

South African political economic reality in 2015: A political risk analysis narrative



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Agbiz commissioned external specialists to do the political analysis in an attempt to provide unbiased independent intelligence to Agbiz members. Agbiz considered this independent analysis to identify and understand the issues impacting agribusinesses.

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Preamble

The goal of this publication is to inform the reader as to the nature of the political reality affecting economic policy-making and creating a sense of uncertainty in South Africa, in particular as it pertains to the agricultural sector. In this regard, political risk is defined as uncertainty in the economy and the business environment resulting from the action or inaction of the government and its various sectors. A scientific assumption of the research underpinning this publication is that **“...the relationship between politics and economics has become ever more apparent and explicit. The nature of economic policy is determined by political variables, and economic interests influence state priorities as much as the availability of material resources. Thus the adoption and legitimisation of economic policies represent the advancement of political as well as economic interests, and the implications of economic policy are as much political as they are socio-economic”** (Habib, 2013:73). The ANC (2012) has grasped this fact and has put into place measures to deepen “our analysis of the present political, economic and social conjuncture and the shifts that have happened since 1994”. In its response to the World Economic Forum’s Global Competitiveness report’s questionnaire, the business sector in South Africa indicated a drastic increase in impact of the trust in the politicians to influence their competitiveness ranking. Figure 1 below indicates that in the 2006-2007 WEF Global Competitiveness ranking, the problem of trust in the politicians in South Africa ranked 37 out of 144 countries. This dropped to 98th and 90th in the 2013-2014 and 2014-2015 reports. It is therefore vitally important that businesses in the agricultural sector also deepen their understanding of government thinking (ideology) and action or inaction in order to minimise risk and maximise opportunity by engaging government, the ANC and other role players.

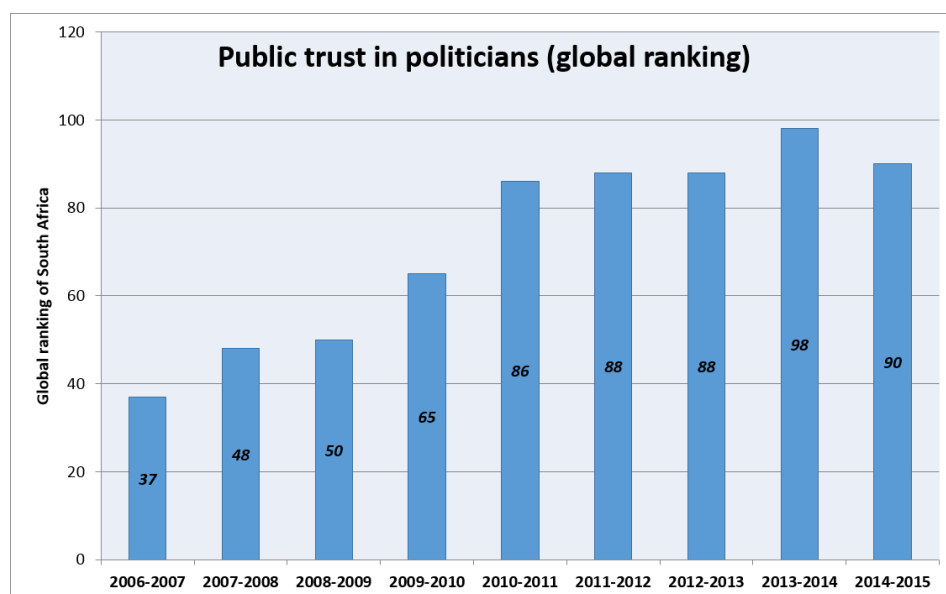


Figure 1: Public trust in politicians in South Africa ranked as a concern relative to 144 other countries

Source: World Economic Forum Global Competitiveness Ranking databasis, from 2006 to 2015, Own calculations.

As this is the first instalment of this publication, a longer explanatory and historical political narrative is given in an effort to identify the relationship between four groups of variables active in today's political-economic environment in South Africa (see Figure 2). Many of the disputes we are seeing within the broad liberationist church¹ are related to the decisions made with regard to the Freedom Charter in 1976, while others are related to the leadership style of Jacob Zuma. All the factors involved will be explained in the subsequent political narrative, correlated with relevant economic indicators. The variables in Figure 2 can be tracked over time and can form the bases for tendency extrapolation. Building on the first edition, future editions will be briefer and more to the point.

Historical perspective on the economic policy of the ANC

The Freedom Charter, as adopted in 1955 by the Congress of the People², contains the following statement:

"...that South Africa belongs to all who live in it, black and white,...the national wealth of our country, the heritage of South Africans, shall be restored to the people; The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole; All other industry and trade shall be controlled to assist the wellbeing of the people; Restrictions of land ownership on a racial basis shall be ended, and all the land re-divided amongst those who work it to banish famine and land hunger; The state shall help the peasants with implements, seed, tractors and dams to save the soil and assist the tillers...3 (ANC, 1955).

This paragraph above is one of the most contentious pieces of political and economic intent in South African history. The ANC claims the Freedom Charter as its "loadstar" (ANC, 2012), while other organisations such as the Economic Freedom Fighters (EFF), the National Union of Metal Workers of South Africa (Numsa), the South African Communist Party (SACP) and the Congress of South African Trade Unions (Cosatu) also claim this document as part of their heritage and future plan of action. Each of these organisations differs on their interpretation of this document and the accent they place within it. Furthermore, the ANC in itself is divided along ideological, factionist and even ethnic lines. This, along with cadre deployment, has given rise to slow and ineffective service delivery, corruption, strong ideological opposition and reactionary populist policies on the part of the ANC. Graphically this can be illustrated as follows:

¹ ANC and other movements that claim a struggle history or claim to still be struggling against the vestiges of apartheid.

² The forerunner of the ANC.

