy of uneven development.<sup>10</sup> However, Michie and Padayachee (1998:625-26) identify five key components of the government's pre-GEAR (1994-96) agenda that suggest a neo-liberal strategy from the very outset: 1) maintenance of an orthodox economic stabilization package; 2) rapid trade liberalization; 3) restoring "industrial peace" and labor market stability; 4) competition policy; and 5), privatization. That the constraints on policy imposed by GEAR "coincided" with interests of powerful local export-oriented industry, and that the ANC leadership "followed the advice of ... powerful banks, export-oriented manufacturers, and mining houses" (Koelble, 2004:59) – as opposed to the wishes of its Alliance partners, the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU) – suggests a continued powerful influence exercised by economic groups, especially older, established ones (cf. Lewis et al., 2004).<sup>11</sup>

Where criticism is voiced regarding government's pro-market credentials, it tends to come from "hard-line" sections of the (smaller) business community and financial press demanding that every last vestige of government intervention in the market is further relaxed or completely eliminated, such as the retention of some "restrictive" labor legislation (what unions would consider minimal job security and a "living wage") and the pursuit of Black Economic Empowerment (BEE). In December 2004, President Mbeki's Joint Economic Working Group (including key representatives from government, business and labor) met in the wake of IMF criticism of continued "rigidities" and "high costs" in the labor market that are

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<sup>10</sup> On the move from the RDP to GEAR, see Marais (1998:146-76) and Mhone (2004:20-24).

<sup>11</sup> Southall (2004:326) dislikes the neo-liberal label, suggesting that the South African state under ANC governance has become "procapitalist" and "interventionist" in using its political power to create a black capitalist class, rather than "minimalist" and (almost exclusively) relying on market forces as would be the prescription under a neo-liberal regime. Southall's emphasis on the 'minimalist state' is somewhat misguided; it is the overall ANC economic policy package – especially fiscal stringency, foreign direct investment, further integration into global markets and market solutions to problems of uneven development – that makes ANC policies essentially neoliberal in orientation (Andreasson, 2004).

hampering job creation efforts (modest GEAR-led growth has coincided with the shedding rather than creation of formal sector jobs). Essentially the IMF suggested that South Africa further relax its labor legislation by decentralizing the collective bargaining system so that small and medium sized businesses have more “autonomy” in setting (i.e., lowering) wages. According to Business Unity SA (BUSA) President Patrice Motsepe, who represents the country’s major business chambers, the government would “give serious consideration” to South Africa’s “overregulated business environment, particularly for entrepreneurs” (quoted in *Business Day*, December 15, 2004). As when responding to criticism by capital interests in the past, government is keen to send “the right signals” to the international and domestic business communities (cf. Andreasson, 2003:391). In any case, that the ANC leadership is aligned with capital interests, whether in a genuine quest for transformation or a cynical play for power, is not seriously disputed.

Government is undoubtedly sensitive about business responses to its policies, and especially responses from old, established economic groups. This “business first” approach has caused frustrations within the ANC itself, as made clear by one internal ANC discussion document:

While on one hand [developing states] are called upon to starve and prettify themselves to compete on the ‘catwalk’ of attracting the limited amounts of foreign direct investment ... they are on the other hand reduced to bulimia by the vagaries of an extremely impetuous and whimsical market suitor! (African National Congress, 1998).

This “pandering” to the markets has, however, yielded some positive response. The World Economic Forum’s (WEF) *Global Competitiveness Rankings*, reflecting the viewpoints of business leaders around the world, rank South Africa as the most competitive economy in Sub-Saharan Africa in 2004 (ranked 41<sup>st</sup> out of 104 countries surveyed), replacing Botswana at the top for the first time (*Business Day*, October 18, 2004).

