



South African Update February 2011

The annual State of the Nation address, which takes place in the second week of February every year, and is given by the State President, is perhaps as good a place as any to feel the pulse of the nation.

President Jacob Zuma looked much more relaxed and confident than in previous years, a sign perhaps that he is more comfortable and at home in the presidency, two years into his first tenure. The speech was more pragmatic than visionary and laced as it was with statistics and numbers. For example, 7.3 million tourists visited South Africa in 2010. Last year the emphasis was on 'service delivery' this year the focus was on 'job creation'; two words he used 36 times in his speech. He mentioned, for example, that visible policing had been stepped up; that many serious crimes are on the decrease (which has been confirmed by independent experts); and that the court backlogs are reducing. He could also point to the improved end of school examination results, despite the disruption in schooling caused by the 2010 World Cup, and the fact 81% of the population is now connected to the electrical grid and that another 400,000 people had been given access to a basic amount of safe water. One and a half million new houses have been built since the new government took over in 1994.

It is very important in a maturing democracy that areas of policy consensus emerge between the government and the opposition, the most noticeable opposition in South Africa being the Democratic Alliance. This seems to be happening more and more and in particular concerning economic matters. The political debate turns to the question of how results can best be achieved. With job creation as the centerpiece of the President's speech he made an encouraging reference to the key role of the private sector in job creation. One must remember that since the change over in 1994, South Africa has embraced capitalism with a strong social welfare component. As a practical boost he announced a billion dollar fund which he called a Youth Wage Subsidy and about three billion dollars tax breaks to promote investments, expansions and upgrades in the manufacturing sector.

But what the President does not seem to know is the contradictions inherent in the government's continued emphasis on creating jobs while undermining the notion with a battery of labour law amendments. In other words it is getting increasingly more difficult to employ people because new labour laws are constraining rather than enhancing job creation. Another contradiction very much, in the public eye, is the contradictions of talking about massive mineral wealth (estimated at about 10 trillion dollars) while ignoring the fact the industry is failing to successfully exploit that wealth. What would have been nice to hear from the government are clear investment guide-lines for the industry. The Mineral and Petroleum Resources Development Act of 2002 states: "South Africa's mineral and petroleum resources belong to the nation and that the State is the custodian thereof". However, the Youth League of the governing ANC party constantly calls for the 'nationalization' of the mines despite the fact they are already

‘nationalized’. What in fact the Youth League want is control of the mines. President Zuma did little or nothing in his speech to appease a very nervous foreign investment community, the present custodians of the mines. This debate will rage on in 2011.

Of further concern was the President indicating a rethink of social grants, on which 15 million South Africans (a quarter of the entire population) depend. Even if there is a significant increase in jobs, and this is not at all evident, South Africa is still going to have for the foreseeable future millions of people who cannot get into the job market. The practical consequences are that grants are absolutely crucial as they will remain the only source of income for so many; mainly the most poor and vulnerable. Perhaps a golden opportunity was lost here to mark out the middle ground between the expectations of a massive increase in jobs and the fact so many South Africans depend on social grants simply to survive.

The time is slowly coming in South Africa for a ‘Social Partnership’ to be formed; made up of government, business and labour in a collective endeavor to forge a new path in job creation and economic stability for the good of the country. No one grouping can go it alone.

And so, as the new year comes into view it arouses hope that it will be the harbinger of positive developments, though expectations are often tinged with fear that they may herald a false dawn.

On the political front perhaps the most important event during the year will be the nationwide local government elections. They will serve as a political barometer of the preferences of voters and, beyond that, whether President Jacob Zuma will be re-elected as the President of the African National Congress at its national conference in 2012.

The local government elections will similarly serve as an indicator of whether Helen Zille’s Democratic Alliance (DA) will be able to fend off the ANC attempt to re-establish itself as the dominant party in the Western Cape Province following its defeat by the DA in the province in the 2009 general election.

By the same token the 2011 local government elections will determine whether the DA can increase its support outside the Western Cape, particularly by winning a larger share of the black vote and thereby defining itself as a party with the potential to oust the ANC from its present seemingly impregnable position as the governing party.

Seán O’Leary
Pretoria February 2011