

South African President Thabo Mbeki resigns

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President Thabo Mbeki of South Africa has resigned and has been replaced by Kgalema Motlanthe. The move reflects growing divisions within the ruling African National Congress (ANC) and has created political uncertainty in South Africa and neighbouring countries.

Underlying the political turmoil in the ANC is the widening social gulf between rich and poor. The number of people living in severe poverty has more than doubled during the nine years that Mbeki has been in power. At the same time a tiny minority of leading ANC figures have benefited from the transition. They have grown wealthy, while the majority of the party's supporters have found their economic and social conditions deteriorating.

There is a growing realisation among the mass of the population that the end of the Apartheid regime 14 years ago has not produced the improvement they had expected in social conditions. Wide sections of the population have become alienated from the ANC, which had promised them housing, jobs, education, electricity and water supplies once they were in power.

The ANC government has pursued a policy of free-market economics, opening up the South African market to transnational companies and privatising state-owned companies. On average the economy has grown at the rate of 5 percent a year, but this has not been enough to create jobs for all those who need them. Unemployment stands officially at 40 percent but is much higher in reality, especially among the young and in the townships.

Poverty and social dislocation have contributed to a rise in crime that predominantly hits the poorer layers of society, who cannot insulate themselves in rich neighbourhoods. Earlier this year these deepening social divisions contributed to an outburst of anger directed against immigrants, who were made into scapegoats for the lack of jobs, public utilities, welfare

provision and services.

Rising food and fuel prices have added to the misery for those already struggling to survive. Food prices are currently rising by more than 18 percent and fuel by over 28 percent per annum.

As support for the ANC has dwindled, factional conflict has increased inside the party. Jacob Zuma has become the centre of a faction that has drawn support from the South African Communist Party and the Congress of South African Trade Unions (COSATU). Mbeki dismissed him as vice-president in 2005 when his financial adviser, Shabir Shaik, was found guilty of corruption for his part in a massive arms deal. Zuma has faced prosecution over the same deal. But he has succeeded in harnessing mounting popular discontent with the economic policies that are associated with Mbeki's government. In December he ousted Mbeki as president of the ANC.

Zuma does not have a seat in Parliament and so cannot replace Mbeki as president of the country immediately. Motlanthe, who is Zuma's deputy in the party, is regarded as a caretaker president who will hand the presidency over to Zuma after the next elections.

Mbeki's resignation was precipitated by a court ruling that dismissed corruption charges against Zuma. Judge Chris Nicholson went on to criticise Mbeki for using state institutions to pursue Zuma through the courts in an attempt to prevent him from challenging for the presidency. He referred to Mbeki's "baleful political influence" on the case.

With Mbeki accused of engineering a political conspiracy against his rival, his position as president became untenable. When the ANC officially recalled him, he resigned from office rather than face possible impeachment.

Zuma has praised him for his statesmanlike response. He stressed that Mbeki remained a friend. But the

tensions in the party and the country remain real. Supporters of Mbeki organised a rival ANC conference in the Western Cape and boycotted the official ANC regional conference last week, claiming that branches loyal to Mbeki had been left out of registration to prevent them sending delegates to the official conference. They accused Zuma of "outright manipulation."

Leading figures close to Mbeki in the provincial governments look set to go. Premier Mbhazima Shilowa of Gauteng province has resigned. He stressed "that while the ANC has the right to recall any of its deployed cadres, the decision needs to be based on solid facts, be fair and just. I did not feel that I will be able to, with conviction, publicly explain or defend the NEC's decision on comrade Thabo Mbeki."

Premier Sello Moloto of Limpopo province may follow. Shilowa's name has been associated with rumours that a breakaway party may be formed.

In a move with potentially damaging economic consequences, Mbeki's office announced that Finance Minister Trevor Manuel intended to resign. Manuel has won the confidence of foreign investors with his strict control of the public purse and commitment to free-market policies. The rand suffered its biggest fall against the dollar in four years until Manuel clarified the situation. He explained that his resignation was a formality to allow the new president to make his own appointments, but that he remained willing to serve as finance minister.

The fact that Manuel will stay on as finance minister under Motlanthe has calmed market fears. Speaking on the BBC's "Hardtalk," Manuel said that the government's economic policies would not change.

"I have an assurance from the current president, President Motlanthe ... he has said that we will maintain the policies that we have."

When he was asked about the high level of unemployment, he replied dismissively, "You must have got your figures from a bubblegum wrapper."

Speaking at an SACP policy conference in Johannesburg, Zuma stressed that the new government would continue to work with business. The government would focus on job creation, preventing crime and combating poverty, Zuma said, but did not elaborate on how this would be done. Ever since he began his campaign for the leadership, Zuma has made strenuous

efforts to reassure international investors about his intentions while at the same time resorting to left-wing rhetoric for domestic audiences.

COSATU General Secretary Zwelinzima Vavi, one of Zuma's allies, welcomed the new government and called for spending restrictions to be eased. COSATU wants the central bank to cut interest rates, which are currently at 12 percent, nationalisation of failing industries and protection against cheap imports, especially in the textile sector, which has been badly hit by Chinese competition.

Max Sisulu, who heads the ANC economic team, reassured the *Financial Times* about the character of the new administration's policies.

"The changes we seek" Sisulu said, "will not come about as a result of some invisible hand. There has to be greater public spending but we realise that the private sector has a role to play."

Sisulu said that government subsidies would be made available to labour-intensive industries in an effort to reduce unemployment. Unemployed youth would be encouraged to start businesses, Sisulu said.

Zuma and his allies are attempting to construct a slightly modified, but still essentially business friendly, economic policy. Many local sections of business would welcome protection from competition and lower interest rates and government subsidies. With power cuts now a major problem for industry, some increase in public spending may be seen as the only way to revitalise essential infrastructure.

What Zuma is offering is by no means a left-wing agenda, even if it is dressed up in radical rhetoric. Sisulu's interview made it clear that the new leadership of the ANC propose to continue the relationship with big business and that their primary role will be, as it has been since the end of Apartheid, to ensure social peace.

"A stable environment is also important for business," Sisulu told the *Financial Times*, "They have accepted the need for change and it will be better for them if it happens in an organised way."



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