While the success of GEAR was to be reliant on market-friendly policies attracting significant amounts of foreign direct investment (FDI) to the country, fuelling economic growth and thus providing means to finance development, FDI inflows since 1996 have been disappointing. In fact, GEAR initially failed to deliver on its optimistic projections in all areas except lowered inflation, budget deficit reduction, and export targets (Bond 2000:78-82; Pillay 2000:4-5; Mhone 2004:49-62), and none of these “successes” have triggered job creation or broad-based development. Despite the disappointing results, international commentators like the arch-conservative American Enterprise Institute proclaim that “to its great credit, the ANC in office could not have proved the naysayers more wrong as it became the very model of fiscal and monetary policy rectitude” (Lachman, 2004), noting further that increasing market orientation will, of course, be necessary. Streak’s (2004) evaluation of GEAR is more ambivalent; she echoes the concerns of the GEAR “skeptics,” but also suggests that GEAR’s partial “success” (fiscal stringency) has now produced a space for government to move in a more “pro-active” macroeconomic direction, into what may become a post-GEAR phase, as it is on a more solid economic footing.

In the end, however, it seems that both international and domestic investors have taken a very cautious approach to investing in post-Apartheid South Africa. When Anglo American CE Tony Trahar, arguably South Africa's most powerful businessman, voiced concerns in an interview with the *Financial Times* (September 12, 2004) about lingering "political risk" in South Africa (discussing "hypothetically" a move of Anglo American's headquarters from Johannesburg to London) he drew an angry public response from a frustrated President Mbeki. Mbeki suggested that despite the many concessions government makes to business policy demands these efforts are not being properly recognized by the business community, the implication, according to Mbeki, being that a black government will necessarily be considered "unsafe" for (white) businesses (Mbeki, 2004). Alluding to racially-motivated prejudices, the President asked,

is it moral and fair that [South Africans], who daily bear the scars of poverty, should suffer from the guilt of their masters, who are fixated by the nightmare of a risky future for our country, which derives not from what the poor have done and will do, but from what the rich fear those they impoverished will do, imagining what they themselves would have done, if they had been the impoverished? (Mbeki, 2004).

In the aftermath of the Trahar-Mbeki exchange, Deputy Minister of Mining, Lulu Xingwana, went so far as to publicly accuse "rich white cartels ... continuing even today to loot our diamonds" (quoted in *Business Report*, September 20, 2004). Despite disagreements like these, both Anglo American and de Beers, mining giants with great sunken costs that make them dependent on long-term stability to a degree that smaller businesses more easily able to relocate are not, have adopted rather conciliatory stances vis-à-vis government. Anglo American, who recently appointed Lazarus Zim as its first black CEO of Anglo American South Africa, issued a public statement assuring it was committed to South Africa, its political leadership, and transformation, noting its plans to invest some R26 billion in the economy. De Beers stated it was "fully committed to the transformational objectives of government" (*Business Report*, September 20, 2004).

Businesses would like to see even further liberalization of the South African economy and are wary of the long-term implications of the government's Mining Charter and similar policies that restrict private property rights. Consequently they are "holding the economy ransom" contingent upon further reforms, which, according to Edigheji (2004:82), is tantamount to a business sector "investment strike." However, given the government-enacted charters for achieving major structural transformation in the country's financial, mining and liquid fuel sectors (*Business Day*, April 1, 2005) – i.e., moving assets from white to black ownership, and reducing the over-representation of whites at all levels of employment – responses by (old) business groups have perhaps been surprisingly restrained?

#### *Black Economic Empowerment*

Randall (1996:675-84) identifies four major factors providing black capitalists in South Africa a more effective means of projecting influence than has been the case elsewhere on the continent, where local capitalist development has often been slow to emerge: 1) the political insecurity of white capital means that entrenched economic groups are more willing to cooperate with new ones so as to secure their own

privileged position within the South African economy;<sup>12</sup> 2) the promotion of black business by a competent policy-making regime, such as Mbeki's government that presides over macroeconomic management that is "among the best in the developing world ... [outperforming] European Union members on their own Maastricht Treaty's convergence criteria for European Monetary Union" (*Financial Times*, March 19, 2005); 3) the mobilization of opinion against "fronting" and politician-capitalists, although this is precisely what critics of BEE in South Africa suggest is taking place; and 4) the relative sophistication of an economy that is, despite its dualistic nature, unrivalled on the African continent.

