



Reframing the comparative discourse surrounding Malaysia’s New Economic Policy and South Africa’s Black Economic Empowerment Program through the lens of the Political Settlements Framework

Abstract

The comparative discourse surrounding Malaysia’s New Economic Policy (NEP) and South Africa’s Black Economic Empowerment (BEE) policy has been receiving greater attention. While there certainly is a sound basis for direct comparison, much of the existing literature has viewed the comparison in a limited manner with the NEP often being hailed as an emulate-worthy model of transformation. This thesis argues that comparative analysis is strengthened when incorporating the pivotal role that the distinct political settlements of each country had in dictating the content and relative success of these redistributive programs. Comparative Analysis is centred on the formation and economic impact of BEE in the South African mining sector and on the NEP in the Malaysian corporate sector more broadly. As such, it is the belief of the paper that by drawing on comparative PSA, the paper is able to begin to reframe the comparative discourse in more of a revealing manner that attempts to account for a wider set of the complex social, political and economic factors that underpinned the respective transformation efforts.

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Introduction

As the body of research that focuses on the developmental and economic outcomes of differing political settlements and redistribution efforts continues to grow¹, the comparative discourse surrounding Malaysia's New Economic Policy (NEP) and South Africa's Black Economic Empowerment (BEE) policy has additionally been receiving greater attention (see Ratuva (2013) and Lee (2021)). This is the case as the two countries share a wealth of common historical and social features that make such a comparison justifiable (Lee, 2016). For instance, both the violent and oppressive natures of the countries' past can be inextricably linked to the legacy of British colonial rule (Esman, 1987). Furthermore, both Malaysia and South Africa now represent middle-to-upper income countries that have made extensive use of explicit redistribution policies that have aimed to ameliorate the social and economic positions of a politically dominant but historically disadvantaged majority group (Lee, 2016). Within the Malaysian context, this group refers to the indigenous *Bumiputera* (this term means 'sons of the soil' and is used to refer to the indigenous population of Malaysia) whereas in the South African context, this group refers to "Black" and in particular Black/African² individuals (Hart, 1994). However, much of the limited comparative discourse surrounding transformation in the two countries has often been framed in a limited manner. The NEP is on occasion hailed as the 'gold-standard' transformation model. This is articulated to make the claims that the South African government should have borrowed more consciously from the Malaysian experience when devising its own BEE program and that incumbent policymakers should continue to strive to tailor BEE in the image of the NEP³ (Emsley 1996; Ratuva 2013).

¹ For examples of this, see Khan (2007), Di John & Putzel (2009), Pospisil & Rocha Menocal, (2017), Menocal (2017) and Chinsinga et al (2022)

² It must be noted that in terms of racial categorisation, the term *Bumiputera* refers to indigenous Malays as well as other indigenous populations of Malaysia (i.e. – non-Malay *Bumiputras*) (Lee, 2015). Within the South African context, as per the South African convention, the collective term 'black' is often used to describe African, Coloured and Indian individuals (Lee, 2015). As such, to avoid confusion, the terms "Malay" and "African" will be used when such explicit definitions are warranted or when the specific reference to the political primacy of these groups is essential to the conversation.

³ For further comparative pieces that mostly view the NEP as the emulate-worthy model of transformation, see Hart (1994), Southall (1997) and Hermann (2007).

This thesis maintains that this consensus is misleading as much of the current literature has fallen short of accounting for all of the differing social, economic and political factors at play that oversaw both the formulation of the NEP and BEE (Lee, 2016). These factors are crucial to develop a more nuanced understanding of the two transformation efforts⁴ (Lee, 2016). This thesis argues that these factors are best illuminated by the Political Settlement's Framework associated with the work of Mushtaq Khan. The specific nature of the political settlement in Malaysia and South Africa influenced the shape, content and performance of their redistributive institutions, including the NEP and BEE.

This is the case as it will be shown that not only are the respective political settlements of the two countries vastly divergent in the relevant periods⁵ of study, but also, these political settlements were inextricably linked to the nature and outcomes of the transformation of Malaysia's and South Africa's corporate sectors (with specific focus on the Mining Sector in the South African context). Furthermore, it is important to note that much of the prevailing literature has fallen short of accounting for the divergent economic climates under which both of the policies were developed under. This is the case as newly democratic South Africa was formed in a time where the worldwide adoption of "Washington Consensus" was arguably at its peak (Williamson, 2009). In contrast, the NEP within the 1970's was in part given its legitimacy as it coincided with a worldwide wave of Third World Nationalism which heavily characterised the 1970s (Yasuda, 1991)⁶. For the purposes of this paper, the paper will primarily focus on the first Mining Charter of 2004 and the Minerals and Petroleum Resources Development Act of 2002 within the South African context while within the Malaysian context, the paper will primarily focus on the first phase of the NEP which lasted from 1971-1975).

⁴ For Lee (2016), some of these neglected factors include the countries' constitutional provisions for redistribution, the relevant political transitions which were underpinned by concomitant ethnic dynamics and the relative economic power of majority and minority groups within each country (Lee, 2016).

⁵ As this paper is primarily focused on the economic and social outcomes of redistributive efforts (specifically within the Mining Sector of South Africa and the Corporate Sector of Malaysia) during the main transitory periods where both BEE and the NEP were introduced, the relevant periods in question for the paper span the years 1970-1986 for Malaysia and 1993-2008 for South Africa.

⁶ Despite the differences in economic climates, the paper still believes that a direct comparison between the NEP and BEE is justified (as will be outlined) while noting the different economic climates under which both policies were formed in.

The paper will draw on Political Settlement Analysis (PSA) to argue that the general belief that South Africa should have or go onto replicate the NEP (Emsley, 1996; Ratuva, 2013) is narrow-minded as it falls short of accounting for and appreciating the more delicate and conciliatory nature of South Africa's post-Apartheid political settlement relative to the comparatively bold political settlement in Malaysia that birthed the NEP. Drawing largely off Tim Kelsall and Nicolai Schulz's political settlements dataset, comparative PSA will illustrate that while the relevant political settlements of Malaysia and South Africa may seem similar on face-value, the implementation of BEE in the image of the NEP was incongruent with the post-Apartheid political settlement of South Africa due to the settlement's comparatively conciliatory and delicate nature.

Furthermore, incorporating Mushtaq Khan's original framework, comparative PSA will go onto argue that while the implementation strategy (which differed to the South African context) adopted by the ruling coalition (led by the United Malays National Organization) during the first phase of the NEP did indeed produce decent levels of economic growth, it also drove the country closer to its minimum level of political stability (Aziz 2012; Jomo, 1990; Jomo 2011).

To this end, the structure of the paper is as follows: Section 1 presents a brief historical overview of the similar nature of the countries' respective histories. Section 2 will introduce and outline Mushtaq Khan's Political Settlements Framework as well as explore the broader divisions and debates within the political settlements school. Section 3 will present an overview of the PolSett dataset as well as the rationale for making use of the dataset. Section 4 will detail the redistribution efforts within the mining sector of South Africa and the corporate Sector of Malaysia, Section 5 will apply PSA (in addition to expanding on the redistributive efforts of both countries) as the main part of the paper's attempt to make clear the fundamental role political settlements had in dictating the content and relative success of these redistributive programs. Section 6 will offer concluding thoughts and discuss possible future avenues for research.

Section 1: Brief Historical Overview

Before applying the PS framework to the respective redistributive efforts of South Africa and Malaysia, it is imperative to provide a brief historical underpinning of the respective countries' pasts in the pursuit of developing a holistic understanding surrounding the NEP and BEE. To this end, South Africa's complex and well-documented history of political and economic segregation established along racial or ethnic lines can be traced back to the British colonial administration (especially between the mid-1800s and the early 1990s) (Webb & Kriel, 2000). While a more comprehensive unpacking of pre-Apartheid history is beyond the scope of this paper⁷, Afrikaner Nationalism (in response to British rule) incurred consistent momentum from 1900 onwards with this momentum eventually culminating in the Afrikaans-speaking population gaining political control following the electoral victory of the National party in 1948 (Freund, 2008; Kanya, 2000).

What followed was the period characterised as the Apartheid years as the National Party attempted to leverage their newfound political power and translate that into economic power for the Afrikaner-speaking population (Freund, 2008). With the National Party taking control of the political landscape, the historical unified white exclusion of the black population of South Africa took on a slightly more aggressive and differentiated approach when compared to the anglicization policies of the British colony⁸ (Moodley & Adam, 2000). To do this, the National Party passed a variety of laws and utilised exclusionary practices to ensure the systematic disempowerment (across economic, social, education and freedom of movement lines) of African, Coloured and Indian South Africans (Chisholm, 2012; Mparadzi, 2014).

These exclusionary practices adopted by the National Party extended into the functioning of South Africa's crucial mining sector with many academic observers labelling the South African mining sector (especially during Apartheid) as the epitome of racial discrimination and disempowerment (Heyns & Mostert, 2018).

⁷ For a more comprehensive outline regarding the rise of Afrikaner Nationalism, see Goldberg (1985), Kanya (2000), Freund (2008) and Giliomee (2008).

⁸ This is the case as the National Party actively sought to disaggregate and separate an increasingly integrated urban population (under the idea that the non-white population of South Africa were inherently inferior) whereas the British colonial power routinely attempted to circumvent the 'issue' of diverse cultural origins through their anglicization policies which as discussed, aimed to assimilate different groups (mostly Afrikaners) into British culture (Moodley & Adam, 2000).

This is the case as through a combination of racial and other coercive methods (such as pass laws and the job-colour bar system), the National Party ensured that the black population were largely segregated from urban markets to ensure that the black population supplied cheap but plentiful labour to the mining industry (which was in the control of the white minority) (Phakathi, 2012)⁹. As such, by the time the liberation movements had become unbanned in the early 1990's, the mining industry as a whole in South Africa was essentially controlled by six conglomerates (known as the mining houses¹⁰) whom were all owned by white capital with not a single black individual having access to mining equity or assets (Kilambo, 2021).