³ It is evident that there are many different interpretations of this document (appended as Annexure A for purposes of full insight), with Julius Malema and Irvin Jim being among those who have selectively quoted from it.



Figure 2: Political and economic policy environment: February 2015 - April 2015.
Source: Authors (2014)

The figure above represents an abstracted reality. In the “real world”, the four analytical categories depicted influence one another on an intricate level, and it is in this intricate environment that (economic) policy is formulated and a sense of uncertainty arises, even for the ANC and especially the government⁴. As stated in the preamble, uncertainty equates to risk, especially for businesses. As such, each of the four categories will now be unpacked in an effort to point to more demonstrable relationships amongst the categories in Figure 2. **The point and sub-points above represent political trends that can be monitored over time.**

1. The ANC (and its views on the economy)

As early as 1976, an ANC study group under the leadership of Jack Simons discussed economic policy from the perspective of the Freedom Charter. The results of this thinking led Joel Netshitenzhe, Trevor Manuel and others to the realisation that the Freedom Charter was not about socialism and thus not about nationalisation (Green, 2008:340). This in turn resulted in the ANC supporting a mixed economy⁵, involving both socialistic and capitalistic approaches. This thinking was evident in the Growth, Employment and Redistribution (GEAR) policy unveiled by Trevor Manuel in 1996 which also effectively side-lined two alliance partners of the ANC, namely the leftist trade union Cosatu and the SACP. With then President Thabo Mbeki, Trevor Manuel and the South African economy now labelled as neo-liberal, Mbeki also took steps to fortify political power away from parliament into the office of the president as part of a nationalist agenda. The arms deal in which Jacob Zuma was intimately involved through Shabir Shaik (Gordin, 2008:79) brought division to the ANC. At some point during 2005 Zuma became an enemy of Mbeki⁶, who decided to cut him loose and fire him as deputy president of the Republic. In this, Zuma’s resolve set firm and he gathered about him an alliance that is currently in partial control of South Africa’s political and economic policies⁷. And so, in 2007, South Africa experienced a shift to the left, as “new liberal” Mbeki supporters were replaced with Zuma supporters in positions of power and administration (see section 2.4 on cadre deployment).

a. Interpretation of the Freedom Charter

In 1994 the population of South Africa was living in expectation of change within the political, economic and social spheres of the country. The Mandela / Mbeki eras left the economic and social terrain largely unchanged. In 2007, however, under the leadership of Zuma in alliance with the SACP and COSATU, and initially the radical ANC Youth League under Fikile Mbalula and then Julius Malema, a more radical and literal interpretation of the Freedom Charter was supposed to occur by way of the National Democratic Revolution (NDR). The NDR has been described by the ANC (2012) as “the resolution of the three basic and inter-related contradictions of Colonialism of a Special Type [apartheid] in South Africa, racial oppression, class super exploitation and patriarchal relations of power”, while both the SACP and COSATU have defined the NDR as a road towards socialism.

⁴ It must be remembered that the ANC and the government are two separate entities, despite a great deal of non-democratic assimilation of the two institutions, which is discussed further at a later point in the text.

⁵and for people like Winnie Mandela and Julius Malema to call Nelson Mandela a traitor for not supporting nationalisation.

⁶ As a result of the arms deal revelations.

⁷ Zuma, his tactics and his partnerships are discussed in more detail in section 2.

1.2 Second phase of the transition

This new, more radical interpretation is supposed to come into effect during the second phase of the transition of the South African society, with an emphasis on more rapid and radical economic and social transformation, now that the political transformation of South Africa is complete:

“However, the persistence of the structural legacy of apartheid colonialism and patriarchy requires a radical shift and focused programmatic interventions for us to deal decisively with unemployment, poverty and inequality, to advance towards a National Democratic Society” (ANC, 2012) (see section 1.5 on reactionary politics).

The outcome of the NDR, as defined by the ANC, is the National Democratic Society.

1.3 National Democratic Society (NDS)

With regard to the NDS, the solutions of 1994 were never final for the ANC and its partners, with the final agreement being merely a “beachhead”:

“Given the nature of the political settlement, the democratic movement used the breakthrough of 1994 as a beach-head to lay the foundation for a systemic transition from colonialism to a National Democratic Society” (ANC, 2012).

For the ANC, poverty and inequality still equate to apartheid or, in their vernacular, colonialism, and there is still a need for a transition to the NDS. This society is defined by the ANC in its Strategy and Tactics of 2012, which is a more moderate vision than that of its alliance partners:

“The socio-economic character of the National Democratic Society is based on the resolution of the historical injustice and the building of a democracy with social content, which includes: A political and socio-economic system which places the needs of the poor and social issues such as health care, education, basic services and a social security floor at the top of the national agenda; Accelerated growth and development in a mixed economy which includes state and private capital⁸, as well as co-operative, worker-based, community and other forms of social ownership of the means of production; An active developmental and leadership role of the state in the economy and the pursuit of full employment⁹; A democratic developmental state that leads accelerated and sustainable change through interactive, intensive and sustainable transformation of the structural causes of economic exclusion and social underdevelopment, including the spatial imbalances inherited from the apartheid era...” (ANC, 2012) (see remarks on the budget of 2015 – section 1.5, example 1, and section 4.4).

From this it is clear that the ANC again commits to a mixed economy, but also to ideas such as the “National Democratic Society”, a “developmental state that fulfils a leadership role”, “spatial

⁸ Own emphasis.

⁹ Own emphasis.

imbalances” and “full employment” – terms that appear contradictory in a mixed-market constitutional democracy because of the central and activist role the state takes as its own. Therefore, since risk equals uncertainty, these terms remain vague and filled with ambiguity, even for the ANC. Yet there also exists space to engage the ANC on their own goals, as well as their own mixed messages, especially in the context of how the economy is supposed to afford all of this (see last section of this narrative). This then brings us to the National Development Plan, which is the ANC’s blueprint for the economy.