Several studies show that the governments of Presidents Mandela and, especially, Mbeki have not only been eager to accommodate business demands for neo-liberal economic reforms, but have also actively promoted the rise of party-connected individuals into elite circles of South African corporate life (Adam et al., 1998; Bond, 2000, 2004; Saul, 2001; Andreasson 2003). This is the "process of embourgeoisement of key cadres from the anti-apartheid struggle" (Randall's "activist capitalists"), among them Saki Macozoma, Popo Molefe, Jayendra Naidoo, Cyril Ramaphosa and Tokyo Sexwale, who have emerged into "key political and (then) corporate positions in the post-apartheid era" (Andreasson, 2004:2). That relatively few individuals are the main beneficiaries of major BEE deals has now been recognized as a problem even within high ranks of the ANC. Because BEE has oftentimes entailed "transfer rather than transformation," it has, according to ANC General Secretary Kgalema Motlante, failed to create "new markets and new drivers of domestic demand in the economy" (*Business Day*, October 1, 2004).

BEE is the key government strategy for long term socioeconomic transformation by promotion of a black capitalist class in all spheres of the national economy. To comply with BEE legislation, companies in South Africa must ensure that they act to promote appropriate black ownership and black representation at all levels of operation, from entry level employees to highest level executives (Andreasson, 2004; Lewis et al., 2004; Southall, 2004).<sup>13</sup> The BEE Commission, created in 1998 by government to evaluate empowerment progress, is chaired by Cyril Ramaphosa, the former National Union of Mineworkers (NUM) and ANC leader who is now one of South Africa's foremost black businessmen (or "BEE gentlemen," as the sceptics would have it).<sup>14</sup> While new (black) economic groups have supported BEE and old (white) ones have taken a more cautious approach – big businesses being more receptive to the arguments for BEE than small ones, the latter more concerned about short term costs of compliance with BEE legislation – it has not been considered politically expedient for any economic actors to come out very strongly against the fundamental idea underlying BEE, namely that both private and public sectors have a responsibility ensuring that previously marginalized South Africans are

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<sup>12</sup> See Katzenstein (1985) and Maxfield and Schneider (1997:25-30) for theoretical accounts of business cooperation due to (political) threat.

<sup>13</sup> The Broad-Based Black Economic Empowerment Act of 2003 defines "black people" as a generic term including "Africans, Coloureds and Indians." Broad-based black economic empowerment refers to the economic empowerment of all "black" people, generously including women, workers, youth, people with disabilities and people living in rural areas (Republic of South Africa, 2004).

<sup>14</sup> Ramaphosa is one of South Africa's most well-connected corporate leaders. He is Chairman of Bidvest Group, Johnic Holdings, Capital Property Fund and Molohe Group, and he represents other major corporations as Chairman and in various other positions. Recently he also secured lucrative BEE deals with Standard Bank and Liberty Life.

integrated at all levels of the economy, and that such integration is in the long-term interest of all parties involved. According to Colin Reddy of BusinessMap, which monitors BEE compliance by companies in South Africa, “business people are talking largely about the details of implementation [of BEE policies], rather than expressing total opposition to the very notion [of BEE]” (quoted in *Business Day*, April 1, 2005).

According a recent study of how BEE has transformed the South African economy since 1994, progress has been “uneven and difficult to quantify,” the initial drive to transfer (primarily financial) assets into black hands flagged at the end of the 1990s when black ownership of the Johannesburg Stock Exchange fell to below 4% from a peak of about 10% in the mid-1990s (Southall, 2004:318). Moreover,

the private sector remains overwhelmingly in white hands: 98% of executive director positions of JSE-listed companies in 2002 were white ... by far the most important point is that blacks have made extremely limited inroads into the ownership, control and senior management of the private corporate sector (Southall, 2004:318-19).

In this case, acquiring the political kingdom has not delivered the economic one. While South African transformation has not progressed in the spirit of the Freedom Charter and the National Democratic Revolution (NDR) that ANC grassroots, unions and anti-apartheid activists have hoped for, the country has not experienced the violent reversal of neo-liberal policies as did Zimbabwe at the end of the 20<sup>th</sup> Century.

### **Zimbabwe: Collaboration and Confrontation**

With independence in 1980, corporatist arrangements surviving the Rhodesian era now linked the incoming Zanu government with (white) local and multinational companies, an assortment of emerging black interest groups, IFIs and other external agencies. Organizations representing mainly white capital, e.g., the Commercial Farmers’ Union (CFU), the Confederation of Zimbabwe Industries (CZI) and the Chamber of Mines were “in continuous contact-cum-dialogue with government ministries and parastatals” on economic policy matters (Shaw, 1989:153). Old economic groups, captains of industry and commercial farmers, retained sufficient economic resources in the post-independence era to constitute a powerful bargaining block vis-à-vis the new black political elite (Shaw, 1989:157,160). Anticipating on the eve of the neo-liberal Economic Structural Adjustment Programme (ESAP) the oncoming crisis in contemporary Zimbabwe, Shaw questioned the continued viability of maintaining corporatist structures inherited from settler rule in a post-independence era where government is expected to deliver on promises of broad-based development.

