Abstract

This paper explores the under-appreciated role of business in negotiated transitions to democracy. Drawing on our interviews of key South African business leaders and political elites, we show how business played a vital role in enabling politicians to break out of the prisoners’ dilemma in which they had been trapped since the 1960s and move the country toward the democratic transition that took place in 1994. Business leaders were uniquely positioned to play this role, but it was not easy because they were internally divided and deeply implicated in Apartheid’s injustices. We explain how they overcame these challenges, how they facilitated negotiations, and how they helped keep them back on track when the going got rough. We also look at business in other transitional settings, drawing on South Africa’s experience to illuminate why business efforts to play a comparable role in the Israeli-Palestinian conflict have failed. We end by drawing out the implications of our findings for debates about democratic transitions and the role of business interests in them.
On March 21, 1960, police opened fire on a demonstration against South Africa’s pass laws in Sharpeville, fifty miles south of Johannesburg, killing 69 people. The callousness of the massacre – many victims were shot in the back while fleeing – triggered a major escalation in the conflict between the African National Congress (ANC) and the National Party (NP) government. Demonstrations erupted at mass funerals for the victims and protesters marched on police stations across the country. Ten days later the government banned the ANC, declared a State of Emergency, and arrested hundreds of activists. The ANC ended its commitment to nonviolence, formed a military wing Umkhonto we Sizwe (“Spear of the Nation” – MK), and soon launched its first attacks on government installations. For almost three decades, repression and violent resistance fed each other. In February 1990, when President FW de Klerk announced the unbanning of opposition organizations and the imminent release of Nelson Mandela and all other political prisoners, the country was on the verge of civil war. Yet, four years later negotiations led to successful elections, consummating a peaceful transition to democracy.

The result surprised the world, as it should have done. The conflict embodied a classic prisoners’ dilemma, in which the best result for both sides – a cooperative solution – is unavailable because each player’s immediate incentive is to defect no matter what the other one does. The government and white South Africans it represented expected that giving in to opposition demands would unleash a tidal wave of swart gevaar (“black danger”) heralding a “total onslaught” of communism that would destroy civilization as they knew it. Official ANC policy was to create a nonracial democracy, but many whites believed their assets would be expropriated and industries nationalized, reflecting the ANC’s long-standing alliance with the South African Communist Party (SACP) and its commitment to a socialist economy. The ANC was stuck with the reality that nonviolent resistance since its founding in 1912 had yielded the creation of apartheid state in 1948, forced removals in the 1960s, violent repression of all calls for change, and execution and imprisonment of many of its leaders. Anything other than continued resistance seemed guaranteed to bring further
entrenchment of the apartheid order, which the National Party showed no signs of giving up. The ANC’s dominant strategy was to resist.

Hence the dilemma. With the government increasingly committed to the use of force to squash dissent, the ANC thought it foolish to relinquish its armed struggle. And with the ANC unwilling to forsake the armed struggle, the government judged continued repression necessary. The conflict on the ground polarized both sides, trapping them into a downwardly spiraling equilibrium. The self-reinforcing cycle of repression and resistance made the cooperative solution ever more elusive. There was a real danger that the cooperative possibility would disappear entirely.

That kind of tragedy has been seen elsewhere. In the early 1990s, Israelis and Palestinians overwhelmingly supported the agreement on a two state solution that had painstakingly been crafted in Oslo and would have ended their decades long conflict. But a disgruntled Israeli right-winger assassinated Israeli Prime Minister Yitzhak Rabin during the final stages of negotiations in December of 1995, and the talks collapsed. The escalating violence and repression that followed took the Oslo possibility off the table, as President Clinton learned when he tried to revive it in the summer of 2000. By then, people on both sides had suffered so much that their mutual hatred and mistrust prevented their accepting terms that they had embraced five years earlier.³ A comparable scenario was a real possibility in South Africa, resulting in a full-blown civil war that would have been catastrophically costly for all.

Our goal here is to help illuminate how South Africans avoided this outcome, which was widely expected at the time. We begin in Part I by explaining why the prevailing pessimism was warranted. The prisoners’ dilemma South African’s faced was embedded in decades of bitter conflict, and the standard paths out of it were blocked. Spoilers in both communities were unalterably opposed to the settlement that reformers in the government and moderates in the ANC hoped to establish. The stakes were high and escalating. Surmounting the obstacles required leaders with unusual capacities for empathy and risk,⁴ but they did not fall out of the sky. People with few reasons to trust one another had to develop such reasons, and then act on them and keep acting on them, even as powerful groups on both sides of the conflict sought to undermine their efforts.
Our thesis is that South African business elites played a decisive, yet underappreciated, role in facilitating this result. Business leaders were unlikely midwives of the transition because big business had accumulated massive profits in a highly uncompetitive economy, aided in large part by the oppressive apartheid regime. Yet the country’s economic elites came to see that their political leaders were clinging to a status quo that had become a wasting asset. They could help Botha and the conservative elements of white society rearrange deck chairs on a sinking ship, leading to an unforeseeable future at the end of a bloody road. Or they could help build a climate of trust in which the political leaders could move the country toward a cooperative future. Paradoxically, taking this path would mean openly defying an increasingly militarist government and reaching out to enemies who for decades had promised to nationalize the economy and expropriate their ill-gotten gains.

How business elites came to perceive their evolving options is our subject in Part II. There we explain why the imperative to quell escalating industrial unrest changed the three-part relationship among business, labor, and government, and why the global collapse of communism led economic elites to view a transition to democracy in a new and more favorable light. In Part III we describe the formation of a business organization, the Consultative Business Movement (CBM), and detail its various roles in the transition. We explain how the CBM created the climate and relationships that were essential to resolving the trust problem at the heart of the prisoners’ dilemma, and how they worked to prevent its resurfacing as inevitable crises erupted during the transition. It took years of costly effort by the CBM leaders to build their reputation as honest brokers, to organize and sustain civil society groups to stem political violence, and to convince potential spoilers not to boycott and derail the first democratic election in April 1994.

Evolving business interests made this possible, but it was not easy. Business is never monolithic, and variously situated South African business elites viewed the situation and choices before them differently. In Part IV we take up the resulting political and collective action problems that business leaders had to solve, or at least manage, among themselves in order to be effective. This involved taking advantage of the unusual structure of big business, which was highly concentrated but nonetheless
integrated across the economy. Business elites also had to develop and sustain a
delicate dual role: they had to ensure that key protagonists on both sides would see
them as sufficiently independent to be trustworthy during the periods of greatest
danger, but they also had to be seen as committed to achieving a non-racial democracy
and willing to pay significant costs to achieve it. We underscore how important, if
challenging, this was in Part V via a comparative look at efforts by business elites to
have a similar impact on the Israel Palestine conflict. There the economy is differently
structured, economic and political elites view the status quo differently than they did in
South Africa, and business leaders have not managed to fashion a comparable role for
themselves.

In Part VI we turn to the implications of our analysis for the study of democratic
transitions. There we argue that, though negotiated transitions can never be predicted,
it is possible to improve our understanding of the factors that make them more and less
likely to start and to succeed. We cannot say that there would have been no negotiated
South African transition without the enabling participation of business. But it is difficult
to imagine how it could have occurred without the active involvement of some semi-
independent group with the heft, status, and commitment that the CBM business elites
displayed. Political leaders on both sides who favored a negotiated settlement needed
them to build and sustain the requisite trust to escape their prisoners’ dilemma,
hammer out the terms of an acceptable deal, and defend it against the spoilers on both
sides. It is hard to see who else could have played this role in South Africa, and it is
doubtful that negotiations in comparable settings could succeed without comparable
help.

Several scholars of the South African transition have focused on factors that
make it more likely that regime elites will prefer democracy to autocracy. But it is one
thing to prefer, or at least be open to, an outcome and another to reach it in
circumstances that prevailed in South Africa before 1990. Our goal is to illuminate the
unlikely path that led to that result. We explain how regime elites managed to commit
themselves to negotiations during an ongoing conflict that had become locked into an
iterated prisoners’ dilemma where the status quo was a mutual defection. This
malevolent equilibrium had persisted through multiple iterations over many decades
and showed no signs of ending. Yet it did, an outcome that depended vitally on South African business in ways that have yet to be fully appreciated.

I. The worst kind of prisoner’s dilemma

A cooperative solution, in which both sides agree to negotiate, offered the prospect, but no guarantee, of a desirable settlement. Negotiations can collapse for many reasons, prompting a reversion to violent conflict as happened in Israel-Palestine after 1995. Even when negotiations do succeed, is not obvious ex ante what agreement the parties will arrive at when they commit to the cooperative path. The South African government wanted constitutionally mandated power sharing, other protections for the white minority, strong federalism, an amnesty process, protection of civil service jobs, and many other things that the ANC viewed with varying degrees of antipathy. Its agenda consisted of majority rule, economic redistribution, land reform, large-scale nationalizations, and other measures that were anathema to the government. Theses issues were components of what James Fearon (1995) describes as a bargaining range: a set of possible outcomes that the players see as worth negotiating over in view of the costs of the ongoing violent conflict.⁶

Events could, of course, have proved them wrong. Neither side knew where they would end up if negotiations started, and both knew that the other would have to extract minimum concessions for the game to be worth the candle for them – even if the incomplete information, bluffing, and genuine uncertainty that invariably attends negotiations made this reservation price hard to identify. There is always the chance that, once things clarify, each side’s reservation price will turn out to be unacceptable to the other. That would reveal the apparent bargaining range as chimerical, scuttling the negotiations. But the prevailing equilibrium of mutual defection was worse. It ruled out the possibility of a negotiated settlement, perpetuating a situation in which neither side could win unilaterally, yet both could impose significant and increasing costs on the other – eroding everyone’s quality of life and threatening their security.⁷ Continuing defection promised debilitating civil war, or perhaps a military coup or some other hard line authoritarian order.

It is remarkable that South Africans escaped their prisoners’ dilemma because the standard ways out of it were unavailable. In the textbook formulation, where two
prisoners must each decide whether to sell one another out to protect their own hide, their inability to communicate keeps the cooperative solution out of either prisoner's grasp. If they could agree to keep silent, the prosecutor would lack the evidence to impose anything more than a minor sanction on both. So she isolates them, offering each the same deal: rat out your accomplice and you get off scot free if he is foolish enough to trust you, and I will guarantee you a lighter sentence if you talk rather than stay mum if he testifies against you. Whether the prisoners would have trusted each other even if they had been able to communicate is a topic for game theory seminars, but in the textbook case the prosecutor uses their isolation to ensure their continuing mutual mistrust. This makes defection the dominant strategy for each, no matter what the other one does.

The two sides were not isolated in South Africa in the 1960s and after, but they might as well have been. The more repressive the South African state became, the less reason the opposition had to trust anything the government proposed. And escalating black resistance fed white fears of existential annihilation. "One settler, one bullet!" was the much-publicized battle cry of the Pan Africanist Congress (PAC), which had been banned, and its leaders imprisoned, on the same day as the ANC.

Any leader who proposed an opening to the other side would quickly have lost grass roots support. This was illustrated by Inkatha Freedom Party (IFP) leader Mangosuthu Buthelezi's marginalization in the liberation movement once he began making overtures to the government in the late 1970s. In 1985, when Mandela decided that the situation was getting so bad that he had better explore the possibility of talks with the government from prison, he realized that he would have to keep this secret. He was taking an enormous risk that would likely finish him as a leader in the ANC if, as was quite possible, his gambit became public.