1.4 National Development Plan (NDP)

The NDP is the ANC’s long-term (to 2030) plan for the economy of the country and the account against which all of the above must be drawn. Cosatu and the SACP are critical of the NDP as being neoliberal, while the EFF and Numsa are even more vocal in their opposition to this document (see section 3 on opposition politics). The aim of the NDP is stated as follows:

“The NDP aims to eliminate poverty and reduce inequality¹⁰ by 2030. According to the plan, South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society” (RSA, 2013).

This document emphasises political freedoms and human rights, social opportunities arising from education, health care, public transport and other public services, social security and safety nets, an open society, transparency, disclosures and a culture of accountability, economic facilities, work, consumption, exchange, investment and production. It represents a last chance for a liberal economic model in South Africa. The problem, however, lies in the ANC’s engagement in reactionary politics.

1.5 Reactionary politics

It must be emphasised that all four blocks in Figure 1 should be read in conjunction with one another, since they function as interrelated components of a complex political order with dysfunctional tendencies. Reactionary politics refers to the political strategies and policies that contradict the Constitution, the NDP or the ANC’s own policy documents and which are adopted or promoted by the ANC¹¹ in reaction to opposition politics or to crises, either perceived or actual. It goes without saying that these statements and/or policy initiatives create a great deal of uncertainty.

Example 1: The dichotomy between the Freedom Charter and the NDP: In the 2015 State of the Nation Address (SONA), the president repeatedly referred to the Freedom Charter as the foundation of the ANC’s policies. The ANC identified 2015 as the year in which they want (need?) to reclaim the Freedom Charter...and reading between the lines, it is to be reclaimed from their more militant and more vocal opposition. In the budget speech, however, which admittedly mostly affects the upper-middle class and the rich, the refrain was not the Freedom Charter but the NDP, which has its roots in the 1976 decision on a mixed economy. The ambiguities in the rhetoric are problematic in this instance, since

¹⁰ Own emphasis.

¹¹ This section to be read with reference to Figure 1, block 2 (Zuma dynamic) and block 4 (System decay).

the ANC, and especially Zuma, are perceived to be speaking different languages to different people. In order to survive, the ANC needs to placate “the masses”, the business sector, “the whites” and capital. These groupings are starting to overlap, however, and the EFF and NUMSA are putting pressure on the ANC in this regard. Again, there is an urgent need for interaction with the ANC / government in order to negotiate and influence policy.

Example 2: Land reform and the 50/50 land ownership plan

Land reform in South Africa has been dragging on from as far back as 1994, with the majority of efforts seen to have failed. In many instances the beneficiaries prefer monetary compensation, and large commercial concerns almost always turn into dysfunctional smallholdings in the absence of government support and sufficient knowledge and skills. In June 2014 the Minister of Rural Development and Land Reform, Gugile Nkwinti, proposed a plan whereby farmers (owners of commercial farms) were to give 50% of their farms to farm labourers. At the same time, the minister gave “stakeholders in commercial agriculture”, including farmers, trade unions, farmworkers and the agricultural business sector, until April next year to react to his proposals, which aim to deracialise South Africa's rural economy, to democratise the allocation and use of land, and to ensure food security and food sovereignty for the country.

The minister's idea can be seen as a desperate measure to ensure the involvement of all role players in the government's agenda, with the government being under extreme pressure (to react) in order to expedite land reform in South Africa. It is unlikely, however, that farmers will be forced to part with 50% of their farms, since the degree of uncertainty caused by the proposed policy both domestically and overseas had very real economic implications.

Example 3: Police in parliament and signal jamming

The EFF in particular has brought about a new dynamic in oppositional politics in South Africa. It appears that Jacob Zuma is somehow being shielded from parliamentary questions, which despite being an unconstitutional action¹² is apparently now part of the Zuma tap-dance (see Figure 1, block 2). This became evident during the most recent SONA, when cellphone (communication) signals were electronically blocked, and police forces under the command of the executive arm of the state (the president and cabinet) entered the legislature (parliament) in contravention of section 58 of the Constitution, which reads as follows:

“Cabinet members, deputy ministers and members of the National Assembly have freedom of speech in the Assembly and in its committees, subject to its rules and orders; and are not liable to civil or criminal proceedings, arrest, imprisonment or damages for anything that they have said in, produced before or submitted to the Assembly or any of its committees; or anything revealed as a result of anything that they have said in, produced before or submitted to the Assembly or any of its committees” (RSA, 1996).

These minor and seemingly immature infractions by the ANC and the EFF, and even the DA, amount to zero/zero politics, where the political parties act on a stage with the sole purpose of outwitting one

¹² Section 55 of the Constitution.

another and consequently fail to serve the very people who voted for them. Ultimately, nobody wins, everybody loses, and the resulting pandemonium only perpetuates the global image of South Africa as a failed state. This, unfortunately, is the game that is being played by the EFF and in which the ANC is engaging due to a lack of decent leadership.

Example 4: Expropriation Bill of 2015 (as introduced in the National Assembly, (proposed section 76); explanatory summary of bill published in Government Gazette No. 38418 of 26 January 2015)

Much is being made of the Expropriation Bill that is supposedly intended to accelerate land reform, but the opinion put forth here is that it is nothing more than a reaction by the ANC to radical opposition. Closer scrutiny reveals that **the bill is not in contravention of the Constitution¹³**, in light of the following provision:

“WHEREAS section 25 of the Constitution of the Republic of South Africa, 1996, provides as follows: No one may be deprived of property except in terms of law of general application, and no law may permit arbitrary deprivation of property. Property may be expropriated only in terms of law of general application—
a) for a public purpose or in the public interest; and
b) subject to compensation, the amount of which and the time and manner of payment of which have either been agreed to by those affected or decided or approved by a court” (RSA, 2015).