The established patterns of settler agriculture and industry now coexist sometimes uncomfortably with new institutions of government and administration: how long can the super-imposed non-racial superstructure articulate with the inherited racist substructure? (Shaw, 1989:151).

That “a close alliance between government and the private sector must be developed” – ignoring the fact that it already existed? – was the World Bank’s express wish (dictate) on the eve of Zanu’s decision to adopt ESAP in 1990 (Hinds, 1990, quoted in Bond and Manyanya, 2003:23). While ESAP constituted an unambiguous

commitment by the Zimbabwean government to a neo-liberal development strategy, its adoption was no more a “watershed moment” than was the shift in South Africa, some six years later, from the RDP to GEAR. The adoption of ESAP can be understood as a culmination of pressures by international and domestic economic groups (private finance and the IFIs) that had been building throughout the 1980s. Among the old economic groups, industry (represented by the former CZI leader Eddie Cross who was appointed economic secretary for the opposition Movement for Democratic Change (MDC) in 2000) and agriculture (represented by the CFU) led, together with transnational capital, the push for liberal restructuring (Carmody and Taylor, 2003).

The drive to adopt ESAP was led in government circles by Finance Minister Bernard Chidzero, supported by heavy agitation from IFIs and the business community who “hammered” influential local media like the *Financial Gazette* with the need for restructuring (Mhone, interview with author, Johannesburg, November 13, 2001; Andreasson, 2003:393). However, already in the years immediately following independence the Zanu government decided it could not afford to break with entrenched economic groups and their international compatriots. Thus, according to a “leading US banker,”

the management of the more sophisticated larger companies ... seem to be impressed by and satisfied with Mugabe’s management and the increased level of understanding in government of commercial considerations (quoted in Bond and Manyanya, 2003:27).

As in South Africa, big business generally manages better relations with government than do smaller businesses. Already in May 1980, the newly elected Prime Minister (now President) Mugabe felt compelled to cooperate with Harry Oppenheimer, deploying both police and military in crushing strikes at Anglo American’s coal mines and sugar estates (Bond, 1998:153). This conciliatory government stance had its early origins in the policy of “Reconciliation,” introduced with independence in 1980, whereby government “sought a peaceful co-existence with white capital which continued to dominate the private sector.” Consequently, the government’s 1981 *Growth with Equity* policy largely excluded any significant role for the existing black entrepreneurial class (Raftopolous, 1996).

#### *Piecemeal “Indigenization”*

Zimbabwean state-business relations have despite periodic collaboration always been more complicated and volatile than in South Africa, recently “cascading into a high congestion grid of irreconcilable demands” (Zwizwai et al., 2004). This is partly due to a more “militant” history of liberation struggle in Zimbabwe; Zanu did not, like the ANC, have a bourgeois leadership core and never really demobilized to become a “normal” political party. Moreover, Zimbabwe’s entrenched white business community was smaller and, following the 1965 Unilateral Declaration of Independence (UDI) from Britain and greater reliance on import-substitution strategies, less well linked with international capital than was Apartheid South Africa (cf. Bond, 1998). The Zanu government had also less success with fostering a new “indigenous” business elite. Indeed, the pace of indigenization of the Zimbabwean economy was tempered during most of the 1980s and 1990s due to government’s

unwillingness to promote autonomous bases of power in society (Raftopolous, 1996), which a new black business class would likely represent.