The NP government was in a comparable trap. When P.W. Botha became Prime Minister in 1978 he announced a series of reforms, building on his widely quoted declaration that white South Africans must "adapt or die." The reforms were cosmetic, but they raised expectations that "far reaching change was on the way." It soon became clear, however, that Botha could not cede ground to his opponents; he was too dependent on the hard line NP factions who believed that efforts to cooperate with the
ANC were dangerously futile. Botha backtracked in August 1985, dashing the expectations with his “Rubicon” speech to Parliament which confirmed that there was no prospect of his releasing Mandela or negotiating real change with the ANC. The speech reaffirmed the hard line NP self-image of an embattled state committed to protecting white South Africans from violent revolutionaries bent on leading the country into destruction. It dashed opposition hopes at home and strengthened critics of “constructive engagement” with the apartheid regime abroad. The United States Congress passed sanctions over President Reagan’s veto the following year.

Whatever reformist impulses Botha had entertained were soon scrapped. He strengthened the military by establishing the National Security Management System and enhanced the security ministries, creating the State Security Council with its own permanent secretariat. Comprised of ministers from the law and order departments, it was chaired by Botha personally and soon displaced the cabinet as the site of key decision-making as the government pursued a “total strategy” against what they perceived as the “total onslaught” by the revolutionary forces. The circle of hawks around Botha continued pushing for a non-cooperative solution, believing military confrontation preferable to giving in to the other side.

Robert Axelrod’s research on iterated prisoners’ dilemmas suggests that there are conditions that can promote cooperation, but these were not present in apartheid South Africa. Axelrod’s initial computer simulations suggested that a dominant strategy is Tit for Tat (TFT): cooperate in the first round and then mimic the other side. In South Africa after 1960 mutual defection was the status quo, so that TFT reinforced it. As Axelrod notes, “Once a feud gets started, it can continue indefinitely.”

In subsequent work Axelrod considered ways out of this situation. Players can test the waters with “generous tit-for-tat” (cooperating in the face of an opponent’s defection) and “contrite tit-for-tat” (cooperating when the opponent has defected in response to their earlier defection. They cannot do it too often, however, or these “nice” strategies will be invaded be “nasty” ones. The biblical injunction always to turn the other cheek would quickly lead you to be played for a sucker. Even regular use of tit for two tats is too generous; it will be invaded by nasty strategies. Making the restorative
move about one time in ten seems feasible, however. It puts a defect/defect iterated prisoners’ dilemma back on a mutually cooperative TFT path. 15

But these restorative strategies depend on two conditions that were notably missing in South Africa. The stakes need to be comparatively low both to make iteration possible (life and death situations are not iterative) and to permit people to test the waters with baby steps before making bigger ones.16 They have to be able to stick a toe in the water, not plunge in headfirst. In South Africa, by contrast, the stakes were high and increasing. Even if an organization, such as the ANC or the NP government, could view the situation as multiply iterated, the individual leaders faced massive costs in the event of failure, and it was they who had decide whether or not to explore a cooperative opening.17 18

Second, Axelrod’s cooperative TFT equilibrium depends on uncertainty about the future. If everyone knows which will be the last round, then the dominant strategy is to defect in the penultimate round. But then everyone knows which is the penultimate round, making defection on the round before that the dominant strategy – and so by backwards induction defection becomes the dominant strategy from the start. Forestalling this dynamic depends no one’s knowing which round will be last. The situation is especially bad when there are both high stakes and certainty about the end game. This is why bank runs are so hard to stop once they start. The stakes are high and increasing and the end game – collapse of the bank – increasingly obvious to all. The resulting panic becomes self-fulfilling.

The situation that unfolded in South Africa resembled a bank run more than one of Axelrod’s virtuous TFT simulations. The stakes were high and growing and a catastrophic end result was increasingly likely. By the time protests exploded in Soweto and other black townships in 1976, growing numbers of people on all sides believed that the end game was coming all too clearly into view. Thousands streamed out of the country to join the ANC’s military wing hoping to liberate South Africa by force.19 Two years later, hardliner PW Botha became president, committing the country to a course of militarization to protect it from the “total onslaught.” Nicknamed the “Big Crocodile,” Botha used the military to fight the ANC and engage in proxy wars in nearby states while pouring police into black communities at home. The future looked increasingly
bleak as the president dug in his heels to preserve a South Africa under white control. If there was going to be any impetus to halt the escalating cycle of violent repression and resistance it did not look like it was going to come from the political leaderships on either side.  

II. Changing South African Business Interests

In September 1985 Anglo American Chairman Gavin Relly led a delegation to meet the ANC’s exiled leader Oliver Tambo at a game reserve in eastern Zambia. Anglo American was a giant mining conglomerate that, according to one estimate, accounted for a quarter of the country’s economic activity. The meeting was a watershed event that unnerved the government, provoking President Botha to attack Relly ferociously for disloyalty and to forbid planned follow-up trips by student and church groups. But business groups continued trips to meet with exiled ANC leaders in what soon became known as the Lusaka “trek” or “pilgrimage” and though the government made threatening noises it did not ban them outright.

It was a gutsy move by Relly, in flagrant violation of the government’s suppression of communism laws. The Security Police could detain people incommunicado for up to 180 days without charges, authority that had been used to hold suspected members of the South African Communist Party (SACP) and fellow travelers for years – simply re-arresting them on the day of their release. No one of Relly’s stature had been detained under the 180 day law, but the government regularly used it to intimidate people who showed an interest in banned political parties, organizations, and individuals. It was far from clear before the trip that they would not act against him.

On a personal level, the Lusaka meeting succeeded in underscoring the participants’ shared commitment to the country’s future. Business leaders discovered that ANC leaders were not the wild-eyed terrorists described by the president. Their suits contrasted with the businessmen’s informal khaki attire, signaling their intent to engage seriously on South Africa’s future. Returning home, Relly referred to the ANC leaders he met as “my fellow South Africans” on national television after the trip.
Relly’s controversial gambit was the subject of tense debate among Anglo executives. Some opposed the ANC’s strategy and were afraid for themselves and the company, but others worried about the costs of not intervening in South Africa’s deteriorating and increasingly repressive political stalemate. In one telling remark, the head of an Anglo subsidiary stood up at a board meeting to ask: “Gentlemen, which one of you wants this company to be remembered as the I.G. Farben of Apartheid?” But Hitler had secured support from German business leaders by intimidation; they quickly fell into line after he jailed a few recalcitrant executives early in the war. Understandably, some at Anglo lacked the stomach to risk that kind of confrontation. Harry Oppenheimer, Relly’s mentor who had stepped down as Chairman the three years earlier, opposed the plan strenuously and tried to forbid it, but Relly went anyhow.

Relly’s decision reflected the changed terrain that South African business faced by 1985. Traditionally, South African business had avoided politics, embracing the conventional attitude in authoritarian settings that “the business of business is business, and leave politics to the politicians.” Many in the white English speaking business elite disliked apartheid and the increasing international opprobrium it brought, but most – like Oppenheimer (an opposition MP from 1948 to ’57 when he took over the company following his father’s death) – believed that expanding the black franchise had to be gradual and they did not want a serious confrontation with the government. Business elites also benefited from state coercion, which kept wages down and labor quiescent. However, the economic fallout from apartheid began accumulating in the 1970s, making their apolitical stance increasingly costly.

The initial fault line was industrial peace. As manufacturing expanded in South Africa in the 1960s, the number of industrial workers grew. Companies relied increasingly on a limited supply of relatively skilled workers whose wages were kept low by apartheid labor institutions. This situation represented a potent mix for labor unrest, but labor laws did not recognize blacks as employees and from the 1950s forbade black workers from joining registered unions. State repression of anti-regime political parties in the 1960s also depressed efforts to organize black workers. This suited business owners until the economy took off in the 1960s, but it was a ticking time bomb.
Mining wages were not attractive. Earnings for black unskilled workers in mining had stagnated in real terms from 1911 to 1970. As the economy boomed, industry began to attract labor away from the mines and the apartheid labor regime began to chafe. Anglo’s pressure to increase wages finally led to changes in the 1970s as the regional supply of migrants tightened and a commodity boom lead to increases in mining revenue. The chamber of mines also began campaigning for influx control reforms to stabilize their workforce.36

Industrial militancy exploded in the early 1970s. The wildcat strikes that erupted in Durban 1973 were minor compared to what would unfold in the 1980s, but they ended decades of labor quiescence, rendering the mines, in particular, ungovernable.37 Leaders at Anglo, the closely allied De Beers mining group, and other major companies thought it imperative to legalize black unions so that corporatist settlements could be negotiated.38 They also wanted a stable workforce that would enable them to hold on to skilled workers. Fostering a pool of skilled black workers would have the additional benefit of boosting domestic demand, industrialists hoped, against a backdrop of domestic recession, oil boycotts against South Africa and falling commodity prices in the ‘70s.39

Oppenheimer publicly voiced his support for black unions in 1975, articulating the position developed in-house that the company needed to unionize. The government resisted, but after several years of business lobbying and the 1976 Soweto uprising appointed a commission run by a favorably inclined academic. The government accepted the Wiehahn Commission’s recommendations and in 1979, black unions were legalized and grew rapidly. It helped that one of the commission members was an Anglo executive, perfectly situated to advocate the company’s position.40 Within five years, black trade union membership grew from 70,150 to 300,000 by 1983.41

Supporting black trade unions also helped business undermine white organized labor. As the economy grew in the 1960s, the color bar, which reserved skilled positions for whites workers, began to hurt business. This constraint became more costly as industry expanded, increasing the demand for skilled workers.42 Recognizing black trade unions and removing Apartheid’s protections would help bring down the cost of white labor.43
Business leaders had little doubt that unions would lead to higher black wages and a more politicized workforce.\textsuperscript{44} On the industrial front, as Oppenheimer put it, apartheid kept wages low but made labor chronically unproductive.\textsuperscript{45} Politically, with every other avenue of political opposition closed off, it was obvious that black trade unions would become the magnets for political organizing. Cyril Ramaphosa, a leading ANC political activist, led the National Union of Mineworkers (NUM) formed in 1982 and helped create the Congress of South African Trade Unions (COSATU) three years later. It soon became welded into the ANC as the industrial arm of the liberation struggle.\textsuperscript{46} Industrialists who had opposed the legalization came to blame Anglo and the others who had lobbied for it once waves of massive strikes began yielding large wage increases in the late 1980s, but both at the time and in retrospect its leaders thought they had little choice.\textsuperscript{47} As Wood emphasizes, by the mid 1980s the labor insurgency had effectively destroyed the economic and political status quo as a continuing option.\textsuperscript{48} But this did not mean there would be a peaceful transition to democracy.