Firstly, the expropriation that has been the cause of so much controversy since it was first discussed in 2012/13 is not a form of nationalisation. Secondly, any such expropriation must occur in accordance with the Constitution; and thirdly, property rights and value must be taken into consideration at all times. The ANC’s alliance partners and the opposition are clamouring for more, however, labelling the bill insufficient. Although the bill has not yet been tested in court, it is not fundamentally unconstitutional.

In conclusion, the ANC was (is?) a multiracial organisation that is committed to a mixed economy. Pressure from inside and outside the ANC and its alliances forces it to the left, but a proportion of the ANC is uncomfortable with this and remains committed to the NDP. The pressure on the organisation, and its tendency to speak many different languages, is evident in its numerous and sometimes contradictory policies, opening the gate for personal opportunism and corruption that disrupts even their own plans of action. More on this topic follows in the subsequent sections.

2. Zuma (personal power and a lack of direction)

The previous section sought to describe the actions and even some of the ideology of the ANC as a party. Its current leader is but one piece of the puzzle that divides the party, the trade union movement, and the political and economic reality of South Africa.

In 2006 Zuma colluded with Zwelinzima Vavi (Cosatu), Fikile Mbalula (ANC Youth League), Blade Nzimande (SACP) and others in the ANC to oust Mbeki as president at the 2007 ANC party conference.

¹³ Own emphasis.

From that point on, Zuma would forever be in debt to these individuals and organisations, and vice versa. In 2005, for instance, the SACP considered withdrawing from the tripartite alliance because of the extent to which Mbeki had neglected the socialist agenda (Gordin, 2008:214). The risk here was that the Mbeki government had alienated the masses, and worst of all Mbeki and his inner circle had acted with impunity within the party itself. However, Zuma himself is currently making these exact same mistakes, as emphasised by his popularised leadership style.

2.1 Zuma the popularist

Zuma's leadership style, characterised by his ready laugh, is designed to appeal to the general public. He tends to tell the audience exactly what they want or need to hear, and he is known for being better at singing than at speech making. If seeking to define Zuma's political direction, an analysis similar to that in the preceding paragraphs could describe his comments on policy as being often vague or contradictory. Yet he is also incredibly politically shrewd, having ensconced himself within a circle of friends in the security cluster and placing himself in an extremely powerful position within both the ANC and the government. In all his efforts, he has proven to be a ruthless player.

2.2 Intervention in the institutions of the state and the ANC

(Sections 2.2, 2.3, and 2.4 must be understood in conjunction with section 3 and especially section 4 below.) Mbeki launched a process whereby all power in the ANC and eventually in government would be centralised in the office of the president (Pottinger, 2008:29). In government, Zuma manipulates power through the appointment process. "The appointments of the head of the National Prosecuting Authority (NPA), the commissioner of police, the heads of the intelligence services and directors-general of national departments are presidential decisions. The SABC board and chairman he appoints on the basis of parliamentary advice" (Paton, 2015). Other organisations in which Zuma has had a hand are Eskom and SARS. During Mbeki's reign, the party (ANC) became the state, but now the Zuma clique within the party is seemingly becoming the state.

This state of affairs is only possible while Zuma is in total control of the ANC. This he has managed to achieve by effectively stalemating the National Executive Committee (NEC) of the ANC, by virtue of its composition:

"Ahead of the Mangaung party congress in 2012, Zuma built a 70% majority, reflective of enormous ANC growth in KwaZulu-Natal, and involving the majority factions in most of the smaller provinces as well as parts of the Eastern Cape. Mostly, the executive is held together by mutually reinforcing relationships of patronage. Provincial politicians with vested economic interests often owe their positions to lines of patronage both up and down the political chain. A threat to Zuma would constitute a threat to the entire alliance and has no prospect of being entertained by a majority, no matter how compelling the motivations..."¹⁴ (Paton, 2015).

¹⁴ Own emphasis.

The question now to be asked is how Zuma acquired his power in the ANC structures. Briefly, the answer is that he did this by weakening the structures of not only the state, but also the ANC, through a series of mechanisms, which are discussed in the section that follows.

2.3 Patriarchy and patronage, and neo-patrimonialism

Zuma is a patriarchal or strongman politician, which means that he is a politician within the ANC and government who **seeks an amount of personal gain and influence in a position and in the organisations to which he belongs, and seeks to attain and keep that position and influence by any means**¹⁵. From this position, he extends patronage (favours, protection and influence) to certain people who then in return protect him and provide loyal support. If this occurs on a sufficiently regular basis, the entire political system becomes a neo-patrimonial system, as is the case in South Africa. This, according to Bratton and Van de Walle (1998:62), means that the political system is a hybrid system characterised by customs and patterns of patrimonialism, defined as personal rule extended by favours and graces; in short, forms of patriarchy and corruption that coexist with and suffuse rational legal institutions. Herein lies the problem for the ANC: "Any attempt to undo the interlocking patrimonial relations in the NEC would be like trying to unscramble the egg. The main feature of such an interlocked relationship is that it is embedded and difficult to unwind. The problem with proposing a mechanism that could dislodge Zuma, and with it the calcifying networks of patronage that spread out from him and his partners into all corners of the state and party, is the old one: who will bell the cat?" (Nic Borain, as quoted by Paton, 2015). Part of this entrenchment of personal power came about through cadre deployment, as discussed below.

