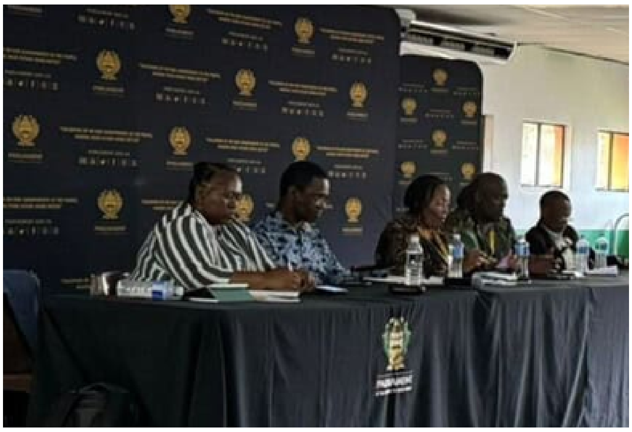
WEEKLY POLITICAL AND ECONOMIC REVIEW

Legislative Updates

PUBLIC HEARINGS ON THE TOBACCO CONTROL BILL: KEY CONCLUSIONS



- On 31 January and 02 February, Parliament's Portfolio Committee on Health held provincial public hearings on the Tobacco Products and Electronic Delivery Systems Control Bill in Trompsburg, Free State and George, Western Cape, where it received mixed reactions;
- The proposed bill aims to strengthen regulations around tobacco products and vaping (electronic delivery systems);
- The single rounds of hearings in both Provinces were necessitated by the need to maintain uniformity regarding the number of hearings sessions held in all Provinces which amounts to three (3) hearings per Province;
- The previous committee of the 6th Parliament, while it managed to hold public hearings in the two Provinces, those were insufficient as the Committee only managed to hold two (02) public hearings in both Province instead of three (03);
- Overall, since the committee started with public hearings, it had received diverse feedback on the Bill, with some expressing full support and others rejecting it in its current form;
- However, there is consensus amongst both sides that something needs to be done to curb teenage smoking and regulate new emerging products like electronic vapour products, popularly known as vapes;
- There are also concerns over the capacity of law enforcement to implement the proposed laws, considering that there is insufficient enforcement of the existing smoking laws and rampant illicit trade
- The committee is set to schedule oral hearings for those individuals and organisations who previously indicated their desire to make presentations before the committee. This will further allow the committee to engage with the public and industries before making a final decision.

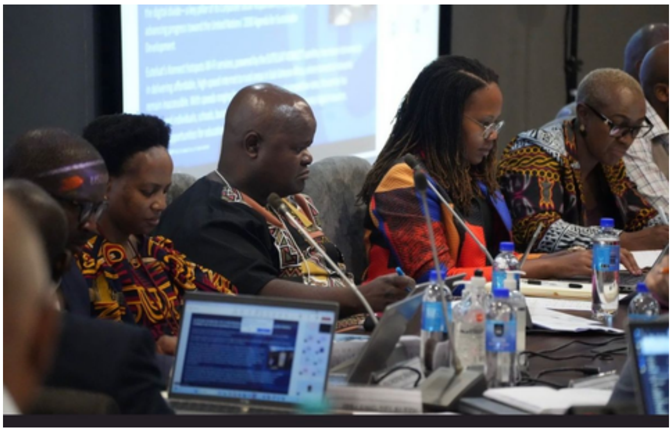
Commentary

- The hearings have highlighted the divide between public health advocates pushing for stricter tobacco regulations and those raising concerns about the Bill on the economic impact on the tobacco industry;
- The Portfolio Committee on Health now faces the crucial task of balancing these interests while ensuring that the legislation is both effective and enforceable;
- As the next step, the upcoming oral hearings will be of even greater significance. They will allow individuals and organisations to engage directly with the committee, providing a platform to present evidence-based arguments on the bill's provisions;
- This will be a critical moment for interrogating the science behind the bill, particularly the distinctions between smoking and vaping, and whether the two should be regulated in the same manner;
- There is increasing evidence from countries such as the United Kingdom, New Zealand, and Sweden that harm-reduced alternatives can contribute to a decline in smoking prevalence. South Africa would do well to consider these global experiences when shaping its approach to tobacco control;
- Furthermore, the oral hearings will provide an opportunity to scrutinise the bill's potential economic impact, particularly on small retailers and the broader tobacco industry;
- While stricter regulations may align with public health goals, they could also lead to job losses and reduced revenue collection for the government. A well-balanced approach should aim to protect public health while also considering economic sustainability and practical enforcement challenges;
- Ultimately, the success of the bill will depend on whether the final version is grounded in scientific evidence, is enforceable in practice, and effectively addresses the concerns of all stakeholders.

