

## **SOUTH AFRICA ON THE EDGE OF A PRECIPICE**

An address by **Kaizer M. Nyatumba** ([www.kaizernyatumba.com](http://www.kaizernyatumba.com)) to Master of Science (Finance) Students from Georgetown University's McDonough School of Business

**Date: Sunday, 1 May 2016**

Good evening, ladies and gentlemen, and welcome to our beautiful country, South Africa. I hope that you will enjoy your stay here and that you will feel, on your return to the USA, that the purpose for which this trip was undertaken will have been accomplished. It is wonderful to have yet another opportunity to talk to MSF students from Georgetown University's McDonough School of Business. I always welcome and cherish the opportunity to meet and share views with people from my *alma mater*.

My thanks go to Mr Weichbrod and Professor Eberhart for the invitation for me to spend this evening with you in a conversation about South Africa.

Your trip has come at a time when South Africa finds itself very much in the news both domestically and internationally, largely as a result of various controversies that have engulfed our current Head of State, one President Jacob Gedleyihlekisa Zuma, who has lurched from one crisis to another. It comes at a time when, 22 years into our democracy, the governing African National Congress is drunk with power and has become frighteningly arrogant, and when – owing to a whole host of factors, among them high levels of corruption, poor management of our economy and abysmal policy coordination – our beautiful country is on tenterhooks, fearing the possibility of yet another downgrade by international ratings agencies to a junk status.

I will return to this very worrying state of affairs later.

For now, though, I would like to assure you that things have not always been this way. I would like to help you to understand how things got to be the way they are now.

As you most likely know, South Africa was the last country on the continent to shake off the heavy burden of oppression to become an independent, fully-inclusive country. That was terrible, but it also had its own benefit. It meant that we had had ample opportunity to watch various disastrous experiments with socialism unfolding on the continent and had seen liberation heroes transmogrifying into dictators who refused to leave office and, therefore, knew what we needed to avoid or do differently.

The formal ending of apartheid – a system not dissimilar to the Jim Crow that had existed in a bygone era in your own country – around this time in 1994 transformed

South Africa from an international pariah into a loved and well-respected country around the world.

With the iconic, larger-than-life and legendary Nelson Rolihlahla Mandela as our internationally-revered President, we basked with him in international glory and enjoyed our moment in the sun. We were widely hailed as a miracle nation that had put the odious system of apartheid behind it relatively peacefully, embraced reconciliation and had become, in Archbishop Desmond Tutu's words, "A Rainbow Nation of God".

It was wonderful to be a South African then. Not only did many people from around the world descend on our shores to marvel at this wonder, but we could also travel abroad with our heads held high, and would often be sought out and feted for our country's near-miraculous achievement. To boot, we boasted three Nobel Peace Prize laureates: Archbishop Desmond Tutu, for his valiant, peaceful international campaign against South Africa, including his call for punitive economic sanctions; Former President FW de Klerk for having had the vision and courage to jettison apartheid and enter into talks with the country's formerly banned liberation movements; and, of course, democratic South Africa's first President, the saintly Nelson Mandela who had successfully guided his people to embrace reconciliation with their erstwhile oppressors.

On top of it all, we had one of the best Constitutions in the world, which outlawed the death sentence and granted equal rights to everybody, regardless of race, gender or sexual orientation. We had moved, almost overnight, from being the most racist country in the world to being the most liberal, and from being a so-called Christian country in which schools began with prayers at assembly in the mornings to being a secular state that protected its citizens' rights to a religion of their choice.

What wonderful days those were! They filled us with the kind of African exceptionalism similar to the USA's own international exceptionalism. We believed then that we were a very special African country:

- we had made a peaceful transition to democracy and somehow had managed to avoid a protracted civil/racial war;
- our leader was a world-revered statesman who could speak with great authority on any subject and be taken seriously by every country, yours included; and
- we had the best infrastructure in Africa and were the biggest economy on the continent.

We were, therefore, very special.

Just to underline that sense of being ultra-special, a year into our democracy the national rugby team – all white except for one player – won the Rugby World Cup

and, a year later, the national football team won the continental football equivalent: the African Cup of Nations. It was as if we could do no wrong!

Like the USA, which is a magnet for international migration, so, too, was a democratic South Africa for many people on the continent. For a number of reasons, South Africa continues today to be such a magnet for African migration. There is no country on the continent whose nationals are not to be found in South Africa. Some are here legally, while many others are here illegally.

Unlike other African countries whose liberation-era leaders had remained in office for generations, our Nelson Mandela served only one five-year term as President – when the Constitution allowed him to serve two – and voluntarily stepped down, making way for his successor, the urbane and intellectual Thabo Mvuyelwa Mbeki who had worked closely with the legendary ANC leader, Oliver Reginald Tambo, in exile.

