

# The Guptas, the Public Protector's Report and Capital Accumulation in South Africa

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## Abstract

The relationship between South African President Jacob Zuma and his family, and the Guptas, possibly the richest family of Indian origin at present in South Africa, has made persistent national and increasingly international headlines in the media over the past few years. The Gupta family, who arrived in South Africa from India just prior to the country's first non-racial democratic elections in 1994, are accused of colluding with Zuma in the removal and appointment of government ministers, as well as the directors of State-Owned Enterprises (SOEs) in order to secure lucrative state contracts. This article examines the allegedly corrupt relationship between the Zumas and the Guptas to probe key issues in post-apartheid South African society: corruption, state capture, inequality, class formation, Black Economic Empowerment, and White Monopoly Capital. It argues that corruption has negative consequences such as creating despondency amongst the populace leading to capital flight and creating the possibilities for state capture as well as further deepening inequality.

**Keywords:** Apartheid, Gupta, Zuma, Black Economic Empowerment, White Monopoly Capital, Social Cohesion.

The lexicon of South African English has been constantly transformed by the inclusion of words from the Afrikaans language, and phrases from the Indian sub-continent, as well as by some words and phrases from local African languages. When this potpourri of 'English' is spoken at a rapid pace, even an English

speaking foreigner could easily get lost as sentences are trespassed with local inflections (Mesthrie 2010). Like its relationship with Empire, sometimes seeking its protection, while at others trying to maim its soldiers in bloody battles, South Africans of all colours have always played around with the tutelage and language of colonial imposition. Arguably, the most beguiling of new words to enter the South African dictionary in recent times is 'Zupta'. Used sparingly in the first years after Jacob Zuma became South African president in 2009, it has now become part of *normal-speak* in the country's conversation.

The genesis of this word lies in the close relationship between the Gupta family, who arrived from India in 1993 and the family of Zuma. How are we to interpret this word? Does it signify a highpoint of Afro-Indian relations, where these families have become so intertwined that they can be identified by a single word, and point to broader cooperation between Africans and Indians, or does it suggest that Zuma and his family sit atop a shady consortium whose main corrupters are the Gupta family, and where this relationship serves to aggravate already negative African perceptions of Indians as exploiters?

This article provides a theoretical framework that examines the relationship between corruption, state capture, inequality, and populism. It then focuses on the Guptas' arrival into South Africa and their increased involvement with the family of current South African president Jacob Zuma and through these political connections, in the economy itself. The third part of the article examines the South African Public Protector's State Capture Report and public reaction to that report; and the final part reflects on the debates generated over such issues as Black Economic Empowerment (BEE) and White Monopoly Capital (WMC). The article is mainly based on our observations of contemporary South African politics, analysing events as they unfolded, newspapers and online reports, and the official report of the Public Protector on allegations of State Capture. We hope in this way to produce a thematic / textual analysis of media reports, research and investigations to examine allegations of corruption and state capture in South Africa, and its impact on the wider society. We are aware that there are deep divisions in South African politics and that this applies equally to the media. Media diversity, we believe, is key to a vibrant democracy and we have factored in the biases of media outlets in our analyses.

## **Corruption, State Capture, and Inequality**

There is a growing international literature on corruption, and specifically its

relationship to state capture, inequality and the rise of populism. According to Philip (2001), a case of corruption occurs when ‘a public official (A), acting for personal gain, violates the norms of public office and harms the interests of the public (B) to benefit a third party (C) who rewards A for access to goods or services which C would not otherwise obtain.’ Transparency International ranked South Africa 64 out of 176 countries on the Corruption Perceptions Index 2016. This may seem reasonable but the country has regressed from 2001 when it was ranked 38. According to José Ugaz, Chair of Transparency International, ‘in too many countries, people are deprived of their most basic needs and go to bed hungry every night because of corruption, while the powerful and corrupt enjoy lavish lifestyles with impunity.’ Ugaz argues that societies with high levels of corruption are marked by unequal distribution of power and wealth, with the masses sometimes ‘turning to populist leaders who promise to break the cycle of corruption and privilege’ (Transparency International 2016). South Africa certainly fits this profile and it is one of the most unequal societies in the world.

Corruption, and even perceptions of it, can lead to despondency and cause people to be sceptical about calls to engage in philanthropy when they see leaders extracting profits for themselves (Hodess, Banfield & Wolfe 2001: 303). It may also lead to capital flight as those who are benefiting from corrupt practices may seek to invest money out of the country in order to avoid being caught out, while others may legitimately take their money out for fear of the consequences of an unstable economic climate. This may have a direct impact on the economy. Le and Rishi (2007: 323) concluded that ‘corruption *does* have a positive and significant impact on capital flight.... Capital flight and corruption are some of the main causes of the poverty in the South. Without capital flight and corruption the debt crisis would not exist in its current form.’ Corruption may also have a direct impact on the economy in that key political leaders may get drawn into long and costly legal matters, tying up valuable state resources. The many years that South African president Jacob Zuma has spent fighting legal battles and his struggles against key state institutions are testimony to this.