CONSULTATION ON THE NEW LICENSING FRAMEWORK FOR SATELLITE SERVICES

- On 05-07 February, the Independent Communications Authority of South Africa (ICASA) conducted public hearings on the proposed New Licensing Framework for Satellite Services;
- This comes after Authority released a consultation document in Government Gazette No. 51044, on 14 August 2024, inviting public input on the proposed New Licensing Framework for Satellite Services;
- Among its objectives, the inquiry aims to establish an appropriate regulatory and licensing framework for satellite services in South Africa;

- The ICASA stated that the new framework aligns with the African Telecommunications Union's (ATU) recommendation for member states to implement transparent and harmonised regulations, fostering the expansion of satellite services across the continent;
- The framework will further establish guidelines for international satellite operators to register and operate in South Africa, ensuring adherence to both national and international regulations;
- The Authority received 38 written submissions from various institutions, including Eskom, Telkom, the Department of Defence, and MultiChoice;
- After submissions, the ICASA announced it will conduct hybrid public hearings, including oral presentations, on the proposed New Licensing Framework for Satellite Services.



Commentary

- The licensing framework aims to foster the expansion of satellite services in South Africa by allowing international satellite operators to register and operate more easily in the country;
- The framework further supports South Africa's broader space and telecommunications policies, aiming to enhance digital inclusion, connectivity, and service access in rural and remote areas, as Eskom alluded;
- Also, these submissions will likely influence the final form of the licensing framework, ensuring that it meets the needs of both government and private sector stakeholders;
- Satellite operators, both local and international, will benefit from clearer operational guidelines, ensuring they comply with both national regulations and international obligations, such as International Telecommunications Union (ITU) regulations;
- One of the contentions against the proposed licencing framework comes from satellite internet service provider, Starlink under the ownership of renowned U.S billionaire Elon Musk. The company argues that it should not be subjected to complying with South Africa’s Black Economic Empowerment (BEE) which requires company to ensure that 30% of ownership is by historically disadvantaged groups;
- However, it is duly important to consider that other telecommunications companies operating in SA must comply with BEE rules. Giving Starlink special treatment would set a double standard;
- This is a sentiment that has been shared by the Chairperson of Parliament's Portfolio Committee on Communications, as well as parties such as the Economic Freedom fighters which argues that insisting that the country’s BEE policies must be implemented consistently;
- If Starlink fails to comply with BEE rules, it may abandon its plans to operate in South Africa, as it has already done in other countries where local ownership was required;
- While South Africa must ensure that its regulatory environment remains attractive to foreign investment, it must also maintain the integrity of its transformation policies;
- A well-balanced approach would be for Starlink and similar companies to explore partnership models that align with BEE requirements while still enabling them to operate effectively;
- If ICASA successfully navigates these complexities, the new licensing framework could serve as a model for balancing national interests with international investment in the rapidly evolving space and telecommunications sectors.

Economic Updates

WORLD BANK REVISED GDP FORECAST FOR RSA

- On 4 February, the World Bank raised its economic-growth forecast for South Africa because of a sustained recovery in its energy and logistics sectors, while warning that the nation will struggle to achieve a pace of expansion needed to reduce poverty and unemployment;
- The Bank boosted its gross domestic product growth projection for 2025 to 1.8%, from 1.3% previously, according to its South Africa Economic Update report published on 4 Feb. The bank expects growth to accelerate to 2% by 2027;
- It mentioned that the recovery of the economy will be driven by improved infrastructure services and a relatively favourable external environment; the bank expects inflation to remain under control, allowing a further easing of monetary policy that will encourage banks’ credits to businesses and households and, thus, stimulate economic growth.

07 February 2025

Commentary

- The upward revision of South Africa's GDP growth forecast to 1.8% in 2025 and 2% by 2027 reflects a modest economic recovery, primarily driven by improvements in infrastructure, energy, and logistics;
- However, this growth remains well below the levels required to address persistent unemployment and poverty;
- The expectation of controlled inflation allows room for monetary policy easing, which could boost credit availability and stimulate domestic consumption and business expansion;
- However, there are still some potential risks such as balancing inflation control with growth. This isbecause while lower interest rates may spur investment, inflationary pressures from external shocks (e.g., global oil prices, currency fluctuations) could force the SARB to maintain a cautious stance on rate cuts;
- Additionally, if monetary easing is not matched by fiscal discipline and structural reforms, investor sentiment may remain weak, limiting capital inflows necessary for sustained economic growth;
- While the World Bank's revised forecast reflects incremental economic progress, South Africa's structural challenges, fiscal constraints, and socio-political risks continue to limit its long-term growth potential;
- To translate this modest recovery into sustainable development, the government should move with speed to fastrack the implementation of structural reforms in infrastructure, energy, and labour markets while ensuring fiscal prudence and investor confidence.