A reserved and erudite man not blessed with the charisma and friendliness of Mandela, Mbeki placed more emphasis on domestic economic growth, transformation and black economic advancement, and a pan-African agenda. He it was who championed the New Partnership for Africa's Development (NEPAD) and the formation of the African Parliament.

On the occasion of the adoption of the country's final Constitution in the National Assembly on 8 May 1996, President Mbeki delivered a moving, lyrical speech – in my view, his best by far – that will be remembered for years to come and which has inspired the composition of a number of songs. "I am an African," he said at the beginning of his speech. "I owe my being to the hills and the valleys, the mountains and the glades, the rivers, the deserts, the trees, the flowers, the seas and the ever-changing seasons that define the face of our native land."

It may not rank in importance alongside Dr Martin Luther King Jr's evocative "I have a dream", but, in my view, it remains probably the best speech ever delivered in our Parliament, and one of the best on the continent. Have a look at it when you have a moment. Just google "I am an African" and Mbeki's speech comes up.

Unlike the Mandela presidency, which had of necessity to focus on reconciliation and nation building, the Mbeki presidency had to grapple with one of the dominant legacies of apartheid, economic inequality, which continues to stare us in the face even today. Therefore, transformation was a buzz word, much to the annoyance of most of our white compatriots, who were and still are far too eager for us to develop collective amnesia and leave that ugly past behind us – even though they have no problem at all with the Holocaust of Nazi Germany being remembered so many years after the event. They felt threatened by talk of transformation and Affirmative Action. As a result, Mbeki was never popular in those quarters.

However, black South Africans – especially Africans – bought into his thinking most enthusiastically. They argued, with very good reason, that it was imperative that the political transformation that had taken place be accompanied by economic transformation. It was during the Mbeki presidency that the concept of Black Economic Empowerment was born and championed.

Of course, like everybody else, Mbeki was not perfect. He made three important mistakes, with the first one being by far the biggest. At a time when South Africa was ravaged by the scourge of HIV-AIDS, he bought into the gospel of US AIDS dissidents who questioned the very existence of this epidemic and were opposed to the supply of anti-retroviral drugs to those who needed them. “A virus cannot cause a syndrome,” Mbeki argued, and thousands – perhaps hundreds of thousands – of people, mostly black compatriots, lost their lives. This was most insensitive of him and negatively affected his popularity.

Secondly, Mbeki refused to denounce an emerging dictatorship and rigging of elections in Zimbabwe. Instead, he championed President Robert Mugabe’s cause for Britain to honour its pre-independence undertaking to pay for land that was forcefully confiscated from whites by the political elite in Zimbabwe. For that, many South Africans – but especially white compatriots – will not forgive him, and that is a blight on his legacy.

Thirdly, for some reason, Mbeki appeared hell-bent on frustrating Zuma’s ambitions to succeed him at the end of his second term as President. In the run-up to the ANC’s national conference in Stellenbosch in 2002, three prominent ANC leaders – Cyril Ramaphosa, Tokyo Sexwale and Matthews Phosa – were publicly accused of plotting against Mbeki, and, out of the blue, Zuma issued a media statement denying any intention to contest the ANC presidency against Mbeki in Stellenbosch. This led to the creation of an impression that Mbeki was insecure and given to paranoia.

Following the conviction in 2005 of Zuma’s former financial adviser and backer, Schabir Shaik, on corruption charges and the presiding judge’s statement, during his verdict, that there had been “a generally corrupt relationship” between Shaik and Zuma, President Mbeki fired Zuma as the country’s Deputy President, with the latter remaining his number two in the ANC. That, and a number of other subsequent developments, including Mbeki’s unwise decision to run for a third term as ANC President in December 2007, strengthened the perception that Mbeki was determined to deny Zuma an opportunity to succeed him.

Men and women of goodwill – myself included – do not like to see power used to victimise the weak or vulnerable. To the extent that Mbeki wittingly or unwittingly allowed an impression to be created that he wanted to stop Zuma at all costs, and following the fear that by running for a third term as ANC President he and his followers wanted to amend the country’s prized Constitution so that he could serve a third term, many people were alienated. I was one of those who did not want a

possible amendment of our dear Constitution to enable Mbeki – or anybody else, for that matter – to serve a third term.

The perception of being a victim worked to Zuma's advantage. He enjoyed sympathy both within and outside the ANC, and this propelled his presidential ambitions. Even those ANC members who did not think that Zuma would make a good president voted for him at the ANC's National Conference in December 2007 in order to deny Mbeki a third term as ANC President, and the former subsequently won by a huge majority and, in 2009, went on to become President of South Africa.