This article is specifically concerned with one of the most direct and serious consequences of corruption, namely, state capture. The World Bank (2000) first coined this term to refer to the situation in those countries that were part of the former Soviet Republic where in the transition from communism, small groups of people used the state to enrich themselves. They came to be

known as 'oligarchs'. In Latin America, the focus was on the role of drug lords in corrupting the state (Crabtree & Durand 2017: 1). Philip (2001) defines state capture as 'the domination of state institutions by individuals or groups in pursuit of their private interests.' Lugon-Moulin (2017) states that state capture occurs when business or ruling elites 'manipulate policy formation and influence the emerging rules of the game (including laws and economic regulations) to their own advantage.' According to Edwards (2017), private individuals manipulate the laws and government bureaucracy in instances of state capture, which may not necessarily be illegal, but is aimed at influencing state policies and laws in their favour. Lugon-Moulin (2017) alerts us to the fact that in examining state capture we should focus on the 'types of institutions subject to capture (Legislative, Executive, Judiciary, regulatory agencies, public works ministries) and the types of actors actively seeking to capture (large private firms, political leaders, high ranking officials, interest groups).'

Two broad explanations of state capture are dominant in the social sciences; one that sees state capture as a deviation from the 'correct' path which can be rectified through institutional reform; and another that argues that corporations influence political leadership to ensure that legislation helps them to maximise profit (Crabtree & Durand 2017: 2). As long ago as 1956, C. Wright Mills, the American sociologist, argued in *The Political Elite* that political, military, and economic elites share a common world view, and that power in society rested in the centralisation of authority within these elites. It is this second form of analysis, also termed 'political capture', that is applicable to the South African case. Crabtree and Durand (2017: 3) further argue that this form of capture does not have to involve corruption and that it flourishes primarily because 'state institutions lack accountability and civil society [is] constituted in such a way as to be unable to provide a counter-weight to corporate influence.'

Against this background of the existing literature it is our contention that what distinguishes state capture from ordinary corruption is the capacity of a private interest to intrude in state affairs to the point of directly determining state policy. This is not the stuff of lobbying or bribing officials to obtain contracts for work that is both needed and properly decided upon. The private actor is enabled to directly determine policy such that 'captured' members of the executive champion projects and steer budgetary allocations towards these private actors. The state does not simply get ripped off, it is controlled.

Bhorat *et al.* (2017) usefully put the allegation as follows: The Gupta-

Zuma alliance, comprising a relatively small network of companies and individuals holds a ‘symbiotic relationship between the constitutional and shadow state together’ (Bhorat *et al.* 2017: 61). Performed efficiently, the capture of a state occurs quite openly through the exercise of legal and administrative decision-making. The effective decision has, however, already been made in the shadows. Such a decision is solely responsive to private financial interests and it is the task of the executive to either dress it up as proper policy or ward off any legal challenges to it.

## **Zuptanomics**

Despite being in the country for over two decades, the Gupta family literally zoomed into the consciousness of South Africans in April 2013 when they were allowed to use the South African Air Force Base at Waterkloof to land a plane load of 217 guests from India who were attending a family wedding at the exclusive Sun City holiday resort, located roughly 160 kilometres away in the Pilanesberg area in the North West Province. Television cameras captured the blue light brigade standing to attention at the airport and escorting the guests to Sun City (Mataboge 2013). Leaked e-mails in 2017 revealed that public funds were in fact laundered from a project in the Free State Province via Dubai to pay for this showcase wedding (*AmaBhungane* 2017).

As the sirens and blazing lights swept their way to Sun City, one would have not been remiss to think that a foreign Head of State had arrived. Questions were raised and fingers pointed to the President. But blame was laid at the door of a functionary, Bruce Koloane, the chief of state protocol at the Department of International Relations. He was demoted to liaison officer for allegedly using Zuma’s name to illegally authorise the landing of the plane. And as is often the story-line in South Africa, Koloane was appointed South Africa’s ambassador to the Netherlands in August 2014 (Mandla 2014).

The South African media dubbed the incident ‘Guptagate’ and public sentiment began to stiffen against the closely bonded families. The Gupta brothers, Ajay, Atul and Rajesh, came to South Africa in 1993 from the northern Indian state of Uttar Pradesh. South Africa was on the cusp of non-racial democratic rule and was opening up to the outside world. The political transition created a void which resulted in porous borders and a lack of internal controls. The first to arrive was Atul, the middle brother and public face of the

Guptas, who established a business called Sahara Computers. Youngest brother Rajesh, who befriended Zuma's son Duduzane, arrived in 1997, while the eldest Tony settled permanently in the country in 2005 (Pillay 2013).

