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South Africa

South Africa's Deprivations and Depravations Revealed in Jacob Zuma's Meltdown

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This week [first week of November, 2016] could well be remembered as South Africa's most important political inflection point since the September 2008 ousting of sitting President Thabo Mbeki by his own party, the African National Congress (ANC). His main tormenter then was Jacob Zuma, who – following a brief handover period – has ruled the country in an increasingly dubious manner since May 2009.

But several contradictions have exploded in Zuma's face. Political opponents from across the spectrum, radical university students and his own party's establishment smell the blood, as Zuma's fabled patronage system is now in the spotlight, apparently in tatters.

Zuma just suffered two major legal defeats: a fumbled state attack on Finance Minister Pravin Gordhan which was humiliatingly withdrawn by an incompetent prosecutor on Monday following a national outcry, and Wednesday's release of the public protector's "State of Capture" report on the Zuma family's corrupt relationships, a report the president and two cabinet colleagues unsuccessfully attempt to quash.

Zuma loses his political grip while liberals and radicals gain momentum

While Zuma tried delay tactics, rumblings at the base have grown louder. The leftist Economic Freedom Fighters (EFF) party and the centre-right Democratic Alliance (DA) both held anti-Zuma marches in the capital city Pretoria on Wednesday, with the former's leader Julius Malema clearly distancing himself from a third event – a "Save South Africa" meeting at the nearby Anglican cathedral with scores of notables from civil society and big business.

Malema told a crowd of many thousands, "A CEO will speak at that small church there, not Church Square. Let them speak there. Small churches are for CEOs. Only the EFF has the potential to collapse the ANC." The threat of EFF activists marching to occupy Zuma's offices at Pretoria's Union Buildings offices was deflected by police, but the red-shirted marchers took over much of the capital city's central business district.

Prior to the 355-page "State of Capture" report, Malema's deputy Floyd Shivambu had written the most thorough analysis of the Gupta brothers' influence, and the EFF regularly refers to the network of state and Gupta cronies as the "Zuptas." The Gupta influence includes mass media (a newspaper and tv network), mining (especially exceptionally controversial links to the Eskom parastatal and its top manager) and provincial ANC leaders.

Other proletarian elements are also growing restless. One of the three most important trade unions still backing Zuma, the nurses (with more than 200 000 members – in the same league as teachers and mineworkers who have been Zuma's main labour backers), announced on Tuesday that they now want the president to resign. The largest union, the metalworkers with 350 000 members, did so in late 2013. But more recently, so too have scores of major ANC leaders, along with what seems to be nearly the entirety of centre-left and centrist civil society and the media commentariat.

As a former guerrilla fighter with no formal education, Zuma, 74, is a genius at maintaining not only talk-left walk-right ideological flexibility, but also membership loyalty within his Zulu ethnic group and the country's eastern and northern provinces (KwaZulu-Natal, Mpumalanga, Free State, North West and Limpopo). Although in August municipal

elections it lost 8% of the vote compared to the 2011 vote, the ANC won handily in most of these areas.

But for the first time since liberation, the ANC surrendered rule of the economic heartland of Johannesburg, Pretoria and the fifth largest city of Nelson Mandela Bay (Port Elizabeth) to what is sure to be a fleeting right-left alliance of DA and EFF. The second city, Cape Town, has been run by the DA since 2006, while third-largest Durban is safely pro-Zuma. Huge ANC patronage power dissipated with the loss of the three metro areas.

Zuma himself is also being battered again by 783 corruption charges relating to bribery in a late 1990s French military deal. The infamous arms deal unravelled the ANC's liberation mystique even during Nelson Mandela's 1994-99 rule. As a result of a colleague's jailing on the same charges, Zuma was fired as Mbeki's Deputy President in 2005. He then won acquittal in a high-profile 2006 rape case. The (HIV+) victim – daughter of a former ANC guerrilla who was a close family friend of Zuma, Fezikile Kuzwayo – died in Durban last month, again reviving memories of his misogyny. Zuma, who has four wives and more than twenty children, claimed during the trial, "in Zulu culture, you don't just leave a woman," a stance Kuzwayo eloquently rebutted as she was forced into exile for several years by Zuma's manic supporters.