As a point of further contextualisation, it must be noted that the pronounced level of success and control that the six mining houses had over the mining sector (which played a key role in the creation and influence of the Mineral Energy Complex) cannot be understood as an unexpected by-product of the free-market (Capps, 2012b). Before outlining why this is the case, from a conceptual point-of-view, the Mineral Energy Complex (MEC) refers to the core set of key heavy industries and institutions (which have primarily involved the extraction and processing of minerals) that have both interacted to form a distinctive system of accumulation in addition to their linkages and dynamics with the rest of the economy playing a key role in determining South Africa's path of industrialisation since the discovery of gold and diamonds in the 19th century (Fine & Rustomjee, 1996; Ashman et al, 2012). Instead, the meteoric success of the six mining houses can in large part be attributed to the conglomerates directly adopting and supporting the segregationist and discriminatory practices of the Apartheid regime (Capps, 2012b). This is the case as the extremely high concentration of power and influence and the centralisation of capital (both industrial and monetary) within the MEC was crucially heavily predicated on the perpetual use of cheap black labour who were often exploited and discriminated upon by the mining houses (Capps, 2012b; Heyns & Mostert, 2018).

⁹ These segregationist tactics also allowed the National Party to greatly reduce the wages being paid to black workers due to the discriminatory laws of Apartheid greatly reducing the bargaining power of black workers (Phakathi, 2012; Wilson, 1972).

¹⁰ These six conglomerates were namely Anglo American, De Beers, Anglovaal, Gold Fields, Rand Mines and the General Mining and Finance Corporation (Kilambo, 2021).

Much like the South African experience, Malaysia's history of political and economic segregation established along racial or ethnic lines can also be traced to the country forming a part of the British colonial administration (Ratuva, 2013). This is the case as in an attempt to maximise profits from tin mining and rubber production in Malaysia, the British colonial power relied on the use of indentured labourers from India and China to ensure a healthy supply of cheap and controlled labour within these labour-intensive sectors (Hart, 1994). Furthermore, the British colonial power exhibited a preferential treatment towards Chinese (especially) and Indian immigrants as these groups also enjoyed the lime-share of control in more formal sectors of the Malaysian economy (Ratuva, 2013).

To ensure that the development of an indigenous capitalist farming class was essentially rendered as unachievable, the British colonial power passed discriminatory and segregationist laws such as The Malay Reservations Enactments of 1913 which bared striking resemblances to acts such as 1913 Natives Land Act in South Africa¹¹ (Hart, 1994). Through these laws, prior to the inception of the NEP in 1971, 67.8% of Malays were employed within the agricultural sector whereas only 31.4% of the Chinese and 48.6% of the Indian minority populations were involved in the agricultural sector¹² (Lee, 2005).

As such, in a fashion that is directly comparable to post-colonial South Africa, the British manufactured socio-economic disparities between the indigenous population and other minority groups eventually led to simmering tensions across racial lines with the end result leading to Malaysia experiencing racial riots in 1969¹³ (Ratuva, 2013)

¹¹ The Malay Reservations Enactments of 1913 essentially prevented non-Malayan people from acquiring land in certain areas which were protected for indigenous Malayan use only. The reservation system essentially represented a pact or compromise as in return for the British extraction of resources using immigrant or indentured labour, The British (through the act) committed to preserving the status and relative autonomy Malayan territorial chiefs (in an effort to maintain a peasantry base of support) (Hart, 1994).

¹² As such, the British Colonial power replicated its tactic in terms of tying the relative class positions of different ethnic groups to their general occupational statuses within the running of the economy, with the indigenous (and majority) Malayan population being labelled at the bottom of this class hierarchy (Hart, 1994).

¹³ For a more comprehensive unpacking of Malaysia history, see Ratuva (2013) and Lee (2021).

Furthermore, much like the South African experience with the mining sector during pre-Apartheid and Apartheid, it was the commerce and trade industry of the Malaysian economy that stood out as the most clear and stark representation of the scale of economic inequality (across ethnic lines) (Emsley, 1996). This is the case as by the time Malaysia experienced race-riots in 1969, the indigenous *Malayan* population only owned 1.5% of the share capital of corporate companies compared to the minority Chinese population owning 23% of share capital and foreign interests/investors owning 62% (Hart, 1994).

As can be seen from the preceding discussion throughout this section, the paper's basis of comparison between the two redistributive policies of Malaysia and South Africa is easily apparent. This is the case as both countries are now middle-to-upper income countries who have complex and layered histories of ethnic discrimination and violence which can be traced back to the British colonial regime. Furthermore, the paper's focus and comparative analysis of South Africa's and Malaysia's corporate sectors (with a specific focus on the Mining Sector in South Africa and a wider focus on the Malaysian Commerce & Trade industry) is a compelling one as the sector represents the epitome of the racial/ethnic discrimination and disempowerment experienced by both countries as discussed throughout the section.

Additionally, both sub-sectors represented crucial prongs of the respective countries' redistributive policies as the mining sector of South Africa represented the ANC's first implementation of BEE in a narrow and top-down fashion which aimed to explicitly formalize the transfer of ownership of mining equity from white individuals to Historically Disadvantaged South African (HDSAs) individuals¹⁴, an idea first initiated by the white corporate sector (Horne, 2015). Within the Malaysian context, the stated main redistributive goal of the NEP in Malaysia was to raise *Malay* ownership of corporate wealth from 1.5% in 1969 to 30% by 1990 as part of the policy's overarching goal of eliminating race or ethnicity being tied with economic function¹⁵ (Jomo, 2011). As such, through the use of comparative PSA, this paper aims to add to the existing body of literature in a manner that begins to reframe the comparative discourse.

¹⁴ Within the legislation of the Mining Charter, the term HDSAs referred to, "Any person, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act no. 200 of 1993) came into operation (Horne, 2015).

¹⁵ As an aside, a more detailed explanation as to how both the NEP and BEE were first implemented (and the overarching political economies that shaped both programs at the time) can be found in both sections 5 and 6.

Section 2: Introducing the Political Settlements Framework

To begin this process, the Political Settlements Framework which was first popularised by the seminal paper authored by Mushtaq Khan (1995) will be used as the main building block in terms of developing the arguments of this paper. To this end, the Political Settlements Framework essentially argues that a thorough understanding surrounding the nature of the distribution of organisational and institutional power is crucial in the pursuit of fully understanding the socio-economic and political effects of institutions and policies (especially those of a developmental or redistributive nature) (Khan, 2018a). The idea of a political settlement can be defined as, “The combination of power and institutions that is mutually compatible and also sustainable in terms of economic and political viability” (Khan, 2010: p4). While some may label this definition as slightly broad and/or vague, the definition speaks to two main core tenets of the overall Political Settlements Framework.


This is the case as the definition encapsulates the framework’s assertion that institutions (both formal and informal) and the prevailing distribution of power must be compatible so as to avoid powerful groups within a society from attempting to alter (possibly in a forceful manner) the current institutional structures (Khan, 2010). Furthermore, the definition also speaks to the framework’s key point that the compatibility in terms of the distribution of power also has to be sustainable as institutions “...have to achieve the minimum levels of economic performance and political stability that are required for the reproduction of particular societies” (Khan, 2010: p4).

Continuing the discussion, the distribution of power can be thought of as a description of the relative ‘holding power’ of the different groups, organisations and institutions that are actively contesting the allotment of resources within an economy or state (Khan, 2010) ¹⁶. Holding power in turn can be thought of as capability (during times of conflict) of different organisations or groups to impose both direct and indirect costs on other organisations or groups as well as the capacity of these differing groups to absorb the costs inflicted upon them by other groups or organisations (Behuria et al., 2017). Furthermore, the idea and level of holding power enjoyed by various groups is determined by the complex interaction of resources, income (and wealth) as well as the capacity and power of the different groups within a political settlement to organise (which is heavily dictated by historical roots) and mobilise meaningful support (Behuria et al., 2017; Khan, 2010).

Following on from this, Khan’s Political Settlements Framework places a focus on firstly whether the distribution of holding power within a society is heavily predicated on and aligned with formal institutions and secondly, whether these institutions are growth-enhancing or not. Such a focus allows the framework to create a typology that classifies the different types of political settlements as outlined below in Figure 1. While a more detailed discussion centred around the different political settlements is beyond the scope of this paper, a brief discussion surrounding the Clientelist political settlement type is directly attributable for the purposes of this paper.

¹⁶ Before discussing the concept of holding power, it must be made clear that institutions (of a formal nature) can be defined as the overriding set of rules which dictate and constrain the interaction between agents who are subject to the particular institution (Khan, 1995). In addition, formal institutions can be thought of formal if the institutional set of rules and regulations are openly defined in a public fashion through the use of legislation which is externally enforceable by governmental agencies and other organs of the state (Khan, 2010)

Figure 1: Typology of the different political settlement types contained within Mushtaq Khan’s Political Settlement Framework

Distinguishing features 	Formal institutions who may potentially support growth	Formal institutions are not growth-oriented or have collapsed
Holding power is aligned with formal institutions	‘Capitalist’ Political Settlement: Formal productive rights dominate as associated incomes are the dominant source of holding power. Formal rights are well enforced, constraining the range of distributive conflicts	Pre-Capitalist political settlements: Variants of feudalism with formal land and military rights aligned with distributions of political-military power
Significant sources of holding power which is not aligned with formal institutions	‘Clientelist’ Political Settlements: Formal productive rights exist but are not well enforced. Powerful groups can influence economic outcomes irrespective of their formal rights. Ranges from developmental states to societies on the verge of crisis.	Political Settlements in Crisis: Formal institutions have virtually collapsed and most informal ‘economic’ activity is supported by or based on the threat or exercise of violence.