The family's beginnings were inauspicious. They opened a shoe store in 1994 in Johannesburg, which failed. Another business, Correct Marketing, was opened and the name of these holdings was changed to Sahara in 1997, after Saharanpur, their home town. Sahara came to include Shiva Uranium and JIC mining services. The Guptas remained behind the scenes but forged links with the Zumas, cabinet ministers and, crucially, decision makers in State-Owned Enterprises (SOEs). They came to public notice in 2010 when they became involved in a 'dubious potential iron-ore mining deal' that saw them, with government help, acquire part of the mining rights to an iron ore mine. Their friendship with government ministers like Malusi Gigaba and Naledi Pandor came into the open, while family members accompanied President Zuma on his first state visit to India in 2010 (Pillay 2013).

Verashini Pillay, then editor-in-chief of the *Mail & Guardian* newspaper, was in India at the time covering the 150<sup>th</sup> commemoration of the arrival of the indentured migrants in Natal. She recounted that when she spoke to Indian journalists about the Guptas, no one had heard of them or the Sahara group. Pillay concluded that,

whoever the Guptas had become in South Africa was a far cry from what they had been in India.... The contrast between the life the tight-knit Hindu family had in Saharanpur and their local bling lifestyle is stark: their father, after all, was a humble store owner who worked his way up, leading to the brothers sometimes being referred to unkindly as nouveau riche by their more moneyed Indian counterparts (Pillay 2013).

Kalim Rajab (2013), an occasional public commentator, noted that during this 2010 trip to India, Zuma made it clear to potential investors in South Africa that 'the suitable way of channelling it would be through the Gupta family. I'm not sure if there are any historical precedents for such a blatant (and downright dodgy) show of support of an administration towards politically connected businessmen.'

The Guptas' allegedly first met Jacob Zuma in 2003. They subsequently employed his wife Bongi Ngema-Zuma as communications

officer; while his daughter Duduzile and son Duduzane were appointed directors of a number of Gupta companies at different times. Sahara Holdings came to include mining, aviation and technology. They also helped bring the lucrative Indian Premier League (IPL) cricket tournament to South Africa in 2009 when there were security concerns in India. After Zuma's trip to India in 2010, the Guptas' started a pro-African National Congress (ANC) newspaper, *New Age*, in 2010 and in late 2013, soon after the Waterkloof scandal, Duduzane Zuma teamed up with the Guptas to launch ANN7 a pro-ANC 24-hour television news channel (Saul & Bond 2014: 222).

One of the most serious allegations against the family was that they played a pivotal role in determining South African cabinet appointments. The most public of these accusations was made by then Deputy Finance Minister Mcebisi Jonas, who alleged that he was offered a ministerial position by the Guptas preceding the dismissal of then Finance Minister Nhlanhla Nene in December 2015. Jonas rejected the offer and Zuma appointed Des Van Rooyen as Finance Minister. This proved disastrous as billions were wiped off the Johannesburg Stock Exchange (JSE) and the South African rand went into free fall against major currencies. Zuma was forced by members of his own party to backtrack and replace his appointment with former Finance Minister Pravin Gordhan. A former ANC MP Vytjie Mentor and Themba Maseko, a former head of the Government Communications Information System, also claimed to have been offered ministerial posts by the Guptas (*Mail & Guardian* 16 March 2016).

The Guptas' influence and reach into South African society is deep, to the extent that journalist Ranjeni Munsamy wrote in the *Daily Maverick* that the 'Gupta family has effectively usurped the function of the ANC deployment committee' (17 March 2016). The term 'state capture' was coined to describe the Guptas' *modus operandi* and quickly became part of South African everyday political language. Public pressure forced the ANC to launch an investigation into state capture in March 2016 but this investigation was dropped two months later when ANC Secretary-General Gwede Mantashe announced that the party had only received one written submission on the matter. Munsamy wrote that the 'Guptas can now resume working their political connections and influencing state and ANC processes under full political cover' (*Daily Maverick* 1 June 2016). The negative public perceptions surrounding these links led to South Africa's four major banks and an international auditing firm, KPMG, severing their business dealings with Gup-

ta-owned firms in April 2016 (Cropley 2016). Thus, writes Chutel (2016), what,

could have been another inspiring immigrant story ... is now met with deep skepticism and open anger by South Africans who see the Gupta family's ascent as symbolic of all that is rotten in local politics.... Rather than a bootstraps success story, the family's close relationship with embattled president Jacob Zuma has made them the target of political lashings and satirical cartoons.

## **The Public Protector's Report**

South Africa has a vibrant opposition and civil society that has used a variety of methods from legal challenges to mass protests to challenge the Zuptas.