From the mid-1980s, foreign governments and businesses cut many economic ties with South Africa, bolstering business motivation to change the status quo. In 1985, international banks began refusing to roll over short-term debt with the result that, over the next year, the country would have to pay one billion US dollars in loans. Inflation rose to 16 percent, the currency tumbled and the government introduced exchange controls. By 1986, over 100 multinationals had disinvested from South Africa.\textsuperscript{49} This created some opportunities for South African firms to diversify by picking up their assets, but growing isolation in a “hothouse economy” left them falling behind international competitors.\textsuperscript{50}

Business leaders also made connections with the liberation movement as a byproduct of efforts to efforts by bankers and stockbrokers to attract foreign capital. When international boycotts began ramping up in the 1970s, stockbrokers and investment firms began trying to counter their effects by inviting foreign investors to the country to persuade them that South Africa had a future. They organized dozens of trips in which potential investors toured mines and factories, were introduced to government officials, and participated in conferences. They also met with leaders of the liberation movement, despite opposition from the government who forbade ministers
from attending if anyone from the United Democratic Front (UDF, the legal front organization for the illegal ANC) was present.51

The investment trips failed to generate investment or even stem capital outflows,52 but the organizers developed valuable connections with ANC leaders. This is how Sidney Frankel, Chairman of Johannesburg’s largest stockbrokers, got to know Cyril Ramaphosa, whom he later connected with Roelf Meyer at a famous bonding weekend over fishing accident at Frankel’s farm.53 54 The importance of this single event is debatable, but it underscores the reality that business leaders developed personal ties with ANC leaders that politicians lacked, ties that became important later when the government finally wanted to talk but did not know whom to talk to, and when they found the distances were too great and needed intermediaries to build bridges and fix them when they collapsed.55

Business overtures to the ANC leadership served an additional purpose, connected to the collapse of Soviet bloc communism. The Communist Party of South Africa (formed in 1921) had dissolved itself in anticipation of being banned by the ascendant apartheid government in 1948 and then reemerged within the ANC in the early 1950s. Part of the reason that white South African business elites saw no reason to challenge the government through the 1960s and ’70s was the well-known SACP influence within the ANC leadership. Indeed, Relly claimed after the 1985 Zambia trip that his sole purpose had been “to develop a judgment about the importance of this crummy Marxism, which they purported to advocate.”56

But the political terrain changed as Soviet the empire began coming apart. For one thing, the USSR stopped funding, training, and equipping MK in the early 1980s, as the Soviets went broke from the twin costs of the Afghan war and the Star Wars-induced arms race with the Reagan Administration. This forced ANC leaders seriously to consider returning to negotiations, recognizing that Western powers might push to resolve the South Africa problem without them. There was another implication for white business elites. Once communism ceased to be a serious threat the unthinkable specter of an ANC government started to become thinkable. As the threat of international communism faded, proponents of apartheid lost a key motivation to resist
As one businessman put it, “I woke up one morning and realized: we don’t have to have Cuba; we can have Brazil!”

The loss of Soviet support also meant that the ANC would have great difficulty sustaining its armed struggle. MK had mounted several bomb attacks in the years following Relly’s Lusaka trip. Some businessmen had refused to participate in talks with the ANC because of its use of violence. The country became tenser as the President declared a second state of emergency, empowering police yet again to detain people without trial. But even before the USSR began winding down military support, some businessmen who met with the ANC accepted their argument that government violence was worse. “There were more people killed by the agents of this African government than died as a result of the activities of the ANC,” said Chris Ball, the CEO of Barclays – the country’s largest commercial bank. “And the violent activities were never aimed directly at civilians.”

If the fault lines were shifting for mainly English-speaking big business elites by the mid 1980s, things were different for predominantly Afrikaner NP politicians and their rank and file supporters. Many of them remained deeply invested in their politically charged identity as an ethnically pure chosen people, for whom racial compromise was impossible. To be sure, there were reformist Afrikaners in the NP and in stalwart institutions like the Dutch Reformed Church. Some Afrikaner business groups even took the Lusaka trek, although two Afrikaner businessmen dropped out of the 1985 Relly trip when Botha publicly opposed it. But many Afrikaners who saw the need for change opted for “strategies that played into the reformist possibilities offered by the system.” “Enlightened” verligtes battled conservative verkramptes for the soul of the NP. But this happened gradually and subtly within the community, not through open condemnation of the party’s leadership.

In a parallel process to the Lusaka meetings, verligte Afrikaners began establishing ties with the ANC at the behest of the state’s intelligence services. The project was the brainchild of Michael Young, press director for the British mining house Consolidated Goldfields. Young met ANC leaders along with representatives of top companies such as Barclays and mining company Rio Tinto in 1986. Young asked ANC leader Oliver Tambo how he could help and Tambo responded by asking him to broker
meetings with Afrikaners connected to the government. Young’s more conservative boss, who favored the IFP, explained his decision to okay the process: “Apartheid was a form of government which couldn’t last. It wasn’t a matter of right or wrong. Whatever the idealists believed, it was like socialism: it didn’t work.”

Eight three-day secret meetings were held over three years, at the cost of between half a million and a million pounds to the company. These meetings were vital for building confidence between ANC and Afrikaner political leaders, as well as identifying areas for future negotiations. The meetings also facilitated contact between ANC leaders and head of the South African intelligence agencies through one of the participants, Willie Esterhuyse. As Esterhuyse, notes, it became obvious that the government would have to talk directly to the ANC; everything else was a sideshow. But “leaders and decision-makers have to be helped to embark on a ‘love affair’ with trust and confidence.” Business provided that help.

III: The Consultative Business Movement

The Lusaka trip led to the creation of the CBM. A few senior businessmen who managed its affairs were the activist core. The day-to-day work involved establishing ties between the business community and representatives of the mass democratic movement. Building on these relationships, the CBM made three notable contributions to South Africa’s transition. First, it combined forces with religious leaders to mobilize civil society groups for peace amidst the violence of the early 1990s when political actors were unable to find common cause. Second, it provided institutional support during the negotiations to end apartheid, using this role to keep talks on track and facilitate track two negotiations when they collapsed. Third, it helped manage political spoilers days before the elections in 1994, smoothing a tension that had the potential to derail the transition.

Although the CBM became a sizeable organization, it never claimed to represent the entire business spectrum. The CBM existed alongside other business organizations such as the Urban Foundation, established in 1976 by Harry Oppenheimer and Afrikaner business mogul Anton Rupert to advocate reforms to improve the social conditions of blacks in urban areas. The Urban Foundation contributed to policy debates but was less activist than the CBM. Moreover, the Foundation’s moderate
position earned the opprobrium of groups to its left and right. Black activists saw it as supporting apartheid and the government viewed it as too critical. Other business groups included chambers of commerce and employer representative groups. These groups took stances on policy issues, such as labor legislation or restrictions on the internal movement of black people, but their mandate was more narrowly focused on business concerns. More activist business leaders felt that the primary concern of conventional business groups was “not to antagonize government.”

**Formation of the CBM**

The pace of engaging with anti-apartheid activists slowed after the Lusaka trip. One newspaper attributed the apparent decline of business opposition to apartheid to a government investigation designed to intimidate banker Chris Ball over a loan that had funded advertising on behalf of the ANC. Botha ordered the inquiry himself and appointed a Supreme Court justice to conduct it after making “veiled innuendos about [Ball] in parliament.” The judge found no evidence that Ball knew that the loan would fund pro ANC advertising, but judged him guilty anyway, prompting an outcry from the legal fraternity. Former judge turned businessman Mervyn King organized a paid newspaper notice signed by some 40 chief executives supporting Ball, suggesting that that the campaign to intimidate business had limited impact.

Business leaders continued secret meetings with the ANC. They approached business consultant Christo Nel to ask him to contact “legitimate broad-based black leadership” on their behalf. Ball had previously hired Nel to transform attitudes toward race within the bank. Nel was also part of a mostly Afrikaner delegation that visited the ANC in 1987. Two journalists who had excellent contacts helped Nel set up meetings between business leaders and the top brass of the anti-apartheid movement, including UDF head Albertina Sisulu. The businessmen faced less danger than their activist partners, many of whom were in hiding. But some businessmen were harassed for taking part in the talks.

Eighteen months of furtive involvement led to the creation of the CBM in August of 1988. Some 80 leaders of business and pro-democratic groups, mostly from the UDF and trade unions, met for two days in Broederstroom, the training site of a mining company roughly an hour’s drive from Johannesburg. A thorough account of the
meeting produced by the CBM paints a portrait of a tense and at times uncomfortable encounter that succeeded because key individuals were determined to find common ground and move the process forward.\textsuperscript{77}

The businessmen agreed to form an organization in response to pressure from the liberation movement activists, a recurring demand that they made again at the encounter. “Just remember that visions and statements make people enthusiastic,” Nel recalls UDF leader Azhar Cachalia telling him, “Structures move them. We cannot afford to only meet with individuals because when the individuals go, nothing stays behind.”\textsuperscript{78} But the business leaders at Broederstroom were not of one mind. They struggled to agree on a common set of principles, and a few refused to support any name using the word “democracy.” Eventually they arrived at a name and set of mutually acceptable goals and principles. These included a commitment to a non-racial democracy and to continuing consultation with all interest groups and democratic movements.\textsuperscript{79}

The CBM staffed its secretariat with people from “liberal and student activists circles,” which gave it credibility with black leaders and encouraged the organization to “venture where the more mature business leaders would have hesitated.”\textsuperscript{80} This included people like Christo Nel, who was the first team leader, and Theuns Eloff, CEO of the organization from 1990. Like Nel, Eloff visited the ANC in Dakar. He returned home to a torrent of criticism from fellow Afrikaners and resigned as a Dutch Reformed Church minister. Eloff’s social ostracism and principled stance on apartheid earned him the respect of many activists. Another ANC student activist, Colin Coleman, who would later become head of Goldman Sachs for sub-Saharan Africa, was hired by the CBM in 1989.\textsuperscript{81} Nel, Eloff and Coleman reported to a small team of senior business leaders. They could act without consulting the broader membership. As a result, the organization earned a reputation for being more fleet of foot than other business associations and federations.\textsuperscript{82}

By early 1989, the CBM had attracted over 100 businesses to its ranks. Its first members were English speaking but, once a few prominent Afrikaners joined the organization, more signed up. The CBM set up regional offices and organized meetings around the country with representatives of political parties across the political
spectrum, from the Afrikaner hard right to black nationalists. The CBM also held meetings with the UDF in the country and ANC leaders abroad.

The National Peace Accord

Three and a half thousand people died in political violence in 1990, the year Mandela left prison. Thousands more died over the next few years, primarily in the areas that today comprise the KwaZulu Natal and Gauteng provinces. Much of the conflict took place between ANC and IFP supporters, with the state playing the role of a “third force” behind the scenes to sow discord among blacks. Repeated efforts to broker settlements nationally and locally failed in the absence of third-party enforcement combined with the actions of state security actors working to foment instability. The CBM was vital in ensuring that this political violence did not scuttle the negotiations to end apartheid.

In April 1990, ANC leaders threatened to withdraw from talks about talks on the new constitution if President de Klerk failed to meet a seven-point ultimatum, which included steps they believed would help quell the violence. De Klerk responded by calling a national peace conference the following month that drew some 200 delegates from across the political spectrum. But it remained a sideshow. Convinced of government complicity in the ongoing violence, the ANC and its supporters boycotted the meeting. Newspapers reported that Mandela would be willing to attend a conference only if neutral parties organized it.