Source: Author’s own figure adapted from Khan (2010).

This is the case as the Clientelist Political Settlement type outlined above encapsulates a very broad and generalised group that often heavily characterises modern developing countries such as Malaysia and South Africa (Khan, 2010). Furthermore, Clientelist political settlements within the framework characterise developing countries during their transitory periods from traditional forms of formal economic and political organization towards more modern and contemporary capitalist forms of social organization (Khan, 2010). Furthermore, while this group exhibits a high level of variance, the commonality shared within this group is that there exists several sources of non-formal and non-institutionalised power within society who play a crucial power in allocative decision-making. As such, within this group, there are several sources of holding power which are misaligned with the prevailing formal institutions (which in turn serves as a constraint on the level of exercisable power enjoyed by formal institutions) (Khan, 2010)¹⁷.

At this point it must be noted that since the development of Khan's original framework, several variants and critiques of the framework have been offered which has led to some confusion regarding the framework's core conceptual and methodological features (Behuria et al., 2017; Gray, 2020). While a broader discussion on the opposing views within the Political Settlements Framework is beyond this paper¹⁷, much of the divergences in the existing literature can be attributed to certain theorists viewing political settlements as 'an action' and others viewing these settlements as a 'process' (Gray, 2020). When viewing political settlements as 'an action', this view places a large emphasis on the role played by binding agreements that are created by powerful groups or the 'elite' to intentionally create institutions that promote inclusion and reduce the risk of war. In contrast, viewing political settlements as a 'process' views political settlements as the minimum stable political order (which does not necessarily need to be planned by the different groups of a population) that has emerged as a result of a continuous interaction between different blocs of a population seeking to maximise their share of rent flows (Gray, 2020).

¹⁷ For a more detailed discussion surrounding the divergent literature, see Behuria et al. (2017), Gray (2018a) & Gray (2020).

To better illuminate the differences between the two approaches, the work of Tim Kelsall (which represents a notable critique to Khan's framework), will be used. In his paper, Kelsall argues that Khan's framework conflates the notion/definition of what a political settlement entails which in turn, in Kelsall's opinion, dilutes the concept of political settlements and risks conflating the definition of political settlements with lower-level political dynamics (Kelsall, 2018). As such, Kelsall argues that a political settlement represents, "...an ongoing, conflict-ending agreement among powerful groups, around a set of political institutions and a distribution of power, expected to deliver, an acceptable distribution of benefits" (Kelsall, 2018: p7). Under this definition, Kelsall argues that the definition preserves the everyday and intuitive idea of what a settlement entails while maintaining sound concept formation (Kelsall, 2018). Furthermore, this definition of what a political settlement entails directly subscribes to the thought pattern of viewing political settlements as an 'action' (as done in Khan's framework) rather than a 'process' due to the centrality of the elite in terms of creating conflict-ending agreements.

While Kelsall does present some compelling arguments, his definition of what a political settlement is risks reducing the idea to an explicit conflict-ending agreement between elites (Khan, 2018b). This framing of political settlements may prove problematic on two fronts: one it may suggest that if powerful/elite groups are able to exclusively agree, they are able to end a conflict and in turn, achieve a political settlement and two, it may also suggest that once an agreement is reached, any disturbance to this settlement should be avoided as this could unleash conflict (Khan, 2018b). Such a framing is problematic as it suggests that political settlements are the outcome of exclusive agency/decision-making of elites. It also negates the historically observed role of social movements in terms of playing a pivotal role in shaping the prevailing distribution of power (such as the rise of political Islam and its role in dictating the political settlement of post-independence Bangladesh) (Gray, 2020; Khan, 1995).

Furthermore, the idea of a "conflict-ending agreement among powerful groups" is also contestable as if agreements were as robust between elites as described in Kelsall's framing and in viewing political settlements as an 'action', every change (no matter how big or small) within a political settlement would require a new agreement or risk the onset of violence, which is not a plausible notion (Khan, 2018b). Furthermore, it has been historically observed that even under the context of a high violence, this does not necessarily mean that the prevailing political settlement is collapsing or in need of a rapid change (Gray, 2020). Rather, it has been observed that the prevailing level of violence can remain high even if there exists

a concrete political settlement (Khan, 2018a) and secondly, and that even in times of economic growth, this can lead to increased tensions within the political settlement that drive the onset of violence rather than reduce it (Gray, 2016).

As such, as a result of these contestations, this paper believes that Khan's framework (in addition to viewing political settlements as more of a 'process') presents a more robust and suitable framework for the purposes of this paper as the implications of economic transformation (on poverty and inequality) is a more complex process that reducing it to the structure of powerful political institutions or the level of inclusion of group in policy discussions (Gray, 2018b). But instead that these implications are dependent on a more complex and fluid set of economic dynamics that shape economic outcomes as well as the access to owning resources (Gray, 2018b).

Shifting the focus slightly, as a concept, the Political Settlements Framework (and the theory of political settlements as a whole) represents a direct evolution, critique and an opposing train of thought to the New Institutional Economics (NIE) approach which aimed to similarly offer an explanation behind the institutional causes of state failures within a developmental context (Khan, 1995)¹⁸. While a comprehensive unpacking of the NIE approach is beyond the scope of this paper¹⁹, the framework essentially argues it is formal political institutions alone who allocate *de jure* political power while those 'elite' groups who possess greater economic might and sway typically possess a greater level of *de facto* political power (Acemoglu et al., 2004).

Within the overall context of this paper, it is the two frameworks' opposing treatments surrounding the role of institutions that ultimately renders the Political Settlements Framework as more applicable in terms of serving as the foundation of the overall arguments to be made in the paper. This is the case as the NIE approach falls short of recognising and accounting for the role informal institutions (especially within developing countries such as post-independence Malaysia and post-Apartheid South Africa) and how they interact with the functioning of formal institutions (Goodfellow, 2018).

¹⁸ It must be noted that while the NIE approach does not directly address the concept of political settlements, a direct comparison between the two frameworks is justifiable as they both address institutional causes of state failures within a developmental context.

¹⁹ For a more comprehensive unpacking of the NIE framework, see Acemoglu et al. (2004) and Khan (2010).

Within a discussion surrounding developing countries in times of political and economic transition, this is a crucial point to note as while formal capitalist institutions are usually present within developing countries (usually as a result of external influence), the productive and capitalist foundations of these developing states in transition are often much weaker due to having less time to become entrenched in society (Goodfellow, 2018).

As such, within the developing country context, many powerful groups rather draw and exercise their power and influence through less-formal sources such as control of land or due to the group representing a traditional authority (Khan, 2010). Importantly, these ‘less traditional’ sources of power (if viewed from an NIE perspective) cannot be adequately maintained through formal capitalist rules and rights (institutions) due to them often being dictated by past historical events (Goodfellow, 2018). This in turn often leads to a structural mismatch between the prevailing distribution of power between different groups and organisations within a society and the scale and productivity of economic and political activities that are routinely protected by formal institutions (Khan, 2010). This neglect for the role of informal institutions in developing countries represents a shortcoming of the NIE approach as it is these informal institutions that often end up circumventing the aforementioned structural mismatch present in most transitional developing countries²⁰ (Gray & Whitfield, 2014).

²⁰ This is done by ensuring that the benefits of formal institutions accrue to the powerful and influential groups and organisation of a society who would otherwise potentially mobilise to contest the present institutional structures (potentially in a violent manner).

As such, it is the culmination of these theoretical and empirical observations that render the Political Settlements Framework as applicable in terms of advancing the argument of the paper within the proceeding sections. Over and beyond the already mentioned factors, the Political Settlements Framework is preferred as due to the framework's treatment of power and institutions, it is able to define the 'growth-stability trade off' that faces institutions within a developing country in transition. This trade-off speaks to how institutional changes within a transitioning developing country cannot be implemented if said implementation risks pushing the level of political stability below the tolerance level of that society (Khan, 2010). Lastly, to round off the section, it must be re-asserted that the Political Settlements Framework puts forward the idea that informal institutions, and in particular Clientelism, can in fact create a sustainable distribution of resources that maintains a minimum level of political stability even where formal institutions are out of alignment with the underlying distribution of power (Gray, 2018a). This is a crucial point to note as it is in direct contrast to the NIE school of thought which suggests that *de jure* power is only from formal political institutions (and that an alignment between *de jure and de facto* power is necessary for political and economic stability) (Gray & Whitfield, 2014). However, this divergence allows the Political Settlements Framework to provide a better explanation as to why significant differences have been observed across developing countries in terms of the state of formal institutions and the underlying (not necessarily aligned) distribution of power still creating relatively stable societies throughout history (Gray & Whitfield, 2014). These points will prove crucial in terms of advancing the argument of the paper going forward.

Section 3: Introducing the Political Settlements Dataset

As a natural extension of the preceding theoretical discussion, the paper will now introduce the recently released Political Settlements (PolSett) dataset as the dataset provides a quantitative element that borrows many of the theoretical suppositions of Khan's framework²¹. Furthermore, the dataset is specifically intended to provide data that assists one in answering questions that contend with whether and how different arrangements of *de facto* political power as well as different configurations of holding power influence socio-economic and political developmental outcomes (which is at the very heart of the main argument made the Political Settlements Framework developed by Mushtaq Khan²²) (Schulz & Kelsall, 2021a).