Of course, we now know that, whatever the cause of his reservations were, Mbeki was right in his suspicion that Zuma would make a terrible President. We know now that South Africa would have been much better without him at the helm. Simply put, Zuma has been disastrous as President, and has been dogged by one scandal after another.

In order to please the many people who made it possible for him to beat Mbeki in 2007, Zuma has increased the size of the South African Cabinet to possibly the largest in the world, with 35 Cabinet Ministers and 37 Deputy Ministers! In order to appreciate the extent of Zuma's carelessness with the public purse, one needs to benchmark South Africa with other countries, especially rich, developed nations. Compared to the size of our Cabinet of 35 Ministers, Germany has 14 Cabinet Ministers, the USA has 16, Australia and Japan each have 17, Brazil has 25 and the United Kingdom – which normally has a Cabinet of around 20 Ministers – has 32 Cabinet Ministers at the moment because it has a coalition government.

Zuma is also among the highest paid presidents in the world. Depending on the prevailing Rand-Dollar exchange rate, he is either the second-highest paid President after the USA's Barack Obama (\$400 000), or the fourth-highest paid (\$223 500) after Obama, Canadian Prime Minister Justin Trudeau (\$260 000) and German Chancellor Angela Merkel (\$234 400). He earns more than British Prime Minister David Cameron (\$214 400), Japanese Prime Minister Shinzo Abe (\$202 700) and many other leaders of rich, First-World countries!

Regrettably, South Africa does not get value for money from him. On the contrary, President Jacob Zuma has been a huge liability not only to his own organisation, but also to the country itself.

During the Zuma presidency, corruption has reached its highest levels in South Africa, with so many allegations levelled at the president himself. Where once Nigeria was said to be the most corrupt country in Africa, some people have suggested that South Africa has now overtaken Nigeria when it comes to that scourge. I have no idea whether or not that is, indeed, so.

At a time when the Government's salary bill has grown phenomenally and the public service has become bloated, the country's economy is in its worst shape since 1994. Over the past 18 months many companies have registered poor performances or recorded some of their worst losses and, in the process, they have had to let go of thousands of employees. We have reached a stage in our country where we consider ourselves lucky just to have a job – any job, regardless of its pay or the conditions of employment.

Of course, the global recession which had its onset in 2008/9 has not helped, nor has the decline in world demand for commodities, which have continued to be an important contributor to our GDP. However, not all our economic challenges are attributable to exogenous factors and the current state of the global economy.

As of 29 February 2016, almost 17 million South Africans were receiving social grants (the exact number is 16 943 279), according to information released by the South African Social Security Agency. Given the fact that we are a country of just over 50 million people, that means that almost a third of South Africans depend on social security for survival. According to Stanlib and various other sources, although the country has 13,7 million registered taxpayers, South Africans eligible for annual tax returns are just over 5 million. This is a very small tax base supporting a super-sized Cabinet, a bloated civil service and a significant social security burden.

Where once South Africa was the biggest economy on the continent, it is now the second largest, after Nigeria, thanks to a re-basing exercise in that west African country, which is also the biggest on the continent in population size.

A few weeks ago the country's Constitutional Court found that President Zuma – who took an oath, when he was sworn in, to uphold our Constitution – had failed to uphold, defend and respect that very same Constitution. That is not entirely surprising. This President has gone on record – including in Parliament, of all places – to state proudly that his primary loyalty is to his organisation, the ANC, which “comes first”, and not to the country of which he is President!

In Pretoria this week, the North Gauteng High Court ruled that the dropping of 700-plus charges against Zuma on the eve of the 2009 general elections was invalid and had to be set aside. This means that those charges which were dropped conveniently should be reinstated.

Although two attempts by the Official Opposition, the Democratic Alliance, to have the National Assembly impeach President Zuma have failed this year alone because Members of Parliament from the governing party are under strict instructions to defend and protect Zuma (and not the Constitution) at all costs, increasingly it looks like Zuma will be very lucky to finish his second term of office in 2019. An astute, populist politician with an intelligence background, he has been very good at building and maintaining broad coalitions within the ANC-led tripartite alliance that have his

back – even if that ends up costing the ANC dearly in the forthcoming local government elections.

While the ANC appears unlikely to recall him and while he himself is certainly most unlikely to throw in the towel, there is a good chance that he might end up forced either by the South African public or the country's courts to resign. Never before has he been this unpopular – including within some quarters within his own organisation.

Regrettably, Zuma seems to have so effectively infected the ANC with his moral shortcomings. By and large, the men and women who surround him and support him within the ANC are themselves morally compromised. Indeed, Social Development Minister and ANC Women's League President Bathabile Dlamini felt bold enough to state publicly, in the aftermath of the Constitutional Court's excoriation of Zuma, that nobody could successfully call on the ANC's National Executive Committee to recall Zuma from office because all of them on that decision-making structure had "some small skeletons" of their own. What a shocking admission that was!