The opposition Democratic Alliance (DA) party requested the Office of the Public Protector to conduct an investigation into allegations of state capture by the Gupta family. More specifically, it called for an investigation into whether Jonas and Mentor had been offered jobs by the Guptas, whether the state had unduly enriched the Gupta family in its allocation of contracts, and whether Zuma violated the Executive Members' Ethics Act (Nicolson 2016a). Public Protector, Thuli Madonsela, undertook an investigation into 'alleged improper and unethical conduct' by Zuma and other state functionaries with regard to the involvement of the Guptas in the appointment and removal of ministers and directors of SOEs (Madonsela 2016).

Madonsela complained of a lack of resources from the state to complete the investigation and in particular a lack of cooperation from Zuma. ANC MPs also tried to muddy Madonsela's reputation by suggesting that she was allied to the DA and was a spy for the US Central Intelligence Agency (CIA). On the eve of her departure from office on 14 October 2016, Madonsela submitted her 355-page report to the Speaker of the National Assembly (Parliament) for 'safekeeping'. While the Speaker was required to place the report before members of the National Assembly, she chose to return it to the Office of the Public Protector. It was only made public on 2 November 2016 because Zuma and Co-operative Governance Minister Des van Rooyen tried to get the courts to block the report. Van Rooyen withdrew his application on 21 October while Zuma withdrew his bid for an interdict against the report on 2 November, in the midst of the Pretoria High Court sitting.



The report alleged what the media, public, and opposition political parties had speculated all along; the Guptas wielded immense political clout, benefited economically through official connections to secure lucrative state contracts and private loans, and were involved in shady mining deals involving, coal, uranium, gold, platinum, diamonds, and iron ore (Madonsela 2016). Amongst the Public Protector's findings were that Zuma improperly and in violation of the Executive Ethics Code, allowed his son Duduzane and members of the Gupta family to be involved in the process of removal and appointment of the Minister of Finance in December 2015; Deputy Minister Jonas was offered a job by the Gupta family in exchange for extending favours to their family business;<sup>1</sup> that the Guptas were allegedly involved in the awarding of large contracts by Eskom, the state-owned electricity utility;<sup>2</sup> Zuma improperly used his position or information entrusted to him to give preferential treatment to businesses owned by the Gupta family and his son Duduzane Zuma in the award of state contracts, business financing, and trading licences; Government advertising was deliberately channelled to the Guptas' newspaper, the *New Age*; and television channel ANN7; and that Zuma may have been in breach of his legal duties in failing to investigate these matters or

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<sup>1</sup> Jonas told the Public Protector that he had been offered 600m South African rand (around \$44m as calculated in November 2016) by Ajay Gupta to agree to be appointed finance minister and use his position to replace some of the executives in the National Treasury who were a 'stumbling block' to the Gupta family's business ambitions. Jonas declined the offer. Finance Minister Nhlanhla Nene was replaced by Van Rooyen, then a little known backbencher. The report stated that Van Rooyen had spent a considerable amount of time with the Guptas and was near their Saxonwold, Johannesburg, residence many times, including on the day before he was announced as Minister.

<sup>2</sup> Between 2 August 2015 and 22 March 2016, Eskom CEO Brain Molefe called Ajay Gupta 44 times while Ajay called Molefe 14 times. The Public Protector's Report stated that Eskom's awarding of a coal contract to Tegeta was irregular and that the Eskom board was improperly appointed. Molefe initially tried to laugh off these suggestions, stating that he visited a shebeen in the area. However, public pressure forced him to resign in December 2016. In true Zuma-fashion, he was back in the limelight when the ANC appointed him an MP in February 2017. He served a short stint and was then brought back to Eskom as CEO. After a public outcry he was removed.

act against wrongdoings.

The report called for a judicial commission into the allegations and for it to be 'adequately resourced' and presided over by a judge selected by the Chief Justice. This suggested that the Public Protector had no faith in the partiality of a commission chosen by the President. The Public Protector ordered that the commission report back within 180 days of its appointment. Amongst issues flagged in the report for further investigation were: how the South African Broadcasting Commission (SABC), a public broadcaster, began charging government departments to act as conduits for them to reach the public, a service it had previously offered for free, and splitting this new stream of revenue with a Gupta-owned newspaper; the relationship between the state-owned weapons company Denel and its Gupta-linked supplier, VR Laser Services; state-owned Transnet's many large payments to the financial advisory companies Regiments Capital and Trillian, which had clear Gupta links and helped the family to pay for a coal mine; state-owned airline South African Airways' (SAA) spending on the Gupta-owned *New Age* newspaper, including buying millions of copies of the publication; Eskom's contracts with a Gupta-owned coal mine to supply its Majuba power station; whether Zuma sanctioned the actions of his mining minister, Mosebenzi Zwane, who used his official position to 'unfairly and unduly influence' a contract for Zuma's son at the expense of the state; loans from the Industrial Development Corporation to finance Gupta enterprises; and the awarding of mining licences to Gupta companies.