Where indigenization occurred, it often involved high level officials in Zanu acquiring commercial farms and entering into a variety of ventures; the proliferation of parastatals in the 1980s created a “state dependent petty-bourgeoisie” of well-connected black Zimbabweans. Given the lack of structural transformation during the 1980s, demands grew for greater involvement of black Zimbabweans in the economy (Bond and Manyanya, 2003:23-27). An Indigenous Business Development Centre (IBDC) was formed in 1990 to promote black entrepreneurship under ESAP by allocating state assets to black Zimbabweans on preferential terms; by 1995 IBDC members held two Deputy Ministerial positions. A Select Committee on the Indigenization of the National Economy was established in 1991. A more stridently nationalist lobbying group for emerging black business interests, the Affirmative Action Group (AGG) was established in 1994 to pressure harder for transformation of the economy where, it felt, the IBDC and other lobbies had failed (Raftopolous, 1996; cf. Moore, 2003). As with GEAR in South Africa, a major policy of economic liberalization (ESAP) created opportunities for well-connected individuals representing new economic groups to establish themselves as serious actors in the national economy. That such opportunities are not likely to produce the deep structural transformations of society that leaders of the region have envisioned continues to be a major source of societal tension.

To the degree that new economic groups, with some independence from the state, have emerged following independence in Zimbabwe they have not enjoyed the same prolific rise to positions of influence, nor have they been as smoothly integrated with the old establishment and its international compatriots as have new economic groups in South Africa. Essentially Zimbabwe lacks the “star cast” of new black businessmen, accepted as *bona fide* businessmen in international financial circles, that has developed in South Africa (Randall’s “activist capitalists,” etc.). Even in the case of the government’s infamous and very costly foray into the Democratic Republic of Congo civil war, deploying troops in support of then President Laurent Kabila (reportedly spending more than US\$200 million between 1998 and 2000) in return for access to the country’s rich mineral resources, it seems that the leadership preferred working via tarnished representatives of the white business community, such as Billy Rautenbach (now wanted on criminal charges in South Africa, where his assets are frozen), following government troops north (MacLean, 2002). Nevertheless, there is as in South Africa an implicit assumption that playing an important role in the liberation struggle ought to pay off in the post-transition era, not only in political terms. In the words of Solomon Mujuru, the wealthy farmer and husband of Zimbabwe’s recently appointed Vice-President Joyce Mujuru (a potential successor to President Mugabe), “I didn’t fight the liberation war to end up a poor man” (quoted in *Scotsman on Sunday*, December 5, 2004).

With the beginning of full-scale land occupation and resettlement in spring 2000, white commercial farmers have been effectively swept aside and no longer constitute a powerful economic group (Andreasson, 2005). In this case the war veterans who organized and led the farm invasions have managed to ruthlessly capitalize on the indigenization agenda (Carmody and Taylor, 2003). However, the industrial sector is “still white” (Carmody and Taylor, 2003), and therefore

presumably a future target for those who, in the name of a third *Chimurenga* [liberation struggle], seek to remove all remaining “colonial elements” in the nation’s economy. In 2000, statements by Zanu-PF Politburo Members and President Mugabe promised that national mines would be facing complete takeover or “aggressive indigenisation” after the land distribution issue was resolved (*The Mail & Guardian*, May 14, 2002). While violent incidents involving people associated with the war veterans’ pursuit of “indigenization” have in some instances spilled over from farming areas into urban business premises, an uneasy truce seems to exist between government and the (urban) private sector.

The MDC is at present the only viable political opposition, despite electoral losses under un-free and unfair conditions in 2000, 2002 and 2005. It is, however, not clear what interests would dominate policy within a future ruling MDC. Would business interests, represented within the party by the preferences of Eddie Cross and white capital backers, or the labor movement in which the MDC originated prevail in a battle for the “ideological soul” of the party? If neoliberal interests emerge victorious in the end, the MDC will likely pursue black empowerment along the lines of the South African ANC model.

#### *Culprits of the Crisis?*

Who, then, are the main culprits behind post-independence Zimbabwe’s departure, from the early or mid-1980s onward, from initially hopeful projections regarding the country’s development potential? What are the driving forces behind the 1990s crisis, leading to the contemporary political impasse and its attendant economic collapse? At a superficial level, competing explanations for Zimbabwe’s ongoing crisis seem to neatly follow opposing ideological/theoretical frameworks.

