



FRONTLINE AFRICA
— ADVISORY —



LOCAL POLITICAL AND ECONOMIC REPORT

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by Frontline Africa Advisory

Introduction

- Apparent tensions between the ANC and the DA, particularly over foreign policy, remain a major source of consternation about the longevity of the GNU.
- There are growing concerns over the country's safety and security, with the recent release of official crime statistics amidst mass murders in the Eastern Cape and the ongoing impasse at the Stilfontein mine shaft in the North West.
- The potential impact of Donald Trump's re-election on South Africa has been a major talking point since the US elections of 5 November.

Political Updates

ANC vs DA on Foreign Policy

- While the Government of National Unity (GNU) has largely displayed cohesion, the intermittent disagreements and public spats between the key partners, the ANC and the DA, are what political observers and markets are watching with a hawk's eye.
- The two parties have had much to disagree about publicly on the National Health Insurance Act and the BELA Bill, resulting in major concessions by President Ramaphosa. In September, he ordered that the implementation of the NHI be put on hold pending further consultations. With regard to the BELA Bill, which he signed into law, Ramaphosa ordered two clauses be subjected to further consultations between the parties.
- When it comes to foreign policy, the ANC seems to have taken a posture that it shall not be swayed. At a recent ANC International Relations Sub-Committee Retreat, themed "A reflection on the ANC's commitment to Progressive Internationalism in a changing global environment," the ANC said the country's foreign policy was off limits to the opposition.
- This followed expression of contradictory views between the DA and the ANC, on Russia being a friend of South Africa.
- While the ANC government adopted a non-aligned position in the Russia-Ukraine war, the DA agitated for the ANC to condemn Russia's invasion of Ukraine. DA Leader John Steenhuisen even embarked on what he called 'fact-finding' mission to Ukraine in May 2022. The DA also publicly supported Israel in its ongoing offensive against Hamas in the West Bank and Gaza, Palestine, while the ANC remained to its historical solidarity with the people of Palestine.
- Fast forward to post 29 May, it was expected these different foreign policy positions would test the cohesion and longevity of the GNU. Indeed, the DA seems to have joined the GNU committed to its position that stands in contradistinction to that of the ANC. The question has always been about how the GNU would navigate the foreign policy space without undermining the 'common' purpose that brought the two parties together under the GNU.
- While many have suggested that tensions between the two parties over foreign policy poses a threat to the GNU, our assessment is that the DA will not ditch the GNU on the basis of these tensions.
- The DA has, from as early as in the aftermath of the 2021 local government elections when there were indications that the ANC could lose its electoral majority, wanted to influence government policy from within – and not outside.
- Former DA leader and party elder, Tony Leon, has articulated DA's position as serving the GNU while also serving its constituency. He said, and many others within the DA agree with him, the party must be seen to be representing the interests of its constituency, instead of being swallowed up by the ANC as did the New National Party of Marthinus van Schalkwyk in the period to 1996 when it withdrew from Nelson Mandela's GNU.
- The challenge for the DA is that it has not yet mastered the art of articulating its foreign policy positions within the broader context of South Africa's historical past. To be fair to the party, it cannot relate to that past. However, it needs the wit and ingenuity to navigate the sophistry of being a part of government.
- The country's foreign policy, while originally and reflective of the ANC's posture, is effectively a government policy that must, or ought to be, articulated by everybody in government.
- The DA, unfortunately, much like all other partners to the GNU, does not have the luxury of being in government on the one hand and being opposition from within on the other. Such is a classic case of inherent contraction the party cannot afford, especially on the international front.



The Clearing House Mechanism

- The Clearing House Mechanism (CHM), established in September and overseen by Deputy President Paul Mashatile on the directive of President Cyril Ramaphosa, is a hugely important mechanism through which partners to the GNU can find each other on any policy matter.
- The referral of the BELA Bill to the CHM in late October, to create an opportunity for discussions among representatives from different sectors of education, including government officials, educators, and community members, was with the aim of resolving disputes arising from the bill.
- A similar approach could be used on other policy issues, such as foreign policy. The goal must be to create a structured approach to address conflicts and ensure that all voices are heard in the implementation process. The DA and other partners could use the CHM to influence and shape government policy from within, as opposed to resorting to public spats.