Shifting the discussion onto outlining the main variables that will be used in order to advance the argument of the paper, the paper will mainly make use of the 'social foundation' variable as well as the 'power concentration' variable in its analysis. To briefly explain the variables, the dataset makes the assertion that political settlements essentially depend on the social foundations of a country that can be described as either broad or narrow (Ferguson et al., 2022). As such, in political settlements where the social foundation can be described as broad, a large proportion of the population (which may be divided into different groups) possess the ability and capacity necessary to tangibly alter and disrupt the nature of the political settlement reached within a country (Chinsinga et al., 2022). Within this context, it would be expected that those within the political leadership cohort of a country would be compelled to acknowledge and respond to this high level of potentially destabilising power by attempting to co-opt these specific and influential cohorts²³.

²¹ The dataset represents an expert-based survey which was developed by Nicolai Schulz and Tim Kelsall at The Effective States and Inclusive Development Research Centre (ESID) at the University of Manchester (Schulz & Kelsall, 2021a).

²² Lastly, due to the dataset making a concerted effort to focus on different periods within a country's history where major and tangible changes in the configuration of *de facto* political power occurred, the dataset can be used to track the evolution of the nature of political settlements in countries over time (Ferguson et al., 2022). For a more detailed technical discussion surrounding the dataset, please see appendix.

²³ This may be done by accepting these groups as insiders and potentially distributing benefits or concessions to these groups (in order to preserve the sustainability of the current political settlement) (Chinsinga et al., 2022; Ferguson et al., 2022).

On the contrary, narrow political settlements or social foundations describe a situation where only a small proportion of a population have the power/influence to tangibly destabilize the nature of a political settlement. A narrow political settlement can also describe a situation whereby a large proportion of a population may have the necessary power to disrupt a political settlement, but this potentially disruptive power is met with repression from the political leadership group (Chinsinga et al., 2022; Ferguson et al., 2022). As such, the social foundation of a political settlement lends itself to being used as a tool that can be used to better understand the degree of commitment by leadership towards achieving inclusive and sustainable development and in this case, inclusive and sustainable redistribution strategy (Chinsinga et al., 2022).

Moving onto the power concentration variable, this variable can be viewed as an instrument that speaks to the degree to which the *de facto* political power of a country's leadership is concentrated or consolidated (Schulz & Kelsall, 2021a). As such, in simple terms, a country's *de facto* leadership group would have their level of power labelled as concentrated or strong (*vis-à-vis* their supporters or opposition groups) if there exists few or no credible threats to their position as leader or to the nature of the political settlement itself which in turn gives a high level of top-down implementation power (Chinsinga et al., 2022).

As a natural consequence, if the opposite were true²⁴, a country's leadership group would have their level of power labelled as dispersed (Chinsinga et al., 2022). Having now outlined the typology of the main variables, Figure 2 below represents the interaction of the main variables in matrix form in order to provide a stylized depiction of the nature of the political settlements in the dataset's framework²⁵.

²⁴ I.E. – the leadership group's level of power is weak due to the presence of several credible and disruptive threats.

²⁵ As can be seen, where a settlement can be described as broad and dispersed, there exists a large proportion of the population who possess a great deal of influence and (holding) power and are thus crucial targets for co-optation. On the contrary, if a settlement can be described as narrow and concentrated, a large proportion of the population can be rendered as essentially powerless (or heavily repressed) in terms of their ability to tangibly disrupt leadership and the nature of a country's political settlement (Ferguson et al., 2022).

This approach maintains the fundamental tenet of Khan's approach in the sense that it acknowledges the presence or idea of a ruling coalition and that in addition to the ruling coalition facing external opposition, it may also be internally fractured (Ferguson et al., 2022; Khan, 2010). However, the approach differs from Khan's approach in the sense that the approach also posits that the ruling coalition may also be horizontally (in terms of elite rivals) and vertically (in terms of elites in contrast with non-elites) fractured or disjointed (Ferguson et al., 2022).

In terms of the applicability of the dataset's divergence, recent work has shown that countries with similar structures in terms of ruling coalitions can exhibit vastly different outcomes when it comes to the implementation of industrial policy with similar institutional contexts (Behuria et al., 2017). As such, it is plausible to suggest that the innate value of Khan's original framework is not contained within its ability to 'predict' outcomes, but rather that the framework's theorized assertions serve as a valid basis for the construction of informed hypotheses (Behuria et al., 2017). As a natural consequence of this, informed elaboration of Khan's original framework (such as the PolSett dataset), can serve as an additional and applicable tool in terms of conducting PSA in relation to the ideas of vertical and the horizontal distribution of power while still incorporating the core theoretical assertions of Khan's original framework (Behuria et al., 2017).

Section 4: Redistribution in practice

Having now outlined the theoretical framework upon which this paper is predicated on, a brief conversation which pertains to the nature of BEE within the mining sector of South Africa and the NEP within the corporate sector of Malaysia must be had. Starting with post-transition South Africa, as already alluded to, the overall aspiration for the increased black ownership and involvement within the formal economy of South Africa extended into the mining sector through the introduction of the Mining Charter in 2004 (Heyns & Mostert, 2018).

While the original Mining Charter has been repurposed and slightly altered over the years with the third Mining Charter being released in 2018, all versions of the charter have focused on the transfer of equity ownership within the mining sector to HDSAs in an attempt to address the aforementioned disproportionate level of autonomy white capital had over the mining sector during Apartheid (Bowman, 2019). To achieve this, the original Mining Charter, along with other associated legislation such as the Minerals and Petroleum Resources Development Act of 2002²⁷ (MPRDA), granted state custodianship of all the mineral resources within the country as well as the ubiquitous use of licensing to act as a tool in terms of transferring equity ownership and other mining assets to HDSAs²⁸ (Kilambo, 2021). As such, this meant that government distributed mining assets to mining companies through licenses which essentially gave a company the right to mine a specific area for a demarcated time-period²⁹ (Horne, 2015).

In terms of the empirical success of transformation within the mining sector since the first Mining Charter of 2004, the results have been varied and contestable. This is the case as the mining sector has indeed proved integral in terms of accelerating the broader BEE implementation as the sector represents the largest in terms of BEE deal value with an estimated R101 billion being transferred in equity sales between established mining companies and HDSAs between 2000 and 2015 (Bowman, 2019). However, it still remains questionable as to whether the equity ownership targets have been met in a sufficient and tangible manner (Zalk, 2017).

²⁷ It must be noted that post-transition, while white capital did engage in voluntary BEE deals (as part of the conciliatory political settlement reached which will be outlined in section 6) within the mining sector, the rate in terms of the creation of new black-owned mining enterprises undershot government expectations which in turn directly necessitated more forthright legislation such as the MPRDA and the Mining Charter of 2004 (Bowman, 2019).

²⁸ Through the introduction of measurable targets, the MPRDA and the Mining Charter set a target of 26% in terms of the transfer of equity ownership and other mining assets to HDSAs as well as a target that 40% of all mining assets should be owned by HDSAs, both by 2014 (Hamann, 2004)

²⁹ As such, the prevailing thought was that mining companies would not want to be seen as rejecting transformation (as a consequence of not scoring well on the Mining Transformation Scorecard) as this would hinder their chances of acquiring the vital government licenses to mine (Horne, 2015).

This is the case as obtaining a robust and accurate depiction of whether the mining sector has complied to transformation targets has been an arduous and difficult case due to estimates either being empirically flawed or these estimates not taking into account the entirety of the sector (Mitchell, 2013). However, using the market-capitalisation of mining companies listed on the Johannesburg Stock Exchange (JSE), estimates suggest that the 2014 transformation targets were quite comfortably not met³⁰ (Kilambo, 2021).

In comparison, the more centralised and interventionist nature of the NEP when compared to the Mining Charter and BEE becomes explicit when one analyses the key role state-owned enterprises played in achieving the stated goals of the NEP (Doraisami, 2012). This is the case as the Malaysian government set up the Permodalan Nasional Berhad (PNB) (as well as other similar institutions) who were required to select and acquire a number of share portfolios of companies who were believed to exhibit sound growth potential³¹ (Doraisami, 2012).

Due to the PNB being specifically state-funded, the organisation was able to fund several transactions of Malaysia's more profitable companies with the end result being that by 1988, it was estimated that the PNB controlled a quarter of Malaysia's entire financial sector before the organisation eventually became the single largest holder of corporate equity in the 1990s (Doraisami, 2012). Finally, in an effort to reduce the level of foreign involvement within the corporate sector of Malaysia, the advent of the NEP also led to the aggressive acquisition of foreign-owned assets by the state (Thillainathan & Cheong, 2016). In contrast, similar DFI institutions to the PNB in South Africa, such as the Industrial Development Corporation (IDC), were not able to exert the same level of influence and adequately steer a proportional share of capital towards black businesses (Bosiu & Vilakazi, 2021). This observation is partly attributable to the contrasting funding model of the IDC which entails largely borrowing from private financial markets/commercial banks which constrained the IDC's ability to provide long-term finance at favourable rates under the wider issue of inconsistent post-Apartheid industrial policy (Bell, Bosiu & Goga, 2019).

³⁰ Other estimates that do not rely on JSE data further suggests that the rate of transformation within the mining sector after the introduction of the first mining charter was slower and less pronounced than wanted (Zalk, 2017).

³¹ Post-acquisition, these firms would be developed by the PNB as well as being held in trusts for the *Bumiputra* population until such a time where these firms could be sold to private *Bumiputera* corporate bodies or individuals (which were mainly indigenous *Malay* interests) (Stafford, 1997).

Shifting the focus onto the success of the NEP from 1970 to 1990, the holistic success of the policy is contestable even though it cannot be denied that the NEP represented an important watershed moment for Malaysian developmental history (Jomo, 2011). This is the case as while it cannot be denied that the level of corporate stock ownership by Malays did substantially increase from 1970-1990, the stated target of 30% was not achieved within the wanted timeframe (Jomo, 2011). This is the case as the proportion of Malay corporate ownership stood at around 20% in 1990 (which is still a substantial increase from the figure which stood at 2.4% in 1970)³² (Ratuva, 2013). In comparison, using JSE figures, it is observed that that by July 2011, only between 5-10% of mining assets were under HDSA control which is substantially below the Mining Charter's 2009 target of 15% and the 2014 target of 26% (Kilambo, 2021).