The CBM’s Colin Coleman and Frank Chikane, head of the South African Council of Churches (SACC), leapt into the breach to secure buy-in for a second conference in the days before de Klerk’s summit. Both business and the churches had mooted the idea of a peace process with key stakeholders before, signaling their availability to facilitate such a dialogue. But the IFP vetoed the SACC as the sole facilitators of any process. They considered it part of the problem given its ties to the ANC. A facilitating committee was eventually set up by both business and church groups, and the second conference went ahead in June yielding a national peace accord and national, regional, and local peace committees three months later. Barlow Rand executive director and De Klerk confidant John Hall chaired the national committee.
Business contributed financially to the peace process and by sharing dispute resolution experience from other contexts.\textsuperscript{94} John Hall drew on personal efforts to calm unrest in the small town of Middelberg, where managers of a Barlow subsidiary had held their own peace forum the year before.\textsuperscript{95} This initiative brought together various actors, ranging from white elected officials to ANC-aligned “comrades” in the townships, and led to a series of projects that helped quell the violence threatening the company’s business in the area.\textsuperscript{96} Moreover, businessmen like Andre Lamprecht brought lessons from the realm of industrial relations, motivating the inclusion of elements such as internal dispute mechanisms.\textsuperscript{97}

The National Peace Accord did not halt all political violence, but politicians later acknowledged its importance in providing them with space to engage in talks about a political transition.\textsuperscript{98} The Accord had the fortuitous byproduct of bolstering the CBM’s credibility as non-partisan and committed to peaceful change.\textsuperscript{99} Individuals in the CBM secretariat, in particular, gained the trust of political leaders on both sides. This would be a vital resource once real negotiations started.

\textit{Multiparty Talks on a New Constitution}

The CBM played a critical role in the constitutional talks. The first round, called the Convention for a Democratic South Africa (CODESA), began in December 1991 at the Johannesburg World Trade Center. Some 400 delegates, representing 20 different groups including the government participated in the first session. CODESA consisted of a series of working groups that deliberated over the next few months. The CBM provided secretariat support along with civil servants from the department of constitutional development, but its most important work was back-channel shuttle diplomacy among political leaders when talks broke down.\textsuperscript{100} “It did not happen often but in those two years, first with CODESA and then afterwards with multiparty negotiating process, we often saw a clash coming,” said Eloff, the CBM’s chief executive, “We would then just alert some of the business leaders and they would try to use their contacts to say can we do something, can we help?” Business leaders sometimes approached diplomats, especially ambassadors, to help intervene to prevent breakdowns. Others recall Eloff as an astute manager of difficult meetings who gained credibility from his reputation as an Afrikaner vilified by the establishment.\textsuperscript{101}
When the CODESA talks broke down following a massacre in June 1992, the CBM tackled some of the intractable issues. The powers of provincial and local governments were particularly fraught, especially for the IFP and homeland leaders who wanted to protect their local bastions. “Buthelezi wanted a full federation, the National Party wanted less and the ANC didn’t want anything to do with federation,” said Eloff. The CBM invited international experts and technical experts from the different parties to draft a report on decentralization and fiscal arrangements in a federal system. The wording on decentralization in the interim constitution came straight out of their report.

In the third round of talks, which began in April 1993, the CBM headed the secretariat with an explicit mandate to help the parties resolve sticking points (Eloff 1999: 332). By then the CBM’s secretariat had established a rapport with the key players and had gained the trust necessary to help negotiators find common ground. Once the interim constitution was signed, Eloff served as the deputy executive director for the transitional structure set up to run the country until election day.

**Bringing the IFP into the Elections**

The CBM played a key role in getting the IFP to participate in the founding elections. Soon after the multi-party talks resumed in 1993, a prominent ANC leader Chris Hani was assassinated. To stave off a popular upheaval, the ANC and NP made a firm commitment to hold elections within the year. The IFP and white right had walked out of the negotiations. Coleman recalls that excluding these groups from the elections represented “an immense danger to the country... and the unity of the country after the election.” But the IFP wanted the date of the election to be subject to debate, hoping to push it further into the future. The ANC and NP refused. Coleman was central in bringing in international mediators, led by British Foreign Secretary Lord Carrington and former US Secretary of State Henry Kissinger to who sought to resolve this issue a month before the elections. The effort failed and the mediators left. Coleman recalls thinking, “We had the potential for incredible violence to occur with, effectively, ten days left before April 27, 1994.”

One mediator who knew Buthelezi well, Kenyan professor Washington Okumu, stayed behind. Okumu persuaded Buthelezi to participate in the election.
Immediately, Coleman brought CBM heavyweights on board and flew around the country on an Anglo American jet to work out an agreement that would ensure the IFP’s participation. “We literally had hours, not days, to deal with this.” Stickers with the IFP name and logo were printed in the UK, flown to South Africa, stuck at the bottom of the ballot and flown around the country. The IFP participated in the elections and became part of the new democratic government after 1994.

IV: External and Internal Challenges

To be as effective as they were, business leaders had to win credibility with the ANC. The personal trust relationships that they built up through the Lusaka treks, peace committees, and the ongoing CBM activities could only take them so far. Business leaders also had to be convincing that they were committed to real change. Unlike the Group of Seven business organizations in Northern Ireland, which proclaimed neutrality the contending camps, the CBM staked its future on regime change.106 The advantages apartheid had given white business took the possibility of neutrality off the table. Whatever their gripes about its costs and inefficiencies, South African business had made billions in profits by sustaining one of the most racist and unequal countries on earth (South Africa had and has one of the highest Gini coefficients in the world). Mandela called Anglo American out on its reluctance seriously to challenge the system in 1953, insisting that its limp support for change was a cynical effort to divert the liberation movement “with fine words and promises and divide it by giving concessions and bribes to a privileged minority.”107 Business leaders had to become credible as actively committed to change, and demonstrate that they had both the will and the capacity to take on the powerful forces that would resist them. Their honest broker role before, during, and after CODESA was vital, but it had to be reconciled with the fact that they were also manifest stakeholders.

There was no one else to play this role. The Kissinger-Carrington failure reflected the reality that unless the ingredients of a settlement are close to hand among the protagonists, outsiders lack leverage to impose it. Church groups, which have mediated in other settings, mirrored the divisions that the negotiations had to overcome. The South African Council of Churches was allied with the ANC, creating difficulties with the IFP as we saw. The Dutch Reformed Church embodied the evolving
tensions and divisions among Afrikaners. After much tortured debate its leadership declared apartheid a sin in 1989, but the decision provoked major conflict and turmoil within their ranks and they still refused to endorse opposition to apartheid. In this South Africa’s white churches were like churches in the American Civil War, where every denomination split into pro-unionist and pro-secessionist congregations. Esterhuyse observes that while South African church leaders like Archbishop Tutu, Allan Boesak, Imam Solomans, and Nazeem Mohamed become outspoken on black socioeconomic rights by 1988, the Afrikaner white churches were “light years” behind them. This convinced him that “within the Afrikaner community, all hope had to be pinned on business leaders.”

The standard account of business’s impact on democratization turns on threat of exit. When exit costs are high for economic elites, usually because their assets would be trapped, we expect them to resist democratization. Especially in a highly unequal country, the rich have no interest in giving the vote to people who will tax away their wealth. This only starts changing as capital mobility increases and the threat of exit can forestall redistributive taxation. At that point the rich begin losing their interest in resisting democracy. This is why landed aristocracies oppose democracy whereas industrial capitalists do not, and why rich countries fail to democratize when they are heavily dependent on specific assets like oil, mining, or agriculture.

In South Africa, however, although the big conglomerates were quite diversified as we discuss below, they were heavily invested in asset specific industries, notably mining. Business elites stood to lose substantially from empowering labor, as indeed happened through the legalization of unions – which they nonetheless supported as we saw. A universal franchise would presumably have comparable effects. Capital mobility was further constrained by strict capital controls and by the high personal exit costs for individuals. Unlike most colonial elites, their families had often been in South Africa for many generations. Emigration did outstrip immigration for the first time in 1977, but those who left were mainly people with personal networks abroad. By the mid 1980s, those who were still there had plenty to lose by leaving. Conventional wisdom would therefore predict that they would support the government. Yet significant
players threw their weight, early and decisively, on the side of change as we have seen. This was essential to their credibility, but why did they do it?

The answer lies partly in white elites’ realization that the status quo was a wasting asset. Hirschman (1970) tells us that when exit is costly voice becomes correspondingly more important.\textsuperscript{118} The conventional account might be right that those for whom exit was expensive would resist democratization if they could. But if they could not, then the next best thing is the Tocquevillian solution: get behind the inevitable so that you are better positioned to shape its course.\textsuperscript{119} This helps explain why South African business leaders invested so much effort in reshaping ANC perceptions of what was happening to the world economy, what South Africa's place in it would and could be, and why they should abandon their socialist economic agenda. It would take work to ensure that Brazil rather than Cuba became the model, work that white business elites realized they had to undertake.

The meetings between white business elites and the ANC about economics were not formal negotiations, but they mirrored the political talks in one respect. Negotiated transitions to democracy can occur when neither side is strong enough to impose an outcome unilaterally, but there is a potential coalition between government reformers and opposition moderates if they can escape their prisoners’ dilemma and reach an agreement; convince, coopt, or marginalize potential spoilers on their respective flanks to accept it; and build enough civil society support for the new dispensation to make it stick.\textsuperscript{120} Analogously, neither white business nor the ANC were in a position to impose their economic visions on the country.\textsuperscript{121}

Hence the economic parallel. The challenge was for centrists on both sides to build enough trust to find a mutually acceptable economic understanding; convince, coopt, or marginalize potential spoilers on both sides; and build sufficient public support for the new economic order to make it sustainable. In the words of UDF activist Cas Coovadia: “While we recognize that by and large business is supportive of apartheid and they benefitted from apartheid, we also recognize that business is a critical player and will be a critical player post apartheid, and that there are pockets of business we can work with who can be highly influential in the current government.”\textsuperscript{122} In short, the business meetings with the ANC and the peace committees were just as vital to the
outcome as their diplomatic-cum political role as secretariat of CODESA and backchannel discussions after CODESA collapsed.

The business leaders who wanted to negotiate believed there were pragmatic leaders to work with in the ANC. "The leadership of the ANC would be more interested in a viable and vibrant South African economy than they would be in the Marxian form of economy," Gavin Relly declared after his Lusaka trip. "They were people who can be talked to and I am not so rigid about my own point of view that I am not capable of being talked to either." 123124 Working with the ANC did not mean adopting its views. "There were still very conservative even reactionary people in business as well as people on the other side of the spectrum," remarked Spicer, who participated in the CBM on behalf of Anglo. "What they were all looking for was a pragmatic way to have change that allowed them to get on with the business of doing business."125 Business also wanted a discussion of the post-apartheid economy but the ANC was not prepared to tackle that topic yet.