2.4 Cadre deployment and factionalism

During the 1994/96 transition, a huge influx of ANC and broad church cadres were deployed to state and civil institutions, replacing the civil servants of the apartheid era. The nature of our democracy and Constitution is that these civil servants must be apolitical, as they are actually supposed to uphold the norms of the institution for which they work, and not those of the political party to which they belong. With the Mbeki-Zuma power struggle between 2005 and 2007, the ANC cadres were factionalised, so there existed not only ANC cadres but also Mbeki and Zuma cadres. After the Zuma triumph, most if not all the Mbeki cadres were replaced (read purged). Each time a cadre is deployed or replaced, an institution loses part of its institutional memory and knowledge pool, and sometimes functionality. Cadres of a particular faction are also usually willing to deal only with cadres of the same faction when it comes to tendering systems and project and policy structures. Another problem that comes into play can be outlined as follows:

"... [Factionalist] deployees rapidly created a life of their own, and, as the headlong race for entitlement and enrichment speeded up under the Mbeki administration, the notion that the ANC could retain control of these far-flung emissaries became laughable, as it must in any modern fast-evolving society. Public servants became more interested in their personal emoluments [the returns arising from office or employment] and bonuses than in slavish support of the ANC policy direction" (Pottinger, 2008:37).

¹⁵ Own emphasis.

The result of all of this is a stronger growing opposition, even within the ANC, Cosatu and the broad church.

3. Opposition politics: The big consensus has already collapsed

This section is to be read in conjunction with section 1 above. The big consensus known as the National Democratic Revolution has already been rejected by some in the former broad church because of discrepancies in the politics of the ANC and Zuma. There are obvious fissures in the ANC, the tripartite alliance and the trade union movement.

3.1 Ideological competition

Many members of the ANC, the tripartite alliance and the broad church are highly disillusioned by Zuma as president of the country and as leader of the ANC, none more so than Zwelinzima Vavi, who veridantly pointed out the corruption in South African society: “The invasion of alien, capitalist practices into our revolutionary movement – summed up by the notion of ‘We didn’t struggle to be poor’ – is infecting the whole of our society” (Vavi, 2014). The result of this honesty was, of course, a series of personal and political troubles for Vavi.

The fundamental fact, however is that there now exists true ideological competition for the ANC. In this the ANC seems almost static, clinging to the NDR with its roots in Leninist and Stalinist thought, while there is a true need for positive innovation, especially regarding the economy, amidst nationalist and more socialist-type approaches to many policies, as described in section 1. On the other side of the spectrum, smaller parties like Cope and Agang have splintered away with a more centrist, pro-democracy and business-friendly approach. These parties have thus far had little influence, but a more radical agenda that has started appearing to the left is clearly deserving of attention.

3.2 A more radical agenda

The Economic Freedom Fighters (EFF) is a radical reactionary party (reacting to Zuma) that is drawing supporters away from the ANC, especially amongst the youth. Julius Malema, as the party’s controversial leader, has already sparked an internal division in the party, however, and the EFF is not foreseen to be a particularly fundamental axis of change in the longer term, especially as the party does not represent or actualise positive policy change for their members and supporters. The greatest force of change and subsequently the most significant threat to the existence of the ANC and the tripartite alliance’s as it is currently constituted in the more enduring one posed by the National Union of Metalworkers of South Africa (Numsa) and the proposed United Front.

3.3 Another interpretation of the Freedom Charter

According to Irvin Jim, Secretary-General of Numsa (Jim, 2014a), South Africa has veered well off course from the values of the Freedom Charter — the basis for policy in the governing ANC.

“We have been promised many big things. Now, there are attempts to replace the Freedom Charter of Ruth First with its polar opposite, the National Development Plan (NDP). Our view is that this plan is predicated on super-exploitation of black

workers, and maintenance of the colonial and capitalist power relations that define South African society. As such, the NDP is not a working-class plan, and it will fail to meet even its own mediocre targets...We should also remind ourselves that this National Development Plan is not the first one to come from both the ANC and the DA. How many of you remember Vision 2014, which was drafted in 2004, to halve poverty, unemployment and inequality by 2014? Almost everything that the ANC promised in Vision 2014 has failed to be achieved. We have already done a thorough analysis of Vision 2014 as Numsa. And now they have another vision, Vision 2030! We are determined to forge ahead with the struggle for a socialist South Africa. White monopoly capitalism has failed us, as it should. To us, only socialism offers the best solution to South Africa's, Africa's and the world's problems" (Jim, 2014b).

The interpretation of the Freedom Charter for Jim and his colleagues is, unlike that of the ANC, an argument for an even more radical adoption of socialism with a dash of nationalism. This interpretation is also much more non-negotiable than that held by the ANC and its alliance partners.

It is accusations such as these from a union that is 300 000 members strong and which has drawn support from SA Commercial Clothing and Allied Workers' Union (Saccawu), the Communication Workers' Union (CWU), the SA State and Allied Workers' Union (Sasawu), the Public and Allied Workers Union of SA (Pawusa), the SA Football Players' Union (Safpu), the Democratic Nurses' Organisation of SA (Denosa) and the Food and Allied Workers Union (Fawu) that force the ANC to adopt certain reactionary policies and unconstitutional strategies, as discussed in section 1 and again in section 4. Also it is clear that the trade union sector is becoming increasingly divided.

3.4 Divisions in the trade union sector

Cosatu's goals are to improve the material conditions of members and of the working people as a whole, to organise the unorganised, and to ensure worker participation in the struggle for peace and democracy. One of the founding principles is that there must be one industry, one union and one country, and one federation (Cosatu) that staunchly supports the ANC. Or at least this was the case until Vavi criticised the corruption within the ANC and on the part of Zuma in particular. In response to this criticism, a series of mishaps began to befall Vavi (with one interpretation being that certain things that became known about Vavi would otherwise have remained secret if Zuma had continued protecting him). This controversial treatment of Vavi ultimately sparked a revolution in Cosatu: (Which eventually led to his dismissal and the possible formation of a rival labour union affiliated to NUMSA with a more leftwing political agenda subsequently complicating labour relations in South Africa even more.