So, while the NEP was clearly somewhat successful in terms of redistributing corporate wealth, this partial success does have some caveats to it. This is the case as much of the data provided by official government entities that speak to the success of the NEP has had its validity and robustness questioned by a lack of transparency from the government in terms of the quality and nature of the presented data (Jomo, 2011). However, and perhaps most importantly, it was the social cost of the NEP between 1970 and 1990 that remains the most interesting observation in terms of this paper. This is the case as due to the autocratic and solely *Malay*-focused approach of the NEP in this period, it has often been argued that this approach of the government only served to foster greater ethnic resentment and suspicion between the relevant ethnic groups in Malaysia³³ (Jomo, 2011).

³² It must be noted however that the NEP did go a long way in terms of achieving its desire to reduce foreign involvement in the corporate sector as the proportion of corporate stock owned by foreign bodies decreased from around 63.4% in 1970 to around 25.4% in 1990 with the Chinese share increasing from 22.8% to 45.5% (Jomo,2011).

³³ This observation is furthered by occurrences such as the mobilisation of widespread Chinese resistance in 1984 and the changes in government in certain provinces in 1985 exhibiting the resurgence of indigenous, non-Malay sentiments (Milne, 1986).

Furthermore, the nature of the NEP in terms of the policy fostering the emergence of a politically-connected Malayan elite, also served to foster an increase in interethnic tension and resentment within the indigenous Malayan sub-population as many felt as if the redistributive goals of the NEP were not serving all targeted individuals proportionately (Jomo, 1990). As such, it is often argued that the NEP in its original form was highly unsustainable in terms of both promoting national unity as well as promoting sustainable economic growth (Jomo, 1990)³⁴.

However, despite many of the stated criticisms labelled at the NEP, some observers still take the view that post-democratic South Africa should have done more to replicate and emulate the redistribution policies of Malaysia, with the Malaysian model often being referred to as the ‘gold-standard’ (Ratuva, 2013). This general framing has in the past often extended into debates around economic policy as in the early 90s as South Africa was transitioning to a democratic state, the World Bank used Malaysia and its NEP as a emulate-worthy example of effective redistribution via market mechanisms (Hart, 1994). While the empirical success of the NEP is clear to see, this particular neo-liberal interpretation within policy discourse falls short of accounting for the direct involvement of the Malaysian government in driving the success of the NEP (Hart, 1994). Furthermore, much of the existing literature has fallen short of accounting for several key factors (including the pivotal role of political settlements) (Lee, 2016; Lee, 2021)³⁵ in addition to the differing economic climates the two policies were formed under. As such, the following section aims to begin to reframe the comparative discourse surrounding the NEP and BEE through the use of comparative PSA.

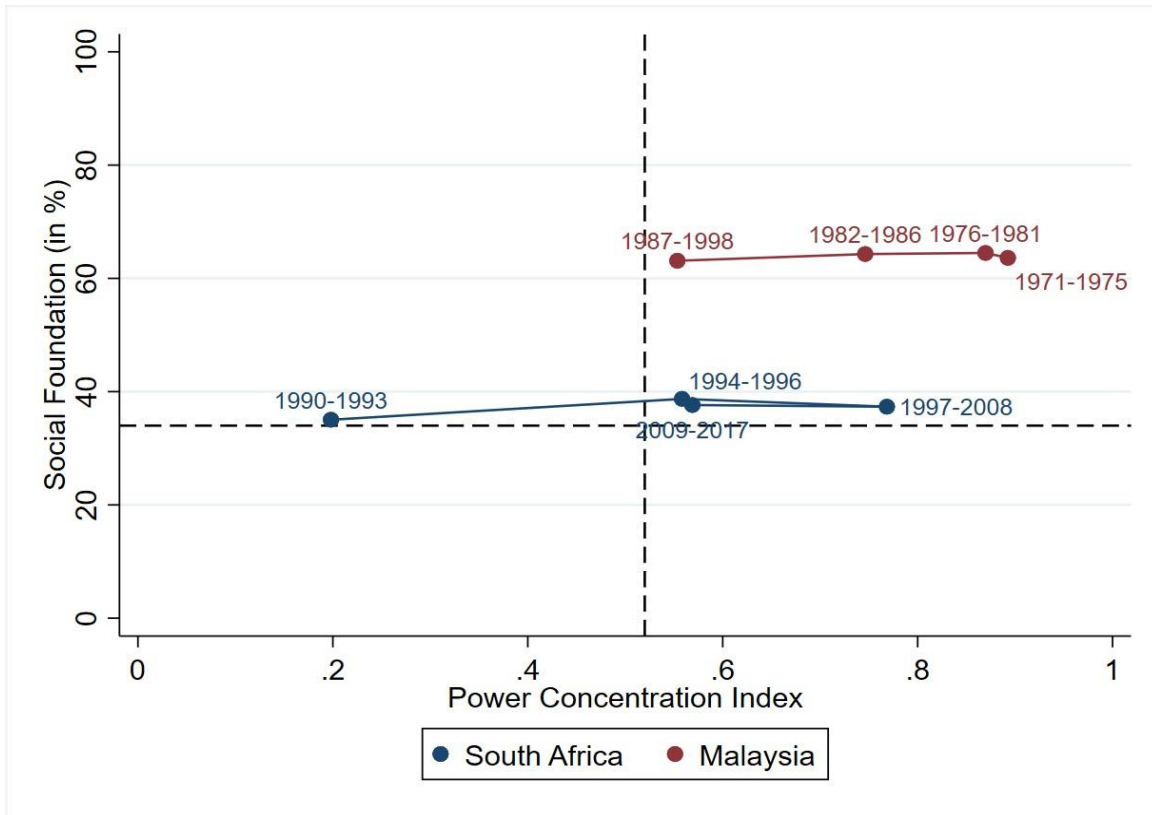
³⁴ These points are perhaps validated by the NEP being replaced by the National development Policy (NDP) in 1990 which focused on preferential redistribution policies for all ethnic groups as opposed to only indigenous Malaysians in an attempt to ease ethnic resentment (Aziz, 2012).

³⁵ As already indicated, these neglected factors include the countries’ constitutional provisions for redistribution, the relevant political transitions which were underpinned by concomitant ethnic dynamics and the relative economic power of majority and minority groups within each country (Lee, 2016). For examples of current literature that is largely one-sided, see Emsley (1996), Southall (1997), Hermann (2007) and Ratuva (2013).

Section 5: Applying Political Settlements Analysis to the NEP and BEE

To this end, the paper's attempt to begin to reframe the relevant comparative discourse starts with applying the PolSett dataset. Figure 3 below exhibits the ESID political settlement categories of the respective countries across different periods in time. If one analyses the figure using the outlined typology matrix given in Figure 2, it would be tempting to assert that the nature of the political settlements in both Malaysia and South Africa (within the periods of interest for this paper) were quite similar, and as such, South Africa was not handicapped in its potential to replicate the more autocratic and centralised nature of the NEP. This is the case as the figure suggests that within the main periods of interest where the respective transformation policies were implemented, the nature of the political settlements in both countries could be described as broad-concentrated due to both countries exhibiting higher than average levels of social foundation and power concentration (Ferguson et al., 2022). Furthermore, as already outlined in a previous section, both countries during the relevant periods would have their political settlement classed as Clientelist if one were to apply Khan's original framework.

Figure 3: Political Settlement types for South Africa and Malaysia.



Source: Author’s own figure using data from Schulz & Kelsall (2021d). **Notes:** The dashed reference lines in the diagram act as typological thresholds, representing the survey means for ESID’s 42 country survey. See appendix for further detail around the formulation/mechanics of the table.

Again, referring back to the typology of the PolSett dataset, the prediction concerning broad concentrated political settlements is that the ruling coalition would have the necessary power and influence to build on the capacity of the state in a manner that allows the state to (unilaterally) introduce wide-ranging and substantive political and economic institutions and policies such as sectoral transformation (Ferguson et al., 2022). However, as a caveat to this, due to both countries exhibiting a broad social foundation, the ruling coalitions of both countries would face the additional pressure for the widespread distribution of benefits within a society due to many different groups within society exhibiting disruptive potential in terms of undermining the nature of the political settlement³⁶ (Ferguson et al., 2022).

³⁶ Crucially, this pressure creates a choice for ruling coalitions in terms of ‘controlling’ the broad social foundation in the sense that the ruling coalition can either aim to maintain harmony through the use of inclusive policy and co-optation or to quell the influence of outsider groups (CLB and OB) through the use of both violent and non-violent repression (Ferguson et al., 2022).

Furthermore, when viewing the situation through Khan's framework, the broad Clientelist political settlement comes with significant implications that hamper the success of specific formal institutions as well as affecting the growth-stability trade-off faced when implementing economic policy (Khan, 2010). As such, keeping, these points in mind, when one drills deeper into the nature of the political settlements of both South Africa and Malaysia, it becomes clearer that the two countries' political settlements diverge in several ways which in turn, dictated the nature and outcomes of their respective distribution efforts.

To illustrate this point more clearly, Table 1 below represents an unbundling of the social foundation of South Africa across different periods within its history. As can be seen from the table, while the proportion of powerful supporters of those who formed part of the CLB and the OB cohort especially dramatically decreased as South Africa transitioned to a democratic state (which is expected due to political power shifting towards the majority of the population post-1994), both these two groups enjoyed high overall co-optation scores in addition to lowest levels of both violent and non-violent repression (especially during the period of 1997-2008 where the first mining charter was introduced)³⁷.