- Of course, while the CHM is a positive move, its success will depend on how well it works in practice, how it interfaces with the Political Leaders' Forum of the GNU partners, as well as the extent to which partners to the GNU are able to express themselves without feeling they are being managed.
- The Minister in the Presidency, Khumbudzo Ntshavheni, has already clarified that the CHM does not usurp the powers of Cabinet and those of the President who chairs it. This is important to clear that thrashing issues out at the CHM level, does not mean that Cabinet would not, or should not, debate issues before it.
- That also means, if one party has lost its argument at the CHM it can still raise those in Cabinet. However, once Cabinet has taken a final decision, that decision is binding on Cabinet Ministers (and their deputies).

- This effectively means DA ministers, just like those of other 10 political parties in the GNU, cannot act in way that define themselves outside of the Cabinet collective. It is within this context that the ANC viewed in a dim light the decision by the Communications and Digital Technologies Minister, Solly Malatsi, to withdraw the SABC Bill without consultation.
- It is not an individual minister that submits a bill to Parliament; but rather Cabinet. It is the Cabinet that can withdraw a bill from Parliament. Ntshavheni has said as much. This means if a minister wishes to withdraw a bill from Parliament s/he must make a representation to Cabinet for the latter to make a final call.
- Of course, the GNU is still in its infancy, having recently concluded its first 100 days. There is still much to learn by its partners and perhaps more institutional mechanisms that need to be established to ensure its coherence, cohesion and longevity.

ANC seeks to quell internal dissent

- The ANC continues to experience internal challenges as its alliance partner South African Communist Party (SACP) is publicly rebuking the GNU. The ANC and SACP held their first bilateral meeting since the May election and discussed the growing tensions between the two parties. Both parties went in hoping to find some middle ground. Both parties stood their ground on their perspectives regarding the ANC's decision to work with the DA in the GNU. SACP leadership has indicated a commitment to support the ANC in upcoming local elections, despite these tensions, signalling a complex but cautious alliance moving forward.



Jacob Zuma's Expulsion from ANC



- The ANC's National Disciplinary Committee of Appeal upheld the National Disciplinary Committee's decision to expel former President Jacob Zuma from the party, due to his involvement with the MKP. According to the Jacob Zuma Foundation Spokesperson Mzwanele Manyi, Zuma "strongly rejects" his expulsion and will consult his legal team on the matter. The ANC characterised Zuma's actions as a betrayal, asserting that his leadership of a rival political entity undermined party integrity during a critical period of renewal.
- Zuma's expulsion, however, may not necessarily put an end to ongoing factionalism within the ANC, as he still has some sympathisers within the party who are critical of Ramaphosa's leadership.
- On the other hand, Zuma still maintains his allegiance to the ANC. This may create loyalty problems for some MKP supporters, especially those who are discontent with the ANC.

The Battle for the soul of the EFF

- The EFF is facing its own internal challenges ahead of its National People's Assembly (NPA). Reports indicate a leadership exodus after the NPA, due to purging by Julius Malema or dissatisfaction with not getting positions. Overall, post-NPA will impact the party's strategic positioning within South Africa's political landscape.
- The EFF is risking the loss of its distinct identity as a radical opposition party. Criticism that it has strayed from its founding principles could alienate its base, which values its commitment to economic freedom and social justice. If the party fails to address these concerns, it may struggle to retain its appeal among voters seeking a true alternative to the other parties.
- Additionally, the MK Party, which is attracting former EFF leaders, poses a direct threat to the EFF's electoral prospects, especially as it fishes from the same voter pond.



- To stay competitive, the EFF must redefine its strategy, possibly by re-emphasising its core policies or adjusting its messaging to appeal to both supporters and undecided voters.
- Julius Malema's centralised leadership style is also under scrutiny as internal dissent grows. His ability to unify the party and address the concerns of departing members will be critical in preventing further fragmentation. Failure to do so could lead to a loss of confidence in his leadership, further weakening the party's position.