Until now, Zuma has kept dissident tendencies within the ANC's big political tent, in part by using divide-and-conquer patronage skilfully. But the day of reckoning is here because the Gupta family – three immigrant Indian brothers who became ostentatious tycoons over the past two decades – have been winning massive state deals and using alleged bribes to get even wealthier, as revealed in "State of Capture."

For example, the respected Deputy Finance Minister Mcebisi Jonas accused the Guptas of offering him \$45 million a year ago, if he agreed to become finance minister in an informal putsch, because his then boss Nhlanhla Nene had balked at airplane and nuclear deals favourable to Zuma's retinue. After Jonas forcefully declined, the subsequent firing of Nene and offer of the job to a political ingénue – Des van Rooyen – left the country shocked last December. Within four days, amidst a panicked currency crash, a business uprising led by three white bankers forced Zuma to shift the hapless Van Rooyen over to the local government ministry and replace him with Gordhan, who had served in the same job to corporate applause from 2009-14.

But throughout 2016, Gordhan's stance became increasingly untenable, thanks to the economic downturn and repeated attempts by Zuma allies to prosecute him for what appear to be either nonsensical claims or relatively trivial misdeeds in his prior role in the tax authority. As the country barely dodged a recession, Gordhan's 2016 budgetary manoeuvres were also complicated by rising popular dissent – especially university students who demanded around \$2 billion in new funding to achieve "free, decolonised, quality higher education" in the #FeesMustFall campaign, as well as angry black communities denied decent levels of municipal services – and threats of a junk bond rating downgrade.

Credit rating threats and student demands

That junk rating has long been threatened by the local managers of three agencies: Moody's, Fitch and Standard&Poor's. But while Gordhan goes to great lengths to appease them and the financiers they front for, the three agencies are so often so spectacularly wrong (e.g. with AAA ratings for Lehman Brothers bank and IAG insurance in 2008), and so apparently biased towards the prejudices of western banks, that in Goa last month, the Brazil-Russia-India-China-South Africa economic alliance pledged to introduce their own.

The neoliberal financial elites in the BRICS machinery ensured, however, that the wording for such an agency's mandate emphasised "market-oriented," so as with the BRICS New Development Bank and Contingent Reserve

Arrangement, there would logically be no difference with existing institutions. And as with Brazil and Russia which were also given junk status recently, South Africa pays a 9% interest rate on its now dangerously high \$135 billion foreign debt, which indicates that the markets already de facto consider South Africa to have junk status.

With those three agencies firmly in mind, on October 25, Gordhan revealed his latest budget in parliament. At the time, 16 of the country's 25 universities had been forced by student protesters to temporarily close down, in the activists' attempt to raise national pressure on the government. Though valiant, and though 600 students were arrested and around \$80 million in damage done by protesters to their campuses, neither Zuma nor Gordhan gave in.

On October 25, several thousand furious university students met Gordhan for a talk at parliament's gates before the budget speech, but then after being attacked by police, began violently protesting throughout central Cape Town. They were then heartbroken by Gordhan's decision to offer only \$420 million in new funds, following more than a year of intense social debate and student protest, in the wake of a legacy of university underfunding by Gordhan's predecessor, the famous neoliberal Trevor Manuel who now works for Rothschild. And they were infuriated by yet another heavy-handed police clampdown.

But the students should not have been surprised. Gordhan did after all signal divide-and-rule budget politics during a New York interview amidst his last investor road-show, on October 5: "We have a solution which will meet the needs of the poor students, and the so called missing middle as well, and it's important that students who understand the calculations, who understand the trade-offs that we need between student fees being subsidised on the one hand, and housing and welfare and health and other issues being paid for on the other hand, that they should be part of a constructive conversation."

Across South Africa, #FeesMustFall had rejected that 'solution' when it was proposed by Higher Education Minister Blade Nzimande – who also leads the SA Communist Party – two weeks earlier. They well understand that state subsidies provided 50% of university income in 2000, but steadily fell to 40% today, with students covering the bulk of the shortfall.