Before continuing, it must be noted that during the period of 1997-2008, the CLB mainly comprised of organised big business (which includes influential mining companies and trade unions such as COSATU (Ferguson et al., 2022)). This is the case as due to the mechanics of the post-Apartheid economy and the continued centrality of the MEC which will be outlined, overall investment within South Africa was highly dependent on the decisions and cooperation of large firms who traditionally exerted a large amount of control over the South African economy (especially the Mining House conglomerates) (Andreoni et al., 2021).

In terms of the OB cohort during this period, this group shifted from largely comprising of liberation movements (pre-transition) such as the ANC and those aligned with the abolishment of the repressive Apartheid state to mainly comprising of previous supporters of the Apartheid regime and right-wing, white-interest-aligned opposition groups such as the Freedom Front Plus who felt as if their interest were not protected by the post-transition government (Ferguson et al., 2022; Schulz & Kelsall, 2021b).

³⁷ Further discussion surrounding the high co-optation scores for both groups follows within the section.

These observations (in terms of the high co-optation scores) signify the more inclusive and democratic nature of governance post-transition. However, it must be noted that while the post-Apartheid political settlement was more inclusionary in nature, it was also a settlement that was extremely fragile, tense and delicate considering South Africa's extremely violent and racialised past which in turn, almost necessitated high co-optation & collaboration between various racial groups/stakeholders (Williams & Taylor, 2000).

Table 1: The evolution of the social foundation of South Africa

Period	1984-1989 (Deepening racial violence)	1990-1993 (Transition)	1994-1996 (Mandela Years)	1997-2008 (Mbeki Years)
Social foundation Size (% of population)	13.76	35.04	38.72	37.34
Opposition Bloc				
Share of powerful supporters in population (%)	39.17	36.70	6.35	9.43
Co-optation score for OB (0-1: 1 = maximum)	0.11	0.49	0.80	0.82
Repression as mode of co- optation, violent (1-4: 4 = maximum)	4.00	3.17	1.17	1.00
Repression as mode of co- optation, non-violent (1-4: 4 = maximum)	4.00	1.83	1.33	1.00
Contingency Leadership Bloc				
Share of powerful supporters in population (%)	6.72	14.67	7.18	14.63
Co-optation score for CLB (0-1: 1 = maximum)	0.80	0.81	0.89	0.87
Repression as mode of co- optation, violent (1-4: 4 = maximum)	1.5	1.5	1	1
Repression as mode of co- optation, non-violent (1-4: 4 = maximum)	1.50	1.50	1.00	1.00

Source: Author's own table using data from Schulz & Kelsall (2021d). **Notes:** Where available, confidence-rating weights have been used. See appendix for further detail around the formulation/mechanics of the table.

This peaceful transition of power from the National Party to the ANC was not achieved easily as it necessitated protracted negotiation between the historically dominant white minority and the liberation movement³⁸ (Levy et al., 2015). Furthermore, with both opposing groups well aware of the tangible threat of prolonged violence in the absence of a democratic political settlement, the eventual agreement between the two sides established a compromise whereby the newly adopted constitution largely protected the complete dismantling of the economic privileges of the historical white elite (contingent on the commitment of the white elite to push transformation within the economy) whilst ensuring that majority rule would prevail which in turn, would give the majority control over fiscal resources (Levy et al., 2015).

Furthermore, this pursuit of a conciliatory political settlement also directly extended into the nature of the transformation process within the mining sector, especially when one considers the negotiations surrounding the first Mining Charter of 2004. A large proportion of this observation can be directly attributed to the continuing centrality of the MEC³⁹ in a transitioning South Africa (Ashman et al, 2012). This is the case as due to the aforementioned historical importance of the MEC which placed a large focus on industries with weak linkages to the rest of the economy, the emergence of a diversified industrial base in post-Apartheid South Africa failed to materialize (Ashman et al, 2012). As such, the economic focus of a transitioning South Africa remained heavily skewed towards industries under which racial segregation flourished (such as in the mining sector) (Ashman et al, 2012). So pronounced was this continued focus on heavy industry that by 2015, 45.9% of The Industrial Development Corporation of South Africa's (IDC⁴⁰) debt funding and 90% of its equity funding was geared towards mining and heavy industry (Zalk, 2017).

³⁸ The nature of the political settlement reached in post-Apartheid South Africa has often been labelled as uneasy and unstable (Zalk, 2016). For a more comprehensive unpacking of the negotiations, see Jung & Shapiro (1995) and Maharaj (2008).

³⁹ To provide an illustration of this continuing centrality, the share of MEC output to GDP between 1994 and 2010 remained substantial as it fluctuated between 21%-23% (as a base of comparison, the MEC's contribution to the GDP of South Africa reached a low of 17% during the 1960s and a high of 32% in 1980). Furthermore, the contribution of non-MEC manufacturing to GDP incurred a decline from 22% in 1990 to just under 15% in 2010 (Ashman et al, 2012).

⁴⁰ The IDC represented one of the largest public financing corporations in South Africa and was often referred to as the leading *de facto* voice regarding trade and industrial policy (Zalk, 2017).

As such, due to these factors, the ANC was highly constrained by the realization that due to the mechanics of the post-Apartheid economy, overall investment within the country was highly contingent on the decisions and cooperation of large firms (especially those within the mining sector) (Andreoni et al., 2021). So, while sections of white capital within the mining sector accepted that the establishment of a black middle class was necessary in terms of stabilising South Africa capitalism post-Apartheid, the ANC was highly limited in its capacity to drive radical and swift change within the sector (Capps, 2012a). Furthermore, dominant white capital within the mining sector saw the formation of a politically-connected ‘BEE elite’ as an avenue to “serve as a buffer against more extensive assaults on the structure of ownership and the modus operandi of corporate capital” (Fine & Rustomjee, 1998, p. 699; Horne 2015). As such, it is clear to see that white capital within the mining sector enjoyed an elevated level of holding power when it came to negotiations surrounding the transformation of the economy in post-Apartheid South Africa⁴¹ (Andreoni et al., 2021).

This high level of holding power exhibited by white capital in the mining sector played a fundamental role regarding the nature of both the political settlement (within the mining sector) and the overall formulation of the Mining Charter of 2004. To illustrate the conciliatory nature of negotiations when it came towards transformation (specifically within the mining sector), sectorial transformation would largely be governed the willing-buyer-willing-seller principle (and licensing) in addition to the aforementioned 26% target for black ownership by 2014 representing a much watered-down transformation target than what was initially proposed in drafts of the Mining Charter (this figure initially stood at 51%) (Bowman, 2019; Freund, 2007). As such, the use of free market policy to guide transformation within the mining sector represented an ideological contradiction on behalf of the ANC as they attempted to marry its desire for radical social transformation with their growing commitment to neoliberal macroeconomic policy frameworks guided by the pro-market Growth, Employment and Redistribution

⁴¹ While there was a commitment from white capital within the mining sector to facilitate transformation (albeit largely on their terms), many large mining corporations focused on the harvesting of historical investments and the distribution of the profits in the form of dividends instead of raising investment in new markets. Furthermore, influential firms such as Anglo-American took measures to circumvent the structures imposed by the post-Apartheid government through avenues such as the offshore listing of the company on the London Stock Exchange (Zalk, 2016).

(GEAR) policy⁴² (Capps, 2012a).

As a natural consequence, the culmination of these factors heavily constrained the ability of the government to directly and ‘forcefully’ drive transformation within the mining sector and the economy as a whole (Andreoni et al., 2021). These factors play a key explanatory role in terms of the high co-optation scores for the CLB and the OB seen in Table 1, especially when one takes into account the responses of the experts when constructing the PolSett dataset. This is the case as during the period 1997-2008, most of the expert responses for South Africa listed cohorts such as organised big business (which includes the big mining companies) and “English” or white capital as powerful groups within the CLB as previously explained. In terms of the shifts in the table (especially focusing on the CLB cohort as this comprised of the large and influential mining companies), when viewed in isolation, the shifts in co-optation scores and the percentage of powerful supporters within the population from may not seem substantial, under the context of the conciliatory yet fragile political settlement reached and the undeniable influence of the CLB (especially within the mining sector context), such a high co-optation score for this cohort (which again, included the interests of white capital) is quite remarkable given the violent and racially-divided nature of the late 80s as South Africa shifted into majority-rule democracy (Williams & Taylor, 2000). As such, on the whole, due to the outlined political constraints that transformation within the mining sector were placed in the period following democratisation, radical meaningful and swift transformation was, in hindsight, very unlikely to occur (Ponte et al., 2007).

⁴² GEAR replaced the Reconstruction and Development Programme (RDP) in the late 1990s and it represented a commitment from the ANC to follow the fundamental tenets and recommendations of the neo-liberal and pro-market framework advocated by the International Monetary Fund (IMF) (Padayachee & Van Niekerk, 2017; Zalk, 2017). For a more comprehensive unpacking of GEAR and the shifts in South Africa’s economic approach, see Zalk (2017) and Hart & Padayachee (2013).

When comparing the nature of South Africa's political settlements in the relevant periods to the Malaysian experience, there are some key differences to account for that go a long way into explaining the diverging natures of the countries' respective redistribution efforts. To begin to outline these differences, Table 2 below represents an unbundling of the social foundation of Malaysia across different political settlement periods. At a first glance, it is clear to see the granular differences between the natures of the political settlements between Malaysia and South Africa. This is the case as Table 2 shows that during the relevant transformative periods for Malaysia (1971-1986), the Malaysian government was tasked with a greater proportion of those who formed part of the CLB and the OB were labelled as powerful/influential when compared to the South African case. Diving deeper into these groups, the CLB mainly consisted of Chinese associations and the Chinese Chamber of Commerce whereas the OB mainly consisted of Non-Muslim and Non-Malay groups with the Chinese cohort representing a more powerful group as a result of their aforementioned historical influence on Malaysian commerce (Schulz & Kelsall, 2021c). Furthermore, it is interesting to note that the table shows that during the relevant periods, the co-optation scores for these groups were significantly lower than the South African case with the Malaysian ruling coalition resorting to the greater use of repression (both violent and non-violent) in order to quell the influence of the broad social foundation of Malaysia.