IFIs and representatives of Zimbabwe’s powerful commercial interests have laid blame squarely at the feet of a government intent on defying market laws by irresponsible spending, political cronyism and a lack of transparency and commitment to market reforms. According to Raftopolous (1996), the World Bank “challenged virtually all the key assumptions and demands” of those promoting socioeconomic transformation (i.e., “indigenization”) in Zimbabwe. By 1995, the Bank called for “restraint” on government intervention for the purposes of indigenization, warning that such policies would lead to “individuals with privileged access to decision makers being favoured” (World Bank, quoted in Raftopolous, 1996), preferring instead, as did Zimbabwe’s white businesses, to promote “racial harmony” – meaning that any opportunities for transformation would be left to the workings of the private sector and be “totally subordinate to [the goal of] market driven growth.” From this perspective, old economic groups are perceived as weakened and too alienated from government to exercise effective influence whereas new groups are also weak or simply products of government cronyism, in which case they are too dependent on government favors to act independently.

In 2004, a tersely worded IMF report identified “inadequate” macroeconomic and structural policies, lack of liberalization and fiscal and monetary discipline as reasons for the current economic collapse that is having “dire consequences” for the country’s population (IMF, 2004:2-4). Leading mining interests (representing the largest sector for FDI) accuse government of “strangling” their business activities by preventing mining groups from holding proceeds in offshore accounts protected from



the extreme decline and volatility of the local currency, sweeping aside an international agreement signed by both the South African and Zimbabwean governments granting mining groups direct control of their earnings. Zimplats, the leading platinum mining company (controlled by South African Impala Platinum), considers the new government proposal “unacceptable” and wholly counterproductive for the ability to invest further in one of the country’s few prospering industries (*The Financial Gazette*, March 3, 2005; *The Mail & Guardian*, March 7, 2005). Kenneth Schofield of Radar Holdings, representing general business sentiments, describes current government policy as producing “continued wanton destruction in absolute terms of the social, economic and structural fabric of this country” (quoted in *The Standard*, October 5, 2003). If there is wariness about government intentions on the part of businesses in South Africa, there is near-panic in Zimbabwe.

Critics of neo-liberalism see Zimbabwe’s decline as a result of government collusion with businesses and IFIs in pursuing draconian, liberal market reforms that undermine domestic economic and social capacity while at the same time underwrite the already rich at the expense Zimbabwe’s continually suffering people (Bond, 1998; Bond and Manyanya, 2003; Moore, 2003). From this point of view, government’s eagerness to appease business demands for liberalization, at whatever cost to population and economy, creates the volatile situation from which stems the recent collapse originating in the 2000 referendum defeat of the government’s proposed new constitution and the following land invasions. While these critics do acknowledge the need for democratic and accountable government as a pre-requisite for broad-based socioeconomic development and do not ignore the increasing authoritarianism and blatant use of violence by the government in its quest to retain power, they perceive the influence of entrenched economic interests as a primary cause of the crisis.

Both sets of explanations are complicated by internal contradictions and oversimplification. While liberal theorists have been continually critical of market hostile policies, they have also praised the government’s commitment to market reforms. As late as October 1997, *The Economist* lauded Zimbabwe for its commitment to market reform: “Africa is a bit short of economic stars, so countries that do well tend to get noticed. Hence the enthusiasm for Zimbabwe.” A few years later Zimbabwe is the global “poster child” (for IFIs and governments, if not for speculators still able to extract profit from Zimbabwe’s increasingly chaotic political-economic environment) of how an entire economy can be ruined by reckless, anti-market policies. On the other hand, when neoliberal market policies and commercial interests are identified as the main culprits in Zimbabwe’s decline, government’s profligate spending in the 1980s, its corruption and waste, and, later on, its oftentimes hollow commitments to much-publicized market reforms are important factors that become marginalized, or at least downplayed, in explanations for the crisis.

Rather than attempting to dichotomize and choose between these explanations, it is more useful to understand the evolving crisis as a result of dual processes of accommodating capital demands for liberalization and responding to popular pressures for socioeconomic transformation. From enacting structural adjustment policies (appeasing local and international financial interests) to providing unbudgeted pension payouts for war veterans (appeasing a powerful crony constituency) and embarking on violent land redistribution (also appeasing powerful cronies, but some landless peasants and small-scale farmers as well), government is

playing at a complex game of appeasement. A government attempting to navigate complex sets of demands and pressures, in a situation where politics becomes crisis management, will attempt to forge close relations with capital actors that are able to continue profiting from such crony relations, even in a situation of extreme political and economy uncertainty. These actors are primarily short term (financial) speculators that can, if necessary, easily extract their investments. At the same time, government will respond with populist, “anti-market” moves whenever domestic pressures increase and the (neoliberal) policy straitjacket becomes perceived as too inhibiting/untenable (a policy straitjacket that arguably was forced on Zanu already in 1979 by the Lancaster House agreement with Britain). If successful, this game may represent President Mugabe’s Machiavellian ability to ruthlessly divide and rule among his many competing “constituencies.”