"Inevitably, the rupture in Cosatu is between those who want to see an ongoing implementation of the Freedom Charter, thus a rejection of GEAR and the NDP, and those who are consciously or unconsciously defending South African capitalism and imperialism by defending the NDP and not openly supporting the implementation of the Freedom Charter, especially its nationalisation demands. Those who want Comrade Zwelinzima Vavi out of Cosatu want a Cosatu which will

be a toy telephone, a labour desk, a pro-capitalist Cosatu, and those who are defending Comrade Vavi want a revolutionary socialist, anti-colonialist and anti-imperialist Cosatu. From where we stand, our analytical work confirms that the centre of the crisis in Cosatu resides in the capitalist trajectory of our post-1994 socio-economic formation. Comrade Zwelinzima Vavi is seen as a threat to the ambitions of the right-wing capitalist forces, which see a Cosatu under his leadership as obstructing their capitalist ambitions...” (Numsa, 2014).

From the above, the central ideological reference and contested interpretations of the Freedom Charter are evident.

And thus in conclusion, in the eyes of Numsa and associates, the ANC under Zuma is a neo-liberal nest of corruption, and the only reason they have not yet launched their own party is that they are currently fighting for the soul of the Cosatu- and worker-led movement towards socialism. Much of the Zuma dynamic and the oppositional dynamic results in ANC policies that are either non-functional or not supported internally, leading to a substation phenomenon of system decay.

4. System decay

David Easton, the famous systems theorist, proposed a simple model of a political system, where the political apparatus of the state converts the inputs of the people into outputs that are then in turn fed back into the system. In South Africa, this system is not working at various levels as it was designed in the Constitution. Even the ANC is not functioning as it was originally designed, with many of the internal programmes of the organisation and many of the policy outputs not functioning optimally at present. The political and economic system is also experiencing entropy, which is a naturally occurring form of change in non-functional systems. (According to complex systems theory, the part of the system that does not work will die if it does not start functioning correctly.) Entropy or system decay, as evident at various levels within South Africa, is discussed below.

4.1 Service delivery crises

What we have come to know as service delivery protests are more often than not the result of the deployment of inept but politically correct cadres. Figure 2 below compares the number of service delivery protests occurring annually from 2007 to 2014.

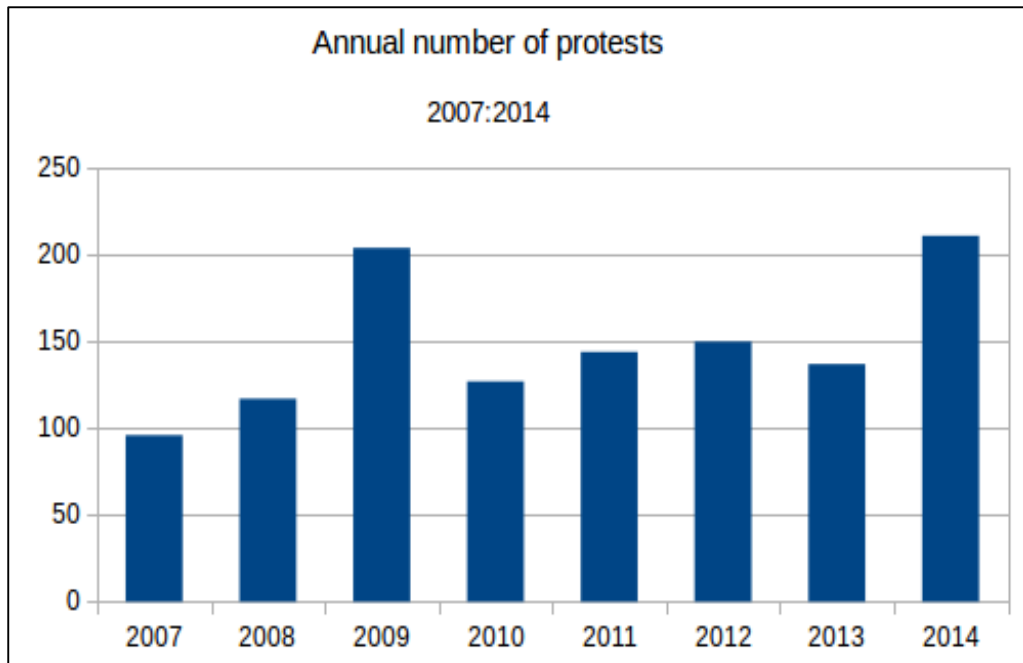


Figure 3: Civic Protests Barometer 2007-2014

Source: Powell, O'Donovan and De Visser (2014)

Powell *et al.* (2014) concluded that the spikes in service delivery protests in 2009 and 2014 could not be attributed to elections alone. Figure 3 shows the amount of violence included in the protests annually, as measured from 2007 to 2014.