Safety and Security

- On 25 November, Police Minister Senzo Mchunu released Second Quarter (1 July-1 September) Crime Statistics. The statistics showed an overall drop of 5.1% in crime.
 - Contact crime declined by 3.0%
 - property-related crime declined by 9.9%
 - There was a 3.4% decline in other serious crime
 - Murder decreased by 5.8%
 - Sexual decreased by 2.5%
 - Robbery with aggravating circumstances fell by 8.8%
 - Rape decreased by 3.1%
 - Robbery at residential premises and non-residential premises decreased by 1.3% and 21.1%, respectively
- During the reporting period, the only crimes that saw an increase were attempted murder, assault GBH and commercial crime, which rose by 2.2%, 1.0% and 18.5% respectively.
- The overall drop of 5.1%, though minuscule in a country beset by violent crime, should be commended. As the Minister said, this success owes to ongoing efforts to strengthen crime intelligence, technology and forensics Divisions, but a lot more could have possibly been done to bring crime levels much lower.
- That being said, the SAPS has led a number of successful operations in all the provinces in the country, and there is semblance of success. Could it be that Mchunu, who took over from Bheki Cele after the 29 May elections and the formation of the GNU, has a plan to reduce crime in South Africa?
- From these statistics, it does seem that the curve is turning. Of course, sustained success is contingent on a number of factors, including adequate budgetary allocations to law enforcement, increasing the number of boots on the ground, investment in crime intelligence, continuous training of SAPs, deployment of technology, cooperation across government and communities, and most importantly political will at the highest level.
- Mass killings in Lusikisiki and Qumbu, as well as the murder of a local Chief in Bhityi in Mthatha left a bad taste on South Africans about the inability of crime intelligence to detect and prevent acts of criminality.
- The same police intelligence has also been to blame in the spate of extortions in that province and many of its manifestations in other parts of the country, especially in KwaZulu-Natal, as well as express kidnappings and kidnappings for ransom that have become common across South Africa.
- Although the Minister reported that in both the Lusikisiki and Qumbu massacres, suspects have been apprehended, owing to the cooperation between crime intelligence and security industry and communities, there is a case to be made for more proactive crime intelligence, rather than a reactive one.
- There is a basket full of other crimes that significantly compromise the safety and security of the country that require urgent attention, such as informal businesses (e.g., spaza shops) and illicit mining.
- Spaza shops have been linked to the deaths of 26 children in various provinces in the recent past, prompting President Cyril Ramaphosa to address the nation on 16 November of wide range of measures government was taking to regulate spaza shops and prevent further harm to children.
- Illegal mining, as exemplified by the Stilfontein mine shaft incident, continues to be a problem for the country. To the extent that spaza shops and illegal mining, among other crimes linked to illicit financial flows, operate outside the purview of the South African Reserve Bank (SARB) and other law enforcement agencies, pose severe threats to the nation's stability.
- There have long been calls for the formalisation of spaza shops and illegal mining, to the extent that there are families that rely on them for jobs and other forms of sustenance. While the argument is being sustained in the media and other forums, it ignores the fact that the State must deal primarily with the criminal elements associated with these as a problem of today, while long-term socioeconomic solutions are being sought (a 'problem of tomorrow'). In the circumstance, there is no merit in being bogged down to discussions about possible financial and economic benefits flowing from these activities, while crime continues to rise unabated. If anything, national security is paramount.

South Africa in the Global Context

ICJ and ICC

- As South Africa's case against Israel at the International Court of Justice (ICJ) continues, the International Criminal Court (ICC) issued arrest warrants for Prime Minister Benjamin Netanyahu, former Minister of Defence Yoav Gallant, and Mohammed Deif of Hamas.
- This paves way for charges against the three to move forward for war crimes and crimes against humanity focused mainly on the Israeli strategy of starving the civilians of Gaza and depriving them of medical and other necessities.
- South Africa's ICJ case is, in the main, about acts of genocide perpetrated by Israel against Palestinians.
- South Africa was quick to welcome the ICC's issuance of arrest warrants, saying the action "mark[s] a significant step towards justice for crimes against humanity and war crimes in Palestine".

