



RESPONSE

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The Week of Three Ministers

A flip-flop; a U-turn; a climb-down; a desperate act of back-peddalling. This is one narrative, offered by most political commentators and the opposition parties, of President Zuma's decision to re-appoint Pravin Gordhan as Finance Minister just days after he relieved Mr Gordhan's erstwhile deputy, Nhlanhla Nene, of the finance portfolio and gave it to the relatively unknown David Van Rooyen.

The other narrative, coming from the Presidency, is that Mr Zuma noted the uproar that followed the dismissal of Mr Nene, and its effect on the economy, and responded accordingly: "As a democratic government, we emphasise the importance of listening to the people and [responding] to their views."

Those who are inclined to support Mr Zuma will accept the second narrative, and those who feel he is unsuitable to lead the country will adhere to the former. What one person sees as responsiveness, another will see as vacillation.

The more interesting and important questions are what this extraordinary set of decisions means for South Africa and for Mr Zuma.

In the short-term, we will see a pullback from the brink of the economic abyss that faced us on Thursday morning. Then, it was all but certain that the next move of the ratings agencies would have been to downgrade the country's credit ratings to so-called junk status (meaning that pension funds and other international investors would shun our government bonds, making it much harder and more expensive for SA to raise foreign loans). This, coupled with the collapse in the international commodity markets, on which our economy is still unhealthily dependent, and the worst drought in two decades (which entails massive imports of dollar-denominated maize and wheat) meant that 2016 and the years following would have been the toughest economically in our democratic era.

Now, while the immediate future will still be tough, especially for people who lack the income or resources to weather the storms of price rises and job-losses (those whose proverbial belts cannot be tightened any further), there will be a sense that a well-regarded and experienced hand will be guiding government policy. But the decision-makers in the world of finance and economics (the people behind the amorphous 'markets') will not simply take Mr Gordhan on trust. His first test will be to decide whether to uphold Mr Nene's rejection of the opaque and questionable Airbus transaction proposed by Mr Zuma's associate, Dudu Myeni, chair of the SAA board; his next test will be to state his position on the affordability of the President's wish to embark on a nuclear build programme that will cost hundreds of billions of rands (a programme about which there is already a lack of unanimity in the governing party). The SAA decision is due by December 21st. We should not expect to see the rand recover to anywhere near its levels of a week ago before then. And we may well still suffer the ignominy of a downgrade to junk status; hopefully, though, if that happens we will stand a better chance of a quick upgrade under Mr Gordhan than we would have under Mr Van Rooyen.

If the outcome for the economy is broadly positive, then the opposite is true for Mr Zuma personally. It appears that he took the first decision – to replace Mr Nene – without consulting senior cabinet members or the leadership of his party. Neither the ANC general secretariat nor the leadership of COSATU publicly supported or endorsed the decision. In fact, their few utterances betrayed a sense of disquiet. Conversely, they have enthusiastically welcomed Mr Gordhan’s re-appointment. Behind the scenes, though, the movement will surely be asking itself what it has lost by way of public goodwill and credibility over the last five days.

This is what sets Mr Zuma’s ‘Rubicon moment’ apart from that of P W Botha, back in 1985. Mr Botha’s speech, in which he reasserted the apartheid status quo and disappointed hopes that he would announce far-reaching reforms, caused the currency to plummet and the bond price to rise dramatically – much the same effects as Mr Zuma’s announcement of last week. But Mr Botha, despite having dealt the economy and the country a body-blow, held on to power for another four years. Indeed, had he not suffered a stroke in 1989, he might well have held on longer (with who knows what consequences).

Back then, though, SA was not a democracy and, even in the limited world of white parliamentary politics, the National Party was the only real force. The majority of the population was excluded from formal and electoral politics.

Now, we are a democracy and, while one party still enjoys majority support in most parts of the country, the recent trend has been towards a weakening of that support. More to the point, the latest Afro-Barometer survey shows that 50% of ANC supporters trust Mr Zuma ‘only a little’ or ‘not at all’. His overall approval rating dropped from 64% in 2011 to 36% earlier this year.¹

There is thus a disjuncture between the popular support enjoyed by the ANC as a party, and that enjoyed by its leader. There is little reason to think that the events of the last week will have done anything to improve Mr Zuma’s approval rating; if anything, the opposite must be the case. It seems reasonable, therefore, to wonder whether some in the senior leadership of the ANC who have up to now stood four-square behind Mr Zuma might not be questioning whether he is the right person to lead the party into the local government elections next year.

Mike Pothier
Research Co-ordinator

¹http://afrobarometer.org/sites/default/files/publications/Dispatches/ab_r6_dispatchno66_south_africa_zuma_trust_and_performance_24112015.pdf