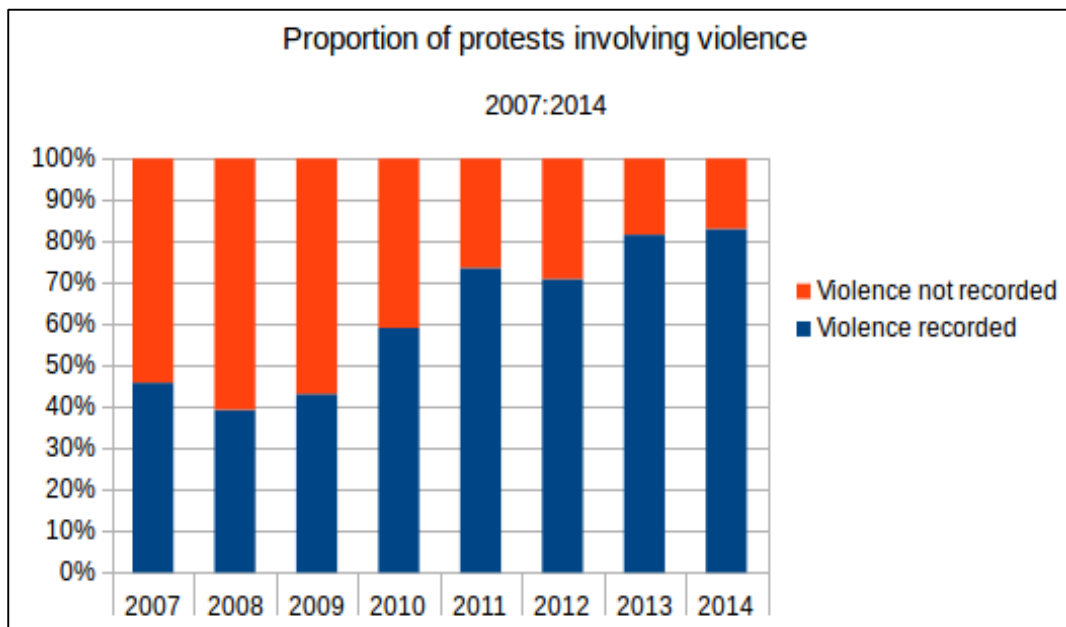


Figure 4: Service delivery protests involving violence

Source: Powell *et al.* (2014)

The following are the main categories of reasons for public protests, according to Powell *et al.* (2014).

Reasons for service delivery protests:

1. Municipal services (services in schedules 4b and 5b of the Constitution, e.g. water and electricity);
2. Municipal governance (issues related to the political or administrative management of the municipality, e.g. grievances related to financial mismanagement and corruption);
3. Non-municipal services (services that are the responsibility of either national or provincial government, including state-owned entities, e.g. education and policing services);
4. Party political (grievances relating to matters within and between political parties, including competition for public office);
5. Socio-economic (grievances relating to broader issues like jobs and land distribution); and
6. Unspecified services (grievances not reflected in the records).

While the protests above reflect specific dissatisfaction amongst the people with regard to their interaction with government, there are certain organisations that have failed to deliver.

4.2 Eskom in the dark

Eskom claims to generate “approximately 95% of the electricity used in South Africa and approximately 45% of the electricity used in Africa. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Additional power stations and major power lines are being built to meet rising electricity demand in South Africa” (Eskom, n.d.). Unfortunately, although Eskom theoretically has the capacity, if operating at 100% functionality, to produce +/- 45 500 megawatts of electricity, maintenance issues coupled with unforeseen circumstances and aging electrical plants sometimes result in Eskom being able to produce only as little as 24 000 megawatts, which is 4000 megawatts less than what is needed and giving rise to the need for what is known as stage-three load shedding. Eskom has for some time been in dire straits. Due to its policy since 2007/08 of “keeping the lights on”, essential maintenance has been neglected, while the construction of new power stations is behind schedule, and fuel for the coal-burning power stations is in short supply (Slabbert, 2014). As a result, the implementation of stage-three load shedding has become necessary on several occasions.

There are three state-owned entities currently in jeopardy, namely Eskom, the Post Office and South African Airways, and Cyril Ramaphosa has been deployed to spearhead turnaround strategies for all three. Although the Minister of Finance, Nhlanhla Nene, has extended a R23 billion lifeline to Eskom, load shedding can be expected to last for the next five years until 2020. The cost of this in various sectors of the economy is staggering, while a hidden cost also lurks in the weak institutions of state and society. Not only are Eskom failing to provide electricity, there also seems to be a power struggle in the leadership structures. There was a time when Eskom’s board had a number of notable international power utility experts as members. Those days are past and government interference is widely suspected.

4.3 Struggling institutions of state and society

In light of the ideological standpoint and some of the economic policy fundamentals of the ANC, as recounted in section 1, it must be remembered that the same problems afflicting Eskom also afflict the ANC NEC, with the country’s parliament now starting to feel the effects. The various struggling

institutions in the state sector are having a negative impact on society. With the police struggling to provide protection for poorer communities, mob justice and xenophobia are on the rise, while the wealthier members of society are relying increasingly on private security services. For the business sector, this situation presents both challenges and opportunities. Private security firms are now doing very well in South Africa.

4.4 Higher taxes in South Africa

Once again, the State Budget of 2015 places much of the burden on the rich in the form of an increase in personal income tax. This is coupled with what amounts to an increase in the cost of using the country's roads. The fundamental flaws in the system have to be covered financially by an income that the state must generate from the nation's income tax base and from a stable economic sector. It is contended that the ANC is wise to acknowledge that alienating business altogether would be detrimental to the country's wellbeing – in contradiction to the belief held by the EFF and Numsa.

5. Issues impacting on agribusiness

In a quest to provide intelligence to agribusinesses, this publication contains an initial list of issues relevant to agribusinesses' decision-making, emanating from the political situational analysis. Similar to the relevant political developments, these issues will evolve and change over time, serving as the basis for a better understanding of and insight into the overall response to matters of importance, as well as ad hoc reactions in this regard.

The table below lists these issues, and specifically link it up with the four elements/dynamics in the political analysis where relevant. It serves as a basis to guide a better understanding of the rationality of the issues and/or possible impact.