- Pretoria has long maintained that its stance is that of principle commitment to international law and solidarity with the people of Palestine.
- Apart from having an obligation, as a Signatory to the Rome Statute of the International Criminal Court (ICC) to arrest Netanyahu should he set foot on the country, South Africa may feel its position on Israel has been bolstered by the ICC warrant.
- However, chances of Netanyahu or Israeli leaders setting foot in South Africa are practically non-existent.
- Netanyahu is increasingly getting isolated, as countries such as Bolivia, Nicaragua, Palestine, Turkey, Spain, Mexico, Libya, and Colombia have added their voice in support of South Africa's ICJ case.
- Netanyahu is increasingly under pressure from the US and even agreed to a US plan for a ceasefire with Lebanon's Hezbollah. Israel has been engaged in active warfare on three fronts: Hamas in Palestine, Hezbollah in Lebanon and Iran. The Biden administration has been concerned about the escalation of conflict in the Middle East that could potentially draw Washington into an active war.
- Furthermore, a number of US allies (and by extension Israel sympathisers) who are signatories to the Rome Statute of the ICC now have an obligation to arrest him if he sets foot on their soil.
- All what this effectively means is that South Africa's global standing a voice of reason, an adherent to human rights and a promoter of international law has been shored up.
- The jury is out on whether the US, under the incoming Trump administration, will tone down on its negative characterisation of South Africa, and whether the latter will be punished for its positions on the Russia-Ukraine war and Israel-Hamas conflict or will get away with inconsequential public scolding.



2024 US Elections: The Future of AGOA and South Africa's Trade Relations



- The recent U.S. elections, which resulted in Donald Trump returning to the presidency and significant Republican gains in Congress and Senate, have significant implications for South Africa, particularly concerning its trade relationship with the United States under the African Growth and Opportunity Act (AGOA).
- AGOA has been a vital component of South Africa's trade with the US since its inception in 2000, providing duty-free access to the U.S. market for a wide range of products. This access has been crucial for key sectors such as textiles, automotive, and agriculture. It has been a significant contributor to South Africa's economy, helping to create jobs and promote small and medium-sized enterprises. South Africa's trade under AGOA was valued at \$3 billion in 2022, which was about 21% of the country's total exports to the US.
- As the U.S. undergoes a significant political shift, South Africa faces massive uncertainty, not least about the future of its trade under the AGOA. Expiring in 2025, the trade programme faces uncertainty under Trump's leadership, which could result in less U.S. investment but increased scrutiny of Chinese influence.
- There is already talk of the impact of the translation of Trump's tariffs pledge into action which could add to the challenges faced by South Africa's major employers, such as manufacturing, motoring, and agriculture.
- There is also a potential for a shift in global investment trends. If Trump does well on his 'America First' policy and markets view his efforts in a favourable light, the US might become an ideal investment destination with positive spin-offs for capital inflows and strengthening of the dollar, thus shifting investment away from other world's regions. In the event, emerging markets like South Africa might find themselves inescapably subjected to the brute exigences of the US.
- As South Africa assumes the presidency of the G20, with the risk of a complicated relationship between the US and China over US tariffs on Chinese imports, the country may find itself in the crossfire of that conflict. Although nearly all African countries trade with China, for South Africa China is hugely important. It is the country's major trading partner, followed by the US.
- As global markets scrambled to respond to Donald Trump's return to the White House, one of the first signs of economic turbulence was a sharp drop in the South African rand which fell by 2.5%, hitting R17.82 to the US dollar. Economists say that, for South Africa, the policy uncertainty given rise to by Trump's victory could have profound and long-lasting impacts on everything from inflation rates to employment prospects.
- Nearly a month after Trump's election victory, the rand has started to gain strength, thanks to an improved credit rating outlook from S&P Global Ratings, "fuelling growth on the Johannesburg Stock Exchange." The SA Reserve Bank's projection for the rand/dollar exchange rate is 17.74, for 2024Q4, and 17.96 for 2025Q1.