In December 2016, Zuma mounted a legal challenge against the remedial action recommended by the report, arguing that it was his constitutional prerogative to appoint the leader of the commission and not that of the Chief Justice. Bantu Holomisa, leader of the United Democratic Movement (UDM) party, tweeted, sarcastically: 'the main suspect Zuma goes to court to demand that he personally appoints a Commission to investigate himself. Joke!' This matter had not been resolved at the time of writing (August 2017) and it is unclear when, if ever, the commission will see the light of day. As Greg Nicolson (2016b) noted, the ANC will do everything possible to 'buy time, postpone, delay, defer, defuse, deny, confuse.'

During May and June, around 30 000 emails connected to the Guptas were leaked into the public domain, and can be viewed on the *Daily Maverick* website (<https://www.dailymaverick.co.za/>). They confirmed some of what the Public Protector's report alleged, and pointed to the involvement of a vast

number of individuals and businesses, ranging from state utility Eskom, to the ANC Youth League, Mining Minister Mosebenzi Zwane, Communications Minister, Ayanda Dlodlo, Finance Minister Malusi Gigaba, and Co-operative Governance Minister Des van Rooyen.

What are we to make of allegations of state capture?

### **State Capture or a Challenge to White Monopoly Capital?**

In their defence, the Zuptas argue that the attacks on them stem from the fact that they represent a challenge to white capital and a class structure shaped historically under white minority rule. This argument is supported by some adherents to the Black Consciousness philosophy and Africanists. Andile Mngxitama, founder member of the Black First Land First movement (BLF) argued that the fundamental contradiction in South Africa is that ‘white monopoly capitalism renders the black majority powerless.’ He added that, Zuma’s association with the Guptas was a deliberate ‘strategy (on his part) to look more towards the East’ since the ‘colonial state’ that the ANC inherited could not be transformed because the constitution has entrenched white power. Zuma is thus seeking to empower black people through ‘parallel processes’, which has angered white capital because the Guptas have secured lucrative mega projects, thus beating them at their own game (Mngxitama 2016).

Mngxitama argued that there was a parallel between the Zuptas and the era of white minority rule in South Africa when white capital ‘was created with the direct support of the state.’ Yet, when a political settlement was being negotiated in South Africa, white monopoly capital was not asked to ‘account for their wealth, created from the super-exploitation and dispossession of blacks.’ The attack on the Guptas was a ‘proxy war ... to distract the angry youth from the real enemy’, white capital, ‘which continues with business as usual.’ Mngxitama further stated that calls for the Guptas to leave South Africa were,

dangerous as it involves the demagogic mobilisation of anti-Indian stereotypes and feeds into xenophobic tropes to organise the most backward sentiments in society and deflect attention from the real source of the South African problem, which is white capital created from colonialism and apartheid (Mngxitama 2016).

This line of argument has also been proffered by top ANC members. When the DA sponsored a vote of no confidence in Zuma in parliament in August 2016 the then Minister of Home Affairs and subsequent Minister of Finance, Malusi Gigaba, rose full of righteous indignation:

The truth is that there is a bitter struggle in South Africa between the former oppressors and those whom they oppressed, for the right and power to determine the political direction of this country as well as ownership of its economic resources.... Our extensive mineral wealth and the prospective nuclear power station in South Africa lie at the heart of the regime-change offensive we are subjected to. Accepting this agenda and not opposing it to the very death will be our biggest folly .... There will be no retreat; there will be no surrender from us (quoted in Thamm 2016).

Mngxitama is correct in claiming that the coming to power of the National Party (NP) in 1948 saw the inauguration of *volkskapitalisme*, or people's capitalism primarily in favour of white Afrikaners (O'Meara 1983). An Afrikaner bourgeoisie was nurtured by the state which 'shaped the business environment directly through parastatals in rail and air transport, iron and steel, electricity, and telecommunications,' while introducing laws to 'protect the living standards of white voters, and to promote domestic industry' (Nattrass and Seekings 2010: 5). While there was general upliftment of the white population, the commanding heights of the economy remained in the hands of an exclusive monopoly. Thus, the mining-based giant Anglo-American company controlled 44 per cent of the entire capitalisation of the Johannesburg Stock Exchange (JSE) and the top five corporate groups together controlled 84 per cent of the JSE in 1994 (Nattrass & Seekings 2010: 5).