Government Updates

MINING INDABA 2025

- On 3-6 February, Investing in African Mining Indaba brought together industry leaders, policymakers, and investors in Cape Town to shape the future of mining in Africa;
- South Africa's Minister of Mineral and Petroleum Resources, Gwede Mantashe, set a strong tone, emphasising that Africa must use its mineral wealth strategically. He suggested that if Western aid were to decline, African nations could respond by reassessing their resource exports;
- Andrew van Zyl, Managing Director of SRK Consulting South Africa, highlighted the industry's resilience, stressing that responsible and safe mining practices must remain a priority;
- Sustainability was a recurring theme, with Al Cook, CEO of De Beers Group, and Clive Johnson of B2Gold Corp emphasizing the need for long-term community benefits. Along with one speaker noting that, "mining must go beyond extraction—it must create lasting economic opportunities."

Commentary

- While Mantashe's statement was most likely made to assert Africa's agency in global trade, it also risks further straining the diplomatic relations between the US and SA;
- Seeing as diplomacy and trade are intertwined-especially in this increasingly turbulent time in the world-bold rhetoric that may seek to empower domestic industries but may also trigger unintended economic and political consequences;
- The Indaba reinforced the need for Africa's shift toward industrialisation and mineral beneficiation, signalling potential policy shifts to retain more value within the Continent;
- This benefits local economies by promoting job creation and investment in infrastructure;
- However, increased government intervention and nationalistic policies could deter foreign investors wary of shifting regulatory frameworks and geopolitical tensions;
- The emphasis on sustainability and community engagement was a strong positive outcome, as it aligns with global trends and enhances mining's long-term social license to operate;
- However, balancing economic growth with environmental and social responsibility remains a challenge. While the Indaba set the stage for progressive policy discussions, statements like Mantashe's highlight the delicate balance African leaders must maintain—asserting economic independence without alienating critical international stakeholders.

Political Updates

EFF ON NEW DEPLOYMENTS TO KZN

- On 3 February, the Economic Freedom Fighters (EFF) held a media briefing after their 1st Central Command Team (CCT) meeting from the 30 January to 2 February in Bela Bela, Limpopo:
- Amongst the resolutions taken by the party is the deployment of senior members to KwaZulu-Natal (KZN), where the party's performance in the 2024 elections saw a sharp decline, dropping from 10% in 2019 to just 2.56%;

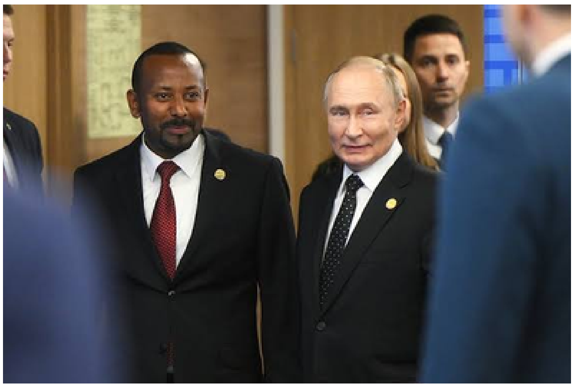
- EFF leader Julius Malema emphasised the party's commitment to reversing this decline and turning things around in KZN, with the largest contingent of twelve senior members sent to the province. Poppy Mailola has been appointed as the provincial convener to lead the effort;
- This move is part of a broader strategy to regroup and regain ground in the province;
- With a strong team now deployed in KZN and a renewed focus on grassroots engagement, the EFF is clearly determined to regain ground in the province and strengthen its position in South Africa's political future.

Commentary

- Malema's assertion that the party's decline in KZN can be reversed with political will and hard work reflects a strong confidence in the potential of the deployed team. However, while the party's commitment to turning things around in KZN is commendable, the outcome of this strategy is far from guaranteed. Additionally, this underestimates the entrenched political dynamics at play in the province;
- For a while, KZN had been a stronghold for the African National Congress (ANC), however, the party saw itself being overthrown by the MK Party, further fragmenting the political landscape and complicating the EFF's attempts to reclaim lost ground;
- If the EFF successfully grows its following in KZN, it will not only gain its influence in a critical province but also position itself as a more significant player in within South Africa's political arena;;
- The success or failure of the EFF's KZN strategy will likely hinge on its ability to overcome both external challenges, such as MK Party's rise and other internal divisions. The party's grassroots engagement and effective leadership in the province will be critical, but its ability to repair its fractured base and rebuild trust among KZN's voters remains uncertain.