Economic Updates

- The month of November has seen significant positive economic developments, although challenges remain. Below we sketch some of the key economic indicators:
 - **Interest rate cut:** The SARB cut interest rates by 25bps, bringing the repo rate down from 8% to 7.75%, effective from 22 November. The Monetary Policy Committee agreed that “reducing the level of policy restrictiveness is still consistent with achieving the inflation target.”
 - **Inflation Drops:** Stats SA revealed that inflation in October continued to drop, reaching 2.8% from September’s 3.8%. October’s CPI decline was primarily driven by falling fuel prices. Petrol and diesel prices decreased by 5.3% between September and October, resulting in an annual fuel inflation rate of -19.1%. However, November’s light fuel prices suggest that consumers are not out of the woods yet.
 - **Food Inflation:** While food inflation has been cooling, things might change as “domestic futures prices for the staple white maize in the week of 18 November scaled record highs above R6,300 a tonne, a scorching rise in the year to date of about 60%.” Weather conditions have been one of the factors leading to the issue. However, there is usually a time lag of several months between futures prices and what consumers pay at the shops, so the impact might not be felt immediately.
 - **Struggling economy threatens access to nutritious food:** The Beefmaster Group says while South Africa’s food is among the most affordable in the world, the current economic situation in the country is placing immense financial strain on consumers, making it increasingly challenging for people to access nutritious food.
 - **Bonds Issued:** South Africa has successfully issued \$3.5 billion (R63 billion) in bonds maturing in 2036 and 2054, in the international capital markets, with US\$ 2 billion and US\$ 1.5 billion placed in the 2036 and 2054 maturities respectively. South Africa managed to attract a “wide investor base from multiple jurisdictions” including the UK, Europe and Asia. This was the first dollar bond sale since 2022.
 - **S&P Global credit rating:** S&P Global revised South Africa’s outlook to positive, from stable and affirmed the sovereign long-term foreign and local currency debt ratings at ‘BB-’ and ‘BB’, respectively. South Africa remains in “junk” status, but is still investable, with the country’s debt continuing to pose risks.
 - **Ratings agency Fitch Ratings** - signalled that it may revise and upgrade South Africa’s credit outlook if the government’s efforts to rein in debt improve as outlined in the MTBPS.
 - **Unemployment Rate:** StatsSA published the third quarter unemployment statistics, revealing that the official unemployment rate had decreased to 32.1% from 33.5%. The expanded unemployment rate in the third quarter of 2024 decreased by 0.7 of a percentage point to 41.9% when compared with the second quarter of 2024.
 - **Not yet BIG for SA** - The National Treasury, during an MTBPS debate in Parliament, rubbished proposals for a Basic Income Grant (BIG), saying it would cost the economy as much as R400 billion per year—and this is not affordable without permanent and large tax increases. This happens at a time when government is receiving backlash for its plan to slash about over R20 billion from the SRD grant.

Commentary

- South Africa’s economy under the GNU faces both opportunities and significant challenges. The GNU aims to stabilise governance and implement policies that foster inclusive economic growth, infrastructure development, and reducing poverty, unemployment and enduring inequality.
- The formation of the GNU has continued to attract positive investor confidence, as evidenced by the strengthening of the rand, ratings agencies’ removal of the country from the junk status, the cautious but commendable interest rate cuts – to name a few positive developments. The GNU’s exclusion of more radical parties has reassured markets, emphasising stability and continuity.
- Efforts are underway to address critical infrastructure deficits, including the recovery of commuter rail services and the refurbishment of vandalised stations, which could enhance mobility and economic activity.
- That being the case, there are persistent challenges. The country continues to grapple with high poverty, unemployment and inequality, energy insecurity although recurring power outages almost belong to the past, decaying infrastructure, and failing municipal systems. These issues have dampened growth for years and require urgent structural reforms, which Operation Vulindlela is aiming to address.
- The GNU has prioritised job creation, reducing the cost of living, and maintaining social grants to combat poverty. There is also a commitment to simplifying regulations to attract investment and enhance service delivery at the municipal level.
- The GNU represents a critical opportunity for South Africa to rebuild its economy, address systemic inefficiencies, and restore public trust. However, its success depends on its ability to maintain unity, implement reforms effectively, and navigate political frictions. While economic stabilisation and gradual improvements are expected, long-term progress will require sustained efforts in governance and economic management.

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