In response to this line of attack by Mngxitama and Gigaba, an editorial in the *African Communist* (2016) argued that there are differences between the Guptas and old white capital. While accepting that the problem of capitalism was much deeper than the machinations of the Guptas, and that all capitalists were 'hostile' to the working class, it made a distinction between the Guptas and Afrikaner businessmen like Johann Rupert and Koos Bekker:

The Gupta family, arriving in South Africa in the mid-1990s, has been entirely parasitic for their wealth accumulation on corrupting parts of

the post-apartheid state. The Ruperts and Bekkers, part of the so-called Stellenbosch mafia, appear to have some degree of commitment to South Africa, presumably both for wealth preservation and sentimental cultural reasons. The Ruperts and Bekkers repatriate some of their considerable global earnings back into South Africa. By contrast, the Gupta family is reputed to be shipping its ill-acquired wealth post-haste out of the country to Dubai in anticipation of a loss of political influence in the near-term.

It also subsequently emerged that the Guptas had employed British public relations firm Bell Pottinger. The firm developed a social media campaign to divert attention from the Guptas' involvement in state capture by emphasising the role of white monopoly capital in the South African economy. Bell Pottinger came up with slogans such as #endeconomicapartheid, while besmirching journalists, politicians, and government officials who were exposing Gupta-linked corruption. The company also drafted some of the inflammatory speeches made by the ANC Youth League. The DA submitted a formal complaint with the UK-based public relations industry body that, by acting unethically, Bell Pottinger had manipulated public opinion to create racial divisions in South Africa. In July 2017, days before it was due to appear before the Public Relations Communications Association and the Chartered Institute of Public Relations, Bell Pottinger issued a public apology to South Africans for the racial tensions it had fomented in the country and dismissed the lead partner involved in the South African business (Thamm 2017).

One of the ironies of Mngxitama and Gigaba's comments is that it was by virtue of the ANC's embracing neoliberalism in the mid-1990s that 'the power and wealth of the white-controlled capitalist sector was enhanced by its integration into the power structures of the American oriented neoliberal global economy' (Terreblanche 2012: 34). Terreblanche (2012: 35) adds that since the democratic transition in 1994, inequality has increased in South Africa, in part because of the ANC government's 'misguided and myopic initiatives' which 'have given strong preference to black elite formation and to promoting the interests of local and foreign corporations while it has shamelessly neglected the impoverished black majority.'

At the time of non-racial democratic rule the ANC beat a quick retreat from 'the Freedom Charter's promise to nationalise banks, mines and monopolies' (Bundy 2014: 33). Nelson Mandela, the country's first president,

returned from Davos, Switzerland, in 1992 to announce to his closest aides: 'Chaps, we have to choose. We either keep nationalisation and get no investment, or we modify our own attitude and get investment' (Sampson 1999: 435). Liberalisation and globalisation have increased inequality globally, not just in South Africa. As Crabtree and Durand (2017: 12) point out, these economic changes 'have had a profound impact on the balance of political power within economies ... and in their relative patterns of distribution.' They add that in many instances,

a circularity become[s] marked, with political capture influencing patterns of unequal distribution (of wealth as well as income), leading in turn to greater inequalities in the distribution of power and thus further contributing to the phenomenon of capture.

Embracing neoliberalism did not mean that it was business as usual under the ANC government. The Black Economic Empowerment (BEE) policy was to act as a Trojan horse in challenging white monopoly capital. In practical terms, this would translate into nurturing a black bourgeoisie, with Thabo Mbeki holding that its 'presence within our economy and society will be part of the process of the deracialisation of the economy and society' (Macdonald 2004: 648). BEE has echoes of *Volkskapitalisme*; the use of state power to facilitate capital accumulation. As MacDonald (2004: 647-48) points out:

Some of the means the NP used to build the Afrikaner bourgeoisie were notorious, of course, but in addition to blatant racism, also boosted Afrikaner-owned businesses through state contracts, subsidies, jawboning, and pressure on English speaking capital to sell subsidiaries to Afrikaners. By similar means, for similar reasons, the ANC is building an African bourgeoisie (MacDonald 2004: 647-88).

In principle there appears to be little wrong in BEE as a means to change the structure of the social classes in post-apartheid South Africa. But, as Natrass and Seekings (2010: 8) observe, the way in which BEE has worked has meant that ...,

many members of the new black corporate elite are very well connected politically, to the extent that the ANC itself has had to

respond to criticisms of the ‘revolving door’ between political or bureaucratic leadership and the corporate world.... The underside of the close relationship between political and economic elites is the tawdry story of corruption, as revealed in case after case of abuse in tender processes (Nattrass & Seekings 2010: 8).