Things changed in the early 1990s, when the ANC began confronting post-communist global realities. Then engagement with business on economic policy became possible. Some of the talks involved CBM leaders. Others were with the international business community, such as the three South Africa-focused forums organized by the World Economic Forum (WEF) in Switzerland in the early 1990s. Mandela told his biographer that he backtracked on his commitment to nationalization after hearing loud and clear that this would forestall international investment in South Africa in a post-apartheid world.126

The economic discussions fed into the political dynamic. Anglo American executive Bobby Godsell was one of a several business leaders who used their extensive labor relations experience in political negotiations. He noted that that the inclusive decision-making practices that emerged in this period "modeled for the government the possibility of negotiations that could lead to a new and acceptable political order, rather than simply 'defeat'.” 127 This was one more way in which business leaders reshaped the terrain on which political leaders would negotiate.

Most English-speaking business leaders, even big business leaders, had long been alienated from the centers of political power.128 Harry Oppenheimer never met or
spoke with John Vorster in his thirteen years as Prime Minister.\textsuperscript{129} English business leaders were also wary of NP economic policy, with its strong commitment to and burgeoning parastatals public employment of Afrikaners. Its interventionist approach to the market teetered on the edge of nationalization in the eyes of white business, coming uncomfortably close to ANC’s ideological stance. This difference in economic outlook reflected the contrasting cultural worlds of Afrikaner and English speaking elites, who attended different high schools and universities and moved in separate social circles.\textsuperscript{130} There were some exceptions. Business had the ear of trade and industry minister Dawie de Villiers and young deputy ministers like Roelf Meyer and Leon Wessels, who would later become major players.\textsuperscript{131} But for the most part English business elites found political leaders insulated and uninformed.\textsuperscript{132}

A significant aspect of white elites’s willingness to embrace democratic change concerns costs of repression that are not captured in purely economic models. Some were convinced that apartheid was morally indefensible, and they felt obliged to get help rid of it. Many also began chafing at its toll on the quality of life. Benhabib and Przeworski suggest that the diminishing marginal utility of income makes people increasingly willing to trade it off for other things, notably political freedom.\textsuperscript{133} Benhabib and Przeworski have in mind the willingness to tolerate some level of redistributive taxation as the price for protecting property rights and other bourgeois freedoms, but sustaining authoritarian regimes that repress the poor also compromises those freedoms.

As the South African conflict escalated, so did the costs of repression for white elites. Compulsory military service for their teenage sons went from nine months to a year in 1972 and then two years in 1977, with more frequent and lengthy callbacks.\textsuperscript{134} After 1976 this began morphing into distasteful and dangerous crowd control in the townships, not to mention fighting real wars in Namibia and Angola. States of emergency meant the erosion of civic freedoms, fear of the security police, and ever-more intrusive censorship. Sanctions and international pariah status made travel irksome. Minor by comparison with the repression being experienced by blacks, these costs of repression were nonetheless increasing with no end in sight. The desire to be
rid of them pressed in the same direction as the imperative to shape unstoppable change.

But the government was bound to resist because whites who were not in business, mostly Afrikaners, were a major NP constituency. Many of them faced, and presented, challenges that are not captured in the economic models. To be sure, some of what Afrikaners had at stake was economic. Farmers had land. Government workers had jobs. Those things can be managed to some extent – as they eventually were – by constitutional guarantees and protection of civil service employment. But identity politics are another matter because it involves indivisible goods.

Unlike divisible goods, which facilitate pluralist politics and compromise, indivisible goods produce winner take all politics. Apartheid’s stalwarts saw themselves as a racially pure chosen people, committed to exclusive citizenship in an ethnic state. Yet a negotiated partition was not a viable option. The apartheid economy depended on migrant labor from Bantustans that were not themselves economically viable. As a result, there was no remotely equitable partition to which Afrikaners would agree voluntarily. White business elites were bound to face hard government opposition when they began serious overtures to the ANC that threatened this large part of its support base. Any doubt about that was scotched in the May 1987 general election, in which the National Party increased its overwhelming majority in Parliament to 123 out of 166 seats and the breakaway hard right Conservative party (which had been formed in 1982 to oppose the government’s plan for a Tricameral Parliament that would give limited rights to Indians and Coloureds in separate chambers) won 23 seats, replacing the Progressive Federal Party as the official opposition.

Apartheid rested on principles that that led to a politics of indivisible goods, but the ANC’s commitment to non-racialism held out the promise of a more inclusive future. South Africans had seen Idi Amin force Ugandan Asians to flee in 1972, surrendering thousands of businesses to other Ugandans and the state. The ANC’s philosophy of non-racialism, underscored by its comparatively diverse leadership (an ironic consequence of the mostly white SACP leadership within the ANC elite), gave white elites some reason to think that they could work together towards a common future – more like Brazil than Uganda.
Big business was also fortuitously structured to resist government intimidation. The economy was comparatively diversified, but ownership was highly concentrated in the hands of a few large conglomerates. In 1988, five business groups controlled fourth fifths of the Johannesburg stock exchange, with the Anglo-American Group and De Beers almost half (45.3 percent) of that. Organograms of Anglo-American in this period show a sprawling empire with ownership of firms in mining, media, textiles, automobiles, banking, property and chemicals with a total of 1,350 subsidiaries. South Africa also had a highly developed financial sector, comprising the continent’s largest banks and its only major stock market.

Historically, Afrikaners had lived on the periphery of the industrial and commercial economies. The NP political leadership came from traditional Afrikaner circles. On coming to power in 1948, the NP tried to change that, by promoting corporations owned by Afrikaners – particularly in the financial sector. But Afrikaners worked mainly in farming, small business, the military, the police, and civil service, and most NP leaders had little business experience. This made them relative price-takers with respect to big business. The government was not in a position to intimidate South African business leaders as Hitler had done with German business. Had they had tried to seize Anglo, they would not have known where to start. No doubt this is a good part of the reason that, though they complained about the Lusaka and treks and enforced prohibitions against other groups that met openly with the ANC, they left business alone.

The small number of large players also helped business solve what would otherwise have been substantial collective action challenges in its own ranks. The key players who moved forward with the informal meetings that became the core of the CBM [Chris Ball (CEO of Barclays Bank), Neal Chapman (CEO and Chairman of Southern Life), Mike Sander (CEO of AECl), Chris Wyk (CEO of Trust Bank), Zach de Beer (Director at Anglo American), Mervyn King (Chairman, Tradegro), Willem van Wyk (MD of Iscor) and Anton Mostert (ex-judge advocate)] constituted what Russell Hardin refers to as a K group, where K is the size of any subgroup that stands to benefit from providing a collective good regardless of whether the others contribute.
In this case the major business players were a K group in three senses. In Hardin’s economic sense they internalized the costs of furnishing the collective good: they funded meetings, the costs of serving as CODESA’s secretariat, their subsequent shuttle diplomacy, and helped fund infrastructure for the first the election. The presence of a K group also meant that they could limit decision-making costs within the CBM by moving decisively when scores of players who might disagree about tactics or strategy might have led to paralysis. Once the CBM was established, the secretariat ran things in close coordination with a small group of senior businessmen. A 1997 CBM memo noted that this group was a “sounding board” and “quick decision-making mechanism” that was “very necessary, especially given the high degree of fluidity of circumstances at the time,” In this sense the CBM enjoyed the advantages off not being highly deliberative.

Third, they were a kind of political K group in that they gave cover to smaller players who might otherwise have been intimidated by the government. Ball, who approached executives from smaller firms to meet with anti-apartheid groups, estimated that two-thirds of them refused. But when asked whether he personally feared detention, he explained that he was too visible to have to worry. “To put in jail the head of the largest bank in the country who had not broken the law would have been quite problematic for him [Botha].” Gavin Relly’s 1985 Zambia gambit was comparable. ANC NEC member Pallo Jordan, who was there, noted that by meeting the ANC leadership in exile, Relly “created the possibility for other organized bodies, political and in civil society in South Africa, to meet and discuss with the ANC without fear of prosecution … The floodgates, in a way, were open for anyone who was interested enough to come and meet the terrorists because Gavin Relly met them. He wasn’t prosecuted so why can’t someone else come and not be prosecuted?”

V: Comparative Considerations

One reason there has been so little attention to the place of business in democratic transitions concerns skepticism of the whole enterprise that has, somewhat disparagingly, become known as transitology. All paths to democracy depend on contingencies. Negotiated transitions in particular exhibit a thread-the-needle quality; many factors have to line up favorably at the right moments, and there are always more
ways for them to fail than to succeed. And exogenous factors can be decisive, as we have seen here. Without the collapse of communism in the late 1980s, the requisite realigning of interests and motivations would not have occurred among the white establishment or the ANC. State repression, supported by powerful economic elites, would arguably have been the likelier response to the labor insurgencies of the 1970s and the ANC might have stuck with armed struggle. It is not surprising that scholars like Przeworski et al conclude that there is little systematic to say about transitions, and that the better focus is on how likely democracies are to survive – no matter how they come about.\textsuperscript{153}

We are skeptical of the skepticism. Predicting the outcome of negotiated transitions is indeed a mug’s game. As well as external factors, they depend on the availability of leaders with unusual human skills and the willingness to take great personal risks.\textsuperscript{154} This is also inherently unpredictable. But other things also affect the likelihood of transitions. Jung et al note, for instance, that that it is vanishingly unlikely that a government will negotiate a transition unless its supporters believe that the status quo is unsustainable.\textsuperscript{155} When Jerry Adams emerged as an IRA leader who seemed to have the requisite leadership skills in 1983, there was much speculation over the possibility of a negotiated settlement. But because Margaret Thatcher’s majority at Westminster depended on the Unionist MPs in Ulster, far from being a wasting asset the status quo was indispensible. That would change once Labour came to power in 1997, at which point having an appropriate Sinn Fein leader did matter. An agreement still could not be predicted, but it is worth understanding why it became possible.

Here we have seen that active business involvement in transition negotiations was hugely important, perhaps even vital, to their success. It is hard to see how political leaders in South Africa would have been able to build or sustain the necessary trust to break out of their prisoners’ dilemma for long enough to start talks, sustain them in the face of spoilers with other agendas, or build enough support from below to implement an agreement. This is to say nothing of the importance of recasting business’s own role from being an implicated beneficiary of apartheid into a credible agent of progressive change whose members were willing to make substantial sacrifices to buy industrial and political peace. Without taking the necessary risks on that front, by actively
supporting economic change and defying – if not confronting – government hardliners over political change, CBM leaders would not have become credible facilitators of negotiations.

Understanding the role they played helps evaluate the prospects for success of comparable efforts elsewhere. For instance, in May of 2013, at the regional WEF meeting in Jordan, Israeli tech billionaire Yossi Vardi and Palestinian oil magnate Munib al-Masri unveiled Breaking the Impasse (BTI), a “strictly non-political and independent” group of business leaders dedicated to settling the Israel-Palestinian conflict. BTI received strong backing from Western leaders and WEF President Claus Schwab, who declared at its launch that “the majority on both sides of the Israeli–Palestinian conflict yearn for peace and prosperity, and the BTI provides a focus for this energy.” The group claims some 300 members, accounting for some 30 percent of the GDP of Israel and the Palestinian Authority (PA). BTI “calls on political leaders to attach the highest priority towards achieving a two-state solution” that will end the conflict. The group “takes it upon itself to back such an endeavor and to garner domestic and international support for it.” BTI’s most visible activity to date has been advertising campaigns exhorting political leaders to negotiate a two state solution. There also appear to have been some secret meetings, though it is unclear who has participated.

