

Political Struggle Mounts Over the Economic Future of South Africa

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Rand falls while ANC Government shuffles finance ministers

During the second week of December the Minister of Finance Nhanhla Nene was summarily dismissed by the African National Congress (ANC) government in South Africa under President Jacob Zuma.

Nene was replaced immediately by David van Rooyen prompting an even deeper drop in the confidence in the Zuma government to address the decline in the key economic indicators.

After less than a week, Rooyen was relieved and replaced by Pravin Gordhan, who had served in this position before from 2009-2014.

This decision comes amid a worsening economic crisis inside the country, Africa's most industrialized, which has seen a sharp rise in unemployment, the decline of the rand, energy generation and water shortages.

Apparently in response to the political fallout in the aftermath of the removal of Nene and his replacement by Rooyen, the rand dropped even further from 14-to-1 against the United States dollar to nearly 16. Leading bond-rating agencies lowered the value of South Africa's credit worthiness to a level just above junk status.

An article published by the Associated Press said "South Africa's economy was already troubled. Just a week before, ratings agency Fitch downgraded the country to BBB-. Standard & Poor's maintained South Africa's BBB- foreign currency credit rating, but revised the outlook to negative. The country had narrowly missed entering a recession with less than 1 percent growth, said Statistics South Africa." (December 14)

Leading financial publications such as the Wall Street Journal (WSJ) are asserting that the appointment of Gordhan is responsible for the slight increase in the value of the rand by December 14. However, there was almost no recognition of the need for a reorientation from a neo-liberal economic policy to one that is focused on the needs of the working people, farmers, youth and the jobless.

According to the WSJ, "Markets on Monday welcomed South African President Jacob Zuma's decision to bring back a trusted finance minister in place of a widely denounced appointee, a rare political reversal that exposed his political vulnerability ahead of local elections and the contest in his party to succeed him. South Africa's currency, the rand, rose around 5 percent to 15.10 against the dollar on Monday after Mr. Zuma said Pravin Gordhan would return as finance minister." (Dec. 14)

Gordhan was quoted in the international media making statements designed to rebuild confidence by the global centers of finance capital in the ability of South Africa to halt the decline in the economy. He said during a press conference on December 14 that “I’m relatively familiar with the terrain we have to work with and its challenges.”

He went on to stress how “Our government is acutely aware of the financial impact this has had on those who are invested in our economy. Our humble appeal is [for you] to work with us as we continue to build a resilient economy and a better life for all South Africans.”

Political Response Inside and Out of the Ruling Alliance

Elements within the Congress of South African Trade Unions (COSATU), which is commemorating its 30th anniversary, criticized the decision to terminate finance minister Nene. COSATU, a key ally of the ANC, held its 12th National Congress recently calling for reforms in the national economy.

In a statement issued from its offices in Braamfontein on December 10 the trade union federation said “Currently, the economy is on its knees and it is hemorrhaging jobs across all sectors. The unemployment rate is going through the roof and the blight of capital flight is back in full swing. To maneuver this economic minefield and smooth transition, we needed the stability, continuity and the experience that Cde Nhlanhla Nene provided. COSATU also feels that what is wrong with treasury is that the mandarins and technocrats have too much power and they are neoliberal hardliners.”

South Africa’s ruling ANC party in their statement on December 14 about the situation in the finance ministry said “The ANC further appreciates the explanation provided by President Zuma on the reasons behind the initial reshuffle of Comrade Nhlanhla Nene who is the country’s nominee to serve as head of the African Regional Center of the New Development Bank/BRICS Bank. The decision underscores the importance of BRICS as a game changer in the world economy and the need for new trade patterns favoring developing economies. The ANC commends the public for vocal engagement of government on the appointment of the Minister of Finance. As an organization, the ANC values public activism on matters of public interest.”

The third key ally in the Tripartite ruling alliance, the South African Communist Party (SACP), spoke favorably about the government’s response to the widespread criticism over the changes within the ministry. A statement issued by the SACP on December 14 noted “This is very important, and the SACP welcomes it. Such important appointments, as with other strategic decisions taken to guide our shared national democratic revolution always require a wide ranging meaningful consultation particularly within the liberation alliance.”

Opposition parties, including the largest, the Democratic Alliance, utilized the reshuffling and the decline in the currency value and bond ratings as a political wedge against the Zuma government. Nonetheless, no real alternative economic policies are being advanced by these organizations who occupy the parliament in Cape Town along with the ruling ANC.

The appointment of successive finance ministers has been met with trepidation by the corporate interests while Anglo American mining conglomerate announced it would eliminate 85,000 jobs in a major restructuring plan. These developments represent an ongoing process of job losses in the extractive industry, a major source of employment and

foreign exchange earnings within the South African and regional economies.

Anglo American's announcement in preparation for shedding some of its assets and downsizing its workforce indicates that similar actions could follow within other coal and gold companies during 2016. The multi-national mining firm has plans to divide its coal divisions that export to other countries and those that provide resources to Eskom, the state-owned energy agency that has faced monumental challenges in recent months involving power outages and shortages of water.

In addition some publications are reporting that Anglo American could be considering the unloading of its Kumba Iron Ore Sishen mine, although confirmation of this may not be revealed until next year. (Eyewitness News, Dec. 8)

These decisions will intensify the already escalating class struggle inside the country. For the last four years, there have been numerous strikes within the mining industry impacting the financial crisis emanating from the unresolved necessity for the redistribution of wealth during the post-apartheid period.

Mamokgheti Molopyane, a labor relations and mining analyst, predicts that the long-term effects of Anglo American's restructuring plans in the platinum, coal and gold sectors will become clearer during 2016.

"Anglo is not the only company that announced possible job cuts. The gold and coal sectors [will all be impacted], so you can rest assured that next year it's going to be a battle between the employers and the workers," he said. (Eyewitness News, Dec. 8)

The South African economic crisis is a reflection of the downturn among numerous emerging states which have experienced substantial growth over the last decade. A decline in commodity prices, including oil and other natural resources, has illustrated the continuing dependency on the existing capitalist dominance of the world system.

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