As Chipkin (2017) explains it, following the ANC’s 2007 conference in Polokwane, the Zuma faction wanted to transform the economy, and was of the opinion that the formal ‘rules of the game’ were too heavily stacked in favour of entrenched classes. He argues that, the problem with the Zuma government’s model of transformation is that it focuses on the state and not the economy. The annual value of goods and services resulting from the outsourcing of core government functions stands at around R500 billion. ‘Essentially’, he writes, ‘the government has become a massive, tender-generating machine.’ Government procurement is used to empower black businesses. While the aim may be noble - to displace white-owned or managed businesses – Chipkin believes that this strategy is unworkable because ‘the politicisation of procurement in the name of radical economic transformation frequently brings it into conflict with service-delivery mandates.’ The public service has been witness to purging as a result of who gets which tender. Some municipalities have become dysfunctional in the process and are unable to deliver services. This is reflected in crises over health and education, for example, where apartheid era inequalities are replicated. There are no policies in place to effect the structural reforms necessary to transform the economy to create jobs, radically transform it, and reduce unemployment and inequality.

The *African Communist* (2016) editorial made another relevant point about the Guptas, arguing that in order to ‘advance a second radical phase of the national democratic revolution’ in South Africa, a professional National Treasury and South African Revenue Service (SARS) were essential. However, this does not suit the ‘parasitic’ agenda of the Guptas who need to weaken such institutions in order to capture and loot the state. Whatever their other faults, Afrikaner capitalists, the editorial went on, ‘for both sentimental and wealth preservation reasons, would like to see an effective Treasury and SARS capable of staving off a South African economic meltdown.’ The Zuma faction in government has effectively taken control of at least four key South African institutions, the finance ministry (by removing Pravin Gordhan and putting Malusi Gigaba in place), the state prosecutor (with the appointment of

Shaun Abrahams as head of the National Prosecuting Authority), the public protector (Busisiwe Mkhwebane), and SARS (whose head, Tom Moyane is a Zuma ally).

## **Zuma and the Discontents**

Despite continuing support from significant sectors of the ANC, Zuma's position has been weakened by the release of Public Protector's Report, coming as it did in the immediate aftermath of the ANC's poor performance in the August 2016 local government elections, when its share of the vote fell to 55 per cent (the first time since 1994 that it had dropped below 60 per cent) and the party lost control of the country's economic hub, Pretoria and Johannesburg and a black majority city, Nelson Mandela Bay. Leading ANC stalwarts began to speak on this issue. Former Robben Island prisoner Ahmed Kathrada called on the ANC to address public concerns relating to Zuma's relationship with the Gupta family, while the ANC's political ally, the Congress of South African Trade Unions (COSATU), called on the president to distance himself from them (Grootes 2016).

Zuma was also publicly pilloried. South African artist Ayanda Mabulu exhibited a painting portraying him performing an act of anilingus on Atul Gupta in the cockpit of an airplane against a backdrop of the ANC flag (Feltam 2016). At the funeral service for ANC stalwart, the Reverend Makhakesi Stofile in late August 2016, attended by around 10 000 people, including ANC top brass, former foreign affairs director-general Siphosiphile Pityana called on Zuma to resign. He hoped that the funeral would be a 'turning point' to rid the ANC of corruption and nepotism so that the party could return to its 'former glory' (George 2016). Former president Thabo Mbeki wrote to Zuma on 1 November 2016 calling on him to hold talks with the 101 ANC 'veterans' who publicly expressed concerns about Zuma's leadership and the crisis facing the country because of his alleged links with the Guptas (*The Citizen* 3 November 2016). Kathrada penned a damning letter to Zuma on 2 April 2016, in which, amongst other things, he said that he was breaking his position of never speaking publically about his differences with 'my leaders and my organisation' because of the dire circumstances in which the ANC and country found itself. He added that the position of president required the respect of all South Africans. Kathrada asked, 'bluntly, if not arrogantly, in the face of such persistently



widespread criticism, condemnation and demand, is it asking too much to express the hope that you will choose the correct way that is gaining momentum, to consider stepping down?’

Despite this criticism, Zuma felt emboldened enough to fire Gordhan at the end of March 2017. The Finance Minister was in London to meet with potential investors when Zuma instructed him to return home and announced shortly before midnight on 30 March 2017 that Malusi Gigaba, the former Home Affairs minister, was replacing him. Muller (2017) believes that Gordhan’s sacking was due to his determination ‘to safeguard the fiscus against irresponsible and corrupt activities.’ Likewise, Rossouw is of the opinion that Zuma was ‘hellbent on replacing (Gordhan) with appointments that would allow looting of the national purse’ (Rossouw 2017). On the other hand, Zuma allies mounted attacks on Gordhan with Zuma’s son Edward calling him a ‘White Monopoly Capital stooge’ in an open letter in July 2017.