Africa Watch

RUSSIA ADDS NIGERIA, TUNISIA, AND ETHIOPIA IN CURRENCY TRADING LIST



- On 03 February, Russia included Nigeria, Tunisia, and Ethiopia, on the list of countries eligible for currency trading in the North Asian country;
- This was revealed by the country's officials via a statement which read the number of countries now allowed to trade currencies in Moscow has ballooned to 40;
- Prior to these developments, only people from Russia could engage in domestic foreign currency trading;
- However, their limited capacity to provide enough liquidity in national currencies restrained transaction volumes and skewed the ruble's exchange rate;
- The BRICS group of nations which Russia is a major participant, has been actively pushing toward de-dollarisation, aiming to create a more centralized trading system that is less reliant on the dollar.

Commentary

- The expansion of Russia's trading partners underscores Moscow's strategy to strengthen its global financial influence;
- It highlights the Kremlin's efforts to maintain financial stability amid mounting Western sanctions, especially after Russia's military actions in Ukraine;
- This directive helps Russia meet its economy's demand for payments in rubles and improves the direct currency conversion system for friendly and neutral nations;
- Meanwhile, the geopolitical implications have drawn scrutiny from global leaders, including U.S. President Donald Trump, who has warned of potential tariffs on BRICS nations challenging the dollar's dominance;
- In response, Russia has cautioned that any forced reliance on the dollar could lead to unintended consequences for the US;
- For the three African nations (with Nigeria and Ethiopia being members of the BRICS+) and Tunisia having indicated its intentions to joining the bloc, there is a higher possibility that such a move could prompt the Trump administration to institute higher tariffs on their exports;
- For Nigeria which enjoys trade agreements with Washington under the African Growth Opportunity Act (AGOA), the transactional Trump administration could upon review later this year resort to non-renewal or the renewal of AGOA with strict conditions;It thus remains to be seen how this shift will impact global trade dynamics and whether more nations will align with Russia's de-dollarisation efforts.

SADC AND EAC TO ADDRESS EASTERN DRC CRISIS

- From 07 to 08 February, the East African Community (EAC) and the Southern African Development Community (SADC) will hold a high-level joint summit in Dar es Salaam, Tanzania, to find a common position on the worsening crisis in the eastern Democratic Republic of Congo (DRC);
- The summit follows an agreement between SADC Chairperson and Zimbabwean President Emmerson Mnangagwa and his EAC counterpart, Kenyan President William Ruto. The main agenda will focus on the conflict between M23 rebels and the Congolese army, which has triggered a humanitarian disaster and heightened regional tensions;
- Both DRC President Félix Tshisekedi and Rwandan President Paul Kagame, who is widely accused of supporting the M23 rebellion, have confirmed their attendance at the emergency talks. The DRC is a member of both SADC and EAC, while Rwanda is part of the EAC;
- The urgency of the summit comes after a renewed M23 offensive, reportedly backed by Rwanda, pushed towards Goma, the capital of North Kivu, with further advances into South Kivu;
- The rebels have vowed to continue their territorial expansion, even threatening to march towards Kinshasa. The African Union and the European Union have both condemned the violence, but diplomatic interventions have so far failed to stop the fighting.

Commentary

- The ongoing crisis in the eastern DRC is a serious threat to regional stability, with the potential to escalate into a broader conflict involving multiple states. The upcoming joint summit is a crucial diplomatic effort to de-escalate tensions and prevent a prolonged war that could spill over into neighbouring countries;
- While the joint engagement of both regional blocs is a positive step, the success of the summit will largely depend on whether SADC and EAC can align their differing approaches;
- The EAC has advocated for direct negotiations between the Congolese government and M23, a proposal Tshisekedi has firmly rejected. This divergence in strategies led Tshisekedi to replace the EAC's regional force in the DRC with a SADC-led deployment, which has taken a more confrontational stance against Rwanda;
- Meanwhile, SADC in its last summit held on 31 January in Harare, Zimbabwe unequivocally called for Rwanda's withdrawal from Congolese territory something Kigali denies violating in the first place;
- The presence of both Tshisekedi and Kagame at the summit is significant, as it presents a rare opportunity for direct engagement. Historically, diplomatic efforts to resolve tensions between Kinshasa and Kigali have often been undermined by mutual distrust and competing regional interests;
- Beyond the political maneuvering, the humanitarian crisis must not be overlooked. Hundreds of thousands have been displaced, and if the fighting continues, the situation could worsen dramatically. Thus, a fragmented approach by regional bodies will only prolong the suffering of civilians caught in the conflict;
- Ultimately, the summit's success hinges on its ability to move beyond rhetorical condemnations and symbolic meetings. A concrete, enforceable roadmap is needed: one that commits to a broader peace process that includes all relevant stakeholders;
- Anything less will likely result in continued instability, further entrenching the cycle of violence that has plagued eastern DRC for decades.

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