Table 2: Evolution of the social foundation of Malaysia

Period	1971-1975 (First phase of NEP)	1976-1981 (Second phase of NEP)	1982-1986 (Increased racial tension)
Social foundation Size (% of population)	63.62	64.49	64.29
Opposition Bloc			
Share of powerful supporters in population (%)	22.41	27.34	25.71
Co-optation score for OB (0-1: 1 = maximum)	0.67	0.73	0.70
Repression as mode of co- optation, violent (1-4: 4 = maximum)	2.00	1.33	1.67
Repression as mode of co- optation, non-violent (1-4: 4 = maximum)	2.67	2.33	2.33
Contingency Leadership Bloc			
Share of powerful supporters in population (%)	9.97	9.26	8.02
Co-optation score for CLB (0-1: 1 = maximum)	0.74	0.77	0.77
Repression as mode of co- optation, violent (1-4: 4 = maximum)	1.33	1.00	1.00
Repression as mode of co- optation, non-violent (1-4: 4 = maximum)	2.00	2.00	2.00

Source: Author's own table using data from Schulz & Kelsall (2021d). **Notes:** Where available, confidence-rating weights have been used. See appendix for further detail around the formulation/mechanics of the table.

These observations are by no means a shock if one considers the resultant shift in power after the 1969 racial riots where Malay resentment with regards to the Chinese domination of the urban sector came to a head⁴³ (Emsley, 1996). This is the case as after the racial riots (which led to over 200 fatalities and over 2000 people becoming homeless), the balance in power within Malaysia drastically shifted due to the new ruling group, the National Operations Council (NOC), which was dominated by Malay politicians, becoming the ruling coalition (Emsley, 1996). Crucially, with this shift in power came the suspension of elite accommodation within Malaysia with the country's policy making a direct shift to ameliorating the position of Malays within society, both economically and socially through the promulgation of the NEP in 1971 (Roslan, 2001).

With this in mind, the political settlement of Malaysia after the 1969 riots was predicated on the NOC essentially blaming the riots on the political and economic problems faced by the ethnic groups of Malaysia, especially the indigenous Malays (Koon, 1997). Leveraging off this narrative in the aim of national unity, when constitutional rule was re-instated in 1971, the use of 'communal politicking' was restricted by the new constitution as it was blamed as a chief cause of racial tensions throughout the 1960's (Koon, 1997). This allowed the United Malays National Organization (UMNO) to strengthen its control over the political system of Malaysia (which stemmed from the aforementioned high proportion of Malays in the NOC) as it was able to form a new government coalition, named the Barisan National (BN, "United Front")⁴⁴.

Crucially though, the shift in power towards the UMNO allowed the party to incorporate other Malay opposition parties into the coalition which meant that the UMNO was able to simultaneously reduce the political status and influence of both Chinese and Indian parties while cementing the UMNO as the clear dominant force within the coalition⁴⁵ (Sen & Tyce, 2019).

⁴³ It must be noted that after the riots that were in large part a culmination of Malay disgruntlement towards the level of economic inequality within the country, the avoidance of further violence was contingent on the ability of the state to effectively organise redistributive fiscal policy (Di John & Putzel, 2009).

⁴⁴ This new coalition consisted of both the Chinese and Indian ethnic groups as well all major opposition parties (except one) with the coalition operating under the pretence of exhibiting a united and de-racialised nation (Koon, 1997).

⁴⁵ With the UMNO enjoying a disproportionate influence over the BN coalition, it was able to aggressively introduce the pro-Malay (and only pro-Malay) NEP in 1971 (Sen & Tyce, 2019).

As such, the inordinate level of control that the UMNO had over the BN meant that the asset redistribution towards the indigenous Malays specifically superseded the implementation of democratic procedures and robust electoral rivalry⁴⁶ (Di John & Putzel, 2009).

This in turn meant that the level and power of the state during the initial phase of the NEP was too large and additionally susceptible to NEP policy being directed towards the self-enrichment of the state and the politically-connected Malayan elite (Tan, 2021). As such, it is clear to see that the political settlement within Malaysia after the racial riots of 1969 was certainly less-democratic and more centralised when compared to the nature of the political settlement reached within Post- Apartheid South Africa. Furthermore, keeping the nature of the political settlement in mind, the higher repression scores and lower co-optation scores for the CLB (especially as this group consisted of Chinese interests) and the OB in Malaysia when compared to South Africa in Table 2 are no surprise due to the outlined domineering nature of the UMNO in its implementation of the NEP (which often came at the direct expense of the Chinese as already discussed).

⁴⁶ In terms of what is meant by ‘democracy’ here, it must be noted that while electoral competition was present in Malaysia during this period, Malaysia was essentially a one-party state (fundamentally geared towards advancing the socio-economic status of the indigenous Malayan people) due to the inordinate level of control possessed by the UMNO (Di John & Putzel, 2009).

Shifting the discussion to directly applying Khan's original framework to the comparative discussion, it must be further noted that while both countries have their political settlements classified as Clientelist during the relevant periods of study, there are several divergent ways in which clientelist political settlements can be structured which directly affects the prevailing distribution of power for institutional performance as well as growth-stability trade-offs (Khan, 2010). As alluded to earlier within the initial outlining of Khan's framework, if powerful groups within a society directly or indirectly oppose the implementations of a growth-enhancing institutions, there are essentially two outcomes that could prevail. These two effects are essentially a partial enforcement of policies put forward by institutions in additions to the tangible threat of political costs due to enforcement and transition costs that bring a country to its minimum sustainable level of political. Furthermore, the steepness of the aforementioned growth-stability curve can also be tied to the chosen implementation strategy of ruling coalitions in the face of resistance (Khan, 2010). These implementations strategies can range from co-opting powerful groups (in exchange for these powerful groups helping enforce the institutions of the ruling coalition) to meeting opposing powerful groups with resistance or confrontation (Khan, 2010).

Marrying these points with the preceding discussion surrounding the NEP and BEE and the ESID framework analysis, the value of applying Khan's framework to the conversation is clear to see. This is the case as both Table 1 and other evidence makes it clear that due to the conciliatory nature of post-Apartheid's political settlement (in addition to the high level of economic and holding power enjoyed by white capital), the ruling ANC coalition at the time of the first Mining Charter adopted an implementation strategy (specific reference to BEE within the mining sector) that favoured co-optation. Within Khan's framework, the use of co-optation and early compromise may lead to an initially flatter trade-off between growth and stability with the potential for sustainable growth. However, it is crucial to note that for some institutions, there may be situations where the non-involvement of certain powerful groups may be beneficial as early compromise and co-optation may lead to unfavourable situations where the prospect of sustainable long-term growth becomes almost negligible (Khan, 2010). Relating this back to the lacklustre level of transformation within the mining sector of South Africa (especially the first Mining Charter), many of Khan's case studies found that common issues were faced by countries who made early compromises within the implementation of industrial policy interventions (Khan, 2010) which speaks directly to the aforementioned inefficiencies mentioned with the transformation of the mining sector in South Africa. Furthermore, it speaks to the framework's assertion that there are plenty of instances

(especially within Clientelist political settlements) where political settlements can serve as significant constraints on the performance of institutions (Khan, 2010).

Much of Khan's analysis is also directly applicable to the nature of transformation within the corporate sector of Malaysia. This is the case as much of the preceding analysis (as well as the evidence from Table 2) indicated that the ruling coalition of Malaysia opted to meet opposition groups with resistance and non-inclusive methods. Again, it is arguable that the ruling coalition perhaps felt as if they could achieve this as not only was the proportion of powerful supporters of opposition groups lower in Malaysia when compared to South Africa (as exhibited by Tables 1 and 2), while both Malaysia and South Africa were coming off racially-charged periods in their histories when both the NEP and BEE were introduced, the level of holding power exhibited by the differing factions seemed more pronounced within the South African context which is validated by South Africa's more conciliatory post-Apartheid political settlement. Shifting back to Khan's framework, such an implementation strategy has the potential to drive relatively decent levels of growth with the caveat of bringing the country closer to its minimum level of stability (Khan, 2010). Again, this theoretical supposition rings true for the Malaysian case as while the first phase of the NEP did indeed create good levels of growth, it did bring the country closer to its minimum level of political stability as evidenced by the NEP eventually being replaced by the more inclusive NDP in 1990 (which was largely as a result of an increase in racial and ethnic tension) (Aziz, 2012).

Before tying the section together, it is also crucial to re-mention the time period within which the newly elected South African government was operating under as it played a key role in dictating the BEE policy. This is the case as newly democratic South Africa was formed in a time where the worldwide adoption of “Washington Consensus” was arguably at its peak. This is crucial to note as, partially in response to the multilateral interventions of institutions such as the International Monetary Fund and the World Trade Organization, the newly elected government essentially subscribed to the free-markets paradigm as South Africa attempted to re-assimilate into the world economy (Ratuva, 2013). In comparison, the NEP within the 1970’s was in part given its legitimacy as it coincided with a worldwide wave of Third World Nationalism as part of the New International Economic Order which heavily characterised the 1970s⁴⁷ (Yasuda, 1991).