Evaluating an initiative in its infancy is challenging, but the South African experience suggests few grounds for confidence that BTI will help resolve the Palestinian-Israeli conflict. For one thing, BTI’s main agenda appears to have been holding meetings at the WEF and other international venues, and for Israeli and Palestinian business leaders separately to lobby the Israeli government and the PA leadership to negotiate an agreement – without BTI members themselves getting involved. It is hard to see what value these activities can add. South African business made a difference by engaging the deadlocked groups on the ground to convince them that there was a viable future that they had hitherto dismissed. It is unclear whether anything analogous is possible in the Middle East, or just how it would change the political equation. But business cannot have an impact without engaging the constituencies to which deadlocked politicians respond.
Most BTI activity has been on the Israeli side, with Palestinian businesses elites who support the initiative confronting serious legitimacy challenges on the Arab street. Tellingly, in 2015 the BTI website could be read only in Hebrew and English. This reflects the reality that Israeli business leaders do not see themselves as having potential Palestinian constituencies. A related difficulty concerns BTI’s declaration of neutrality. Just as business neutrality would have been ineffective in South Africa, Israeli business, widely seen by Arabs as having benefitted from decades of occupation, cannot expect Palestinians to embrace them as neutral. As one Palestinian member of BTI put it, “Israeli business leaders lack the courage to push toward peace – not towards compromise.”

BTI’s unequivocal embrace of a two state solution in any case belied its neutrality at a time when growing numbers of Palestinians and their leaders, including Fatah leaders, were declaring it unviable and calling instead for a binational state.

A second difficulty is that none of the BTI founding statements or press releases envisage a role for – or even contact with – Hamas. This mirrored the stance of Israeli and Western politicians, but it ignored reality on the ground. The South African analogue would have been for business leaders to insist on dealing only with the IFP on the grounds that the ANC was a terrorist organization. In Middle East, the costs of refusing to deal with Hamas were thrown into sharp relief in April of 2014, when U.S. Secretary of State Kerry’s sponsored negotiations that BTI had backed collapsed and the PA leadership and Hamas announced the formation of a unity government. At that point BTI activist Gad Propper (director and former CEO of Osem Investments, one of Israel’s largest food manufacturers) conceded that he did not oppose negotiating with Hamas because “peace is something you make with enemies.” But he insisted that Hamas must first abandon terrorism and recognize Israel. Otherwise, “there’s no room for negotiations.”

Propper’s comments underscore the gulf between BTI thinking and what would actually have to happen to break the impasse. If in 1985 South African business leaders had conditioned talking to the ANC, like the government of the day, on its suspending the armed struggle and recognizing of the NP government, talks would never have begun. Indeed, the ANC never recognized the government’s legitimacy. When the ANC did suspend the armed struggle three months after the government’s decision to release
all political prisoners and legalize all political organizations, they did so unilaterally. The ANC rejected all NP demands for MK to decommission, and never promised not to reinstate the armed struggle. Wisely, the CBM and the government continued the talks with the ANC anyhow until they reached a settlement.\textsuperscript{166}

Preconditions are the enemy of successful negotiations. They invariably become targets for spoilers who want the talks to fail.\textsuperscript{167} Constituents often box politicians into preconditions anyhow, but business leaders, who do not have to run for office, have more flexibility to go where politicians cannot or will not go. But they must be willing to take the risks of thinking, and acting on, the unthinkable. South African business did this in the 1980s. To have an impact, BTI leaders would have to take comparable risks in the Middle East.

A related issue concerns what happens when the political conditions deteriorate. After Israel’s Operation Protective Edge in the summer of 2014, which left some 2,300 Palestinians and 71 Israelis dead, it became hard to discern much BTI activity. This, too, was discouraging in light of South African experience, where some of the CBM’s most important work was done when the political situation was at its bleakest. It was President Botha’s 1985 Rubicon Speech, signaling intransigent NP resistance to change, that convinced many business leaders to get involved in the first place. It was when CODESA fell apart that CBM leaders engaged in track two diplomacy aimed at resuscitating talks. It was when the IFP was boycotting and trying to derail the 1994 elections that CBM shuttle diplomacy went into overdrive. Running ads, as BTI was doing in mid 2015, that declare “Without an agreement we will not be able to preserve the Jewish Democratic Nature of Israel” and “Without an Agreement we will not be able to Lower the High Costs of Living” signal no sense of urgency or interest in any point of view other than the Israeli one.\textsuperscript{168}

This difference is not surprising. Israeli business has not been desperate enough to internalize the relevant costs or take the relevant risks. The Israeli economy has, by most measures, been in comparatively good shape since the 2008 financial crisis. Israeli business does not depend significantly on Palestinian labor, making it much less vulnerable than was South African business.\textsuperscript{169} Israel has not faced significant sanctions. This environment is radically different from South Africa’s deterioration in the 1980s.
The costs of repression have not eroded the benefits that flow from the status quo enough for business leaders to take the risks involved in pushing for real change. The cost of food is hardly credible as motivation to embark on the risky path towards negotiations with long-time adversaries. Bouillon reports that Israeli business involvement in the run up to the Oslo accords in the early 1990 failed partly because the business elites who participated were interested in peace only on their terms, to get boycotts lifted, and gain access to regional markets.\textsuperscript{170} To date, the same seems to be true of BTI.

A demographic oxymoron does indeed threaten the viability of a “Jewish democracy” making the political status quo unsustainable in the medium term, but it is far from clear that a democratic alternative will win the day. Significant parts of the Israeli right appear increasingly willing to sacrifice democracy to retain a Jewish state, or perhaps – though few will say this – to engage in annexation and ethnic cleansing.\textsuperscript{171} If there is a Middle Eastern analogue to South Africans’ decision to embrace a unitary democracy, it is unclear who would support it. Even if some in the business community were to entertain it, there is nothing remotely resembling a K group within BTI. This makes it doubtful that anyone could shift its center of gravity in any such risk-embracing direction. But partition is most likely not a viable option any more either, given the entrenched and growing settler community in the West Bank and the reality that the Palestinian economy would not be viable.

Our focus on business in the South African transition sheds light on two debates about democratization, one political and one economic. The political debate concerns whether democracy emanates primarily “from above” as a pact among elites, or “from below” – the consequence of an organized insurgency. Jung et. al rejected this debate as artificial in that successful transitions involve both decisive action from above at key junctures and building support from below to legitimate the emerging order.\textsuperscript{172} But Jung et. al missed the role played by business at both levels. The prisoners’ dilemma underlying the negotiations created the need for a third party that was enough of a stakeholder to want to work for a cooperative outcome, but sufficiently independent to be trusted by both sides – especially when the going got rough. Business was uniquely placed to perform that role.
With respect to pressure from below, the insurgency had made the economic status quo unsustainable by the early 1970s. But this did not make a transition to democracy inevitable or even likely. A coup, protracted civil war, or some new brutal regime might have resulted instead. After all, when Ian Smith’s government unilaterally declared independence (UDI) from Britain in Southern Rhodesia 1965, there was no effort by white Rhodesian business leaders to foster the democratic transition that Harold Wilson’s government in London was demanding as the price for independence. Instead, under threat of severed economic ties and sanctions, they backed a repressive new white minority regime against internal opposition and the UK. In return, after Smith declared UDI, his government helped business weather the sanctions by stockpiling tobacco, subsidizing industrial diversification and agriculture, and using public employment to save jobs.

Creative intervention by business leaders helped forestall this kind of outcome in South Africa. Indeed, we saw that their interactions with insurgent leaders, while not formal negotiations, mirrored the structure of the political negotiations. The legalization of black trade unions that business supported in the 1970s, and the corporatist management of industrial relations it ushered in, helped create this new order. It became a template for future dealings between business and labor both in the economy and in the service of political change.

The economic debate concerns whether democracy arrives on the back of the bourgeoisie, as Moore (1966) maintained or, as scholars like Rueschmeyer, Stevens & Stevens (1992) contend, on the wings of the proletariat. The view that emerges here has more in common with the scholarship on corporatism and the role of cross class alliances in creating welfares states. These literatures begin by recognizing that firms and unions often do not operate in the interests of “capital” and “labor.” Stigler (1971) pointed out long ago that firms lobby for regulations that undermine competition in their industries and Peltzman (1976) added that the state’s responsiveness is conditioned by political constraints. By the same token, unions seek labor laws that shield their members from labor market competition – which has costs for nonunion labor and the unemployed. Corporatist arrangements are essentially collusive agreements to get government to help firms and unions pursue their common interests.
while externalizing the costs onto others. It would be an overstatement to say that in South Africa businesses and workers planned to create a regime that would do that. But it has been a byproduct of their courtship and marriage dating back to the 1970s.

This cooperation between big business and insurgent unions stands a reminder that good things do not always go together. Vital as that cooperation was to the peaceful demise of apartheid, the downstream effects have been mixed. One consequence has been a labor market regime that contributes to exceedingly high levels of unemployment and marginalizes labor that is outside the corporatist bargaining structures.\textsuperscript{17} Four decades after the wildcat strikes that ushered in business support for black unions and led to the creation of the NUM and then COSATU, a series of wildcat strikes erupted in the mines at Marikana, outside Rustenburg in the North West Province. It culminated in a horrific police massacre of 34 miners.\textsuperscript{18} The strikes were triggered by perceived sweetheart deals between NUM representatives and the Lonmin mine owners at the expense of frontline workers.\textsuperscript{19,20} Commentators were quick to point to the bitter irony of this legacy of the liberation struggle, which would have been unimaginable to its architects half a century earlier.\textsuperscript{21}

\textbf{VI. Conclusion}

It was clear by the 1980s that apartheid was not sustainable, but it was not obvious that change would happen so soon or without more carnage and a descent into full-blown civil war. If that had happened, there is no reason for confidence that the conflict would have ended in the creation of a democracy. Yet initiating talks was a bold move that could easily have backfired for both sides, destroying the livelihoods and even lives of those who took the risks. Staying the course was also hard, with massacres, assassinations, and recriminations repeatedly threatening to derail the process. Politicians on each side preferred peace to destroying the country through repression or war; neither party could achieve this outcome unilaterally.

Business played a vital role in helping the parties negotiate it instead. By forging connections with the anti-apartheid movement, business leaders developed trust relationships that helped get the political elites to the table, and which business later utilized to play an essential intermediary role when talks collapsed and violence flared. By signaling their opposition to apartheid, business leaders forced “enlightened”
government elites to realize their commitment to apartheid was ill fated. And, though business leaders were never involved in formal negotiations on the economy, they convinced ANC leaders to moderate their economic policy. This also made compromise with the government more likely.

Critically, the small group of powerful business leaders who took part in the process were not neutral third parties. On the contrary, they were heavily invested in the system and had a great deal to lose from further economic decline on the back of political upheaval. This both motivated them and gave them the credibility to help the political actors in their stumbling efforts to build the trust needed to cooperate. Business leaders did not negotiate South Africa’s transition, but it might well not have happened without them. Bank runs are forestalled by depositors’ insurance; a third party guarantee that gives depositors enough confidence not to escalate the crisis into a catastrophe. There are no third party guarantors when political conflict starts escalating toward civil war, but South African business leaders improvised what might have been the next best thing.