Clearly, given her lofty position in the Cabinet and in the inner sanctum of the ANC's National Executive Committee, Dlamini knows what she is talking about. With fellow ANC leaders themselves having "little skeletons" of their own, it follows that none of them in that National Executive Committee would have the courage to give Zuma the heave-ho, lest their own "little skeletons" get exposed!

The fact that Dlamini could make such a statement publicly indicates the degree to which she and her comrades believe they have the South African electorate under their spell. It means that they believe that, regardless of how terribly they behave and how frequently they make and fail to keep promises to the masses, the ANC will continue to get the overwhelming majority of the votes from the self-same masses. That belief is very much consistent with Zuma's own view, ahead of the 2009 elections, that "the ANC will rule until Jesus Christ comes back".

At a time like this, we cannot help but remember Lord Acton's sagacious caveat: "Power tends to corrupt and absolute power corrupts absolutely."

But, is the ANC leadership's belief justified? I don't think so. To start with, although the ANC has continued to get the vast majority of the votes in the elections held so far, the trend in the last two elections has been downward. In 2014 the ANC received 62,15% of the votes cast, down from 65,90% in 2009, which was itself down from 69,69% in 2004.

Secondly, the 2016 local government elections are likely to serve as a referendum on the Zuma Presidency. They come at a time when the controversy-dogged ANC and its alliance partners are apparently at their weakest, riven as they are with internal divisions. Zuma the Ultimate Teflon Man, the affable, singing and often-

laughing leader on whom no dirt could stick, was an asset going into the 2009 elections, but he is now certainly a huge liability to the organisation.

Thirdly, the Democratic Alliance and the Economic Freedom Fighters pose a real threat to the ANC this time around. Led by Julius Malema, probably the most charismatic and populist – if sometimes gaffe-prone – leader in South Africa today, the EFF has been very effective in exposing the ANC's arrogance in Parliament and in championing the cause of the poorest in our country. In addition, the manifesto that it launched at Orlando Stadium in Soweto yesterday (Saturday, 30 April 2016) was, in my view, by far the most relevant when compared to those launched by the ANC and the Democratic Alliance two weeks and a week earlier respectively.

To be sure, some of the promises made by the EFF – such as nationalisation of financial institutions and confiscation of white-owned land without compensation – are impractical and unrealistic, given the protection afforded to all South Africans in our Constitution. The question, however, is whether the EFF's intended audience will recognise the impracticality of such promises.

The Democratic Alliance seems to offer potentially a more serious threat to the governing ANC this time around than it has done so far. For a start, the ANC's much-loved criticism that the DA is a white or white-led party that would advance the interests of the white minority does not hold. Not only is DA leader Mmusi Maimane – another eloquent and charismatic politician – black, but so, too, are most of the party's provincial leaders and, indeed, its general membership.

Secondly, Maimane appears to have succeeded so far in changing the DA's language of privilege when it comes to matters of concern to the black majority. He appears to be winning the battle of getting the party to understand that it cannot make considerable electoral strides for as long as it is not heard to be speaking out on racism and the need to redress the legacy of apartheid that continues to exist.

In conclusion, then, where does South Africa find itself today? Regrettably, our beautiful country finds itself on the edge of a precipice. All it would take to tip it over is a little shove. Our economy is in shambles, the army of the unemployed is growing at a frightening pace, the cost of living – including such necessities such as electricity and water – is going up, race relations are at their worst in the democratic era and inequality between the rich and the poor has grown.

Although in recent months Finance Minister Pravin Gordhan and his team in the Treasury have done a great job of repairing relations and building trust between Government and business, this may be too little, too late. Many years of mistrust between Government and business, which some in the governing party have sometimes described as an enemy representing "white monopoly capital" and with many in business continuing vigorously to resist much-needed transformation, are not likely to be rolled back in a matter of months.

To the extent that our Founding Fathers and Mothers were wise enough to make our Constitution sovereign, and not Parliament, with the result that our judiciary continues to be fearlessly independent, I am reasonably optimistic about the future. To the extent that some of the independent institutions formed in terms of Chapter Nine of our Constitution – most notably the Public Protector – execute their responsibilities without fear or favour, I remain cautiously optimistic. To the extent that our banking institutions are among the most efficient in the world and that South Africans are not a servile lot, I remain optimistic about the future.

I suspect that, with the increase in the number of young people born after the 1994 elections, potential exists for the electorate to send the ANC a strong message of disapproval in the local government elections on August 3 this year and in the general elections in 2019. Perhaps, when such a message is finally delivered, the ANC may then realise that it has no entitlement to South Africans' votes, ditch its arrogance and self-correct.

I will continue to live in hope. Do they not say, after all, that hope does not kill?

Ends