### **“New” Economic Groups: Compradors or Agents of Transformation?**

What are the prospects for the emergence of a “patriotic” bourgeoisie, socioeconomic transformation and broad-based development in Southern Africa? Despite their various attempts at delivering transformation and development, leaders across the region clearly feel that greater efforts are necessary. Addressing the Johannesburg branch of the Black Management Forum on September 30, 2004, ANC Secretary General Motlante exhorted attendees representing the new black bourgeoisie to create

a social consciousness that goes beyond self-enrichment. Many of us, upon acquiring wealth, pay little attention to our social responsibilities. [We] must create new value systems which are able to root the beneficiaries of black economic empowerment in the communities from which they emerged. These communities are still struggling for a better life (Motlante, 2004).

Speaking at the 57<sup>th</sup> Session of the Zanu-PF Central Committee in Harare on April 2<sup>nd</sup> that same year, Zimbabwe’s President Mugabe berated those who use political connections and the rhetoric of transformation to enrich themselves.

[Zimbabweans] have seen the effects of corruption and how it erodes and collapsed their welfare because of ill-gotten affluence. We have all seen how riches that come easily through devious ways translate into arrogant flamboyance and wastefulness ... [W]e thought these men were leading business luminaries of our country! They have cheated us and deserve their punishment ... Some have sought to defeat [the government’s anti-corruption] campaign by pleading the cause of indigenization. Let them remember that indigenization does not, and shall never, mean empowering crooks who cut business corners and thrive on dirty deals. Certainly, it does not mean putting your shameless indigenous finger into the national till (Mugabe, 2004).

Whether these comments ought to be taken seriously, both South African and Zimbabwean leaders acknowledge the persistent danger of crony capitalism and the potential for new economic elites to abuse policies aiming at “indigenization.” Such acknowledgments do not, however, provide any answers to the question whether introducing “new” economic groups (in this case a “black bourgeoisie”) into the higher ranks of the regions’ economies will produce a capitalism capable of generating broad-based development, or whether it will merely make maintenance of

a deeply unequal and exploitative status quo more palatable. In this case of a region historically characterized by racially-defined inequality, “more palatable” might merely mean ensuring that the skin complexion of the exploiters more closely resembles that of the exploited.

As this debate continues to rage in Southern Africa, several potential outcomes can be envisioned.

- 1) Maintenance of the status quo: new economic groups are co-opted by old groups. This is essentially the generic liberal preference, where “trickle down” development is held out as a longer-term possibility, thus keeping a lid on any outbursts of popular demands for improvements in living conditions.
- 2) Government is successful in sponsoring the emergence of a “patriotic” bourgeoisie that in turn contributes to structural transformation: the ideal preference (?) of an ANC leadership committed to a liberal market economy, but also, if such a market can deliver as promised, (state-promoted) transformation and broad-based development along a “third way” economic model.
- 3) Regional collapse (the “Zimbabwe scenario”): it proves impossible to forge lasting collaboration between old and new economic groups and governments. Deterioration in state – business relations triggers capital flight, political conflict and societal breakdown.
- 4) Anti-capitalist/liberal solutions: solutions are found to the region’s developmental dilemma that are based some form of (rejuvenation, or retrieval, of) traditionalist/socialist/anti-capitalist policies. Such solutions are certainly not the ones key South African actors are seriously considering, nor will they likely be sought by a post-crisis Zimbabwean leadership that will instead be interested in seeking speedy reconciliation with global and domestic capital, as already indicated in recent policy statements by, among others, Zimbabwe’s newly appointed Reserve Bank Governor Gideon Gono.

In any case, the nature of interaction between governments, old and new economic groups and IFIs (i.e., state – capital relations) will continue playing a crucial role in shaping the political economy of Southern Africa.

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