Studying regime change is a bit like studying earthquakes. Predicting when they will happen is hopeless, but plate tectonics can tell us a lot about where they are liable to occur and how dangerous they are likely to be. Studying transitions to democracy adds another challenge: even if we can be confidant that a regime will eventually fail, it might not be replaced by a democracy. That often depends on unpredictable factors. Few would claim, for instance, that South Africa could have transitioned to a democracy in the early 1990s without the rare leadership skills of Nelson Mandela and F.W. de Klerk. But no one could have predicted that they would be in the right place at the right time to consummate the deal that they did. This is true, but we can still try to isolate factors that make democratic transitions more or less likely in the event that the contingencies do unfold favorably. Nobody could have negotiated a democratic transition in South Africa in 1970. Our goal here has been to explain how and why South Africa’s political geology changed enough to make it possible two decades later, and to spell out its implications for other transitional settings.

Our central focus has been on one of the tectonic plates: business; principally white big business. The reason is not that it was the most important, but rather that its
importance has not been fully appreciated. Business played major roles in reshaping the perceptions and agendas on both sides of the political divide; in creating social support for a transition to the new order; in building trust and then repeatedly rebuilding it when negotiations staggered and collapsed; in managing spoilers who sought to scuttle the transition; and in ensuring that the founding elections took place as scheduled and that all parties accepted the result. This does not readily translate into some percentage of the variance in explaining democratic transitions, but it does help us see why there are obstacles to transitions that no one else will likely be able to remove. Understanding what it took for South African business to succeed helps us evaluate potential transitions, both where business has been involved and where it has not.
Notes

1 By conventional measures of battle deaths per 1,000 of population, parts of the country crossed the threshold into civil war in the mid 1980s. By the early 1990s the conflict in the eastern part of the country certainly had crossed the threshold, see Nicholas Sambanis, “What Is Civil War? Conceptual And Empirical Complexities Of An Operational Definition,” *Journal of Conflict Resolution* 48 (2004): 814-58.


8 Buthelezi also lost favor with his former allies in the ANC after transforming and the Zulu cultural movement Inkatha into an ethno-nationalist party, see Allister Sparks, *Tomorrow is Another Country: The Inside Story of South Africa’s Road to Change* (Chicago: University of Chicago Press 1996).

9 As he put it in his autobiography: “If we did not start a dialogue soon, both sides would be plunged into a dark night of oppression, violence, and war... Both sides regarded discussions as a sign of weakness and betrayal. Neither would come to the table unless the other made significant concessions... Someone from our side needed to take the first step. I chose to tell no one of what I
was about to do... I knew that my colleagues upstairs would condemn my proposal, and that would kill my initiative even before it was born,” see Nelson Mandela, *Long Walk to Freedom: The autobiography of Nelson Mandela* (Boston: Little, Brown and Company, 1994), 457-8.


12 The veto override (which requires a two thirds vote in both the House and the Senate) made the Comprehensive Anti-Apartheid Act of 1986 law on October 2, 1986.


17 As Mandela, *Long Walk to Freedom*, noted, failure would have meant oblivion for him: “My isolation furnished my organization with an excuse in case matters went awry: the old man was alone and completely cut off, and his actions were taken by him as an individual, not a representative of the ANC.” Mandela, *Long Walk to Freedom*, pp. 457-59, 466-67.

18 Read and Shapiro, Transforming Power Relationships: Leadership, Risk, And Hope.”


20 Wood provides a model of strategic interaction between elites and insurgents but does not characterize it as a prisoner’s dilemma. Rather, conflict is Pareto optimal initially and as insurgent mobilization transforms the players’ payoffs over time, it evolves into an assurance game. Elisabeth


25 Willie Esterhuyse reports that Botha planned to arrest the predominantly Afrikaans-speaking delegates who met with the ANC in Senegal in 1987, suggesting that the intelligence agency boss Niel Barnard persuaded him against the idea, Esterhuyse, *Endgame: Secret Talks to End Apartheid*.

26 Interview with Pallo Jordan, July 16 2013.


30 Despite Harry Oppenheimer’s opposition to the trip, he was considered to be politically left of Gavin Relly. Relly supported the idea of a tricameral parliament, which Oppenheimer opposed, see Stefan Kanfer, *The Last Empire: De Beers, Diamonds, and the World* (New York, NY: Farrar Straus Giroux, 1993), pp. 347, 354.

Moreover, the ANC had limited interest in establishing ties with liberal parliamentarians, realizing that any dialogue to end apartheid would have to take place with the National Party. There was no room for the liberal Progressive Party, whose anti-apartheid stance in parliament meant that it was alienated from the real levers of power. The ANC thus needed contacts that could help them penetrate the Afrikaans-speaking establishment, observes Willie Esterhuyse, an Afrikaner academic who met with exiled ANC leaders on behalf of the state’s intelligence wing. He makes the additional point that the ANC perhaps felt a greater kinship with the social democratic philosophy of the NP than the English-speaking liberal politicians. Esterhuyse, Endgame: Secret Talks to End Apartheid, 35.

Gay Seidman, Manufacturing Militance (Berkley and Los Angeles, California: University of California Press, 1994), pp. 73, 90.


Elisabeth Wood shows that in the early 1970s, striking workers comprised about two percent of all workers. While this was up from close to zero strike activity in the decade before, strikes subsequently rose in the 1980s. Her data show the percent of striking workers soared to a high of over 10 percent after 1985, stabilizing at levels around three to four percent. Wood, Forging Democracy from Below: Insurgent Transitions in South Africa and El Salvador.

Anglo argued for all workers to have trade union rights, including foreign nations in South Africa. It was the only mining company to do, according to Anglo executive Bobby Godsell (written reply from Bobby Godsell to questions. 21 January 2013).

Seidman, Manufacturing Militance, pp. 128-130.

Butler, Cyril Ramaphosa, pp. 116, 124-5.


42 Seidman *Manufacturing Militance*, pp. 84-5.


44 Godsell later confessed that perhaps they naively failed to recognize how intense the political clash would be, see Butler, *Cyril Ramaphosa*, p. 125.

45 "I’ve never thought that the policy of racial discrimination had been a great benefit to business because while it may have had the effect of keeping wages low, it also had the effect of keeping labor exceptionally inefficient. I believe that apartheid is something that works against the interest of economic development, not for it." Marilyn Berger, “Harry Oppenheimer, 91, South African Industrialist, dies,” *New York Times*, August 21, 2000 http://www.nytimes.com/2000/08/21/business/harry-oppenheimer-91-south-african-industrialist-dies.html [07-13-2015].

46 In Lusaka, Gavin Relly asked the ANC to keep their fingers out of the trade union movement, to which ANC executive committee member Mac Maharaj replied that it was too late, see MacMillan, *The Lusaka Years: The ANC in Exile in Zambia, 1963 to 1994*, p. 202.

47 Anglo executive Michael Spicer recalled Harry Oppenheimer’s view on unions, saying, “He said that in a modern industrial economy it’s much more functional to deal with organized labor than with disorganized labor. We’d had the example of the strikes in Durban in 1973, a series of other strikes in the 1970s showing what dealing with disorganized labor was like. He said the gains, despite the fact that the unions will be politicized will ultimately in the long term be greater than the problems.” Interview with Michael Spicer, January 10, 2013.


50 Interview with Michael Spicer, January 10, 2013.

51 Interview with Sidney Frankel, March 20, 2013.

52 Private investment tumbled from about six percent of all capital stock in the early 1980s to less than four percent in the mid-1980s. Short-term capital flows also took a serious knock; in 1985, the country experienced a net loss of US$15 billion (in 1990 dollars) and remained in negative territory for the rest of the decade, see Wood, *Forging Democracy from Below: Insurgent Transitions in South Africa and El Salvador*, pp. 153, 156.
Meyer allegedly got a fish hook stuck in his finger which Ramaphosa removed with a pair of pliers after giving him a shot of whiskey and saying “you’ll have to trust me.”

Sparks, *Tomorrow is Another Country: The Inside Story of South Africa’s Road to Change*, pp. 3-4, 177-9.

The Meyer/Ramaphosa relationship mattered not only because they turned out to be the principal NP and ANC negotiators. When the negotiations came close to collapse after the Boipatong massacre in June 1992, their joint efforts were vital in de-escalating the violence, see Esterhuyse, *Endgame: Secret Talks to End Apartheid*, p. 294.


Anonymous interview with the author.

In 1985, the ANC’s military wing set off a bomb at a seaside town around Christmas that killed five civilians. In 1986, another bomb killed three people.

Interview with Chris Ball, July 16, 2015.


This was one of several meetings organized by journalist Anthony Sampson and former editor David Astor, see Robert Harvey, *The Fall of Apartheid: The Inside Story from Smuts to Mbeki* (Hampshire and New York: Palgrave, 2001), p. 15.

The ANC asked Chris Ball following his trip to Lusaka before 1985 to help organize meetings with the government but more conservative government leaders refused the proposal (Interview with Chris Ball, July 16, 2015).

Harvey, *The Fall of Apartheid: The Inside Story from Smuts to Mbeki*, p. 23.

Ibid., p. 20.

Ibid., p. 127.


Rupert headed the Rembrant Group, one of the country’s five major conglomerates.


Members of the legal community have subsequently this case an historical illustration of the executive's abuse of the judiciary.

Chris Ball, in correspondence.

Ball recalls, “I'll never forget at one stage asking Chris, “So, are there any particular leaders that you have in mind?” His comment was, ‘If we knew the leaders we wouldn't be asking you to make contact with them.’ So as crazy as it sounds, 1985-86 we didn’t actually know who was it.” Interview with Chris Ball, July 16, 2013.

“After one of the late night meetings one of the businessmen was followed and two nights later his home was attacked with gunfire,” two businessmen later recounted. “Within the same fortnight, Christo was pulled off the road by hooded gunmen who fired at him as he stood beside his car,” Chapman and Wrighton, “Civil Society: The Role Of Business And The Churches In Facilitating The Transition,” p. 33.

For some, the determination to persist arose from a very real sense that time was running out for a negotiated transition. As one businessman said of Nelson Mandela at the meeting, “What scares me is that there is a 70-year-old clock ticking away at Pollsmoor Prison and when that clock stops this type of opportunity may no longer exist,” see Max du Preez, Gavin Evans and Rosemary Grealy, eds., The Broederstroom Encounter: Business meets the UDF and COSATU (Johannesburg, Consultative Business Movement, 1988), p. 5.

Interview with Christo Nel, March 20, 2013.

Du Preez et. al, The Broederstroom Encounter: Business meets the UDF and COSATU, p. 78.


Interview with Colin Coleman, March 05, 2013


Interview with Colin Coleman, March 05, 2013 and interview with Christo Nel, March 20, 2013

Interview with Colin Coleman, March 05, 2013

SAIRR table in O’Malley archives
https://www.nelsonmandela.org/omalley/index.php/site/q/03lv02424/04lv03275/05lv03294/06lv03321.htm

The TRC later confirmed widespread allegations that the state had armed and trained the IFP, ran its own hit squads, and spread misinformation about the liberation movements, see Audrey R. Chapman and Patrick Ball, “Levels of Truth: Macro-Truth and the TRC,” Audrey R. Chapman and Hugo


91 Business leaders reportedly reached out directly to Buthelezi to secure the IFP's involvement, though accounts vary regarding who in business played this role. Gastrow suggests the inclusion of Sean Cleary, a businessman and political consultant, secured the IFP's support for the process, see Gastrow, *Bargaining for Peace: South Africa and the National Peace Accord*. Others maintain that John Hall and Bobby Godsell of Anglo-American were able to persuade IFP leader Mangosuthu Buthelezi to attend the meeting, see Kimon Phitidis, “Barloworld Case Study,” Unpublished report, 2006, 20.