On October 25, Gordhan again told them to borrow more – he offered \$670 million – in order to pay for their undergraduate education. The National Student Financial Aid Scheme's extremely low repayment rates (\$1.5 billion out of \$1.8 billion in outstanding debt remains uncollected) reflects how that strategy is working. Adding household debt is usually only a short-term salve, as demonstrated by the ratio of South African borrowers whom the National Credit Regulator deems 'credit impaired': still in the unsustainable region of 45%, barely lower than the 2008 high.

Importantly, a report by Nzimande's 2012-13 commission on fees-free education was covered up until its findings were leaked in 2015. Nzimande's spokesperson Khaye Nkwanyana had explained, "It is a public document, but due to the nature of the report, we decided not to make it public. Obviously we would have been setting the Finance Minister [Gordhan] up against the public if that decision and report was released."

Gordhan's neoliberal bias

The choices Gordhan made last month necessarily set him against the public. For example, his February budget provided a mere 3.5% nominal increase to foster care providers (who play a vital role given the catastrophic AIDS orphan rate) and a 6.1% rise for mothers of many millions of Child Support Grant recipients. While old-age pensions are not increasing, the extra \$0.75/month he offered to the latter – up to a tokenistic \$27/month – brings the child grant's overall increase this year to 7.5%.

However, inflation for poor people will likely exceed 10%, due to a 15% rise in basic food costs, Eskom's 9.4% electricity price increase and higher transport expenses. Reflecting the gap between Pretoria's conscience and society's hunger, the poverty rate (for food and necessities) is now an excruciating 63%. But South Africa has the fifth lowest social spending rate amongst the 40 largest economies (half that of Russia and Brazil).

Instead of targeting social spending, Gordhan could instead have referenced the \$17.3 billion in annual overcharging within Treasury's \$45 billion procurement budget. Treasury's lead procurement official Kenneth Brown recently acknowledged, "without adding a cent, the government can increase its output by 30-40%. That is where the real leakage in the system actually is."

Why has such fiscal wastage continued for so long? Gordhan himself admits that Treasury remains confounded by systematic ANC "rent-seeking. It means every time I want to do something, I say it is part of transformation. But in the meantime, it means giving contracts to my pals in closets." (The "I" and "my" refer to the Zupta faction.)

But there are also other pals in other closets, who normally cheer on Treasury neoliberalism: the 1% of rich South Africans who have had an exceptional run since the early 1990s, according to a World Bank report released last month. Post-apartheid economic policies raised their income share from 10-12% of total income (excluding capital gains) in 1990-94 to 18-20% since 2009, nearly unprecedented in the world.

These are also the (mostly) men who take assets abroad illicitly. For in addition to around \$11 billion in net profit, dividend and interest payments that leave the country – the main reason South Africa's current account deficit often reaches a dangerous 5% of GDP – there is \$21 billion in annual average 'Illicit Financial Flows' (as counted by Global Financial Integrity over the past decade).

This threat continues unless Treasury and the Reserve Bank counter it by tightening exchange controls. They won't. Apparently without any state regulatory friction, blatant tax dodging occurs at the biggest platinum companies, especially Lonmin with its Bermuda "marketing" arm, De Beers with its \$2.8 billion in diamond misinvoicing over seven years, and MTN's cellphone profit diversions to Mauritius from several African countries.

Society's challenge

A strong, committed Finance Minister would attack such depravities, so as to find funding needed to eliminate society's deprivations. Since Gordhan has failed, will society now ask what rearrangement of the balance of forces is required to finally construct a democratic, developmental state? The first stage of that (liberal) revolution is upon us: confronting the Zuma faction's corrupt nexus of politicians, parastatal agency managers and public-private pilfering partners. The patronage apparatus may fall slowly, because Zuma will challenge the "State of Capture" findings and a sluggish official commission will only then be appointed to investigate more of the details.

But for the next stage, the ongoing prolific protests by opposition parties, university students, communities and labour, remains on the horizon as the political dust refuses to settle. The period ahead will not only clarify whether the liberals and their allies fighting on behalf of Gordhan and the anti-corruption cause can defeat the master of nationalist survival politics, Zuma. Just as importantly, we will learn what pressures from below can be mobilised to generate non-violent regime change in the interests of a post-Zupta, post-neoliberal budget next time Gordhan presents to parliament, in February 2017.

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