Zuma would likely have fired Gordhan earlier were it not for the death of Ahmed Kathrada on 28 March. Kathrada reportedly instructed his family that the president was not to speak at his funeral (Fihlani 2017). Zuma did not attend the funeral service but high ranking ANC leaders like Deputy President Cyril Ramaphosa, Secretary General Gwede Mantashe, and former presidents Thabo Mbeki and Kgalema Motlanthe did. Motlanthe was given a standing ovation for his eulogy, which included a powerful critique of Zuma. He said that it would be ‘disingenuous’ to pay tribute to Kathrada while ignoring the fact that he had been ‘deeply disturbed by the current post-apartheid failure of politics.’ Motlanthe quoted extensively from Kathrada’s letter and warned that the ANC ‘itself may disappear off the face of the earth if it fails to embrace the culture of self-reflection from time to time concerning its character and inner soul as a governing party’ (Fihlani 2017). While Mantashe and Ramaphosa both stated that they opposed the firing of Gordhan, they did not resign or openly support a motion against Zuma as this carries the risk of leaving them in the political wilderness (Calland 2017).

Both the opposition DA and EFF political parties have annually tabled motions of no confidence in Zuma. These have not succeeded because ANC members are in the majority in parliament. Opposition parties were of the view that many were opposed to Zuma but fearful of the consequences of opening voting against him and would do so in a secret ballot. National Assembly Speaker Baleka Mbete argued that she had no authority to hold a secret ballot. The UDM brought an action against the speaker and the Constitutional Court

ruled on 22 June 2017 that it was up to Mbete to decide for or against a secret ballot. The vote was held on 8 August 2017, and Zuma narrowly survived the secret ballot, with 177 MPs voting for him to be removed and 198 voting for him to stay. There were nine abstentions. This was a close call as the ANC has 249 MPs in the house. It is estimated that 26 members of Zuma's party voted against him. While the ANC celebrated this as a victory, it was described in more than one quarter as a pyrrhic one. The ANC is divided as never before and the opposition parties are resurgent. With the 2019 elections looming, it is in danger of losing its majority (Calland 2017).

### **Concluding Remarks: The Guptas and Race in South Africa**

Many South Africans believe that the country is at a tipping point as civil society, an active opposition, an independent judiciary, and a relatively free press have sought to bring the Guptas to book while Zuma and his allies have sought to consolidate control of key state institutions. Zuma's response is to tighten his grip on the state including its security apparatus.

Over the past two decades, the Guptas' wealth has been built on the back of political connections, providing grist to the mill of crony capitalism and 'sharp' Indian business practices. They have thus far survived and prospered because of their links to President Zuma whose own family and political allies appear to have benefited enormously from this relationship. Towards the end of August 2016, with intense pressure on the family, the Guptas announced that they were divesting from the country. This was an apparent *volte face*, as Atul Gupta told BBC 4 radio in an interview broadcast on 3 August 2017 that the family had no intention of leaving: 'I want to stay in South Africa forever. I love this country... I'm proudly South African and I respect all my fellow South Africans. I'm a live example of financial liberation and I'm playing my part.'

Whatever happens, their legacy will be Zuptas, shorthand for the shady relationships between Indian business interests and African political chiefs who wield political clout.

The Guptas' activities have consequences for race relations in the post-apartheid moment. While they used Bell Pottinger to foment racial tensions between black and white, ironically, their activities may be contributing to tensions between African and Indian by feeding into already existing negative stereotypes of Indians in many parts of Africa, and especially in the province

of KwaZulu-Natal where, as much as they have also collaborated, historically, Indians and Africans have had tense relationships. Negative perceptions of the role of Indian capital extend beyond South Africa to other countries on the continent. Historically, tensions in Afro-Indian relations have existed in South Africa as well as Tanzania, Uganda, Zimbabwe, and Kenya as Indians were accused of not integrating into local societies and of not investing in the countries in which they lived.

At a broader level, allegations about state capture have exacerbated political tensions in South Africa. The ANC is divided and its two main alliance partners, the South African Communist Party (SACP) and COSATU have both demanded that Zuma resign. This is taking place against a backdrop of elections for the President of the ANC in December 2017. The two leading candidates are Nkosazana Dlamini-Zuma, Zuma's former wife and apparently in the Zupta camp, and Cyril Ramaphosa, an extremely wealthy rich beneficiary of BEE. Whoever wins will inherit a weakened ANC and a resurgent opposition in the form of the centrist DA and the left-wing EFF. In some quarters this political uncertainty is seen as positive as it allows debate about the future of the country whose outcomes are not still dominated by one political party. Others worry that the eroding of the ANC as the centre of power will exacerbate turmoil and jeopardise the stability needed to attract investment and stimulate economic growth. At a theoretical level the Zupta phenomenon stimulates us to take seriously the fact that in a constitutional democracy, a shadow state can operate not in conflict but in conjunction with it.

In the no-confidence debate, opposition parties hammered home the message that this was a vote of no confidence in President Gupta. Despite the hyperbole, the ability of the Guptas to accumulate capital and power in such a short time is remarkable. Zuma's ability to survive scandal after scandal is arguably even more remarkable.

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