	Areas of impact	ANC dynamic	Zuma dynamic	Oppositional dynamic	System decay
Economy	Slow growth	<ul style="list-style-type: none"> Lack of ideological direction Low investment confidence due to conflicting policy directions 	<ul style="list-style-type: none"> Lack of leadership and direction Patriarchal leadership at the cost of economic growth Cadre deployment in SOE's causing lack of service delivery 	<ul style="list-style-type: none"> Ideological competition influence policy direction 	<ul style="list-style-type: none"> Impacting on cost of doing business, investment confidence and competitiveness
	Electricity crisis	<ul style="list-style-type: none"> Want to keep control through restrictive policy. Open up for renewables 	<ul style="list-style-type: none"> Intervention in state institutions Cadre deployment 		<ul style="list-style-type: none"> Crisis due to system decay
	Credit rating down graded	<ul style="list-style-type: none"> Unconvincing policy developments Few democratic institutions: Judicial system, SARB, National treasury, etc. 			<ul style="list-style-type: none"> State of & management in SOE's
International trade	International alliances	<ul style="list-style-type: none"> Political alliances Versus trade opportunities Big focus on BRICS Trade-offs, e.g. AGOA, EU Free trade influencing poultry, fruit and wine exports 	<ul style="list-style-type: none"> Relations with Russians and Palestinians, versus trade partners 		
	Foreign land ownership (Land Reform)	<ul style="list-style-type: none"> Difference in political objectives In contrast to quest for Foreign Direct Investment 	<ul style="list-style-type: none"> Possible attempt at indigenization as desperate measure 		
	Xenophobia	<ul style="list-style-type: none"> Lack of tangible action by government Affecting Africa focused development and trade 	<ul style="list-style-type: none"> Popularism 	<ul style="list-style-type: none"> Opposition exploiting opportunity 	<ul style="list-style-type: none"> Argued to be due to frustration, poverty, unemployment and lack of service delivery
Policy developments	SONA & Budget	<ul style="list-style-type: none"> Internal ideological competition: SONA refers to Freedom Charter, Budget speech refers to NDP 	<ul style="list-style-type: none"> Popularism: Support Freedom Charter, or NDP, depending on audience 	<ul style="list-style-type: none"> Chaos in Parliament linked to SONA – impact on status of democracy 	
	NDP	<ul style="list-style-type: none"> Essentially endorses a market-driven ideology Placing tri-partite under pressure 	<ul style="list-style-type: none"> Pressurizing factionalism element 	<ul style="list-style-type: none"> Contributed to the ideological and physical split of trade unions 	
	Land reform (50/50 plan and agri-parks)	<ul style="list-style-type: none"> Hasty announcements and desperate developments Linked to upcoming 2016 local elections Reactionary politics 	<ul style="list-style-type: none"> Agri-parks is presidential announcement Desperate actions / popularism 		<ul style="list-style-type: none"> Reactionary to lack of previous land reform successes and delivery
	Minimum wage	<ul style="list-style-type: none"> Expect proposals & actions for national minimum wage and again agricultural minimum wage Government no position on it yet Reactionary politics 		<ul style="list-style-type: none"> Supported by trade unions 	<ul style="list-style-type: none"> Cost of doing business Unintended consequences
	BEE	<ul style="list-style-type: none"> Make it more stringent due to unsatisfactory transformation over past 20 years Recent BEE legislation directed more on "narrow"-based / ownership focus 	<ul style="list-style-type: none"> "Indirect" cadre deployment 		<ul style="list-style-type: none"> Affect SOE's; e.g. Eskom retrenchments to address employment equity
	Possible MAP Act	<ul style="list-style-type: none"> Threat to the free market system 		<ul style="list-style-type: none"> Ideological competition Nationalization / central planned agenda 	

- Slow economic growth is evidently being considered as a trade-off to achieving radical transformation and political objectives. Various recent policy announcements endorses very little commercial intentions. Investors (local and foreign) are very much aware hereof and concern have been raised by the business sector at various platforms.
- The electricity crisis, of which the root of the problem is linked to political interference, government control, inefficiencies and bad management, proves to be the biggest growth inhibiting factor in the South African economy, since democratisation. Industry is, however, more prepared for the electricity interruptions (load shedding) than in 2007/2008 and, in some cases, generating its own capacity (amongst other means also through renewable energy generation). The general and largely the smaller industry role players are still suffering the most. Cost and pricing of electricity is already and will in the near future be a serious issue of concern for business growth.
- The downgrading of South Africa's credit rating is inhibiting access to and cost of financing. This is largely due to institutional failure. This will have a long lasting negative effect on the economy. Uncertain policy and management positions are contributing to the situation.
- International political alliances versus trade opportunities; example being the link with Russia, versus the alliances with the EU, as currently still South Africa's most important trading partners, as well as the USA, via AGOA.
- Government announced the possible limitations to foreign land ownership, which will be at the cost of much needed foreign direct investment. Even though the outcome is still being negotiated, foreign investors are already disturbed by the intentions by government.
- Xenophobia, argued to be caused by frustrated communities, is influencing the country's business relations and opportunities into the rest of the continent.
- Government's internal ideological competition causing lack of direction: SONA for instance referred to the Freedom Charter, while the budget speech referred to the National Development Plan (NDP).
- The NDP endorses a market-driven ideology, which places the tripartite alliance under pressure. This plan is considered by organised business to be feasible in addressing the country's developmental challenge.
- Land reform related announcements, especially the 50/50 plan to address relative rights of people working the land, the agri-parks development proposals and, perhaps most controversially, the

direct limitation to free holding of land, by means of land ceilings linked to small, medium and large scale farmers. These announcement will drastically influence especially financing of agribusiness and primary agriculture.

- The proposed national minimum wage, as well as agricultural minimum wage, will be a hot topic this upcoming year.
- The BEE programme had noble (broad-based transformation) intentions in 2003, but is recently skewed by political (narrow-based) intentions, leading to merely benefitting the well connected few. Government openly (and apparently by mistake) announced measures to discredit broad-based equity programmes, as well as the target of establishing 100 black industrialists, which goes directly against the broad-based empowerment intentions to address the broader problem of inequality.
- The possible Marketing of Agricultural Products Act, which has not seen the light yet and could impact on the free market system. Again indicating government's intention to centrally control markets.

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