Tying this section all together, through the combination of comparative PSA as well as a wide range of supplementary evidence, it is clear to see that the nature of the political settlements in both Malaysia and South Africa proved crucial in terms of dictating the formulation and eventual outcomes of transformation within the mining and corporate sectors of South Africa and Malaysia respectively. This is the case as it has been shown that within the South African context, the extremely fragile and conciliatory nature of the political settlement (which was predicated heavily on inclusive democracy in order to avoid racial violence or a civil war) reached within Post-Apartheid South Africa heavily constrained the manoeuvrability of the newly democratic government to drive transformation within the mining sector.

Additionally, from an outcome perspective, both the ruling parties of Malaysia and South Africa implemented differing implementation strategies in the face of the growth-stability trade-off. While the more repressive and non-inclusive nature of the NEP delivered from an economic growth standpoint, it did more in terms of brining the country closer to its minimum level of political stability. As such, it is the paper’s belief that the belief that South Africa should have done more to replicate the NEP risks being short-sighted as much of the preceding analysis has fallen short of acknowledging the influence and determinacy of political settlements within the overall comparative discourse.

⁴⁷ In addition to this observation, the Malayan government was able to escalate its level of direct state intervention as due to the international prices for the country’s main primary exports remaining high and stable during the period, the government was able to expand additional PNB acquisitions even in the face of rising external debt (Stafford, 1997).

Section 6: Concluding thoughts

Under the context of the growing body of research that focuses on developmental and redistribution outcomes, the comparative discourse surrounding Malaysia's New Economic Policy (NEP) and South Africa's Black Economic Empowerment (BEE) policy has been gaining greater levels of attention. This is the case as the two countries represent a unique case whereby both their racialised and oppressive histories can be linked back to British colonial rule. Furthermore, to extend the uniqueness of the comparison, both countries now represent middle-to-upper income countries that have both utilised explicit redistribution policies in order to ameliorate the social and economic statuses of politically dominant but historically disadvantaged majority groups. Crucially though, much of the existing literature has framed the comparative dialogue between the two policies in a manner that views the NEP as the gold standard that transformation in South Africa should have emulated or should aim to emulate going forward. However, in the opinion of this paper, this general consensus risks being short-sighted as it falls short of appreciating all the complex social, political and economic factors that framed the respective contexts under which both the NEP and BEE were formulated under.

In particular, much of the existing literature has fallen short of accounting for the ultimately central role that the nature of the political settlements reached in both countries within the relevant periods had in terms of not only dictating the formulation of redistribution policy, but also in terms of dictating the nature and outcomes of the redistribution policies themselves. Drawing largely off Tim Kelsall and Nicolai Schulz's political settlements dataset, comparative PSA illustrated that while the relevant political settlements of Malaysia and South Africa may seem similar on face-value, the strict implementation of BEE in the image of the NEP was incongruent with the post-Apartheid political settlement of South Africa due to the settlement's comparatively conciliatory and delicate nature. Furthermore, through the incorporation of Mushtaq Khan's original political settlements framework, comparative PSA illuminated that while the implementation strategy (which differed to the South African context) adopted by the ruling coalition during the first phase of the NEP did indeed produce decent levels of economic growth, it also drove the country closer to its minimum level of political stability.

In addition to much of the existing literature falling short of concretely accounting for the effect of the different political settlements (in terms of dictating transformation outcomes) reached within both countries, an appreciation of several key economic factors is also not as

pertinent as it should be. This is the case as the NEP was devised during a wave of Third World Nationalism which heavily characterised the 1970's while BEE was pursued as a policy after the collapse of the Soviet Union, which in turn led to the ANC subscribing to the increasingly popular Washington Consensus as the government continued in its quest to re-assimilate South Africa into the world economy. Furthermore, due to the high and relatively stable prices of Malaysia's key primary exports during the 1970's, the Malaysian government was able to implement the NEP even in the face of growing external debt, as the government was able to reference the high growth of the economy as justification. On the contrary, the economic growth of post-Apartheid South Africa was highly contingent on the co-operation of white-dominated businesses who exhibited high levels of holding power (especially within industry due to the continuing centrality of the MEC in post-Apartheid South Africa), which serve as a further constraint in terms of the ANC wanting to pursue more radical or autocratic transformation within the economy.

As such, it is under these circumstances that the paper has attempted to reframe the comparative discourse surrounding the NEP and BEE by largely relying on the use of Political Settlement Analysis (which, to the best knowledge of this paper, represents a novel exercise). This is not to say that the NEP does not provide some valuable lessons for the transformation efforts of South Africa, but rather that the continuation of not viewing the two policies in more of a mutually-informing manner risks narrow and potentially misleading comparative discourse in the future. Additionally, it has been the hope of this paper that it has been made explicit that there is untapped value in terms of deeply analysing the political settlements of countries when one analyses the economic and developmental outcomes of redistribution policies⁴⁸. Furthermore, while the use of the PolSett dataset is by no means without contestable concerns, the dataset represents a further untapped tool that can prove invaluable useful in terms of providing a quantitative avenue to further analyse the nature of political settlements going forward. On the whole, it is hope of this paper that the paper has viewed the two respective experiences of transformation in more of a nuanced and revealing manner for scholars and policymakers in both country settings.

⁴⁸ As a possible extension to this paper, the use of the PolSett dataset and PSA could be applied to further periods of South African and Malaysian history where different political settlements were present (in order to further understand the shifts in redistribution policy in both countries).

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Appendix

Further detail on the Political Settlements Dataset developed by Tim Kelsall and Nicolai Schulz (Section 3)

As discussed within the main body of the paper, this paper draws heavily on the recently released Political Settlements (PolSett) dataset as the dataset provides a quantitative element that borrows many of the theoretical suppositions of Khan's framework. The use of the PolSett dataset is applicable as the dataset was specifically developed in order to provide adequate data to test the validity of contending frameworks as well as analyse opposing hypotheses with regards to developmental outcomes (Schulz & Kelsall, 2021a). Furthermore, the dataset is specifically intended to provide data that assists one in answering questions that contend with whether and how different arrangements of *de facto* political power as well as different configurations of holding power influence socio-economic and political developmental outcomes (which is at the very heart of the main argument made the Political Settlements Framework developed by Mushtaq Khan) (Schulz & Kelsall, 2021a).

While a detailed discussion surrounding the key variables used from the dataset has already been had, this appendix serves to further explain the methodology behind the evolution of the Social Foundations of both South Africa and Malaysia and shown in tables 1 and 2 respectively. As such, when discussing the social foundation of a country, this category involves potentially disruptive groups that have the potential to be co-opted by the ruling political power (in practice, this group also includes liminal groups that are equally subjected to either repression or co-optation by the prevailing political power) (Ferguson et al., 2022). This category also includes groups that possess a tangible level of disruptive power that are entirely repressed by the ruling coalition, as well as marginal groups that possess limited-to-no levels of disruptive power (Ferguson et al., 2022). At this point, it is important to note that whether a group is labelled as co-opted, marginal or liminal, the dataset does not make the assumption that the groups' categorisation perfectly predicts the extent to which the groups align with political leadership (Ferguson et al., 2022). As such, to develop an estimate of the social foundation of a country, the authors developed a composite variable based off three questions in order to assess what percentage of a population is potentially disruptive and co-opted (Ferguson et al., 2022).

To do this, the authors of the dataset first asked country experts (2 to 3 experts per country) which groups formed part of the LB, CLB and the OB during relevant political periods before developing a view of what percentage of each group represented a powerful and influential

portion (which was derived from an additional question in the survey). Following on from this, these two numbers were then multiple to derive an estimate of the total share of potentially disruptive groups commanded by each bloc (Ferguson et al., 2022). Naturally, such an exercise required a level of educated estimates on behalf of the surveyed experts as affiliations are not always entirely transparent and allegiances may shift over time. To counteract these two problems, experts were asked to make their estimates based on a range of evidence such as internal party dynamics, coups & attempted coups, political factionalism and the breadth and depth of political repression etc. Additionally, experts were also asked an extensive set of supplementary questions to derive the results seen in both tables 1 and 2. Lastly, to partly circumvent the potential issue of shifting allegiances during key periods, experts were asked to base their estimates on the “average” typical alignment of certain key blocs during the various political settlement periods (Ferguson et al., 2022).

Following on from this, the authors utilised confidence-rating weights to adjust the responses of the experts on a country-by-country basis to develop survey means for both the Social Foundation Index and the Power Concentration Index which act as thresholds for the previously discussed political settlement ‘types’. As a word of caution, due to the observation that many countries have experienced vastly divergent types of political settlements over key periods, using the dataset to plot a country’s “average” is potentially misleading (Ferguson et al., 2022). Further, it is important to note that the dataset only plots out political settlements in times where a country expressed a tangible and concrete political settlement and as such, periods of consistent unsettlement in certain countries have not been accounted for to avoid skewing results (Ferguson et al., 2022). As such, the confidence-adjusted weights and the responses of the experts were used to categorise countries (42 countries in total are contained within survey responses) into different political settlements in key political periods (which again, is largely contingent on expert input) to eventually derive the results seen in tables 1 and 2 (Ferguson et al., 2022).

It must be noted this paper is well-aware with regards to the limitations of expert-based surveying. Specifically, within this context, it is understandable that the results of such a survey would draw scepticism due to the complex and multidimensional nature of political settlements essentially being “reduced” to the educated opinions of political historians/economists. While this is a valid contestation, the creators of the data aimed to circumvent this issue by instructing the chosen experts to accompany their answers with a degree of confidence in a manner that is consistent with other large-scale expert-based

surveys. (Ferguson et al., 2022). Furthermore, in order to supplement the findings of the dataset, this paper also drew on a wealth of additional evidence as well as drawing heavily on Khan's framework to corroborate and extend on the dataset's observations. As such, despite the limitations of the data, this paper believes that the dataset represents a unique, viable and thought-out avenue to provide a quantitative element that speaks to the different natures of the political settlements reached in both South Africa and Malaysia.