93 Barlow Rand also let the delegates use its headquarters for the meeting.

94 The Danish and British governments also contributed substantial funds. It is unclear what the relative contribution was and it may be that the bulk of operational costs came from foreign governments, see Gastrow, *Bargaining for Peace: South Africa and the National Peace Accord*, 53.

95 According to a Barlow manager, Archbishop Tutu, who surprised the participants by attending the Middelburg forum, concluded with a prayer and the remark that “if what was happening in Middelburg could be repeated throughout the country, than South Africa would have a great future ahead of it,” see Phitidis, “Barloworld Case Study,” p. 17.


97 Interview with Andre Lamprecht, March 19, 2013.


99 The business community did come under some criticism for supporting the process unevenly and not committing resources in the hardest hit areas. These concerns underscore the challenges of organizing a diverse community with different levels of resources and understandings of their

100 Interview with Colin Coleman, March 05, 2013

101 Interview with Cas Coovadia, November 21, 2012.

102 CODESA’s second round began in May 1992 but soon collapsed after the Boipatong massacre of about 50 members of an informal residence in June, killed by hostel-dwellers affiliated with the IFP. The ANC stormed out, accusing the government of complicity in the murder. Communication between key members of the negotiations team continued, however, and negotiations resumed in April 1993.

103 Interview with Theuns Eloff, November 19, 2012.

104 Other interviewees deny that the NP and ANC agreed to international mediation. Interview with Roelf Meyer, March 20, 2013.

105 Okumu warned Buthelezi that he would face the military onslaught of the new government if he persisted in violent resistance. Buthelezi agreed to participate in the elections on the condition that the new dispensation recognized the sovereignty of the kingdom of KwaZulu and that international mediation occurred after the election. Interview with Colin Coleman, March 05, 2013.

106 The Group of Seven refused even to take a position in the May 1998 referendum on the hard won Good Friday Agreement that had been negotiated among the key players. Portland Trust Report, The Role of Business in Peacemaking: Lessons from Cyprus, Northern Ireland, South Africa and the South Caucasus (London: Portland Trust, 2013), pp. 24-5.

107 Butler, Cyril Ramaphosa, p. 122.


Emigration figures are often unreliable, but data from the South African Institute for Race Relations shows that 47,000 people emigrated in 1977 and 1978, twice the number in each year as in subsequent years. Factoring in immigration inflows reveals that the net loss was about 3,000 people. This does not include black economic migrants. SAIHR figures in Sally Frankental, and Owen Sichone, “States of emergency: Urban resistance and violence,” *South Africa’s diverse peoples: A reference sourcebook* (Santa Barbara, CA: ABC-CLIO, 2005).


Interview with Cas Coovadia, November 21, 2012.

It was clear to the ANC in Lusaka that part of business’s agenda was to steer it clear of communism, recalls an ANC member present at the meeting who later went on to occupy a senior government role after 1994 (personal interview, November 23, 2012, off the record). For Anglo executive Michael Spicer, the Lusaka meetings revealed that “the ANC had no modern economic thinking.” The Freedom Charter was “at best, Fabian Socialist; at worst, Stalinist” and either way a thirty-year old document, said Spicer. Interview with Michael Spicer, January 10, 2013.


Personal interview, 23 Nov 2012, off the record.


Written reply from Bobby Godsell to questions. 21 January 2013.

Tony Bloom, a major South African businessman, is quoted as saying that “English-speaking business has about as much effect on government policy as a ping-pong ball bouncing off a stone wall.” Jesmond Blumenfeld, *South Africa in Crisis* (Kent: Croom Helm, 1987), p. 39.

Written reply from Bobby Godsell to questions. 21 January 2013.

Butler, *Cyril Ramaphosa*, pp. 120-1.

Meyer and Wessels both would both become senior ministers in the 1990s.

Interview with Sidney Frankel, March 20, 2013. But business was not always sensitive to the constraints of politicians, said a former verligte cabinet minister under Botha. They often presented plans that echoed opposition views and violated government tenets, which was “untenable”. He preferred the approach of people like stockbroker Sidney Frankel and some Afrikaner businessmen who met with rising stars in the government to chat about their experiences, details that he could use in debates with more conservative cabinet members. Interview with the author, March 23, 2013, off record.


A multi-party commission set up in early 1993 to determine new regional boundaries before the elections explained its decision not to delimit a region for an Afrikaner homeland because the Afrikaner groups that it consulted had been unable to agree on a location, see Rachel Jackson and Tumi Makgetla, “Redrawing the Map for Democracy,” *Foreign Policy* October 11, 2013.


A 2010 OECD/UN study rates South Africa and Tunisia as the two most diversified economies on the Continent (OECD/UN 2010: 20).


See appendix for the organogram.


Though there were other secret meetings that the government knew about and even participated in, see Esterhuyse, *Endgame: Secret Talks to End Apartheid*.


The reluctance of the broader business community to incur the costs of meeting with the leadership of the anti-apartheid movement did slow down the efforts of the K group. In June 1987, only 12 business leaders were willing to put their names to a public appeal for the state of emergency to be lifted, an action requested by their UDF counterparts, and the letter did not go ahead. Later that year, a planned 20-aside meeting became a six-aside when two thirds of the business delegation decided to leave ahead of the arrival of the UDF and their allies. The meeting still took place and by the next year, business was able to organize 40 private sector representatives to meet for a weekend encounter with pro-democracy activists. Eloff, “The Consultative Business Movement: 1988-1994,” p. 3.

At first it was two and then four senior businessmen. Ibid., p. 10.
The CBM's success points out a tension in organizing business. Big business can often command the attention of political elites but dialogue institutions prioritize inclusivity. As one executive observed, "Both then and now there were lots of very senior business people that said, "We don't need these bodies. I can call the President... I'm not going to sit in long-winded meetings with other people.'... That was often functional for that individual company but dysfunctional for the collective business interest." Interview with Michael Spicer, 10 January 2013.

Business elites traditionally were used to being "more individualistic, self-motivated and fast moving" than their counterparts. Representatives of pro-democracy organizations, by contrast, operated according to "an entirely different process dictated by consultation, and adherence to more clearly defined long-term strategy," see Du Preez et. al, *The Broederstroom Encounter: Business meets the UDF and COSATU*, pp. 35-36.


Interview with Chris Ball, July 16, 2015.

Interview with Pallo Jordan, July 16, 2013.


Read & Shapiro, "Transforming Power Relationships: Leadership, Risk, And Hope."

Jung et. al, "Problems and prospects for democratic settlements: South Africa as a Model for the Middle East and Northern Ireland," p. 124.


161 Interview with Zahi Khouri, Chairman of Palestinian Investment Tourism Company and CEO of Palestinian National Beverage Company. January 3, 2016. Khouri added that in his judgment Palestinian business leaders differed in that they were committed to peace. Founding BTI member Moshe Litchman (General Partner of Israel Growth Partners) noted that the neutrality stance was necessary to keep the diverse members of BTI on board, but that it limited their ability to push politicians toward specific goals. Interview, December 31, 2015.


163 At a November 2013 BTI conference sponsored by the Middle East Institute in Washington DC, both Munib Al-Masri and Yossi Vardi declined to answer a question from Ian Shapiro about any possible role for Hamas. See transcript of the BTI keynote luncheon, November 26, 2013. http://www.mei.edu/content/transcript-breaking-impasse-keynote-luncheon [07-23-2015].

164 Reluctance to speak to Hamas was confirmed in a January 4, 2016 interview with BTI member Edouard Cukierman (managing partner of Catalyst investments) who said that no direct dialog is possible with Hamas, which would in any case not permit anyone from Gaza to participate in BTI. Another founding BTI member, former IDF Bragadier General Michael Herzog, observed that creating a Gaza negotiating channel to Hamas while cutting out the Palestinian Authority would be harmful to Abu-Mazen, the only leader in a position to push toward a two state solution on the Palestinian side. Herzog thought that the Israeli government would in any case intervene if any Israeli business leader tried to speak to Hamas leaders. Interview, January 3, 2016.


BTI ran some commercials in the run-up to the 2015 elections, but interviews with Moshe Litchman (December 31, 2015) and Michael Herzog (January 3, 2016) revealed that BTI had all but given up on the political process and was instead pursuing joint economic ventures with Palestinians.


The Israeli economy employs over 3 million people and so the proportion of Palestinians employed in Israel is about three percent. Mark Fedlman, “Labour Force Survey Data, March and 1st Quarter of 2015,” April 30, 2015, Jerusalem, 2.

http://www1.cbs.gov.il/hodaot2015n/20_15_110e.pdf [August 06, 2015]


For alarmingly high levels of Israeli support for ethnic cleansing see poll results reported by Gideon Levy in “Survey: Most Israelis wouldn’t give Palestinians the vote if West Bank was annexed,” Haaretz (July 23, 2015) http://www.haaretz.com/news/israel/survey-most-israeli-jews-wouldn-t-give-palestinians-vote-if-west-bank-was-annexed.premium-1.471644 [07-15-2015].

Jung et al., “Problems and prospects for democratic settlements: South Africa as a Model for the Middle East and Northern Ireland.”

Wood, “An Insurgent Path to Democracy.”


Further, the government spent up to ten percent of its budget on subsidies to agriculture. Feeling the pinch from sanctions, organized business later urged the government to settle with the British. Still, the vast majority of white Rhodesians rallied behind Smith’s who vowed to protect them from communism and Britain’s desire to erode the country’s independence, see Robert C. Good, The


179 Studies vary widely in their estimation of union wage premia in South Africa, with more recent studies placing greater emphasis on controlling for selection effects. An example of this is a 2012 study by Bhorat et al, which finds that the union wage premium is about 6%, the bargaining council premium for non-union workers is about 10% and 22% for union workers in public bargaining councils. Previous studies find premia much higher and in excess of 20%. Bhorat et al., “Institutional Wage Effects: Revisiting Union and Bargaining Council Wage Premia in South Africa.”


181 A total of 44 people died during the entire strike.

182 In a report based primarily on interviews with workers, Peter Alexander concludes that Marikana was a “rank and file rebellion, not an inter-union dispute,” see Peter Alexander, “Analysis and Conclusion,” Peter Alexander, Luke Sinwell, Thapelo Lekgowa, Botsang Mmope and Bongani Xezwi, eds., in Marikana: A View from the Mountain and a Case to Answer (Auckland Park, South Africa: Jacana Media, 2013), 136-162, p. 137.

183 Alexander, “Analysis and Conclusion.”


185 Indeed, Walter Sisulu told Anthony Sampson that civil war would not have been avoided even if Mandela had been released as late as 1985. Delay was necessary for the Afrikaners “to sober up,” see Harvey, The Fall of Apartheid: The Inside Story from Smuts to Mbeki, p. 102.
Appendix

(Source: McGregor 1993 Frontmatter)